

Longmeadow Audit Committee  
Minutes of February 1, 2017 Meeting  
Adopted at March 1, 2017 Meeting

Members Present Jeff Klotz, Chairman; Ernest Welker, Clerk/Sec; Peter Landon; Glenn Rosenberg; Dan Healy

Member Absent Kara Stevens, Vice Chair

Others Present Paul Pasterczyk, Town Finance Director

Meeting called to order by Chairman Klotz at 6:00 P.M.

Chairman's Remarks

Due to overwhelming demands from all angles of her life, Vice Chairman Stevens wishes to step back and become an Associate Member (no voting rights). Both Mrs. Stevens' and Associate Member Mr. Healy's terms have June 30, 2017 expirations. Upon inquiry of the Town Manager's Office, I was told both members would have to resign their current memberships and re-apply to the Select Board for their desired new status. The paper work has been sent to Kara and Dan to resign and re-apply.

Adoption of proposed minutes of December 21, 2016 and January 4, 2017 meetings

The Chair asked if members wanted to discuss the previously circulated minutes. Hearing no request for discussion, Mr. Klotz invited motions for adoption. Both motions were passed by unanimous voice votes.

Audit Subcommittee (Mr. Klotz)

Mr. Klotz opened discussion on possible retention of current auditor LMM (Lynch, Malloy, Marini, LLP) for one or two more years. At AC's last meeting, there was a consensus to wait to see how LMM's presentation to the Select Board went. Those who watched on TV expressed the opinion that LMM's presentation covered typical topics, the few questions were answered, and all went smoothly.

Mr. Klotz asked Mr. Pasterczyk for his assessment of LMM's on-site work and responsiveness to questions. Mr. Pasterczyk offered some specific comments, all favorable, such as: Accounting staff and other staff gave a favorable review and did not find them to be pests. LMM always gave their opinions on matters when asked, with back up material rather than only orally. Assessors office found LMM to be in their office more than auditors usually were, but that was a department targeted for close examination this audit year. Mr. Pasterczyk said he had no problems dealing with Grady Connor, the Engagement Mgr. or Rob Lynch, Partner.

Mr. Pasterczyk, reported he spoke with Rob Lynch to get a sense of LMM's interest in extending the contract. Two items mentioned were that fees would be higher due to new and more time demanding GAS (General Accounting Standards), and LMM would want hard dates for when the town and they would reach agreed-upon performance mile-stones.

A motion was made by Mr. Landon and seconded by Mr. Welker to authorize Mr. Pasterczyk to speak with LMM about their fees for audit and CAFR services for FY2018 and FY2019.

CAFR Subcommittee (Mr. Landon and Mr. Healy)

Mr. Pasterczyk reported that Longmeadow's CAFR for FY2016 had been submitted within the approved extension period to the GFOA for consideration of receiving its Certificate of Achievement for Excellence in Financial Reporting (CAFR Program). Mr. Landon and Mr.

Healy indicated the Subcommittee would be looking for other data series that would be informative to Town citizens and helpful to leadership with planning and budgeting.

#### Bond Rating Subcommittee, BRS (Mr. Landon and Mr. Welker)

Mr. Welker reminded Members they were asked at the prior meeting to give close attention to the BRS's "Selections from Moody's Rating Methodology" document, distributed at the meeting prior to that last meeting, so as to be prepared to discuss and advise. The BRS believes the bond rating matter, in some form, ought to be presented to at least to the Finance Committee initially and then perhaps to other committees. At this meeting we want to have time to go into some depth with Members to get their thoughts.

Members gave little indication of close familiarity with the Methodology document and had little to say about it or advise how the BRS might proceed. Mr. Landon and Mr. Welker did not feel free to walk Members through the document, having earlier been told by the Chair that doing so is a waste of time, as Members know how to read.

Mr. Healy asked Mr. Pasterczyk what Town could do in short-term to protect Aa2 rating. Mr. Pasterczyk replied that Moody's indicated reserves are low for Aa2 rating, so increasing reserves is one near-term step. On the other hand, according to Mr. Pasterczyk, Moody's seemed unconcerned about the increasing OPEB liability or the relatively small contributions Town was making to the OPEB Trust.

(Chairman Klotz interrupted the BRS report to ensure there was time for Mr. Rosenberg to give his prepared reports for the Corrective Action Report Subcommittee and for the Quarterly Investment Report Subcommittee. See below. Mr. Landon made a motion to extend the meeting 15 minutes beyond the scheduled hour. Mr. Welker seconded the motion. It was passed unanimously.)

Upon resumption, Messrs. Landon and Welker commented that there seemed to be little attention given to the serious consequences of Town reaching the mandated maximum tax levy of \$25/\$1,000 in a few years. They asked if Members thought the BRS should present something to raise attention to the problem, perhaps first by meeting with the Finance Committee to speak about the bond rating methodology and possible consequences. BRS members said they were looking into Aa2 vs. Aa3 interest rate differentials and their total cost over 20-30 years. The 15 minute meeting extension time expired without meaningful discussion.

#### Corrective Action Report Subcommittee (Mr. Rosenberg)

Mr. Rosenberg distributed a copy of a document headed "Review of Audit Correction Report (ACR) prepared by Paul Pasterczyk and completed as of January 5, 2007 (related to issues in the FY2016 Management Letter)" Attention focused on two items that were added since the initial circulation of a draft version of the ML, in which the auditor reported minor weaknesses. The two items were IMMATERIAL VARIANCES NOTED AND ABANDONED PROPERTY and INFORMATION TECHNOLOGY INVENTORY.

#### Quarterly Investment Report Subcommittee (Mr. Rosenberg)

Mr. Rosenberg distributed a copy of a document headed "Review of of Treasurer's Investment Report for October through December, 2016". Mr. Rosenberg reported that investments were fully in compliance with policy. Mr. Pasterczyk noted that the long outstanding out-of-compliance CD that was acquired by investor advisor Bartholomew & Co was maturing and

the funds would be returned to the Town's accounts and managed in house in accordance with the investment policy.

Next meeting

March 1 2017, 6:00 p.m. to 7:00 p.m., at fire station meeting room

A motion to adjourn was made by Mr. Rosenberg and seconded by Mr. Welker. Meeting adjourned by unanimous acclimation at 7:15 P.M.

Respectfully Submitted,  
Ernest P. Welker  
Clerk/Secretary