

**DELAWARE MUNICIPAL ELECTRIC CORPORATION**  
**Special Meeting of the Audit Committee**  
May 7, 2019  
Smyrna, Delaware

A special meeting of the Audit Committee of the Board of Directors of the Delaware Municipal Electric Corporation was held on May 7, 2019 at the DEMEC offices, Smyrna, Delaware.

The meeting was called to order at 9:02 a.m.

The following roll call was presented:

Committee Attending via Conference:

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 Present:

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

Special Guests: None.

**FOLLOW UP ON ACTION ITEMS**

Pamela Patone provided a recap of the review process for RFP 2019-01-01 for Audit Services through April 24, 2019. Louis Vitola contributed feedback from his April 24, 2019 discussion with Baker Tilly regarding pricing levels and staffing. Mr. Vitola added that DEMEC staff would be open to Baker Tilly staffing reductions to save additional costs, considering that Baker Tilly has been engaged on the audit for six years, but that staff's expectation is that the resulting savings may not be worth the change in process. Mr. Vitola noted the particular importance of continuity this year, as several major ongoing projects on behalf members are coming to a close in 2019, subject to three project purchase agreements, being capitalized and accounted for using regulatory accounting pursuant to GASB 62, and being financed by two bond series in 2019. Mr. Vitola commented that the accounting approach for all the foregoing activities have benefited from Baker Tilly's guidance over the last three years. David Del Grande advised that Clifton Larson Allen ("CLA") is likewise experienced with regulatory accounting and believes that CLA can execute the required components of the audit. Mr. Vitola agreed, noting that DEMEC's scoring of the CLA proposal included high marks for the expected ability of the firm to meet DEMEC's requirements and deadlines, in part based on the proposal responses and in part based on his experience with CLA's audits of the City of Newark from 2013-2016. Tyler Reynolds added that he appreciates the expertise of Baker Tilly and is compelled by the pricing of CLA, even if it appears to be a sharp under-bid in an attempt to gain a public power joint action agency client like DEMEC. The Committee agreed that it would prefer not to recommend a firm to the Board without first conducting an interview with CLA and requested that Mr. Vitola solicit the availability of CLA for a face-to-face interview before the end of May. Mr. Vitola requested that the Committee members develop questions they would like answered by the firm in advance of the meeting.

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 Committee Meeting (continued)  
May 7, 2019

BUSINESS FROM THE FLOOR

None.

NEXT MEETING DATES

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

- a. Tuesday, May 21, 2019 at 12:00 pm (Tentative)
- b. Tuesday, August 20, 2019 at 9:00 am (Tentative)
- c. Tuesday, November 19, 2019 at 9:00am (Tentative)

ADJOURNMENT

The Audit Committee adjourned at 9:45 am.