

FINANCE COMMITTEE
Berkshire Regional Planning Commission
APPROVED - Minutes of Meeting of January 9, 2020

Members Present: Malcolm Fick - Chair, John Duval, Kyle Hanlon, Sam Haupt, Sheila Irvin
Tom Matuszko - Executive Director, Marianne Sniezek - Office Manager

Others Present: David Irwin - Adelson & Company PC
Joe Collins - Adelson & Company PC

I. Call to Order

Chair Malcolm Fick called the meeting to order at 4:00 pm with a quorum being present.
The Open Meeting Statement was read by Malcolm.

II. Minutes from May 2, 2019

A motion was made by Kyle Hanlon to approve the minutes; seconded by John Duval.
Unanimously approved.

III. FY2019 Audit – Presentation Adelson & Company PC

Dave gave an overview of BRPC's FY 2019 Audit.

Page 3 & 4 – Independent Auditors' Report – This is the opinion of our audit of the Commissions financials for FY19. Dave explained managements responsibility and the auditor's responsibility. Opinion – Adelson did not have to make any adjustments to the financial statements. The Commissions financials fairly represent the governmental activities in FY19. No material weakness and no significant deficiencies. Everything is in accordance with accounting principles. Adelson has a clean opinion.

The next section is the Management's Discussion and Analysis. Adelson reviews this section and ties the numbers to what is being reported. The agency budget and post-employment benefits estimated liability must be reported. Also, included in the audit is supplementary information for the reporting of Federal money spent that is reported to the Federal government. Internal controls are tested for cash management, recording of expenses, payroll, revenue, systems and compliance to Grant terms of contract. Adelson did not find any issues with internal controls.

Page 5-1 to 5-6 Management's Discussion and analysis is required by GASB that management provide a narrative to go along with the numbers. Tom and Marianne wrote this section. This summarizes all the financial data in the financial statements and discusses budget versus actual numbers, economic conditions or a large project that Tom wants to discuss.

Page 6 – Statement of Net Position – (Balance Sheet)

Assets - Cash and Equivalents for FY19 out of the \$122,289 Accounts Receivable as of 1/9/2020 \$16,000 is uncollected. Prepaid expenses are for insurance. Brownfield notes receivable due within one year is for the New England Log Home loan. The \$275,000 was paid in December 2019.

Capital assets-net - \$66,027 there was an increase over FY18 due to the purchase of a copier, furniture, server and computers.

Current Liabilities - Advanced grant revenue – Income will be recorded when the work is done. Noncurrent liabilities – post-employment benefits other than pensions \$1,228,730. This is an estimated liability. The increase of \$424,582 over last year is due to the change in staff adding insurance, going from individual plans to family plans and a change in the discount rate. There is no requirement for the Commission to put money into a trust. The changes in assumptions will change the calculation from year to year. Staff eligible for benefits and the amount of money in the trust will also affect the calculations.

Net Position – If you take the Unrestricted (deficit) of (\$1,015,358) and add back in the estimated post-employment benefit liability of \$1,228,730, the Commissions net position would have been \$113,372. BRPC has a positive working fund balance minus the OPEB obligation, which is an estimated number.

Page 7 – Statement of Activities

Page 8 – Statement of Revenue, Expenditures and the change. Looks at the information by putting the Revenues first. Under revenue is the State pension assistance of \$411,321. This is the States contribution.

Page 9 – Budget to Actual shows a slight deficit of \$1600. The Commission Revenues and Expenses basically broke even.

Page 10 to13 are notes to the Financial Statements. There have not been any significant changes to the Commissions policies.

Page 13 - Custodial Credit Risk Related to deposits – shows the amount of cash in the bank at the end of the year.

Page 14 – Project receivables for State and Federal receivables compared to the prior year. The Restricted Brownfields Loan Fund – Notes Receivable lists all the revolving loans. The loan for \$275,000 with the Community Development Corporation of South Berkshire, Inc. for the New England Log Homes was repaid in December 2019.

