

Reading Municipal Light Board of Commissioners

Audit Committee

October 1, 2012

Start Time: 7:35 p.m.

End Time: 8:05 p.m.

Committee Members:

Robert Soli, Chairman

Marsie West

Attendees:

Vincent Cameron, General Manager

Karen Snow – Melanson Heath

Robert Fournier

Gina Snyder

Barry Berman – Vice Chair, Reading Audit Comm. Stephen Herrick – Reading Audit Comm.

David Greenfield - Reading Audit Comm.

Presentation of Fiscal Year 2012 Audit - Melanson Heath & Company, PC – Ms. Karen Snow

Mr. Cameron stated that Karen Snow of Melanson Heath will be making a presentation of the RMLD's FY12 Financial Audit.

Ms. Snow stated that the RMLD had a very good and clean audit. Mr. Greenfield asked if the audit was purely financial or were there other areas audited. Ms. Snow asked for an example. Mr. Greenfield asked if Melanson Heath looked into the power supply area. Ms. Snow said that contracts and billings in power supply were looked at. Mr. Greenfield said that he wanted to know if Melanson Heath looked at the security of the power supply area.

Mr. Cameron asked Mr. Greenfield if he meant the physical plant, which he replied, yes. Mr. Cameron explained that the RMLD is audited every two years or so by the North American Reliability Council with respect to its physical plant operations. These standards that the RMLD has to meet are very strict and the RMLD could be fined if they don't have systems in place to meet the standards.

Ms. Snow stated that this year Melanson Heath will be giving the RMLD a letter which tells you there is no management letter because it is a new accounting/auditing standard. As in the past, the RMLD has a clean audit opinion and it is their opinion that the financial statements are fairly presented in accordance with Generally Accepted Accounting Principles; there are no exceptions in their opinion.

Ms. Snow reported that RMLD's Net Assets were up \$4.3 million, total liabilities were up \$1.4 million and total assets were up \$2.9 million which represents the overall net income for the year. The only thing that appears in the liability section is due to the Pension Trust for \$1 million which is offset by a transfer made after the end of the fiscal year per Board vote. This transfer was completed in July. Compensated absences are down \$48,000 will decrease as the years go on due to policy changes. The RMLD is in a very good position there is no long term debt per se on the books as far as bonding, capital needs are fulfilled with operating revenues. The Other Post Employment Benefit which is for current and future retirees for such benefits as health care is being funded. As of June 30, 2012 RMLD had fully funded that liability based on an actuarial valuation. This liability is offset by the Restricted Net Assets.

Ms. Snow stated that the RMLD has a healthy Net Income of \$2.9 million not much change from the prior year, the difference \$147,000. The Operating Income is almost the same as the prior year which is reflective of how the revenues are being managed. The operating revenues were down by 8.4% and operating expenses were down 9%, sales were down by 3.3% due the fact that Purchase Power costs were down this year. This is attributable to favorable conditions in the market such as natural gas and other power costs being lower.

Presentation of Fiscal Year 2012 Audit - Melanson Heath & Company, PC - Ms. Karen Snow

Ms. Snow stated that there will be a requirement to report the unfunded portion of the pension liability on the balance sheet. Currently, the Town of Reading charges you an annual assessment for the Retirement Trust and if this is paid then a liability does not appear on the balance sheet. However, GASB Statement Number 68 will require you to report the unfunded portion of the overall pension liability

Discussion followed.

Mr. Soli made a motion seconded by Ms. West that the Reading Municipal Light Department recommends to the RMLD Board of Commissioners to accept the RMLD FY12 Financial Audit performed by Melanson Heath.

Motion carried 2:0:0.