



THE NORTHWEST SEAPORT ALLIANCE
AUDIT COMMITTEE MEETING MINUTES
TUESDAY, APRIL 17, 2018
The Fabulich Center, Room 104
3600 Port of Tacoma Road, Tacoma, Washington

SEATTLE COMMISSIONERS PRESENT:

Fred Felleman, Audit Committee Co-Chair
Peter Steinbrueck, Audit Committee Member
(telephonically)

TACOMA COMMISSIONERS PRESENT:

Don Johnson, Audit Committee Co-Chair
Clare Petrich, Audit Committee Member

NWSA STAFF PRESENT:

Darren Arakaki, Dir. Accounting
Erin Galeno, CFAO
Carolyn Lake, Legal Counsel
Tom Tanaka, Legal Counsel
Jude Doremus, Executive Assistant
Juliet Campbell, Clerk of the Port

2:15 PM: AUDIT COMMITTEE MEETING:

1. CALL TO ORDER:

Co-Chair Felleman convened the Audit Committee Meeting for April 17, 2018 at approximately 2:19 p.m. and a flag salute was performed.

2. CONSENT AGENDA:

A. Minutes of the December 19, 2017 Audit Committee Meeting

Motion was made by Commissioner Johnson; seconded by Commissioner Petrich:

"Approve the Northwest Seaport Alliance Audit Committee Meeting Minutes of December 19, 2017."

PORT OF SEATTLE VOTE:

Commissioner Felleman: Aye

Commissioner Steinbrueck: Aye (telephonically)

PORT OF TACOMA VOTE:

Commissioner Johnson: Aye

Commissioner Petrich: Aye

MOTION CARRIES 2-0 / 2-0

3. PUBLIC COMMENT: None.

4. GENERAL BUSINESS:

A. Introduction to the NWSA's Various Audits

Discussion Included:

1. Director of Accounting Darren Arakaki provided an overview of the various audits incurred by the NWSA which include, audits of financial statements, effectiveness of internal control systems over financial reporting, compliance with federal grant rules and regulations and compliance with state laws and regulations.
2. The NWSA incurs a federal grant audit if it meets certain thresholds of federal grant spending. It did not meet the threshold in 2017 but is expected to in 2018.
3. The State Auditor's Office (SAO) would normally perform the federal grant audit, however the SAO has notified the NWSA that it cannot due related parties. Commissioner McCarthy is related (spouse) to the State Auditor. Independence is required as the federal grant requires an audit of financial statements. Staff will bring recommendations for a possible alternate auditor in the Fall.

B. External Auditor's Report

Discussion Included:

1. External auditors RSM US LLP provided the results of the 2017 financial statements audit. Financial statements were issued with an unmodified "clean" opinion dated March 29, 2018. No material weaknesses or significant deficiencies were identified.
2. Significant transactions for 2017 included allocation of expenses from each homeport, joint venture accounting and related disclosures and adoption of GASB 68 relating to pensions.
3. New GASB Pronouncements and their effective dates were discussed. GASB 85 (2018), GASB 84 (2019) and GASB 87 (2020).

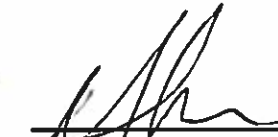
5. COMMISSIONER COMMENT:

Commissioner Johnson: Thanked the auditors for maintaining communication. Auditors should be looked upon as allies. Stressed the importance of communication with auditors and the individual homeports as crucial to avoiding problems.

6. ADJOURNMENT:

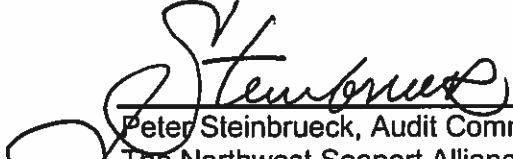
There being no further business, Commissioner Felleman adjourned the meeting at 2:48 p.m.



Fred Felleman, Audit Committee Co-Chair
The Northwest Seaport Alliance

Donald C. Johnson, Audit Committee Co-Chair
The Northwest Seaport Alliance

ATTEST:



Peter Steinbrueck, Audit Committee Member
The Northwest Seaport Alliance

Clare Petrich, Audit Committee Member
The Northwest Seaport Alliance

Juliet Campbell, Clerk of the Port
The Northwest Seaport Alliance

April 9, 2018

Audit Committee
The Northwest Seaport Alliance
Tacoma, Washington

RSM US LLP

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Tacoma, WA 98402

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Attention: Audit Committee

This letter is to inform the Audit Committee of The Northwest Seaport Alliance about significant matters related to the conduct of our audit as of and for the year ended December 31, 2017, so that it can appropriately discharge its oversight responsibility and we comply with our professional responsibilities.

The following summarizes various matters that must be communicated to you under auditing standards generally accepted in the United States of America.

The Respective Responsibilities of the Auditor and Management

Our responsibility under auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States have been described to you in our arrangement letter dated September 28, 2017. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities, which are also described in that letter.

Overview of the Planned Scope and Timing of the Financial Statement Audit

We have issued a separate communication dated September 28, 2017, regarding the planned scope and timing of our audit and have discussed with you our identification of, and planned audit response to, significant risks of material misstatement.

Significant Accounting Practices, Including Policies, Estimates and Disclosures

In our meeting with you, we will discuss our views about the qualitative aspects of The Northwest Seaport Alliance's significant accounting practices, including accounting policies, accounting estimates and financial statement disclosures. The following is a list of the matters that will be discussed, including the significant estimates, which you may wish to monitor for your oversight responsibilities of the financial reporting process:

- Allocation of expenses from each homeport
- Subsequent events
- Fair value of investments
- Net pension liability

Uncorrected Misstatements

We are not aware of any uncorrected misstatements other than misstatements that are clearly trivial.

