

Kenneth A. Spearman, Board Chairman and Chief Executive Officer  
Dallas P. Tonsager, Board Member  
Jeffery S. Hall, Board Member



**MINUTES OF THE REGULAR MEETING  
OF THE  
FARM CREDIT ADMINISTRATION BOARD  
January 14, 2016**

These minutes reflect the business transacted at the January 14, 2016, Regular Meeting of the Farm Credit Administration Board (FCA Board) pursuant to the Government in the Sunshine Act (Act), 5 U.S.C. § 552b, and the regulations of the Farm Credit Administration (FCA) adopted thereunder.

The FCA Board meeting was held at the FCA office in McLean, Virginia, beginning at 9:00 a.m. and concluding at 9:38 a.m. Members of the Board present were:

**Kenneth A. Spearman, Board Chairman and Chief Executive Officer**  
**Dallas P. Tonsager, Member**  
**Jeffery S. Hall, Member**

The above named constitute the full Board.

Others present included **Charles Rawls**, General Counsel; **Dale Aultman**, Secretary to the Board; staff of the FCA and Farm Credit System Insurance Corporation (FCSIC); and three members of the general public. (A list of staff attendees is attached as Exhibit A.)

The **Secretary** read a statement that announced the meeting would be conducted according to the requirements of the Government in the Sunshine Act.

The **Board Chairman** reviewed the published Agenda. (A copy of the Public Announcement publishing the Agenda for the meeting is attached as Exhibit B.)

**Mr. Tonsager** moved to adopt the Agenda as published.

**Mr. Hall** seconded the motion.

There being no further discussion, **Board Chairman Spearman** called the question.

The **Secretary** polled the Board Members and the motion carried unanimously.

**Mr. Hall** noted that the Agenda did include portions of the meeting that should be closed to the public as permitted by the Government in the Sunshine Act and therefore moved that the meeting be closed at that point.

**Mr. Tonsager** seconded the motion.

There being no further discussion, **Board Chairman Spearman** called the question.

The **Secretary** polled the Board Members and the motion carried unanimously.

### **OPEN SESSION**

#### **Approval of Minutes**

#### **Minutes for December 10, 2015, Regular Board Meeting (BM-14-JAN-16-01)**

**Mr. Tonsager** moved to approve the minutes for December 10, 2015, FCA Regular Board Meeting.

**Mr. Hall** seconded the motion.

There being no further discussion, **Board Chairman Spearman** called the question.

The **Secretary** polled the Board Members and the motion carried unanimously. **(BM-14-JAN-16-01)**

(A copy of the official “Board Action Item” is attached as Exhibit C.)

### **New Business**

#### **Farmer Mac Investment Eligibility - Proposed Rule** **(BM-14-JAN-16-02)**

**Joe Connor** of the Office of Secondary Market Oversight and **Laura McFarland** of the Office of General Counsel presented the Farmer Mac Investment Eligibility – Proposed Rule.

**Board Chairman Spearman** opened the discussion for questions by the Board.

**Board Chairman Spearman** asked if there was any further discussion and asked staff to provide their recommendation. Staff provided their recommendation.

**Board Chairman Spearman** called for a motion on the staff’s recommendation regarding the proposed rule.

**Mr. Hall** moved that the Board approve the Farmer Mac Investment Eligibility – Proposed Rule.

**Mr. Tonsager** seconded the motion.

**Board Chairman Spearman** asked if there was any further discussion.

There being no further discussion, the **Board Chairman** called the question.

The **Secretary** polled the Members and the motion carried unanimously. **(BM-14-JAN-16-02)**

(A copy of the “Board Action Item” is attached as Exhibit D.)

### Reports

#### Auditor’s Report on FCA FY 2015/2014 Financial Statements

**Elizabeth Dean**, Inspector General, and auditors **Matt Farage** and **Hunter Blanks** from **Harper, Rains, Knight, and Company** presented the **Auditor’s Report on FCA FY 2015/2014 Financial Statements**.

**Board Chairman Spearman** asked if there were any questions or further discussion from the Board.

There were no further questions or discussion.

(A copy of the PowerPoint presentation is attached as Exhibit E.)

### CLOSED SESSION

The **Board Chairman** noted that this was a Closed Session and ensured that members of the public and nonessential FCA and FCSIC staff were not in the room so the Board could meet in Closed Session with the Auditors.

**Board Chairman Spearman** convened the closed session of the meeting at 9:25 a.m. and instructed the **Secretary** to activate the electronic recording device so that the proceedings of the closed session were properly recorded as required by the Government in the Sunshine Act.