Page 14 to15 – Restricted Brownfield Loans show loan activity. The loans totaling \$1,045,477 in FY2019. Loans due within one-year total \$275,000. Loans due after one-year total \$770,477.

Page 16 – Changes in assets – Increases and decreases in leasehold improvements and furniture and fixtures.

Notes Payable – The Commission has a line of credit of \$230,000. Any money borrowed was repaid by the end of June.

Page 17 – Shows the schedule for leases and the increases until year 2022. The FY2019 Approved Budget was \$2,859,508. There is a new GASB 87 reporting requirement to show the future lease liability and an intangible right-to-use lease asset on the balance sheet for FY2021. Retirement Plan – BRPC is in a special funding situation where the State makes payments to the retirement system on behalf of the Commission. BRPC recorded that contribution of \$411,321 in FY2019. GASB requires that special funding paid on behalf of BRPC be recognized.

Page 18 – The notes describe BRPC's benefits and the portion paid by BRPC and the percentage the employees pay for the benefits. The retiree's portion of the benefits are funded by the organization and not paid out of the trust. Adelson agrees not to make payments out of the trust until the OPEB liability is funded.

Page 19 – Actuarial Method and Assumptions used to calculate the total OPEB liability.

Page 20 – Required Supplemental Information Schedule of OPEB Contributions are a change in the net OPEB liability. The Sensitivity of the Net OPEB Liability shows if the discount rate and the Healthcare Cost trend rates are changed by 1% or 2%, what the estimated OPEB Liability would be. Adelson does a reasonable check to the numbers that are calculated by the actuary.

Page 21 – Schedule of Changes in Net OPEB Liability and Related Ratios.

Page 22 – Schedule of OPEB Contributions

The schedules are required to be in the audit. The schedules take the information in the notes and lay it out in the required format.

Page 23 to 26 – Supplementary information that is required to show the information in different formats, by revenue, expenses, budget to actual contracts. Schedule of Program Revenues (details for State and Federal Revenues), Schedule of Expenditures (details for expense categories), Schedule of Fringe Benefits, Schedule of Administrative Expenses, Schedule of Other Program Expenses. These summaries are prepared by Marianne and checked by Adelson. The supplementary information ties back to the income statement.

Page 27 – Cost Allocation Method – The overhead rate was 140%, in FY18 the overhead rate was 135%

Page 28 to30 – Schedule of Revenue and Expenditures by Grant/Contract Activity, MassDOT requires this schedule to be included in the Commissions Audit. This schedule is prepared by Marianne and checked by Adelson.

Page 31 & 32 – Adelson Letter to the Members of the Commission – Internal Control over Financial Reporting

Page 33 & 34 – Adelson to the Members of the Commission – Reporting on Compliance for each Major Federal Program

Page 35 – Summary of Auditors Results

Page 36 – Schedule of Expenditures of Federal Awards

Federal Funding – The federal spending must be reported back to the Office of Management and Budget through the Federal Clearing House via an electronic filing by Adelson. Adelson also does an opinion for Federal Awards because if there is more than \$750,000 in federal spending, a single audit must be done. Adelson did very specific testing of things using a Compliance Supplement and a clean opinion was sent back to the Federal government by Adelson.

Page 37 – Notes to schedule of Expenditures of Federal Awards

Page 38 – Audit Distribution Single Audit Clearinghouse, DPH Emergency Preparedness Bureau and Office of Transportation Planning

David explained the management letter on page 3 and page 4.

The comments and recommendations in this letter are based on our observations during our review.

Comments and Recommendations:

1. Revolving Loan modification agreement/change in terms.

Action Taken: The Commission's Attorney prepared a loan modification. The document is under review as of December 11, 2019.

2. GASB 87 – Recognize lease receivable by June 30, 2021.

Action Taken: The Commission has reviewed the requirements. All leases are documented. The balance of lease agreements will be recorded as an asset and the amount owed the lessor will be recorded as a liability.