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Consultation With Other Accountants

We are not aware of any consultations management had with other accountants about accounting or auditing matters.

Management Representations

Attached is a copy of the management representation letter.

Closing

We will be pleased to respond to any questions you have about the foregoing. We appreciate the opportunity to continue to be of service to The Northwest Seaport Alliance.

This letter is intended solely for the information and use of the Audit Committee and is not intended to be, and should not be, used by anyone other than this specified party.

RSM US LLP

March 29, 2018

RSM US LLP
1145 Broadway Plaza, Suite 900
Tacoma, WA 98402

This representation letter is provided in connection with your audits of the basic financial statements of Northwest Seaport Alliance (NWSA) as of and for the year ended December 31, 2017 and 2016 for the purpose of expressing an opinion on whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

We confirm, to the best of our knowledge and belief, that as of March 29, 2018:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit arrangement letter dated September 28, 2017, for the preparation and fair presentation of the financial statements referred to above in accordance with U.S. GAAP.
2. We acknowledge our responsibility for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
3. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
4. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable and reflect our judgment based on our knowledge and experience about past and current events, and our assumptions about conditions we expect to exist and courses of action we expect to take.
5. Related-party transactions, including those with the Ports of Seattle and Tacoma which are members in the NWSA, including accounts and advances receivable and payable, and leasing arrangements, have been recorded in accordance with the economic substance of the transaction and appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
6. All events subsequent to the date of the financial statements, and for which U.S. GAAP requires adjustment or disclosure, have been adjusted or disclosed.
7. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
8. We have no direct or indirect legal or moral obligation for any debt of any organization, public or private, that is not disclosed in the financial statements.
9. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance. In connection therewith, we specifically represent

that we are responsible for determining that we are not subject to the requirements of the Single Audit Act because we have not received, expended or otherwise been the beneficiary of the required amount of federal awards during the period of this audit.

10. We have no knowledge of any uncorrected misstatements in the financial statements.

Information Provided

11. We have provided you with:

- a. Access to all information of which we are aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation and other matters;
- b. Additional information that you have requested from us for the purpose of the audit;
- c. Unrestricted access to persons within the Company from whom you determined it necessary to obtain audit evidence; and
- d. Minutes of the meetings of the governing boards and committees, or summaries of actions of recent meetings for which minutes have not yet been prepared.

12. All transactions have been recorded in the accounting records and are reflected in the financial statements.

13. We have disclosed to you the results of our assessment of risk that the financial statements may be materially misstated as a result of fraud.

14. We have no knowledge of allegations of fraud or suspected fraud affecting NWSA's financial statements involving:

- a. Management.
- b. Employees who have significant roles in internal control.
- c. Others where the fraud could have a material effect on the financial statements.

15. We have no knowledge of any allegations of fraud or suspected fraud affecting the NWSA's financial statements received in communications from employees, former employees, analysts, regulators, or others.

16. We have no knowledge of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.

17. We are not aware of any pending or threatened litigation and claims whose effects should be considered when preparing the financial statements.

18. We have disclosed to you the identity of the NWSA's related parties and all the related-party relationships and transactions of which we are aware.

19. We are aware of no significant deficiencies, including material weaknesses, in the design or operation of internal controls that could adversely affect NWSA's ability to record, process, summarize and report financial data.

20. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
21. During the course of your audits, you may have accumulated records containing data that should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.

Supplementary Information

22. With respect to Management's Discussion and Analysis and Required Supplementary Information presented as required by the Governmental Accounting Standards Board to supplement the basic financial statements:
- a. We acknowledge our responsibility for the presentation of such required supplementary information.
 - b. We believe such required supplementary information is measured and presented in accordance with guidelines prescribed by U.S. GAAP.
 - c. The methods of measurement or presentation have not changed from those used in the prior period.
 - d. There were no underlying significant assumptions or interpretations regarding the measurement or presentation of such information:

In connection with your audit conducted in accordance with *Government Auditing Standards*, we confirm:

23. We are responsible for:
- a. Compliance with the laws, regulations, and provisions of contracts and other agreements applicable to the NWSA; and
 - b. Establishing and maintaining effective internal control over financial reporting.
24. We have identified and disclosed to you:
- a. All laws, regulations, and provisions of contracts and other agreements that have a direct and material effect on the determinations of financial statement amounts or other financial data significant to audit objectives; and
 - b. That there have been no violations (or possible violations) of laws, regulations, and provisions of contracts or other agreements whose effects should be considered for disclosure in the auditor's report on noncompliance.
25. There have been no fraud, illegal acts, violations of provisions of contracts or other agreements, or abuse that has been reported.
26. There have been no audit findings or recommendations.
27. There have been no previous financial audits, attestation engagements, performance audits or other studies related to the objectives of the audit being undertaken.

The Northwest Seaport Alliance



John Valle
Chief Executive Officer



Erin Galeno
Chief Financial Officer



Darren Arakaki, Port of Tacoma
Director of Accounting and Port Auditor

Rudy Caluza, Port of Seattle
Director of Accounting and Financial Reporting

The Northwest Seaport Alliance

John Wolfe
Chief Executive Officer

Erin Galeno
Chief Financial Officer

Darren Arakaki, Port of Tacoma
Director of Accounting and Port Auditor



Rudy Caluza, Port of Seattle
Director of Accounting and Financial Reporting