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**DRAFT** NOTES OF THE

**FINANCE COMMITTEE MEETING**

*The publicly posted links for this meeting were incorrect, so the votes are not valid.  
A new meeting took place December 21, 2022.*

Thursday, December 15, 2022

This was a Virtual Meeting as allowed by Ch. 107 of the Acts of 2022, extending certain provisions of the Open Meeting Law, G.L. c.30 sec.20, until March 31, 2023.

**I. Call to Order**

**The meeting was called to order at 4:30 pm.**

Chair Buck Donovan started the meeting by reading a statement regarding the Open Meeting Law. BRPC records all meetings. Others may record the meeting after informing the Chair. Any documents presented must be left with the Chair of the meeting.

**Roll Call** -Buck Donovan, Kyle Hanlon, Sam Haupt, Sheila Irvin, John Duval, Marianne Sniezek, Tom Matuszko, Kate Hill-Tapia, and David Irwin and Joseph Collins from Adelson & Company PC. Malcolm Fick late.

**II. Approval of May 05, 2022 Minutes**

Kyle Hanlon moved to approve May 5, 2022 meeting minutes, which Sheila Irvin seconded. It was approved by a roll call vote from John Duval, Sheila Irvin, and Kyle Hanlon, with Buck Donovan. Sam Haupt abstained.

**III. FY2022 BRPC Audit Review by Adelson**

Presentation by David Irwin, Adelson & Company P.C.

Dave gave an overview of BRPC's FY 2022 Audit.

**Page 3 & 5 – Independent Auditors' Report** – This is the opinion of Adelson's audit of the Commission's financials for FY22. Dave explained Management's responsibility is to follow accounting principles and that the auditor's responsibility is to conduct the audit according to Federal and State governmental auditing standards.

**Opinion** – Adelson's review found no material weakness. The Commission's financials fairly represent the governmental activities in FY22. The Commission adopted the provisions of GASB 87 Leases. Adelson's opinion is not modified with respect to this matter. The Commission has maintained good fiscal

Management of its operations. Dave reported that no significant financial reporting control problems were noted during the current year's audit. Adelson has a good clean opinion in the representation of the financial statements.

**Page 6-1 to 6-6** - Management's Discussion and Analysis. Adelson reviews this section and ties the numbers to what is reported. The agency budget and post-employment benefits estimated liabilities and the Lease Liability must be reported. Also included in the audit is supplementary information for reporting federal money spending to the Federal Government. Adelson tested Federal money and had a good clean opinion. Adelson tests internal controls for cash management, recording expenses, payroll, revenue, systems, and compliance to Grant contract terms. Adelson did not find any issues with internal controls.

GASB requires Management's discussion and analysis to provide a narrative to go with the numbers. The discussion summarizes all the financial data in the financial statements and the Budget versus actual numbers, conditions, or a large project Tom wants to discuss.

### **Page 7 - Statement of Net Position - Assets**

#### Current Assets Total - \$2,910,642

- Cash and Equivalents for FY22 \$350,851.
- Restricted cash and equivalents (Brownfields Fund of \$138,734, Berkshire Public Health Alliance of \$611,368, and Project Accounts Receivable of \$1,795,886, as of earlier this week, \$19,766 has not been collected)
- Dave noted the \$611,368 is restricted cash. BRPC is the fiscal agent, and another board controls the spending of those funds.
- Prepaid expenses of \$14,073 are for insurance.
- There are no Brownfields notes net due within one year.

All bank accounts are reconciled monthly, and Adelson confirms the cash with the bank.

#### Noncurrent assets -\$4,238,071

- Brownfields' note receivable, less current portion (page 16) \$580,000
- Capital assets-net - \$16,674. There was a decrease from \$27,439 in FY21 related to depreciation (page 17).
- Lease-related assets -future rent for Suites 201 & 202 (Pg 18) \$730,455

### **Liabilities**

#### Current Liabilities - \$2,199,086

- Accounts Payable \$264,393
- Advanced grant revenue of \$1,087,259 is more than FY21, which was \$864,803. Income will be recorded when the work is completed.

#### **Noncurrent liabilities - \$3,916,844**

- Contingency fund for Public Health \$9,000
- Accrued Leave \$119,321

- Lease-related obligation (pg. 18) future lease payments of \$783,274-\$74,109 FY23 = \$665,913. Dave noted this is a new requirement to report the lease-related obligation for the current value on the balance sheet.
- Post-employment benefits other than pensions are \$923,524 less than FY21, \$1,148,563. The estimated liability is a decrease of \$225,039 from last year.