3. Threat of Cyber and ransomware attacks.

Action Taken: The Commission conducts a continual back up and is offsite. The Commission has antivirus software on all laptops and desktop computers. The Commission conducts training for employees and tests for fraudulent emails. The Commission also has Cyber Liability Insurance and written Operating Procedures.

The Status of Prior Year Recommendation. There were no comments or recommendations for the year ended June 30, 2019. Internal controls are excellent. During Adelson's quarterly reviews no adjustments where needed.

All complimented the staff for the work and a clean audit.

A motion was made by Kyle Hanlon to accept the FY19 Audit with the change to remove the word "clearinghouse" on page 10. Motion was seconded by Sam Haupt and unanimously approved.

IV. Recommended Assessments FY2021 - Action Required

The Finance Committee needs to make a recommendation to the Commission for approval at the January 16, 2020 meeting. The options are no increase, 1% increase or a 2.5% increase. The

Assessment money is used for grant writing, environmental reviews, education and training, and local technical assistance.

A motion was made by Sam Haupt to recommend to the Full Commission a 2 ½% increase for the FY2021 Assessments which was seconded by Kyle Hanlon and unanimously approved.

V. Approval to increase the Capitalization of Assets Policy

Approval was requested by the Finance Committee to increase the Capitalization of Assets Policy from \$500 to \$1,000. This increase will reduce the number of items purchased to be depreciated.

Marianne reported that Adelson prepares the depreciation schedule based on IRS guidelines. Computers are depreciated for three years, furniture and fixtures for five years and leasehold improvements for ten years. There are not a lot of items between the \$500 to \$1,000 range, each year BRPC may purchase five or six computers or a new desk.

Marianne also explained there will not be an effect on the overhead rate because we are using the contributions into the trust to control the overhead rate.

A motion was made by Kyle Hanlon to recommend that the Executive Committee approve an increase in the Capitalization of Assets Policy from \$500 to \$1,000 which was seconded by Sam Haupt and unanimously approved.

VI. Trust Balance

The funds are invested in three funds. BRPC does not pay any of the retirees' health benefits from the trust. The balance of \$652,727.79 as of 1/2/2020 offsets the unfunded liability of \$1,128,730.

The committee discussed reallocating funds to more conservative safer funds.

We wanted everyone to think about the fund allocations. These funds are a long-term investment and we do not use the funds to pay for the retirees' benefits.

We choose conservative, moderate and aggressive funds based on retirement ages. We can ask ICMA-RC for assistance in reallocation if we decide to make any changes.

It was decided at this time that no change to the allocation of funds is needed, in the future we can look at reallocation.

VII. State Retirement Employer Portion:

There has been no new activity on the issue of the employer portion for the State Retirement. The State Retirement Board had issued bills to other RPA's for the employer's contribution portion. BRPC, FRCOG and MAPC joined the State retirement board under special legislation and are exempt from the employer portion.

This is different from the State's contribution of \$411,321 that is in the audit as State pension assistance.

VIII. Other Business – Tom explained that we have Cyber Security internal procedures to ensure BRPC reduces the risk of a cyber and ransomware attack. BRPC backs up our data offsite and has Cyber Liability insurance through MIAA Property and Casualty Group, Inc. Staff must shut down their computers every day, and not open any links or attachments from suspicious senders.

IX. Next Meeting - The next meeting will be scheduled as needed or on May 7, 2020 after the Executive Committee meeting to recommend the FY2021 Budget.

X. Adjournment

Kyle Hanlon moved to adjourn the meeting at 4:55 which was seconded by Sam Haupt and unanimously approved.

Materials distributed or presented during this meeting:

Agenda
Agenda Items memo
Minutes May 2, 2019
FY2021 Assessment Options
Capitalization of Assets Policy
Adelson & Company Letter to FC – FY2019 Audit
Adelson & Company Letter to Ex Dir –suggested changes in procedures
BRPC FY2019 Financial Statements
ICMARC Trust balance as of 1.02.2020
Trust Fund Fact Sheets