



Denver Public Schools
Professional Compensation System for Teachers

ProComp

MEETING MINUTES

ProComp Trust Board of Directors FY19 Meeting #2

Wednesday, November 7, 2018

4:30 – 6:00 pm

Emily Griffith Campus (EGC)

1860 Lincoln St., Denver, CO 80203

11th Floor – Conf. Room 1135B

In Attendance (in person): Mark Ferrandino, Erik Johnson, Tom Buescher

In Attendance (via conference call): Don Gilmore, Lawrence Garcia, Lisa Flores, Cara Sterling

Others: Chris Kampe, Emily Marcus, Mark Elmshauser (CLA), Jake Huolihan (CLA)

Unable to attend: Scott Murphy, Ceci Miller

4:37 PM – Called to order by Tom Buescher

Tom Buescher (TB): I'll introduce the people here in person – Erik, Mark, Chris, Emily & CLA folks. On the phone is Lisa, Lawrence, and Don.

Cara Sterling: Cara is on as well.

Action Item: Approve Prior Meeting Minutes

September 12, 2018 Minutes

TB: Can we approve the minutes? Any changes or questions? No questions from anyone.

1st: Erik Johnson

2nd: Lisa Flores

Voice Vote: All Approve – Passes

Action Item: Presentation of Annual Audit FY18 from CliftonLarsonAllen (CLA)

- Presentation
- Hold vote of acceptance of annual audit

TB: Let's go to CLA.

Mark Elmshauser (ME): I am the principal in charge of this engagement. Jake Huolihan (JH) is the manager in charge. I'll go over the results and summary of the results.

Three different pieces were sent out. The first is the Governance Letter with required communications about our audit process to go over with this governing board. The Managing letter we will also go over, as well as the financial statements. Jake will now go over the Governance letter.

JH: This is a summary of our audit. First I'll highlight accounting policies, changes, and new items, of which there were none this year. After that we then talk about the significant estimates in the financial statements that you should be aware of. The big ones are: 1) property tax at year-end and 2) management estimates of payroll accrual at year-end, which is based on amounts after year-end.

The next page of the letter is corrected or uncorrected items that we discovered. There were no uncorrected items we discovered. We found one corrected item. It's attached in the letter.

Moving on to the June payroll accrual from Due To/Due From to accrued salaries for the Financial Statements presentation. I'd like to draw attention to management representation. This is also in the document after the adjusting journal entry. This includes various things that management presented to us. Also, we discuss issuing separate reports, this is in the Management Letter, that we will go over shortly.

Lastly, I'll talk about the fact that there's information in the statements that we don't opine over. We review and do tests over it and give "in relation to" opinions that it's fairly stated. For yours, this was the budget to actual analysis and management analysis.

ME: The Management letter was the other letter we sent out.

TB: Questions on Governance letter before moving to Management letter? None? Ok. Go ahead.

JH: Anytime during the audit where we discover control deficiencies that warrants attention of management but that is not a significant deficiency, we communicate it, such as best practices. Last few years it's similar to this year. We are mainly calling attention to the fund balance spend down being significant. The numbers are in there. This year's spend down was less than prior years. We want to continue to remind you that it's happening and that you're getting closer to the zero fund balance.

TB: Any questions about management letter? No? Ok. The internal audit control deficiencies have been addressed?

CK: Yes, we had discussions and made adjustments and changes throughout the year.

ME: Onto the financial statements themselves. Three pages in, on page 1, is the independent auditors report – final product of work. Management is responsible for statements, including internal control structure to compile, engage to express opinions, etc. The process is outlined below, but we do not opine on control structure. The result of our opinions is on top of page 2. We

believe they fairly represent the financial position for ProComp. Finally, the bottom paragraph, which references the last paragraph at back of document for what we looked at in internal control structure.

The first part is management discussion and analysis. Combination text/summary and tabular results for the year are here.

Page 4 is the comparative high-level summary. \$12.789M is mostly investment in ColoTrust and down from last year from about \$15M due to spend down and defined loss that was budgeted for. There is a different situation this year in assets of about \$320k back from DPS. This was a miscalculation of property tax distribution that was corrected after the end of the fiscal year.

Liabilities are salaries and benefits due. Approximately 3 months' worth of amounts based on on-going monthly calculations and some accounts payable.

The bottom line – Restricted Total Net position of about \$8.815M, which is down from last year about 3.287M. Page 5 summarizes revenue, property taxes, etc.

Expenses are salaries and benefits under the ProComp structure. The bullet points on page 5 are mainly about the Top Performing/High Growth incentive, which is down from \$4,020 per person to \$2,500 per person.

Page 9 is the Government-wide statements – governmental statements and how reporting budget is and so forth. Not much difference here apart from timing of when you received property taxes. They can only be recognized if received 2 months after end of year, otherwise they are recognized in following year. Deferred Inflows of Resources: Different to other statements as well. Fund balance – Very similar \$8.590M at end of year.

There are then multiple pages of footnotes with various policies, disclosures, investments in ColoTrust, and so forth. None changed a lot from last year.

Page 19 has other reports related to compliance and other matters such as internal control – Government auditor standards. This focuses on planning and performing of internal control structure. If we had found issues, defined as deficiencies, it would be here. We did not find any this year. We found some last year but not this year. No findings that are defined under these terms this year.

Overall, those are the areas I wanted to highlight. Happy to answer questions.

TB: Questions? No? Ok, is there a motion to approve?

Motion to approve

1st: Mark Ferrandino

2nd: Erik Johnson

Voice Vote: All Approve – Passes

TB: No opposes, abstentions? Motion passes.

CLA Staff (Mark Elmshouser / Jake Huolihan) leave.

Discussion Item: Future Agenda Items

- Review Proposed Meeting Placeholder for FY2018-19
 - Wed Feb 13, 2019
 - Wed Apr 24, 2019

TB: Any questions or comments on anything related to the trust?

MF: Trust agreement expires Jan 18, 2019. We're in active negotiations with DCTA on agreement – scheduling 5-10 meetings over next 3 months to try to get into an agreement before the expiration. Hopefully we can get to an agreement on both sides. Last time at the meeting, well two times ago actually, DCTA declared an impasse, so we now have a mediator and agreed to one on both sides. Hopefully mediator will start at the next or following meeting to work with both parties to come to an agreement.

TB: We don't have a meeting between now and when the agreement expires. Can the Board of Trustees be put on notice if things are going to go well or not go well? We don't want to be blindsided by something later in January. We saw the last time that if the agreement expires there are consequences on how we continue to operate, most of which have not been explored. Can we arrange some notice to each of the Trustees – not details about it, just a good or bad statement a week prior to the deadline so we have some time to do things if we need to? Can that be arranged?

MF/EJ –That'll work.

Everyone on phone agrees.

TB: Anything else? No. Meeting adjourned.

Adjourned: 4:57 PM