**Net Position - \$321,227**

- Invested in capital assets, net of related debt (Depreciation) \$16,674
- Restricted Brownfields Loan Fund \$1,067,110
- Unrestricted (deficit) -(\$762,857)

Net Position – If you take the Unrestricted (deficit) of (\$762,857) and add back in the estimated post-employment benefits liability of \$923,524, the Commission's net Position would have been \$160,667. BRPC has a positive working fund balance minus the OPEB obligation, an estimated number.

**Page 8** – Statement of Activities – Allowance for potential Brownfields uncollectible accounts \$35,439 compared to FY21 (395,376) for Brownfields Loan Fund.

**Page 9** – Statement of Revenue, Expenditures, and the change. This statement looks at the information by putting the Revenues first. Under revenue is the State pension assistance of \$172,727; this is the State's contribution. The local and other programs decreased by \$477,401 from \$3,113,414 to \$2,636,013.

Dave explained the Fund balance:

BRPC's contracts are cost reimbursements. The only money BRPC can add to the Fund Balance is from the General Fund. The excess of revenues over expenditures (change in the BRPC's General Fund) in FY22 was \$190,023. The \$190,023 does not include the Brownfields Fund Balance. The Brownfields Loan Fund column shows the Brownfields Funding Balance is \$1,067.110.

**Page 10** – Budget to Actual schedule shows a loss of (\$35,016). The cash loss is the Commission's expenses over its revenue. There was an accounting adjustment for the fund balance change.

Government Fund (DPT. 10)	\$190,023
Adj State pension revenue	(\$172,787)
Adj State pension expenses	\$172,787
OPEB entry	(\$225,039)
Loss	( \$35,016)

**Pages 11 to 13 are notes to the Financial Statements.** There have not been any significant changes to the Commission's policies except for the addition of the Lease Related Assets and Obligations for accounts for leases in accordance with GASB Statement No. 87.

**Page 14** - Custodial Credit Risk Related to deposits shows the bank's cash amount at the end of the year of \$1,782,365. Cash was confirmed.

**Page 15** – Project receivables for State and Federal receivables compared to the prior year. The Restricted Brownfields Loan Fund – Notes Receivable lists all the revolving loans.

**Page 15 & 16 – Restricted Brownfields Loans show loan activity. Notes receivable(loans) totaled \$939,937 in FY2022.**

Powerhouse Loan #1	\$350,000
Partial payment	(212,110)
Interest accrued	\$50,891
Loan 1	\$188,781
Powerhouse Loan #2	<u>\$171,156</u>
Powerhouse Loans	\$359,937 *

Amount due after one-year totals \$580,000

\*Note: Dave pointed out that accounting-wise, the \$359,937 was to record a possible non-payment. Allowance for Potential uncollectible (\$359,937).

Sam asked, as a creditor, if BRPC is not the first to be paid by Powerhouse. Tom confirmed BRPC is at the end of creditors to be paid. However, we received one payment, and Tom signed an extension to the loan. BRPC expects to be paid as the loanee is working with us on repayment.

**Page 17** – Changes in Capital assets – Increases and decreases in leasehold improvements and furniture and fixtures.

Increases Leasehold improvement (Cooper Center new door & access control system)	\$6,081
-Less Furniture and fixtures (Laptops, panels to wrap around reception desk)	(\$12,973)
-Less Lease hold improvements (Office construction, private office, door)	<u>(\$3,573)</u>
Decrease in FY22	(\$10,465)

**Page 17 – Lease Related Assets and Obligations (new GASB 87)**

Dave pointed out the new requirement for leases on pages 17 and 18.

Commission has leases for the facility space expiring in 2032.

GASB 87 – a lease contract that conveys the right to use another entity's nonfinancial asset as specified in the contract for a period of time in an exchange or exchange-like transaction.

Lease recognition and measurement – Commission accounts for a lease by recognizing a lease liability and a right to use intangible lease asset at the beginning of the lease. The lease liability is measured at the present value of the payments made over the lease term.

The lease liability is reduced by the (Principle) payments made.

**Page 18 – The Commission amortizes the lease asset in a straight-line method over the term of the lease.**

Lease arrangements

Facility rent, Suite 201 – new lease Dec 2021 expires 11/30/2026. There is a renewal option for an additional five years, extending the lease until 11/30/2031. The Commission pays the prorated share of the utilities.

Facility rent, Suite 202 - new lease Dec 2021 expires 11/30/2026. There is a renewal option for an additional five years, extending the lease until 11/30/2031. The additional five years are not included in the measurement of the lease asset and related obligation. The Commission pays the prorated share of the utilities.

As of June 30, 2022, the future obligation for rent payments is \$740,022.

