

THE NORTHWEST SEAPORT ALLIANCE
AUDIT COMMITTEE MINUTES
THURSDAY, OCTOBER 31, 2019
The Fabulich Center, Room 104
3600 Port of Tacoma Road, Tacoma, WA 98424

SEATTLE COMMISSIONERS PRESENT:

Ryan Calkins

EXCUSED:

Peter Steinbrueck

TACOMA COMMISSIONERS PRESENT:

Don Johnson

Clare Petrich – *joined the meeting at 10:24 a.m.*

NWSA STAFF PRESENT:

Kurt Beckett, Deputy CEO

Carolyn Lake, Legal Counsel

Erin Galeno, Chief Financial and Administrative Officer

Darren Arakaki, Director of Accounting and Port Auditor

Don Kelley, Manager, Financial Accounting and Deputy Auditor

Juliet Campbell, Clerk of the Port

1. CALL TO ORDER: Commissioner Calkins called the meeting to order at 10:00 a.m. and lead the Pledge of Allegiance.
2. APPROVAL OF THE MINUTES
It was moved and seconded to approve the minutes of the April 19, 2019 Audit Committee meeting.
The motion carried unanimously.
3. PUBLIC COMMENT: None.
4. GENERAL BUSINESS:
 - A. State Auditor's Office (SAO) Entrance Conference
Presenters: Joan Klein, Audit Manager, SAO; Dave Smolko, Audit Lead, SAO

The scope and schedule of the accountability audit was reviewed. The audit will begin in September and the report published late December. The audit covers calendar year 2018 and will include the work of other auditors, and evaluation of contracts (bid laws), payroll, wharf revenue, employee purchase cards, related party transactions and the Clean Truck Program.
 - B. External Auditor's Entrance Conference
Presenters: Lisa Wilson and Kayla Lipson of RSM

Reviewed the scope and phases of the 2019 audit of the NWSA's financial statements. GASBs applicable to the NWSA in 2019 and 2020 were highlighted. GASB 87 related to leases will significantly influence how balance sheets look. Discussion took place on the appropriateness and value of insurance and risk management audits.
 - C. Other Audit Activities – Terminal 4 Construction Audit
Introduced by Darren Arakaki
Presenters: Mark Steranka and Stephen Bacchetti of Moss Adams

[Commissioner Petrich arrived at 10:24 a.m.]

In December 2018, the NWSA Audit Committee selected Terminal 4 for a construction audit. The objectives were to assess and confirm the internal policies and procedures surrounding project delivery and not identify lessons learned for application to the Terminal 5 project as appropriate. Moss Adams performed the audit and presented their results to the Committee.

D. Lease Accounting Standard Update
Presenters: Darren Arakaki and Don Kelley

The new lease accounting standard is based on a foundational principle that leases are financing transactions. The GASB 87 defines leases as a contract that conveys control of the right to use an asset. It goes into effect January 1, 2020. The GASB changes the method of accounting for certain lease revenues and expenses and impacts the way the information is presented on the income statements. Staff provided an example comparing the financial statements as presented in 2018 and with how they would be presented with GASB 87 applied. The impact on distributable cash to the homeports was discussed.

5. COMMISSIONER COMMENT: Commissioners gave brief comments thanking auditors and staff. Commissioner Calkins thanked outgoing commissioners as well.

6. ADJOURNMENT:

There being no further business, Commissioner Calkins adjourned the meeting at 10:56 a.m.



Ryan Calkins, NWSA Audit Committee Co-Chair

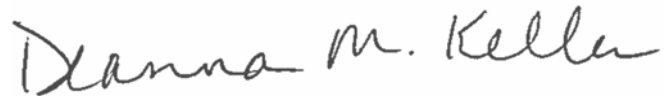


Dick Marzano, NWSA Audit Committee Co-Chair

ATTEST:



Stephanie Bowman, NWSA Audit Committee Member



Deanna Keller, NWSA Audit Committee Member



Juliet Campbell, NWSA Clerk