

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



**MINUTES OF THE REGULAR MEETING  
OF THE  
FARM CREDIT ADMINISTRATION BOARD  
January 12, 2017**

These minutes reflect the business transacted at the January 12, 2017, 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 9:33 a.m. Members of the Board present were:

**Dallas P. Tonsager, Chairman and Chief Executive Officer**  
**Jeffery S. Hall, Member**  
**Kenneth A. Spearman, Member (by telephone)**

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 two 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. Hall** moved to adopt the Agenda as published.

**Mr. Spearman** seconded the motion.

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

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

**Mr. Spearman** 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. Hall** seconded the motion.

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

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

### **OPEN SESSION**

#### **Approval of Minutes**

##### **Minutes for December 8, 2016 (BM-12-JAN-17-01)**

**Mr. Hall** moved to approve the minutes for December 8, 2016, FCA Regular Board Meeting.

**Mr. Spearman** seconded the motion.

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

The **Secretary** polled the Board Members and the motion carried unanimously. **(BM-12-JAN-17-01)**

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

#### **New Business**

##### **Draft Third Amended and Restated Market Access Agreement to be entered into by the Farm Credit System Banks and the Federal Farm Credit Banks Funding Corporation** **(BM-12-JAN-17-02)**

**David Lewandrowski** of the Office of Regulatory Policy and **Rebecca Orlich** of the Office of General Counsel presented the Draft Third Amended and Restated Market Access Agreement to be entered into by the Farm Credit System Banks and the Federal Farm Credit Banks Funding Corporation.

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

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

**Board Chairman Tonsager** called for a motion on the staff's recommendation regarding the proposed agreement.

**Mr. Spearman** moved that the Board approve the Draft Third Amended and Restated Market Access Agreement to be entered into by the Farm Credit System Banks and the Federal Farm Credit Banks Funding Corporation.

**Mr. Hall** seconded the motion.

**Board Chairman Tonsager** 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-12-JAN-17-02)**

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

### Reports

#### Auditor's Report on FCA FY 2016/2015 Financial Statements

**Elizabeth Dean**, Inspector General, and auditors **Matthew Farage** and **Joseph Fletcher** from **Harper, Rains, Knight, and Company** presented the **Auditor's Report on FCA FY 2016/2015 Financial Statements**.

**Board Chairman Tonsager** 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 nonessential staff were not in the room so the Board could meet in Executive Closed Session with the Auditors.

**Board Chairman Tonsager** convened the closed session of the meeting at 9:23 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:

**Dallas P. Tonsager, Chairman and Chief Executive Officer**

**Jeffery S. Hall, Board Member**

**Kenneth A. Spearman, Board Member** (by telephone)

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).

#### **Executive Meeting with Auditors**

The **Board** met in executive session with Auditors from Harper, Rains, Knight, and Company.

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

There were no further questions or discussion.

#### **ADJOURNMENT**

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

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

**Mr. Spearman** seconded the motion.

**Board Chairman Tonsager** called the question.

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

The meeting adjourned at 9:33 a.m.

**NOTATIONAL VOTE ACTIONS**

There were four notational vote actions approved by the FCA Board from December 9, 2016, through January 11, 2017 as follows:

<b>Item Number</b>	<b>Action Date</b>	<b>Voting Results</b>	<b>Subject</b>
NV 16-24	12/12/2016	Approved	2017 Compensation and Benefits Program
NV 16-25	12/22/2016	Approved	Bookletter-068: Tier 1/Tier 2 Capital Framework Guidance
NV 17-01	01/10/2017	Approved	AgStar, ACA Request to Invest in Bonds to be issued by a long-term care facility, with conditions
NV 17-02	01/11/2017	Approved	Inflation Adjustment to Civil Money Penalties Regulation

The undersigned hereby certify that the foregoing minutes are the official minutes of the Regular Meeting of the Farm Credit Administration Board held on January 12, 2017.

