

New Hampshire Electric Cooperative, Inc.

**Minutes of the Meeting of the
Audit Committee**

Zoom Meeting

March 22, 2024 10:00 a.m.

Present: Committee members: Carolyn Kedersha (Chair); Ed French, and Tom Mongeon
Other Board Members: Sharon Davis and Bill Darcy
NHEC Employees: Alyssa Clemsen Roberts, Karen Hanks, Kristen Taylor, Michael Jennings, Kelley Achenbach, Josh Mazzei, Sonja Gonzalez, Brittany L'Heureux, Josh Stearns and Edee Murphy (Recording)
Others Present: Paul Phillips-NHEC Counsel

Meeting Called to Order

Chair Kedersha called the meeting to order at 10:00 a.m.

Agenda Review

Mr. Mongeon requested five minutes be added to the agenda for an update on the Whistleblower policy.

Audited Financials

Chair Kedersha welcomed Terry McMichael from McNair, McLemore, Middlebrooks & Co., LLC. In addition to the audited financials report included in the meeting packet, Mr. McMichael presented a Summary of Audited Consolidated Financial Statements – December 31, 2023, including the following topics:

- Required Communications
- Report on Compliance
- Independent Auditors Report
- Overview of Financial Statements

Mr. McMichael also reviewed some of the detailed Notes to the Financial Statements.

Discussion:

- ❖ In response to a question, Mr. McMichael confirmed that the reduction in revenue from \$185M to \$182M was primarily due to a decrease in power purchase costs.
- ❖ In response to a question, Mr. McMichael explained that “Accumulated Benefit Obligation” shown on page 22 of the financial statements is primarily driven by the change in discount rate. He also explained what is involved in determining the discount rate.
- ❖ Referencing the last paragraph on page 23, Chair Kedersha pointed out that Directors do not receive postretirement healthcare benefits. Mr. McMichael noted that he would check on that and if a change needs to be made to the footnote.
- ❖ In answer to a question, Mr. McMichael confirmed under- and over-recovery are related to power costs.
- ❖ In answer to a question, Ms. Clemsen Roberts stated that Mr. McMichael’s presentation is posted in the March board meeting materials in OnBoard; Mr. McMichael will also be in attendance and giving a presentation at the March board meeting.
- ❖ Mr. Mongeon asked what type of testing is done related to internal controls. Mr. McMichael explained the standard rules require a certain minimum amount of testing related to management override, i.e.,

reviewing journal entries, focusing on end-of-the-year/beginning-of-the-year journal entries, allocation of overhead, capitalization, etc. Also, there is a requirement to perform a certain amount of “surprise” elements, i.e., expense reports. These test areas are rotated on an ongoing basis so that management does not know which categories will be inspected.

- ❖ Mr. Mongeon asked when the next five-year depreciation study is due; Ms. Taylor replied the RFP is being developed in order to get the depreciation study completed in 2024.
- ❖ In response to a question, Mr. McMichael explained the multi-employer pension plan has a funded range of 65%-80% and is in the “green” zone. No anticipated additional funding is required; if it becomes over-funded there would need to be a moratorium in terms of contributions, which they try to avoid. He added that the information is public knowledge, so anyone can see the funded status.

Mr. French made the following motion:

That the committee recommends the Board of Directors accept the 2023 audited financial statements as presented.

Ms. Clemsen Roberts then offered the committee the opportunity to speak with the auditor without staff.

At 10:50 a.m. all staff left the meeting.

Staff came back to the meeting at 11:08 a.m. Mr. McMichael left the meeting.

Upon motion by Mr. French, seconded by Mr. Mongeon, it was

VOTED: That the committee recommends the Board of Directors accept the 2023 audited financial statements as presented.

Vote was unanimous.

Internal Controls Audit

Ms. Hanks reviewed her reports included in the meeting packet including the following topics:

- Objectives
- Scope and Methodology
- Summarized Observations and Corrections
 - Accounts Payable Observations and MAPS
 - Purchasing Card Observations and MAPS
 - Fleet Card Observations and MAPS
 - Conclusions and next steps
- FY 2024 Financial Audit Plan
- FY 2024 Non-Financial Audit Plan
- 2024 Open MAPS

Physical copies of these documents may be made available to the Board of Directors.

Discussion:

- ❖ In answer to a question, Ms. Hanks explained that NHEC has numbered procedures as well as documented programs.

Upon motion by Mr. French, seconded by Mr. Mongeon, it was

VOTED: That the committee recommends the Board of Directors accept the internal financial audit and recommendations as presented.

Vote was unanimous.

Mr. Mongeon made a motion to enter into executive session for the purpose of confidential cyber security discussions. The motion was seconded by Mr. French and the committee moved into executive session at 11:29 a.m.

The committee came out of executive session at 12:04 p.m.

Adjournment

Upon motion by Mr. French, seconded by Mr. Mongeon, Chair Kedersha adjourned the meeting at 12:05 p.m.