Thursday, April 19, 2018

1:00p  Call Meeting to Order (Laraine Derr, Chair)
Roll Call
Announcements
Approve Agenda
Ethics Disclosure
Approval of Minutes – 01/04/18

1:10  Risk Management Overview & Discussion of Emerging Trends
    •  Marsh & McLennan – Guest Speaker

2:00  Adjourn
### Future Meeting Dates

**Full Board of Trustee / Program & Planning / Resource Management / Finance**  
2018 / 2019 / 2020  
(Updated – April 6, 2018)

<table>
<thead>
<tr>
<th>Committee</th>
<th>Date</th>
<th>Location</th>
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<tbody>
<tr>
<td>Program &amp; Planning Committee</td>
<td>April 20, 2018 (Fri)</td>
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<tr>
<td>Resource Mgt Committee</td>
<td>April 19, 2018 (Thu)</td>
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<td>Finance Committee</td>
<td>April 19, 2018 (Thu)</td>
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<tr>
<td>Full Board of Trustee</td>
<td>May 24, 2018 (Thu)</td>
<td>Anchorage - TAB</td>
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<td>Program &amp; Planning Committee</td>
<td>Jul 31- Aug 1, 2018 (Tue, Wed)</td>
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<tr>
<td>Resource Mgt Committee</td>
<td>August 2, 2018 (Thu)</td>
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<td>Sep 5-6, 2018 (Wed, Thu) – Anchorage – TAB</td>
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<td>Full Board of Trustee</td>
<td>November 15, 2018 (Thu) – Anchorage – TAB</td>
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Future Meeting Dates
Full Board of Trustee / Program & Planning / Resource Management / Finance
2018 / 2019 / 2020
(Updated – April 6, 2018)

- Program & Planning Committee  January 3, 2019  (Thu)
- Resource Mgt Committee       January 3, 2019  (Thu)
- Audit & Risk Committee        January 3, 2019  (Thu)
- Finance Committee             January 3, 2019  (Thu)
- Full Board of Trustee          January 30-31, 2019  (Wed, Thu) – JUNEAU

- Program & Planning Committee  April 17, 2019  (Wed)
- Resource Mgt Committee       April 17, 2019  (Wed)
- Audit & Risk Committee        April 17, 2019  (Wed)
- Finance Committee             April 17, 2019  (Wed)
- Full Board of Trustee          May 8, 2019  (Wed) – TBD

- Program & Planning Committee  July 30-31, 2019  (Tue, Wed)
- Resource Mgt Committee       August 1, 2019  (Thu)
- Audit & Risk Committee        August 1, 2019  (Thu)
- Finance Committee             August 1, 2019  (Thu)
- Full Board of Trustee          September 4-5, 2019  (Wed, Thu) – Anchorage – TAB

- Program & Planning Committee  October 16, 2019  (Wed)
- Resource Mgt Committee       October 16, 2019  (Wed)
- Audit & Risk Committee        October 16, 2019  (Wed)
- Finance Committee             October 16, 2019  (Wed)
- Full Board of Trustee          November 14, 2019  (Thu) – Anchorage – TAB
Future Meeting Dates
Full Board of Trustee / Program & Planning / Resource Management / Finance
2018 / 2019 / 2020
(Updated – April 6, 2018)

• Program & Planning Committee   January 3, 2020 (Fri)
• Resource Mgt Committee   January 3, 2020 (Fri)
• Audit & Risk Committee   January 3, 2020 (Fri)
• Finance Committee   January 3, 2020 (Fri)
• Full Board of Trustee   January 29-30, 2020 (Wed, Thu) – JUNEAU

• Program & Planning Committee   April 22, 2020 (Wed)
• Resource Mgt Committee   April 22, 2020 (Wed)
• Audit & Risk Committee   April 22, 2020 (Wed)
• Finance Committee   April 22, 2020 (Wed)
• Full Board of Trustee   May 7, 2020 (Thu) – TBD

• Program & Planning Committee   August 4-5, 2020 (Tue, Wed)
• Resource Mgt Committee   August 6, 2020 (Thu)
• Audit & Risk Committee   August 6, 2020 (Thu)
• Finance Committee   August 6, 2020 (Thu)
• Full Board of Trustee   September 2-3, 2020 (Wed, Thu) – Anchorage – TAB