Ste 201 until 2032	\$588,923
Ste 201 until 2027	<u>\$151,099</u>
Total	\$740,022

Dave pointed out that all the numbers tie to the balance sheet and are required to be on the balance sheet.

**Page 19 – Line of Credit** –The Commission has a line of credit of \$230,000. The loan balance on 6/30/2022 was \$0.00

**Page 19 – Berkshire Public Health Alliance Liability** – The Berkshire County Boards of Health Association transmitted funds to the Commission. The Commission is the host agency. The funds are to be used by the Alliance, and the Alliance's governing board oversees and approves expenditures. The total amount of funds on 6/30/2022 was \$611,368. These funds are restricted cash for the Berkshire Public Health Alliance liability on the statement of net Position.

**Page 19 – Note 4 – Other Information**

A. Risk Management and Contingent Liabilities

Risk Transferred to Third Parties – The Commission has a variety of insurance policies that pass the risk of loss to third parties.

Contingent Liabilities – The Commission is not aware of any expenditures disallowed by a grantor.

B. Fiscal FY23 Budget - \$5,379,584

**Page 19 & 20**

C. Retirement Plan – Commission employees are in the Massachusetts State Retirement System. BRPC is in a special funding situation where the State makes payments to the retirement system on behalf of the Commission. The state pension assistance for FY22 was \$172,787.

D. Other Postemployment Benefits  
GASB requires that special funding paid on behalf of BRPC be recognized. The notes describe BRPC's benefits, the portion paid by BRPC, and the percentage the employees pay for the benefits. The retiree's share of the benefits is 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 21** - The fair Market value of the trust as of June 30, 2022, was \$1,008,843

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

**Page 22 – Required Supplemental Information Schedule of OPEB**

On 6/30/2022, the Commission reported a payable (payment due) for an outstanding contribution to the OPEB plan of \$46,644.

Contributions are a change in the net OPEB liability.

FY21 total OPEB Liability of \$1,148,563 change of (225,039) to \$923,524 equals the total OPEB Liability for FY22. The Commission contributed \$138,008 to the trust. The Sensitivity of the Net OPEB Liability shows what the estimated OPEB Liability would be if the discount rate and the Healthcare Cost trend rates are changed by 1% lower or 1% higher. Adelson does a reasonable check on the numbers that the actuary calculates.

**Page 23** – Schedule of Changes in Net OPEB Liability and Related Ratios. This schedule shows the OPEB obligation from 2018 to 2022.

**Page 24** – 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 for 2018 to 2022.

**Page 25 to 28** – Supplementary information that is required to show the data 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 29 – Cost Allocation Method** – The overhead rate was 140%; in FY21, the overhead rate was 140%. The Direct salaries for Federal and non-federal funded salaries were noted in FY22.

**Page 30 to 33** – Schedule of Revenue and Expenditures by Grant/Contract Activity, MassDOT requires this schedule to be included in the Commission's Audit. This schedule was prepared by Marianne and checked by Adelson.

**Page 34 & 35** – Adelson Letter to the Commission Members – Internal Control over Financial Reporting.

**Page 36 to 38** – Adelson to the Commission Members – Reporting on Compliance for each Major Federal Program.

**Page 39** – Summary of Auditor's Results – this page results from Adelson's testing of the Commission's financials, including Federal Awards. There were no findings or questioned costs for the year ending June 30, 2022. Dave explained the Commission is a low-risk auditee. A low-risk auditee requires less testing. BPRC has been a low-risk auditee for several years. This opinion is reported to the federal government.

**Page 40 – Schedule of Expenditures of Federal Awards**

Federal Funding – The federal spending must be reported 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 had a good clean opinion. Adelson did very specific testing of things using a Compliance Supplement. A clean opinion will be sent to the Federal government by Adelson.

**Page 41** – Notes to schedule of Expenditures of Federal Awards.

**Page 42** – Audit Distribution Single Audit Clearinghouse, DPH Emergency Preparedness Bureau, and Office of Transportation Planning.

David explained the management letter on page 3. The comments and recommendations in this letter are based on Adelson's observations during their review

Comments and Recommendations for the year ended June 30, 2022

1. With the implementation of GASB Statement No. 87, Leases, the Commission must review and evaluate all lease and similar contract agreements (i.e. embedded leases) on an annual basis to determine if right-to-use assets or long-term lease receivables need to be reported on the Commission's Statement of Net Position. For contracts meeting the definition of a lease, a lessee is required to recognize a lease liability and an intangible

right-to-use asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

**Recommendation:**

As a best practice, the Commission should adopt a policy in their Accounting Policies and Procedures Manual to review and evaluate all lease and similar contract agreements to assist in determining lease treatment according to GASB Statement No. 87, Leases. This policy should also require documentation of certain criteria, such as the terms of the lease/contract, term length (including all renewal options), discount rate, variable payments, and residual values in a single spreadsheet. This spreadsheet should also be made available to the auditors at year-end.