\_\_\_\_\_/s/  
Dallas P. Tonsager  
Chairman and Chief Executive Officer

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

Approved: **February 9, 2017**

**STAFF PRESENT AT THE  
FCA REGULAR BOARD MEETING  
January 12, 2017**

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

<b>OFFICE</b>	<b>OPEN SESSION</b>	<b>CLOSED EXECUTIVE SESSION</b>
<b>Office of the Board</b>		
Aultman, Dale	X	X
Middleton, Russell	X	X
Laguarda, Wendy	X	X
Buccolo, Debra	X	
Corey, Kathryn	X	
Kramp, Kevin	X	X
Calhoun, Gaye	X	
<b>EEOI</b>		
Burlew, Thais	X	
<b>COO</b>		
Hoffman, William	X	
<b>OIT</b>		
Golley, Jerald	X	
<b>OCPA</b>		
Stokke, Mike	X	
Batta, Todd	X	
Meaux, Willy	X	
<b>OSMO</b>		
Rea, Laurie	X	
<b>OGC</b>		
Rawls, Charles	X	X
Strickland, Joy	X	
Orlich, Rebecca	X	
Donner, Mary Alice	X	

OFFICE	OPEN SESSION	CLOSED SESSION
<b>OE</b>		
Coleman, Robert	X	
Paulsen, Roger	X	
<b>OIG</b>		
Dean, Elizabeth	X	X
Kaufman, Tori	X	
<b>AUDITORS</b>		
Farage, Matthew (Harper, Rains, Knight and Company)	X	X
Fletcher, Joseph (Harper, Rains, Knight and Company)	X	X
<b>ORP</b>		
Van Meter, Gary	X	
Mardock, Barry	X	
Lewandrowski, David	X	
<b>OCFO</b>		
Smith, Stephen	X	
Gandy, Douglas	X	
Soares, Ily	X	
<b>OAS</b>		
McCain, Veronica	X	
<b>FCSIC</b>		
Pfitzinger, Rick	X	
<b>GENERAL PUBLIC</b>	<b>2</b>	

**PUBLIC ANNOUNCEMENT OF  
MEETING SUBJECT TO THE GOVERNMENT IN THE SUNSHINE ACT  
Farm Credit Administration Board  
Regular Meeting  
January 12, 2017**

**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 12, 2017. 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 8, 2016
- 2     **New Business**  
Draft Third Amended and Restated Market Access Agreement to be entered into by the Farm Credit System Banks and the Federal Farm Credit Banks Funding Corporation
- 3     **Reports**  
Auditor's Report on FCA FY 2016/2015 Financial Statements

**CLOSED SESSION**

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

December 30, 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 8, 2016 Board Meeting**

**BM-12-JAN-17-01**

**Effective Date:** January 12, 2017

**Effect on Previous Action:** None

**THE FCA BOARD HEREBY:**

Approves the minutes for December 8, 2016, Regular Board Meeting as submitted.

**DATED THIS 12<sup>th</sup> DAY OF JANUARY 2017**

**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**

**Draft Third Amended and Restated Market Access Agreement to be entered into by the Farm Credit System Banks and the Federal Farm Credit Banks Funding Corporation**

**BM-12-JAN-17-02**

**Effective Date:** January 12, 2017

**Effect on Previous Action:** The Draft Third Restated MAA, when entered into, would replace the existing second restated MAA approved by the FCA Board in December 2011.

**THE FCA BOARD HEREBY:**

- Approves the Draft Third Amended and Restated Market Access Agreement (Draft Third Restated MAA);
- Adopts the Draft *Federal Register* notice and authorizes staff to make any technical or grammatical changes to the notice that may be necessary before publication in the *Federal Register*; and
- Approves notification of its approval of the Draft Third Restated MAA to the Federal Farm Credit Banks Funding Corporation substantially in the form of the approved draft letter.

**DATED THIS 12<sup>th</sup> DAY OF JANUARY 2017**

**BY ORDER OF THE BOARD**

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



# Farm Credit Administration

## Fiscal Year 2016 Financial Statements Audit

# Auditors' Report Overview

## **Opinion on FCA's FY 2016 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 (82% of total expenditures)
- Investments (93% 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 of Capitalized Assets and Deferred Revenue.

### BALANCE SHEETS

As of September 30, 2016 and 2015

(In Dollars)

	2016	2015
General property, equipment, and software, net (Note 5)	1,277,101	390,163
Deferred revenue	4,676,787	2,141,460

# Financial Statements

## Financial Statement Analysis – Cont'd:

- **Balance Sheet** – Cont'd

- General property and equipment increased as FCA added new laptops in FY2016. Additionally, general property and equipment increased as FCA developed Internal-Use Software Projects that are currently in development but are not yet operational.
- Deferred revenue consists of collections of Fiscal Year 2017 assessments received before September 30, 2016. The increase occurred predominantly because of one of the larger institutions issued payment of assessment in September.

