

DELAWARE MUNICIPAL ELECTRIC CORPORATION
Regular Audit Committee Meeting
February 9, 2017
Smyrna, Delaware

A meeting of the Audit Committee of the Board of Directors of the Delaware Municipal Electric Corporation was held on February 9, 2017 at the DEMEC offices, Smyrna, Delaware.

The meeting was called to order at 2:04 pm.

The following roll call was presented:

Committee Present:

Pamela Patone, Chair
New Castle MSC, General Manager/Secretary
Donna Mitchell,
City of Dover, Controller/Treasurer
Tyler Reynolds
Town of Middletown, Finance Manager

DEMEC Staff Attending:

Louis Vitola, VP – Finance
Stephanie Dove, Accounting Manager

Special Guests: none

APPROVAL OF MINUTES – November 10, 2016

By motion of Ms. Mitchell, second by Mr. Reynolds, the November 10, 2016 minutes were approved by Committee.

By motion of Ms. Mitchell, second by Mr. Reynolds, the November 10, 2016 Executive Session minutes were approved by Committee.

FOLLOW UP ON ACTION ITEMS

The Committee discussed the need for more time to continue researching general practices and procedures of the Finance and Audit Subcommittee of the Board. Ms. Mitchell advised that she would volunteer to assist Mr. Vitola with additional research. Mr. Reynolds reminded the Committee that the path of communication was a core concept in the presentation produced by Baker Tilly entitled *Current Issues in Board Governance*, which was reviewed at the November 10, 2016 meeting. The Committee came to a consensus that staff and Committee members would work together on the research, but that the Committee would draft any recommended changes to the Audit Committee Charter for review and consideration by the full board.

The Audit Committee is an advisory-only committee of the DEMEC Board of Directors and has no power to finally approve or order any action. The power to act rests exclusively with the DEMEC Board of Directors.

AUDIT

Mr. Vitola reported that DEMEC's independent auditors from Baker Tilly were on site to conduct preliminary fieldwork on November 16 and 17, 2016, and that the process went very well. Mr. Vitola advised that Baker Tilly would again be on site for final fieldwork from February 21 through February 24, 2017. By the start of final fieldwork, the financial statements and footnotes need to be substantially complete; Mr. Vitola reported that DEMEC is on track to meet this deadline. The Committee reached a consensus that each member no longer needs to be copied on all correspondence with the audit team, provided that three progress meetings are made available by Baker Tilly at the start of final fieldwork, after final fieldwork, and after the financial statements are complete (but before the April 18, 2017 presentation of the financial statements to the full board).

ACCOUNTING POLICIES & PROCEDURES

Mr. Vitola provided a report on the accounting for two instances of under-billing members. Mr. Reynolds provided commentary about the ongoing review of one instance of under-billing, while Mr. Vitola reported on the successful conclusion of the discussions of the other.

BUSINESS FROM THE FLOOR

None.

EXECUTIVE SESSION

The Audit Committee went into Executive Session at 3:02 pm to discuss strategic business planning.

The Audit Committee ended the executive session at 3:12 pm.

NEXT MEETING DATES

The chair will send out calendar invites to the committee members for the upcoming 2016 meetings set for:

- a. Thursday, May 4, 2017 at 2:00pm
- b. Thursday, August 3, 2017 at 2:00pm
- c. Thursday, November 2, 2017 at 2:00pm

ADJOURNMENT

There being no further business, the Audit Committee adjourned at 3:13 pm.

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