

DELAWARE MUNICIPAL ELECTRIC CORPORATION
Regular Audit Committee Meeting
August 21, 2018
Smyrna, Delaware

A meeting of the Audit Committee of the Board of Directors of the Delaware Municipal Electric Corporation was held on August 21, 2018 at the DEMEC offices, Smyrna, Delaware.

The meeting was called to order at 9:07 a.m.

The following roll call was presented:

Committee Present:

Pamela Patone, Chair
MSC of New Castle, General Manager/Secretary
Tyler Reynolds
Town of Middletown, Finance Manager
David Del Grande
City of Newark, Finance Director

DEMEC Staff Attending:

Louis Vitola, VP – Finance
Stephanie Dove, Manager of Accounting and Settlements

Special Guests: none

APPROVAL OF MINUTES – May 15, 2018

Upon motion by Mr. Reynolds and second by Mr. Del Grande, the May 15, 2018 Regular Meeting minutes were approved by the Committee.

FOLLOW UP ON ACTION ITEMS

Mr. Vitola advised the Committee that the Mayor and Council of the Town of Middletown adopted regulatory accounting under GASB Statement No. 62 and that the City of Seaford was preparing to do the same. Each member made equity contributions or “down payments” in support of their ongoing projects, and each will treat fiscal year 2019 as Year One of the Project Purchase Agreement (“PPA”) with DEMEC. Ms. Patone advised the Committee that the MSC of New Castle is likewise adopting regulatory accounting to report the values associated with its substation and related improvements undertaken in and around 2009, among other potential applications of the Statement. The adoption of GASB 62 will require a prior period adjustment for the MSC as it did for DEMEC.

AUDIT

Mr. Vitola recounted the Committee’s direction from the May 15, 2018 meeting and distributed a draft request for proposals (RFP) for audit services, a list of potential invitation candidates, and a proposed timeline. The Committee expressed an interest in extending the timeline so as not to conflict with the 2018 audit processes, which are carried out late in 2018 and early in 2019 for DEMEC’s fiscal year 2018 – the final year of a six-year engagement with Baker Tilly. The initial timeline suggested a four-and-a-half-month RFP process kicking

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.

off in October 2018 with the issuance of the RFP and concluding in February 2019 with DEMEC Board approval. The Committee suggested that the RFP commence early in 2019 and conclude after the issuance of DEMEC's 2018 Annual Report and Audited Financial Statements. Staff will temporarily deprioritize the RFP and redraft the proposed RFP timeline for review at the next meeting.

AUDIT COMMITTEE LEADERSHIP

Mr. Vitola shared a history of the Audit Committee Chairmanship as requested by the Committee during the May 15, 2018 meeting. The Committee resolved to a Chair position rotation among the existing three members, starting with the continuation of Ms. Patone for 2018-19, followed by Mr. Reynolds in 2019-20 and Mr. Del Grande in 2020-21. The Committee discussed the possibility of adding a fourth member; Ms. Patone assumed the responsibility of discussing the nomination process with Kimberly Schlichting, Senior Vice President – Operations and Power Supply, in advance of the September Board Meeting.

ACCOUNTING POLICIES & PROCEDURES

The Committee asked staff whether any progress had been made on the development of a Travel Policy. Mr. Vitola advised that research was underway but that the policy work had been deprioritized. Mr. Del Grande advised how Newark approached recent revisions to its policy, while Ms. Patone noted that the MSC of New Castle defers to Delaware policy; both Committee members offered to share municipal policy samples.

BUSINESS FROM THE FLOOR

None.

EXECUTIVE SESSION

The Audit Committee went into Executive Session at 9:53 am to discuss strategic business planning. The Audit Committee ended the executive session at 9:59 am.

NEXT MEETING DATES

The chair will distribute calendar invites to the committee members for the upcoming meetings set for:

- a. Tuesday, November 14, 2018 at 9:00 am
- b. Tuesday, February 19, 2019 at 9:00 am (Tentative)
- c. Tuesday, May 21, 2019 at 9:00 am (Tentative)

ADJOURNMENT

There being no further business, the Audit Committee adjourned at 10:00 am.