• Program & Planning Committee   October 21, 2020 (Wed)
• Resource Mgt Committee   October 21, 2020 (Wed)
• Audit & Risk Committee   October 21, 2020 (Wed)
• Finance Committee   October 21, 2020 (Wed)
• Full Board of Trustee   November 19, 2020 (Thu) – Anchorage – TAB
Future Meeting Dates
Statutory Advisory Boards - 2018
(Updated – April 6, 2018)

Alaska Mental Health Board / Advisory Board on Alcoholism and Drug Abuse
• April 16-20, 2018 – Utqiagvik / Barrow <dates tentative>

Governor’s Council on Disabilities and Special Education
• May 15, 2018 – Video/Teleconference
• September 22-23, 2018 – Anchorage – Self Advocates Summit
• September 26-27, 2018 – Anchorage – Annual Aging & Disability Summit
• October 4-6, 2018 – Anchorage

Alaska Commission on Aging
• May 1, 2018 – Video/Teleconference
• September 26-27, 2018 – Anchorage – Annual Aging & Disability Summit
Trustees present:
Jerome Selby, Chair
Chris Cooke
Mary Jane Michael
Carlton Smith
Laraine Derr (via Speakerphone)
Paula Easley
Greg Jones

Trust staff present:
Mike Abbott
Steve Williams
Miri Smith-Coolidge
Kelda Barstad
Andy Stemp
Carley Lawrence
Luke Lind
Michael Baldwin
Carrie Predeger
Katie Baldwin-Johnson
Jimael Johnson
Valette Keller

Also participating:
Verne Boerner; Kathy Craft; Patrick Reinhart; Bikky Shrestha; Michele Kiese.

PROCEEDINGS

CHAIR SELBY calls the Audit Committee meeting to order, and asks for any announcements.

There being no objection, the agenda is approved.

CHAIR SELBY asks for any ethics disclosures. There being none, he moves to the audit report. He stated that there are four questions that are needed to be answered for the committee: were...
any significant audit adjustments or any audit process made; are there any findings and have those findings been transmitted to the staff; are there any observations while in the office that might be of concern to the board that we need to be aware of that may even fall outside of the audit responsibility; fourth, is there anything else that the board needs to know.

MR. STEMP introduces the external auditors from BDO, LLP. He states that there was a tremendous amount of work from the Trust Land Office staff and the Trust Authority staff to put all of this together. He thanks everyone who has contributed and participated in bringing this where it is.

MR. SHRESTHA states that he is the director on this job. He introduced Michelle Kiese, senior to the job, who keeps everything moving along. Eric Campbell, the audit partner, could not be here today. He continues that there are two packets: one is the audit wrap-up document, and the other is the draft of the financial statements. He explains that the audit wrap-up document summarizes most of the information, and he begins with that document. He states that the professional standards require communication regarding matters related through the audit that are relevant in Trust responsibility in overseeing the financial statement process. He moves to the status of the audit case which says that the audit has substantially been completed and was done in accordance with auditing standards generally accepted in the United States of America, and with government auditing standards. He explains that that means a general GAAP audit is done. Government auditing standards require looking at any noncompliance with regulatory requirements and anything like that. Then the financial reporting process is looked at to see if there are implementations in place to make sure the financial reporting is done appropriately. He moves to the first bullet item which is the objective of the audit is to obtain reasonable, but not absolute assurance, about whether the financial statements are free from material misstatements. He adds that an unqualified opinion is expected to be issued in mid-January. He continues that all records and information requested were presented freely, and management cooperation was excellent. He thanks all of the staff for the excellent cooperation. He states that the financial statements have the results of the audit. There were no significant changes in any auditing policies during 2017. There is one accounting pronouncement that is coming out next year: GASB 75 is going to be applicable for the Trust in FY18. He explains that there were no uncorrected misstatements, but we did have corrected misstatements which are attached to the audit wrap-up document of the management representation letter what will be signed before the audit is finalized. He adds that on the results of the audit, there was nothing major to report. Internal controls are looked at to see if controls are in place to make sure the financials are presented according to GAAP. There are three levels of deficiencies that normally would not be brought to the board; they would be discussed with management and hopefully fixed through the process. He moves to the financial statement and highlights the audit opinion which is complete in Phase I and II of the financials. The financial statements of the Alaska Mental Health Trust have been audited for June 30, 2017. Management is responsible for the preparation and fair presentation of these financial statements. He explains further that the expectation is to issue an unmodified or clean opinion. He goes through the total assets and deferred outflow at the end of 2017, as well as the total liabilities. He moved to the statement of activities which shows revenue, expenses, and then the changes. He states that the recommendation is training the Trust staff on the reporting system, and then implementing a soft close at the end of the year prior to picking up the next year to make sure all of the entries are posted and accounts are reconciled.
CHAIR SELBY asks about the recommendation given to correct the deficiency, and if there was an opportunity to talk with Mr. Stemp about specific actions to be taken to make sure that it is dealt with and corrected.

