

**Montgomery County Board of Education
Fiscal Management Committee Meeting**

December 17, 2012

A meeting of the Montgomery County Board of Education Fiscal Management Committee was held at the Carver Educational Services Center in room 120 on Monday, December 17, 2012. In attendance were:

Members: Mr. Philip Kauffman, Chair
 Mr. Christopher Barclay, Member
 Mr. Michael Durso, Member

Staff: Mr. Larry A. Bowers, Chief Operating Officer
 Ms. Laura Steinberg, Staff Assistant, Board of Education
 Mr. Philip McGaughey, Director, Division of Procurement
 Mrs. Bei (Susan) Chen, Controller, Division of Controller
 Mrs. Susanne DeGraba, Chief Financial Officer
 Mr. Roger Pisha, Supervisor, Internal Audit Unit
 Mr. Jonathan Grabel, Chief Investment Officer, Chief Financial Office

Board Member: Mrs. Rebecca Smondrowski

Guests: Mr. Jamie Roberts, AON Hewitt
 Ms. Kate Shiflett, AON Hewitt
 Mr. Keith Novack, CliftonLarsonAllen LLP
 Mrs. Cheri King, CliftonLarsonAllen LLP

The meeting was called to order by Mr. Philip Kauffman, chair, at 10:00 a.m.

Approval of September 10, 2012 Meeting Minutes

The meeting minutes of September 10, 2012, were approved as submitted. (Mr. Durso was not in attendance for approval.)

Actuarial Valuation of the MCPS Employees' Retirement and Pension Systems

AON Hewitt staff presented the actuarial valuation of the MCPS Employee's Retirement and Pension Systems as of July 1, 2012. The purpose of the report is to provide the actuarial valuation of the Employees' Retirement and Pension Systems' liabilities and expenses and to provide employer contribution rates for the period ending June 30, 2014.

To meet its funding policy, MCPS must contribute 5.74% of payroll, with the understanding that the plan's liabilities are based on future expectations, including number of participants, inflation rate and rate of return on investment, which continues to be 7.5%. Over the past 4 years, the difference between the actuarial value of assets (AVA) and the market value of assets (MVA) has been significantly reduced. In 2009, the AVA funded status was approximately 70% while the MVA was approximately 50%. In 2012, the AVA was approximately 69% and the MVA approximately 67%. Staff will present at the next Fiscal Management Committee meeting changes to pension accounting standards and implications for MCPS.

Audit of the Financial Statements of Montgomery County Public Schools (MCPS)

CliftonLarsonAllen LLP staff presented the committee with their audit of MCPS financial statements for Fiscal Year 2012. An audit of financial activities looks for inconsistencies in reporting, that processes are in line with the industry, and that information given to the actuaries is accurate. The audit went smoothly with no significant findings in the financial statements. CliftonLarsonAllen LLP noted two issues with regard to the Information Technology system and recommendations for improvement were made. MCPS staff has initiated steps for improvement.

Committee members and staff recognized Mrs. Bei (Susan) Chen as MCPS' new controller and her hard work on the team for several years.

Extension of the Master Lease Financing - Update

MCPS staff reported to the committee members that the current Board approved Master Lease Financing contract which covers busses, computers, furniture, equipment, and the occasional maintenance truck expires in August 2013. The current contract includes a provision for three additional extensions with interest rates based on current market values. MCPS staff anticipates \$75 million in the coming three years and are looking for the best interest rate. Only three companies came forward for the bid, many companies cannot handle this large of an account. Bank of America, current Master Lease holder had minimal closing, minimal prepayment fee, the lowest interest rate, and the lowest fees. Staff will come to the committee with a recommendation to extend the current Master Lease contract in January.

Reports*Annual Report of the Internal Auditors, Fiscal Year 2012*

The Internal auditor shared with the committee the annual report of the Internal Auditors for Fiscal year 2012. The annual report is required by Board of Education Resolution 499-90, which provides that the Fiscal Management Committee shall receive and review an annual report from the internal auditors containing "a summary of work accomplished, major categories or problems, and/or issues which characterize the findings, and any recommendations to the "Audit Committee."

Independent Activity Funds Data Report for Fiscal Year 2012

MCPS staff shared with the committee the Independent Activity Funds (IAF) Data Report for Fiscal Year 2012. Staff also reported that the IAF audit reports are being posted on the MCPS web under the individual school's websites starting with January 1, 2012. Currently 73 reports are published on the web. When the IAF audit is concluded, the Internal Audit Unit issues a written report to the principal including any findings and recommendations that need to be addressed. Principals are required to prepare a response with proposed corrective actions to be taken. The reports and response are posted approximately 45 days from the date of the report. Schools are in the process of converting to a web-based accounting software program.

Summary of Actions and Follow-ups

- 1) Committee members approved recommendation by staff to extend the Master Lease Financing contract.

The meeting adjourned at 11:40 a.m.

Recorder: Becky Gibson