The **Board Chairman** then instructed the **General Counsel** to furnish the **Secretary** with a certification, pursuant to 5 U.S.C. § 552b(f), that the portions of the meeting held in closed session may be properly closed to the public.

(A copy of the Certification is attached hereto as Exhibit F.)

Members of the Board present were:

**Kenneth A. Spearman, Board Chairman and Chief Executive Officer**  
**Dallas P. Tonsager, Member**  
**Jeffery S. Hall, Member**

The above named constitute the full Board.

Others present included **Dale Aultman**, Secretary to the Board; and **Charles Rawls**, General Counsel. (A list of staff attendees is attached as Exhibit A).

### Reports

#### **Executive Session with External Auditor**

The FCA Board held an executive session with **Matt Farage** and **Hunter Blanks** from **Harper, Rains, Knight and Company** regarding the Auditor's Report on FCA FY 2015/2014 Financial Statements. Others present were Executive Assistants **Russell Middleton**, **Wendy Laguarda**, and **Kevin Kramp**; **Dale L. Aultman**, Secretary to the Board; and **Charles Rawls**, General Counsel.

The closed session ended at 9: 37 a.m.

### ADJOURNMENT

There being no further business to come before the Board, Board **Chairman Spearman** indicated he would entertain a motion to adjourn the meeting.

**Mr. Tonsager** moved that the meeting be adjourned.

**Mr. Hall** seconded the motion.

**Board Chairman Spearman** called the question.

The **Secretary** polled the Board Members and the motion carried unanimously.

The meeting adjourned at 9:38 a.m.

### NOTATIONAL VOTE ACTIONS

There were two notational vote actions approved by the FCA Board from December 11, 2015, through January 13, 2016 as follows:

<b>Item Number</b>	<b>Action Date</b>	<b>Voting Results</b>	<b>Subject</b>
NV 15- 25	12/22/2015	Approved	Informational Memorandum Regarding Private Flood Insurance
NV 15- 26	12/22/2015	Approved	FCA 2016 Compensation and Benefits Program



**STAFF PRESENT AT THE  
FCA REGULAR BOARD MEETING  
January 14, 2016**

Kenneth A. Spearman, Board Chairman and Chief Executive Officer  
Dallas Tonsager, Board Member  
Jeffery S. Hall, Board Member

<b>OFFICE</b>	<b>OPEN SESSION</b>	<b>CLOSED SESSION</b>
<b>Office of the Board</b>		
Aultman, Dale	X	X
Middleton, Russell	X	X
Corey, Kathryn	X	
Kramp, Kevin	X	X
Laguarda, Wendy	X	X
Calhoun, Gaye	X	
Buccolo, Debra	X	
<b>OIT</b>		
Golley, Jerald	X	
<b>COO</b>		
Hoffman, William	X	
Ibelli, Heyam	X	
<b>OCPA</b>		
Stokke, Mike	X	
Meaux, Willy	X	
<b>OSMO</b>		
Rea, Laurie	X	
Connor, Joe	X	
Hudson, Bruce	X	

OFFICE	OPEN SESSION	CLOSED SESSION
<b>OGC</b>		
Rawls, Charles	X	X
Strickland, Joy	X	
McFarland, Laura	X	
<b>OE</b>		
Coleman, Robert	X	
Paulsen, Roger	X	
<b>EEOI</b>		
Burlew, Thais	X	
<b>OIG</b>		
Dean, Elizabeth	X	
Kaufman, Tori	X	
Farage, Matt (Auditor from Harper, Rains, Knight and Company)	X	X
Blanks, Hunter (Auditor from Harper, Rains, Knight and Company)	X	X
<b>ORP</b>		
Mardock, Barry	X	
<b>OMS</b>		
Smith, Stephen	X	
<b>FCSIC</b>		
Pfizinger, Rick	X	
Rubin, Howard	X	
<b>GENERAL PUBLIC</b>	<b>3</b>	

**PUBLIC ANNOUNCEMENT OF  
MEETING SUBJECT TO THE GOVERNMENT IN THE SUNSHINE ACT  
Farm Credit Administration Board  
Regular Meeting  
January 14, 2016**

**Summary:** Notice is hereby given, pursuant to the Government in the Sunshine Act (5 U.S.C. Sec. 552b (e) (1)), of the forthcoming regular meeting of the Farm Credit Administration Board.

