Trustees present:
Laraine Derr, Chair
Carlton Smith
Mary Jane Michael
Chris Cooke
Paula Easley
Jerome Selby
Verne’ Boerner

Trust staff present:
Mike Abbott
Steve Williams
Miri Smith-Coolidge
Kelda Barstad
Andy Stemp
Luke Lind
Michael Baldwin
Carrie Predeger
Katie Baldwin-Johnson
Jimael Johnson
Valette Keller
Eric Boyer
Travis Welch
Autumn Vea

Also participating:
Bikky Shrestha

PROCEEDINGS

CHAIR DERR calls the Audit and Risk Committee of April 19, 2018 to order and states that all trustees are present. She asks for any announcements. There being no announcements, she asks
for a motion to approve the agenda.

TRUSTEE SELBY makes a motion to approve the agenda.

TRUSTEE MICHAEL seconds.

*There being no objection, the motion is approved.*

CHAIR DERR asks for any ethics disclosures, and moves to the approval of the minutes of April 2, 2018.

TRUSTEE MICHAEL makes a motion to approve the minutes of August 2, 2018.

TRUSTEE BOERNER seconds.

*There being no objection, the motion is approved.*

CHAIR DERR moves to the annual audit presentation and update, recognizing Andy Stemp.

**ANNUAL AUDIT PRESENTATION AND UPDATE**

MR. STEMP states that Mr. Bikky Shrestha from BDO will lead the presentation.

MR. SHRESTHA states that the audit has not yet been completed; the biggest holdup being GASB 75. That allocation has not been obtained by the Trust and is a big number that still needs to be booked in the financial statements. He moves to the statement of net position which is basically like a balance sheet and is on a full accrual basis. He goes through the numbers and states that a majority of the changes are in the investment income. The other big change is the rent and royalties; the rental properties are accounted for as an investment and are adjusted for fair market value every year. He adds that a few of the properties have appreciated a bit in value that was booked this year, which resulted in a bigger number this year. He explains in greater detail.

MR. STEMP clarifies that when the cash flow report was presented, there was a breakout by the different categories. This showed some volatility in May where the safe investments started showing negative results, and the stock market investments were going very high. He continues, that flipped in June when the safe investments started performing as expected.

MR. SHRESTHA moves to a few findings that will be on the financial statements when completed. He states that the first issue is that cash principals were used to purchase the rental properties instead of sending the money to the Permanent Fund Trust. Since that report states a noncompliance with State statute, it still needs to be reported as a finding. He continues that next is a repeat finding from last year, which will be reported as a significant deficiency.

MR. STEMP states that this is an appropriate time to comment on the relationship between the Trust and the Department of Finance at the State. He continues that this year there has been a
great deal of communication, support and appreciation in terms of getting things in a timely manner. Although the finding is not liked, it is an upgrade from the prior year and appreciates the acknowledgment of the progress that has been made.

TRUSTEE COOKE asks if all the financial data, the notes and the information on the Legislative Audit will be part of the final audit report.

MR. SHRESTHA replies that it will be.

MR. STEMP clarifies that there are two sets of financial reports; the basic financial report and the financials as a whole which reflect the capital assets, the land, the other resources of the Trust, and the investment line item which will have the results from the income-generating commercial properties.

TRUSTEE COOKE asks if management is satisfied with the terminology used in the note about the affect of the Legislative Audit, the differences of opinion about the appropriateness of the real estate investment and how that will be treated going forward.

MR. ABBOTT replies that staff is satisfied with this language. He explains that it was the result of an iterative process between the auditor and Mr. Stemp and his team. This audit statement recognizes that concerns were found.

CHAIR DERR asks if Trustee Selby, as head of the Finance Committee, has anything to say.

TRUSTEE SELBY states appreciation for the update and it sounds like Mr. Stemp and BDO worked well together to move it.

CHAIR DERR asks for any other questions. She thanks Mr. Shrestha, and entertains a motion to adjourn.

TRUSTEE SELBY makes a motion to adjourn the meeting.

TRUSTEE BOERNER seconds.

There being no objection, the motion is approved.

(Audit and Risk Committee adjourned at 8:56 a.m.)