# Financial Statements

## Financial Statement Analysis – Cont'd:

- **Statement of Net Cost** – Gross Costs increased due to Public Mission and Safety and Soundness Program cost seeing an increase of \$3 million and \$2 million in FY16, respectfully.

### STATEMENTS OF NET COST

For the Years Ended September 30, 2016 and 2015

(In Dollars)

	2016	2015
<b>Program Costs</b>		
<b>Public Mission</b>		
Gross costs	\$ 16,908,302	\$ 13,507,464
Less: Earned revenue	(14,727,123)	(11,315,984)
Net program costs	\$ 2,181,179	\$ 2,191,480
<b>Safety and Soundness</b>		
Gross costs	\$ 50,375,754	\$ 48,420,648
Less: Earned revenue	(43,866,759)	(40,461,216)
Net program costs	\$ 6,508,995	\$ 7,959,432
<b>Other Activity</b>		
Gross costs	\$ 840,612	\$ 626,120
Less: Earned revenue	(652,420)	(551,276)
Net program costs	\$ 188,192	\$ 74,844
<b>Net cost of operations (Notes 7 and 8)</b>	<b>\$ 8,878,366</b>	<b>\$ 10,225,756</b>



# Financial Statements

## Financial Statement Analysis – Cont'd:

- **Statement of Net Cost** – Cont'd
- Earned Revenues increased \$7 million, consistent with current year assessments and budgeted amounts.

### STATEMENTS OF NET COST

For the Years Ended September 30, 2016 and 2015  
(In Dollars)

	2016	2015
<b>Program Costs</b>		
<b>Public Mission</b>		
Gross costs	\$ 16,908,302	\$ 13,507,464
Less: Earned revenue	(14,727,123)	(11,315,984)
Net program costs	\$ 2,181,179	\$ 2,191,480
<b>Safety and Soundness</b>		
Gross costs	\$ 50,375,754	\$ 48,420,648
Less: Earned revenue	(43,866,759)	(40,461,216)
Net program costs	\$ 6,508,995	\$ 7,959,432
<b>Other Activity</b>		
Gross costs	\$ 840,612	\$ 626,120
Less: Earned revenue	(652,420)	(551,276)
Net program costs	\$ 188,192	\$ 74,844
<b>Net cost of operations (Notes 7 and 8)</b>	<b>\$ 8,878,366</b>	<b>\$ 10,225,756</b>

# 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, 2016 and 2015  
(In Dollars)

	2016	2015
<b>Cumulative Results of Operations</b>		
Beginning balances	\$ 21,843,206	\$ 26,730,246
<b>Other Financing Sources (Non-Exchange)</b>		
Imputed financing sources		
Federal employee benefits (Note 9)	2,611,824	2,388,716
Rent (Note 10)	3,400,000	2,950,000
Total financing sources	6,011,824	5,338,716
Net cost of operations	(8,878,366)	(10,225,756)
Net change	(2,866,542)	(4,887,040)
Cumulative results of operations	\$ 18,976,664	\$ 21,843,206
<b>Net position</b>	<b>\$ 18,976,664</b>	<b>\$ 21,843,206</b>

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

# Financial Statements

## Financial Statement Analysis – Cont'd:

- **Statement of Budgetary Resources** – Only significant change in FY2016 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, 2016 and 2015

(In Dollars)

	2016	2015
<b>Budgetary Resources</b>		
<b>Status of Budgetary Resources</b>		
New obligations and upward adjustments	\$ 63,217,157	\$ 59,019,903

~ Thank You ~

Inspector General and Staff

&

Chief Financial Officer and Staff

The logo for Harper, Rains, Knight & Company, featuring the letters H, R, and K in a bold, dark blue, serif font. The letters are stylized and connected at the base.

Harper, Rains, Knight & Company

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Exhibit E

Farm Credit Administration

1501 Farm Credit Drive  
McLean, Virginia 22102-5090



**CERTIFICATE OF CLOSED MEETING**

The General Counsel, in accordance with the Government in the Sunshine Act, 5 U.S.C. § 552b(f)(1), hereby certifies that the Farm Credit Administration Board regular meeting of January 12, 2017, was properly closed to the public on the basis of the exemption set forth below:

- Information related solely to the internal practices of an Agency – 5 U.S.C. §552b(c)(2).

        /s/        

Charles R. Rawls  
General Counsel

Date: January 12, 2017