**Action Taken:**

The Commission has added the following language to its financial policies and procedure:

Annually, the Commission reviews and evaluates all leases and similar contract agreements to determine lease treatment in accordance with GASB 87, Leases. In accordance with the standard, the Commission, as a lessee, is required to recognize intangible right-of-use assets and corresponding lease liabilities for all leases that are not considered short-term. Leases that meet the following requirements will not be considered short-term: 1) the maximum possible lease terms(s) is non-cancelable by both lessee and lessor and is more than 12 months, and 2) the annual lease payment is greater than \$5,000. All information shall be organized to include the lease terms, term length, renewal options, discount rate, variable payments, and residual values and shall be made available to external auditors at year-end. A lease liability spreadsheet should be maintained along with supporting leases. The type of lease may include (office space, copier, software, or a vehicle). In addition, the project setup form has been updated to include the tracking of any lease agreements for new contracts

**Status of Prior Year Recommendations**

There were no comments or recommendations for the year ending June 30, 2021.

Dave Irwin asked if there were any questions.

Dave emphasized that the BRPC Administrative staff and other staff promptly provided Adelson with everything they needed. BRPC has good controls over financial reporting and does a very good job of keeping track of a tremendous amount of financial activity. The only adjustment was for depreciation to the financials.

Dave praised Marianne and the finance team on the quality of the financials especially given the exponential increase in financial activity due to additional projects and staff. He also noted that Peachtree is not an easy program to use.



**Buck asked for a motion.**

Kyle Hanlon moved to approve the FY2022 BRPC Audit, which Sam Haupt seconded. It was unanimously approved by roll call vote from Sam Haupt, Buck Donovan, Sheila Irvin, John Duval, Malcolm Fick, and Kyle Hanlon.

**IV. Recommend FY24 Assessments to the Commission**

The Finance Committee needs to recommend the assessments to the Commission for approval at the January 19, 2023, meeting. The options are no increase, a 1% increase, or a 2.5% increase.

**After a discussion, Buck asked for a motion.**

Sam Haupt moved to recommend a 2.5 % increase for the FY2024 Community Assessments on January 20, 2023, which Kyle Hanlon seconded. It was unanimously approved by roll call vote from Sam Haupt, Sheila Irvin, Malcolm Fick, Buck Donovan, and Kyle Hanlon.

**V. Trust Balance**

Mission Square (formerly ICMARC) Trust Balance of \$1,087,104 as of 12/09/2022

**VI. Investment Plan**

Adelson has recommended the Commission have an Investment Plan to protect the money in the trust for Other Postemployment Benefits. This is a best business practice. Dave has provided BRPC with a sample plan, and Marianne stated we have another RPC's Investment Plan. We will prepare an investment plan and review it with Adelson. The Investment Plan will then be reviewed with the Finance committee.

**VII. State Retirement Update (Employer portion)**

Tom explained that the proposed legislation requiring RPAs to pay the employer's portion of state retirement is dying with the end of this legislative session. The staff person from the Treasurer's office pushing for this has retired. We will have to wait and see if it is reintroduced.

**VIII. Increase Credit Line**

Marianne explained that BRPC's line of credit is currently \$230,000. Increasing the line of credit was discussed due to increased staff and expenses. BRPC's semimonthly payroll is over \$100,000. After TD bank receives the FY22 Audit would be a good time to do the increase. Tom explained that most project expenditures are reimbursable and that the payment process can be lengthy for some programs like CDBG. When BRPC borrows from the line of credit,

there is a process where the treasurer of the Finance committee approves the borrowing.

**IX. Other Business - None**

- X. Next Meeting** – April 27, 2023, was set as the next meeting to recommend the FY2024 Budget to the Commission meeting on May 18, 2023.

**XI. Adjournment**

The meeting was adjourned at 5:21 pm by a motion made by Sam Haupt and seconded by Kyle Hanlon. Adjourned by roll call vote from Sam Haupt, Buck Donovan, Sheila Irvin, Malcolm Fick, and Kyle Hanlon.

Attachments:

- Unapproved Minutes of Finance Committee Meeting of May 05, 2022
- FY2022 DRAFT BRPC Audit (Financial Statements & Supplementary Information)
- BRPC Management Letter Draft
- Adelson Letter to Commission Members Draft
- FY2024 Community Assessments DRAFT
- Mission Square (formerly ICMARC) Trust Balance 12/9/2021