**Date and Time:** The regular meeting of the Board will be held January 14, 2016. The meeting is scheduled to be held at the office of the Farm Credit Administration in McLean, Virginia, from 9:00 a.m. until such time as the Board may conclude its business.

**Address:** Farm Credit Administration, 1501 Farm Credit Drive, McLean, Virginia 22102-5090. Submit attendance requests via e-mail to [VisitorRequest@FCA.gov](mailto:VisitorRequest@FCA.gov). See SUPPLEMENTARY INFORMATION for further information about attendance requests.

**For Further Information Contact:** Dale L. Aultman, Secretary to the Farm Credit Administration Board (703) 883-4009. TTY is (703) 883-4056.

**Supplementary Information:** Parts of this meeting of the Board will be open to the public (limited space available), and parts will be closed to the public. Please send an e-mail to [VisitorRequest@FCA.gov](mailto:VisitorRequest@FCA.gov) at least 24 hours before the meeting. In your e-mail include: name, postal address, entity you are representing (if applicable), and telephone number. You will receive an e-mail confirmation from us. Please be prepared to show a photo identification when you arrive. If you need assistance for accessibility reasons, or if you have any questions, contact Dale L. Aultman, Secretary to the Farm Credit Administration Board, at (703) 883-4009. The matters to be considered at the meeting are:

**OPEN SESSION**

- 1     **Approval of Minutes**  
December 10, 2015
- 2     **New Business**  
Farmer Mac Investment Eligibility – Proposed Rule
- 3     **Reports**  
Auditor’s Report on FCA FY 2015/2014 Financial Statements

**CLOSED SESSION**

- 4     Executive Meeting with Auditors<sup>1</sup>

January 4, 2016

Date

/s/

Dale L. Aultman  
Secretary to the Board

<sup>1</sup> Session Closed-Exempt pursuant to 5 U.S.C. Section 552b(c)(2).

**Farm Credit Administration**

1501 Farm Credit Drive  
McLean, Virginia 22102-5090  
(703) 883-4000

**BOARD ACTION ITEM**

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**FCA BOARD ACTION ON**

**Minutes for December 10, 2015 Board Meeting**

**BM-14-JAN-16-01**

**Effective Date:** January 14, 2016

**Effect on Previous Action:** None

**THE FCA BOARD HEREBY:**

Approves the minutes for December 10, 2015, Regular Board Meeting as submitted.

**DATED THIS 14<sup>th</sup> DAY OF JANUARY 2016**

**BY ORDER OF THE BOARD**

\_\_\_\_\_/s/  
Dale L. Aultman  
Secretary to the Board

**Farm Credit Administration**

1501 Farm Credit Drive  
McLean, Virginia 22102-5090  
(703) 883-4000

**BOARD ACTION ITEM**

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**FCA BOARD ACTION ON**

**Farmer Mac Investment Eligibility – Proposed Rule**

**BM-14-JAN-16-02**

**Effective Date: January 14, 2016**

**THE FCA BOARD HEREBY:**

- Approves the Proposed Rule that would amend the non-program investment eligibility criteria for the Federal Agricultural Mortgage Corporation; and
- Authorizes staff to make any technical or grammatical changes that may be necessary for publication in the *Federal Register*.

**DATED THIS 14<sup>th</sup> DAY OF JANUARY 2016**

**BY ORDER OF THE BOARD**

\_\_\_\_\_/s/\_\_\_\_\_  
Dale L. Aultman  
Secretary to the Board



# Farm Credit Administration

Fiscal Year 2015  
Financial Statements Audit

# Harper, Rains, Knight and Company, P.A.

700 12<sup>th</sup> St NW, Suite 700  
Washington, DC 20005

The logo consists of the letters 'HRK' in a dark blue, serif font, set against a light gray oval background.

Matthew Farage, Vice President  
202-558-5167  
mfarage@hrkcpa.com

# Auditors' Report Overview

## **Opinion on FCA's FY 2015 Financial Statements**

*Unmodified Opinion*

## **Report on FCA's Internal Controls over Financial Reporting**

*No opinion issued*

*No significant deficiencies or material weaknesses identified*

## **Report on FCA's Compliance and Other Matters**

*No opinion issued*

*No instances of non-compliance identified*

# Audit Strategy

## Key Audit Areas:

- Payroll Expenditures (83% of total expenditures)
- Investments (95% of total assets)
- Assessments

## Methodology:

- Reliance on controls at service providers
  - Testing of controls in place at FCA
- Interim and yearend substantive testing

# Financial Statements

## Financial Statement Analysis:

- **Balance Sheet** –Line Items were materially consistent with prior year with the exception on Investments and Capitalized Assets.

