

**LONGMEADOW AUDIT COMMITTEE**

February 9, 2011

Approved March 30, 2011

Members Present: Ernest Welker, Chair, Glenn Rosenberg, Vice Chair, Christopher Boutin, Stephen Kuhn, Joseph Occhuiti, Glenn Rosenberg and James Shriver.

Members Absent: None.

Others Present: Paul Pasterczyk, Finance Director; Thomas Scanlon, Jr. and Gregory Winters of Scanlon & Associates, LLC; and Mark Barowsky and James Law of the Finance Committee.

Chairman Welker called the meeting to order at 7:00 p.m. in the Fire Department Meeting Room.

Visitor Comments: None.

Financial Statements for the Fiscal Year Ended June 30, 2010

Vice Chairman Rosenberg welcomed Messrs. Scanlon and Winters from Scanlon & Associates (“Scanlon”), the Town’s independent auditors, to the meeting. He turned the meeting over to Mr. Scanlon to review the Town of Longmeadow Report on the Examination of Basic Financial Statements for the fiscal year ended June 30, 2010, distributed to Committee members in advance of the meeting. Mr. Scanlon noted that while this was a draft report, it would be finalized in the near future and submitted to the Select Board for approval, after which it would become a public document. The report includes the Independent Auditor’s Report, Management’s Discussion and Analysis, the Town’s basic financial statements, certain supplementary information and several schedules.

Mr. Scanlon began by noting that the audit engagement went extremely well this year with continued cooperation from Town employees and management. He reported that the independent auditor’s opinion to be issued was an “unqualified opinion” which means the numbers are fairly stated and accurate in all material respects. While no material weaknesses were identified, a Management Letter (discussed below) was issued.

Mr. Scanlon reviewed the Management Discussion and Analysis (MD&A) section of the report which is not required but provides a useful summary and insight to the financials. In response to a question, he stated that drafting the MD&A was a joint effort among Mr. Pasterczyk, Town management and Scanlon. Chairman Welker noted that in reporting the decrease in the Town’s total liabilities detail contained in last year’s report was absent. He suggested additional detail to be included which was acceptable to the Committee, Scanlon and Mr. Pasterczyk.

Mr. Scanlon then walked the Committee through the financial statements, commenting on what he believed to be the most important matters and responding to comments and questions from Committee members and visitors. Among other things, the Committee discussed differences in cash, modified accrual and GAAP accounting; allocation of expenses; capital assets and depreciation; School Department accounting; OPEB and other fiduciary funds; education expenses; employee benefits and insurance; free cash; allowances for uncollectables; and real estate tax collection rates. Suggested edits included showing the shortfall in total revenues to total expenses, use of uniform terminology for the Town, and several amendments to the financial footnotes as a result of adoption of a Town investment policy.

Mr. Scanlon briefly reviewed the supplementary schedules (which are also not required) and schedules showing Committee members how this information provides additional support to the

financials. Throughout this review Messrs. Scanlon and Winters responded to questions from Committee members. .

#### Schedule of Expenditures of Federal Awards

The meeting next turned to consideration of the draft Schedule of Expenditures of Federal Awards distributed to Committee members in advance of the meeting. Federal law requires special audits of federal grants of a certain size. As usual, most of the Town's federal award expenditures during the fiscal year were educational -- and most of those were special education (SPED) grants. Mr. Scanlon briefly reviewed this audit and reported that an unqualified opinion will be issued. In response to questions, Mr. Scanlon noted that Longmeadow receives less federal assistance than most communities in Massachusetts because of the relative wealth of its citizens.

#### Management Letter

The Committee next reviewed the draft Management Letter with the representatives of Scanlon. There were five comments related to the current audit and two carry-over comments from the prior year's management letter. Seven issues from the prior year were satisfactorily rectified during the year. The Committee discussed each of the outstanding issues and management's proposed responses. Improving documentation of cash and investment reconciliations was considered to be the most important new comment by Scanlon. The Committee was generally satisfied with management's responses and intended course of action but suggested some minor edits.

In response to questions from Committee members, Mr. Pasterczyk reported that the Town's audit representation letter was nearly complete and would be signed by both the Town Manager and the Finance Director this year. A copy of the letter will be distributed to Audit Committee members later this week.

Chairman Welker thanked the Scanlon representatives for attending the meeting and presenting and explaining to the financial statements and accompanying schedules in detail. There being no further business for them, Messrs. Scanlon and Winters were excused from the meeting.

#### Approval of November 11, 2010 Minutes

Audit Committee minutes (distributed to Committee members in advance of this meeting) were unanimously approved and the Clerk was directed to place them on file with the Longmeadow Town Clerk and Webmaster.

#### Other Business

*Audit Responsibilities for High School Building Project.* In the absence of Mr. Boutin, who had to leave the meeting at 9:00 p.m., Chairman Welker gave a very brief status report on this project, discussed at the November 11, 2010 Audit Committee meeting, noting that this matter would be presented and discussed in more detail at a future meeting of the Committee.

*Moody's Ratings.* Chairman Welker led a discussion on Moody's earlier change, from Aa3 to Aa2, in its rating of the Town's bonds, noting concern as to its characterization in a news release issued by the Town Manager. He asked the Committee to consider what, if anything, it wanted to do about it. Mr. Kuhn agreed to draft a statement from which the Committee could work in further consideration of the matter at its next meeting.

*Next Meeting.* The date for the next Audit Committee meeting was left to be determined by the Chair.

There being no further business, upon motion duly made and seconded, the meeting adjourned 10:02 p.m.

Respectfully submitted,

*Stephen Kuhn*  
Stephen Kuhn, Clerk

Documents used by Committee members in preparation for or at the meeting:

- Minutes of the November 11, 2010 Audit Committee meeting
- Memorandum from Chairman Welker to Audit Committee dated February 5, 2011 regarding “Town’s Bond Rating Change by Moody’s to Aa2 from Aa3”
- *Draft* Town of Longmeadow Report on the Examination of Basic Financial Statements for the Fiscal Year ended June 30, 2010
- *Draft* Town of Longmeadow Schedule of Expenditures of Federal Awards for the Year ended June 30, 2010
- *Draft* Town of Longmeadow Management Letter for the Year ended June 30, 2010