MR. SHRESTHA replies yes.

CHAIR SELBY asks Mr. Stemp if he is satisfied with the assistance provided in addressing that, and also coming up with workable recommendations to take care of that matter.

MR. STEMP replies that he is very satisfied with the assistance. He also had the opportunity to discuss it with the CEO and have some internal discussions around having a concrete actionable plan that will address the matter.

CHAIR SELBY asks for any questions from the board.

TRUSTEE SMITH asks about the difference between an unmodified opinion and a qualified opinion.

MR. SHRESTHA replies that an unmodified opinion is a clean opinion. When something is audited, there is a materiality number that is used based on assets or revenue. For the Trust, assets were used. He continues that if there were stands that management was taking on certain matters that are presented in the financial statement that were not in accordance with generally accepted accounting principles and we did not agree that the proper stand that was taken, then there would be a qualified opinion or, in a worst case, an adverse opinion.

TRUSTEE SMITH asks Mr. Stemp how the function of the committee of the whole audit will continue. Will the committee just meet this one time, or is there a need to entertain other proposals from audit firms.

MR. STEMP replies that at the last meeting there was a handout talking about best practices and different objectives around auditing and governance. He anticipates that there will be a preaudit planning meeting in the coming year where there would be a discussion prior to the start about any specific areas of concern the trustees may have. He emphasizes the change in accounting for post-retirement healthcare obligations that will probably have a material effect on the Trust. The change in pension obligations was a very technical change. He continues that he would also take the time in the planning stage to invite a dialogue between the trustees and the audit firm. That would flow up with a second meeting when there is a draft available for comment or other communications that need to be considered by the trustees. He thinks that there will be a lot more engagement in the coming year, and he states that it is his intention to have a consultative and collaborative relationship with the committee to work together to address any concerns.

TRUSTEE COOKE asks if this financial audit incorporates both the assets of the Trust Land Office and Trust Authority, and if it shows the value of the investment assets held by the Land Office, as well as the liabilities associated with those.
MR. SHRESTHA replies that it includes all of the assets managed both by the Land Office and Mental Health Trust. The financial statements are more in summarized format, and they do not break out the land activities versus the Mental Health Trust activities.

TRUSTEE COOKE states that several of the investments of the Land Office are held by LLCs. He asks if that is part of this audit, or if they are separate.

MR. STEMP replies that the LLC item is addressed on page 29. The captions on the top of the table may be reconsidered. The caption is marked “Other,” and it is the category for the real estate investments that are directly managed. He explains how this was stated, and they are in general concurrence in terms of presentation that is appropriate for the financial statements because the mortgages have no recourse back to the Trust. They stop at the LLC level.

CHAIR SELBY requests a footnote next year that lays out what was just said so that it is clear to everyone involved.

MR. STEMP replies that will be noted.

TRUSTEE JONES adds that the footnote ought to talk about both the investment and debt basis, and that it would be a good idea to put that number in as well. Then there will be investment basis, debt basis, and evaluation.

TRUSTEE COOKE suggests including the fact that the land base of the Trust Authority has not all been assessed in terms of what its financial value is, and is outside the scope of this report.

CHAIR SELBY replies that is a good point. The land asset is very significant, but we do not have a number on it. He asks Mr. Shrestha for any final comments.

MR. SHRESTHA states that this is going to print in January, and the hope is to move that timeline up quite a bit next year.

CHAIR SELBY thanks him for the report and states appreciation for all of the work everyone put into it.

TRUSTEE COOKE asks when this will become final.

MR. SHRESTHA replies that it will probably be ready before the next board meeting, January 24th.

TRUSTEE MICHAEL makes a motion that the Audit & Risk Committee recommend approval before the Full Board in January.

TRUSTEE JONES seconds.

*There being no objection, the motion is approved.*
TRUSTEE DERR makes a motion to adjourn, and thanks Mr. Selby for chairing the meeting today.

TRUSTEE JONES seconds.

There being no objection, the meeting is adjourned.

(Audit & Risk Committee adjourned at 12:11 a.m.)