### BALANCE SHEETS

As of September 30, 2015 and 2014  
(In Dollars)

	2015	2014
<b>Assets</b>		
Intragovernmental		
Fund balance with Treasury (Note 2)	\$ 798,165	\$ 732,014
Investments (Note 3)	30,409,961	36,622,819
Accounts receivable (Note 4)	3,335	27,263
<b>Total intragovernmental</b>	<b>31,211,461</b>	<b>37,382,096</b>
Accounts receivable (Note 4)	121,674	311,361
General property, equipment, and software, net (Note 5)	390,163	-
Prepaid expenses	209,745	121,500
<b>Total assets</b>	<b>\$ 31,933,043</b>	<b>\$ 37,814,957</b>

# Financial Statements

## Financial Statement Analysis – Cont'd:

- **Balance Sheet** – Cont'd
- Investment balance decreased due to redemptions that were utilized to fund portions of budget and offset assessments to System institutions.
- General property and equipment increased as FCA added new AV technology package in FY2015.

# Financial Statements

## Financial Statement Analysis – Cont'd:

- **Balance Sheet** – Cont'd
- Investments were consistent with Board direction.

### BALANCE SHEETS

As of September 30, 2015 and 2014  
(In Dollars)

	2015	2014
Investments (Note 3)	30,409,961	36,622,819

### Intragovernmental Securities

Amounts for 2015 Balance Sheet Reporting

	Cost	Amortized (Premium) Discount	Investments Net	Interest Receivable	09/30/15 Investment Balance	Market Value Disclosure
Nonmarketable						
Market-based	\$30,677,452	\$(346,639)	\$30,330,813	\$79,148	\$30,409,961	\$30,411,034

Premiums and discounts are amortized and interest is accrued using the level-yield, scientific method of effective interest amortization over the term of the respective issues. Interest revenue on investments was \$231,498 and \$283,835 for FYs 2015 and 2014, respectively.

# Financial Statements

## Financial Statement Analysis – Cont'd:

- **Statement of Net Cost** – Gross Costs remained consistent across each program, with Safety and Soundness seeing an increase of \$2 million in FY15.

### STATEMENTS OF NET COST

For the Years Ended September 30, 2015 and 2014  
(In Dollars)

	2015	2014
<b>Program Costs</b>		
<b>Safety and Soundness</b>		
Gross costs	\$ 48,420,648	\$ 46,560,458
Less: Earned revenue	(40,461,216)	(39,811,531)
Net costs	\$ 7,959,432	\$ 6,748,927

- Earned Revenues were materially consistent with prior year and budgeted amounts.

# Financial Statements

## Financial Statement Analysis – Cont’d:

- **Statement of Changes in Net Position** – Other Financing Sources were materially consistent with prior year.

**STATEMENTS OF CHANGES IN NET POSITION**  
For the Years Ended September 30, 2015 and 2014  
(In Dollars)

	2015	2014
<b>Cumulative Results of Operations</b>		
Beginning balances	\$ 26,730,246	\$ 30,000,317
<b>Other Financing Sources (Non-Exchange)</b>		
Imputed financing sources		
Federal employee benefits (Note 9)	2,388,716	2,798,072
Rent (Note 10)	2,950,000	2,500,000
Total financing sources	5,338,716	5,298,072
Net cost of operations	(10,225,756)	(8,568,143)
Net change	(4,887,040)	(3,270,071)
Cumulative results of operations	\$ 21,843,206	\$ 26,730,246
<b>Net position</b>	<b>\$ 21,843,206</b>	<b>\$ 26,730,246</b>

- Decrease in Net Position due to increase spending in Safety and Soundness, as presented on Statement of Net Cost.

# Financial Statements

## Financial Statement Analysis – Cont'd:

- **Statement of Budgetary Resources** – Only major change in FY2015 was the increase in Obligations Incurred, which is in line with the overall increase in Net Cost of Operations.

**STATEMENTS OF BUDGETARY RESOURCES**  
For the Years Ended September 30, 2015 and 2014  
(In Dollars)

	2015	2014
<b>Budgetary Resources</b>		
<b>Status of Budgetary Resources</b>		
Obligations incurred	\$ 59,019,903	\$ 55,053,636

Questions?

# Thank You ~

Inspector General and Staff

&

Chief Financial Officer and Staff

The logo for HRK, featuring the letters 'H', 'R', and 'K' in a stylized, blue, serif font. The letters are set against a light gray oval background.

