

**MINUTES OF SPECIAL MEETING
BURLINGTON ELECTRIC COMMISSION**

Wednesday, January 30, 2019 – 2:00 p.m.

The special meeting of the Burlington Electric Commission was convened at 2:00 p.m. via conference call on Wednesday, January 30, 2019.

Darren Springer, Paul Alexander, James Gibbons, Mike Kanarick, Munir Kasti, Laurie Lemieux (Board Clerk), and Destenie Vital were present at the Burlington Electric Department at 585 Pine Street, Burlington, Vermont.

Commissioner Chagnon, Commissioner Haskell, Commissioner Herendeen, Commissioner Moody, and Commissioner Stebbins were present via conference call.

Commissioner Stebbins called the meeting to order at 2:00 p.m.

1. Agenda

There were no revisions to the agenda.

2. Public Forum

No one from the public was present at Burlington Electric Department or participating in the conference call.

3. KPMG Audit Presentation

Mr. Reardon was present for the audit report and discussion. Also present were Darren Springer, Paul Alexander, Mike Kanarick, Dan Roy, and Destenie Vital. Presenting on the conference call were Renee Bourget-Place, KPMG Engagement Partner for BED, and Heather Kuney, KPMG Engagement Manager for the BED audit.

Ms. Bourget-Place and Ms. Kuney presented their “Report to the Board of Electric Commissioners,” who were all present on the conference call. This included: 1) a review of the audit objectives; 2) an overview of the Fiscal Year (FY) 2018 audit results; 3) a discussion of BED’s control environment and presumed risk factors by “Statement of Auditing Standards” (SAS) number 99; 4) areas of emphasis during the audit; and 5) required communications under SAS number 114.

KPMG reported that the audit opinion would be an unmodified opinion and emphasized BED’s adoption of Government Accounting Standards Board (GASB) 75- *Accounting and Financial Reporting for Postemployment Benefits other than Pensions (OPEB)*. Ms. Bourget-Place noted that this required restatement of July 1, 2016 beginning net position by (\$906,481).

KPMG stated that: 1) they noted one matter involving the internal control structure and its operation that they considered to be a significant deficiency related to inventory at McNeil; 2) they had no disagreements with management; 3) they encountered no difficulties performing the audit with the exception of timing of receipt of information necessary to audit the pension and OPEB liabilities; and 4) confirmed they are independent of BED as of January 30, 2019. Mr. Reardon noted that he will be meeting with other City employees to discuss for future audits and the timing regarding receipt of pension and OPEB information.

There was a discussion regarding the identification of an internal control deficiency related to the McNeil inventory. The Joint Owners agreed to delay the major turbine overhaul that was planned for the spring of 2018 due to the possibility of a significant capital investment at McNeil related to a District Energy System initiative. Also, KPMG noted that, along with the decision to delay the major turbine overhaul until FY 2019, the spare parts that were to be used as part of the required maintenance should have remained in inventory. Management agreed and this accounting was corrected before issuance of the financial statements. Mr. Reardon stated that BED will review its policies and procedures related to the recording of spare parts to ensure that these parts are appropriately recorded as inventory until they are actually removed from inventory and used for maintenance purposes.

KPMG noted three unadjusted audit differences that had not been recorded by BED: 1) reversal of a truck that had been capitalized as a capital asset that had not been received as of June 30, 2018; 2) a non-GAAP (Generally Accepted Accounting Principles) adjustment related to the amortization of bond premium and discounts; and 3) adjustment to pension contributions between the actuarial determined contribution and subsequently revised actuarial contribution as outlined in the actuarial report. Mr. Reardon noted that the third unadjusted audit difference will need to be discussed with other City employees. It was noted that these issues are immaterial to the overall financial statements and may remain as unadjusted audit differences for FY 2018.

Mr. Springer stated that the best practice following an audit report is for the Board to call an Executive Session to review any issues that auditors may not feel comfortable discussing with management present.

Commissioner Moody moved to find that premature general public knowledge of KPMG's evaluation of BED's management with the Commission would clearly place the Burlington Electric Department at a substantial disadvantage per Title 1, Section 313, Subsections (a)(1) and (a)(3) of the Vermont Statutes, because such information may risk contractual relationships with BED counter-parties in the regular sale and purchase of energy and is considered an evaluation of BED personnel. The motion was seconded by Commissioner Herendeen.

At this time the Board Clerk conducted a roll call vote by calling on the following Commissioners:

Commissioner Chagnon: Aye
Commissioner Haskell: Aye
Commissioner Herendeen: Aye
Commissioner Moody: Aye
Commissioner Stebbins: Aye.
Results: 5 Ayes, 0 Nays, the motion carries.

Commissioner Moody moved that the Commission enter into Executive Session to discuss the KPMG information with the Commission under the provisions of Title 1, Section 313, subsection (a)(1)(A) of the Vermont Statutes. This motion was seconded by Commissioner Chagnon.

At this time the Board Clerk conducted a roll call vote by calling on the following Commissioners:

Commissioner Chagnon: Aye
Commissioner Haskell: Aye
Commissioner Herendeen: Aye
Commissioner Moody: Aye
Commissioner Stebbins: Aye.

Results: 5 Ayes, 0 Nays, the motion carries.

The Commission moved into Executive Session at 2:40 pm

Commissioner Moody made a motion to exit Executive Session at 2:45 p.m.; this motion was seconded by Commissioner Herendeen.

Commissioner Herendeen made a motion to accept the KPMG audit report; this motion was seconded by Commissioner Chagnon.

At this time the Board Clerk conducted a roll call vote by calling on the following Commissioners:

Commissioner Chagnon: Aye
Commissioner Haskell: Aye
Commissioner Herendeen: Aye
Commissioner Moody: Aye
Commissioner Stebbins: Aye.
Results: 5 Ayes, 0 Nays, the motion carries.

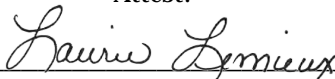
Commissioner Herendeen made a motion to adjourn; this motion was seconded by Commissioner Herendeen.

At this time the Board Clerk conducted a roll call vote by calling on the following Commissioners:

Commissioner Chagnon: Aye
Commissioner Haskell: Aye
Commissioner Herendeen: Aye
Commissioner Moody: Aye
Commissioner Stebbins: Aye.
Results: 5 Ayes, 0 Nays, the motion carries.

The meeting adjourned at 2:47 p.m.

Attest:



Laurie Lemieux, Board Clerk