

Electric Light Department

Town of South Hadley

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MINUTES OF THE MUNICIPAL LIGHT BOARD MEETING OF MONDAY, SEPTEMBER 21, 2015, AT 9:00 A.M.

Present: Anne Awad, Chair, Kurt Schenker, Clerk

Also present at the invitation of the Board:
Patrice Squillante & Karen Snow, Melanson Heath,
Wayne Doerpholz & Michael Conchieri, SHEL D

The meeting began at 9:05 a.m. with Anne Awad presiding.

Chair Awad began the meeting by mentioning that there had been a misunderstanding between the Board and management regarding the specifications for the audit. Chair Awad then asked about the scope of the audit proposed by Melanson Heath and what items will be reviewed. She mentioned that SHEL D has not had an audit for many years but has had compilation reports prepared annually by CohnResnic and that SHEL D files an annual report with the Massachusetts Department of Public Utilities. Next discussed was the establishment of a baseline for future audits and the possibility of including SHEL D in the Town's annual audit to save money.

Chair Awad proposed a scope of audit services and presented a list of items she had prepared. She stated that the source of this list was from A-133, a compliance audit required of entities receiving a certain amount of federal dollars. She also stated that it was her opinion that there was no pretense of impropriety or wrongdoings by SHEL D management, but believes that these listed items would be standard areas included in an audit and asked for comments from Melanson Heath. Finally she stated that she would entertain a counterproposal of a financial audit and to undertake a review of these additional items at a later time.

Ms. Squillante stated that they (Melanson) would conduct the audit in accordance with Generally Accepted Auditing Standards and that those standards require them to evaluate risks, internal controls, and perform various other procedures designed to support an opinion regarding the reasonableness of the basic financial statements. Ms. Squillante added that the audit would concentrate on items that were material to the organization. Mr. Doerpholz noted that SHEL D has annual revenues of about sixteen million (\$16,000,000) dollars. Ms. Squillante estimated that what would be considered material with respect to the financial statements would be amount in excess of one hundred thousand (\$100,000) dollars. She also stated that an audit was not designed to provide 100% assurance of every activity of the department, noting that such an audit would be cost prohibitive. Ms. Squillante reviewed the list presented by Ms. Awad item by item. She noted items that were applicable only to entities that receive Federal funds, items that

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would be considered in the normal course of the audit, and one item that was too costly to do. Ms. Snow mentioned that as auditors they would review internal controls and also look at things like credit card use, overtime, etc., but that the extent these procedures would be based on the requirements of the financial audit. Chair Awad mentioned the management letter and how she believed that it was a good opportunity to step back and review how operations are progressing.

Chair Awad then asked how the town and the light department could reconcile their respective financial statements. Ms. Snow said that their firm does audits for several towns with light departments and that their annual financial statements include both, each at their respective year ends; the town as of June 30th and the light department as of December 31st. Mr. Conchieri mentioned that the annual report of the Town of South Hadley utilizes this presentation approach.

Chair Awad asked if the audit would determine if an employee was using a vehicle fraudulently as she has received numerous complaints, complete with photographs, about fraudulent use of department vehicles. She added that this was a political issue as well. Ms. Squillante responded that this would not be an area that would be reviewed in a financial audit but was more of a policy issue. Mr. Conchieri added that this was an issue that came up previously and that all employees with company-assigned vehicles pay the appropriate federal taxes for personal use.

Chair Awad asked Mr. Doerpholz if the Department has a policy on the accrual of sick time and vacation leave. He responded that there are two; one in the Department's policy manual and another in the Collective Bargaining Agreement. Ms. Squillante stated that the audit would look to determine what is reported as a liability on the Department's financial statements and if those accruals properly report the risk levels for expected payouts.

Ms. Awad stated that it appeared that the only point to follow up on was the use of company vehicles. Ms. Squillante informed the Board that from now until late spring represented their busiest time of year and suggested that the additional procedure be postponed until then. She also stated that the performance of additional procedures would be based on an agreement between Melanson and SHELD and that the specific procedures desired would need to be fully developed and documented.

Mr. Schenker asked if the Board would see a preliminary report and when that would be available as he felt this would be helpful for the Department as it enters into year-end reporting and labor negotiations. Ms. Snow responded that they would not be issuing a preliminary report. Mr. Doerpholz mentioned that SHELD is overdue for surveillance from Standard & Poor's for its independent credit rating and having the audit completed for that surveillance would be helpful.

On a motion by Mr. Schenker and seconded by Chair Awad and passed by a vote of 2 to 0, it was

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VOTED: To adjourn the meeting at 9:59 a.m.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Kurt Schenker".

Kurt Schenker, Clerk

10/1/15