

**Longmeadow Audit Committee**- November 16, 2005

7:05 PM – Called to Order

Present: Peter Landon – Chairman, Larry Eagan, Paul Adornato, Ernie Welker, Emanuel Wenig, Mike Giampietro, Ned Steiger, Clark Rowell – (Unibank), Paul Pasterzyk – (acting Finance Director)

Minutes of 9/7/05 were approved.

All previous minutes will be filed by Paul P. to Town Clerk. Agendas of meetings need not be posted in advance of our meeting per Paul P.

Paul P. said we are being held back on the Center School 1995 and 1996 bond refinancings because we do not have a final project audit number from the state. The Moody's report of 11/15/05 has removed Longmeadow's negative outlook. This is good news. Two years ago we had no stabilization fund. Now we have approximately \$1.4 million.

Clark said \$2 billion has been released by the Mass School Bonding Authority for paying the Town's upfront for the States portion of school bonds. The state repayment revenue comes from 1% of sales tax pledged to MSBA

1 million dollar note due next week on Blueberry Hill/ Wolf Swamp.

Ernie asked what the deal breaker discount rate is. Clark did not have the answer. Current discount rate used in the refunding is 4.04%. or the one year LIBOR minus 5 bp.

The benefit of this refinance helps the town's balance sheet as well as saving principal and interest.

Clark likes to see the savings equal to at least twice the issuance cost otherwise the refunding should not be considered.

Peter asked about the potential savings. It is still approximately 200,000 for the town and approximately 400,000 for the state.

Paul A. asked about the timing.

We agreed to do the refunding as soon as possible since the direction of interest rates are working against us.

Clark reiterated that the state's \$4 million prepayment is not so large that he believes state can execute this.

Clark said that beside the dollar savings we acknowledge that this plan gives the town larger capacity to borrow for future capital. Paul A. asked if we saved money who could adjust tax rate. Answer – Selectboard.

Blueberry Hill/Wolfswamp \$21 million total project. State's portion of this indebtedness is \$13M, and the State has paid Lonmeadow \$10 million to date. They will pay us \$1 million of the remaining 3 million owed now and give us \$2 million to be amortized. This results in \$100,000 per year until 2023.

Worst case pricing scenario of pricing is Monday, Nov. 28<sup>th</sup>. Selectman could then approve December 5<sup>th</sup>.

Rates since end of July – 1 year tax-exempt rates up 50 basis  
5 year tax exempts are up 35 basis

We discussed the process to develop an Internal Audit Plan for 2006 / 2007 and corrections of 2005 management review findings, etc. should be addressed. Peter commented that management should push down fiscal/internal control responsibility down the line of the organization.

Paul mentioned that our risks on tax receivables is minor since we can lien property to get our funds. It was suggested that close monitoring of receivables may be more effective than collection after placing a lien.

School issues. The School Committee internal controls have improved since the special audit report and the implementation of recommendations.

Three years ago some income items had been loosely managed and spent (school choice).

Paul A. said that all other smaller departments should be looked at since in the aggregate they almost equal the school department.

Ernie asked if there was follow up from Scanlon (Auditor) from the last meeting regarding Towns with best practices in internal audit. Ernie will call Scanlon.

Ned asked if the Finance Committee should be more actively involved in looking at department budgets to see budget verse actual results. Ned asked if we could recommend if the Finance Committee could exercise some quarterly discipline on department budgets.

Ned suggested we create a master list of audit items that need addressing and then identify a few top items to work on. We have previously asked the Town to prioritize the correction of management report deficiencies reported in 2004 and anticipated to reappear on the 2005 external accountants report.

Manny suggested that we may want to publish a document advising where the town's highest risks are located once management and the committee have identified them.

Paul P. discussed the split of responsibilities between the town and school department in terms of bookkeeping. Paul mentioned that integration and improvement is still needed.

Peter stated that towns of Harvard and Reading had different experiences trying to integrate school and town finances. Harvard had the CFO report to both the School Superintendent and the Town Manager as a way to recognize the School's rights under MGL's. In Reading they have abandoned their previously successful integration.

Manny suggested that we help develop job descriptions for the bookkeepers and Finance Department consolidation plans. We concluded the first drafts would be prepared by the TM or CFO.

Larry asked Paul P. if the Audit Committee can help mediate or expedite the consolidation of the school bookkeepers into the Town Finance department. It was suggested that Jeff Wiegand and Manny would perhaps try to get together and mediate the consolidation. The AC interest is in maintaining the proper level of internal controls in the SD.

Paul A. said that we want to learn about the internal controls of the School Department to start. This would have the committee looking at our largest department and thereby assessing our greatest risk.

Mike suggested that we ask the School Committee to give us the special audit they conducted a year ago and we review it. From our review we can look at their internal controls. The School Board Chair should be asked to attend a future meeting to tell us about their internal controls.

Ned suggested that since 80% of budget is salaries and then other large expenses use up a great deal of the remainder. Perhaps very little is left over that can be discretionary.

Paul P. suggested we meet in December to review the special audit of the school and the town audit.

Paul P. distributed a long term budget form to answer Paul A.'s request on how future budgets will be created.

It will be discussed at our next meeting.

Next meeting dates: December 15<sup>th</sup> – 7:00 PM  
January 12<sup>th</sup> – 7:00 PM

Meeting was adjourned at 9:20 PM