



**CMEEEC
Audit Committee Meeting
December 5, 2016**

I. Team Members

- Jonathan Fink – Engagement Partner (860) 561-6849 jfink@blumshapiro.com
- Vanessa Rossitto – Concurring Partner (860) 561-6824 vrossitto@blumshapiro.com
- Jessica Aniskoff – Manager (860) 570-6451 janiskoff@blumshapiro.com
- Matthew Coit – Audit Supervisor (860) 570-6416 mcoit@blumshapiro.com

II. Scope of Services

- Consolidated financial statement audit for the year ended December 31, 2016
- Stand-alone financial statements for Transco for the year ended December 31, 2016
- Preparation of the consolidated CMEEEC and standalone Transco financial statements
- Annual debt compliance letters for the year ended December 31, 2016 for CMEEEC and Transco
- Verification of CEO performance metrics (consulting)

III. Financial Statement Audit Objectives and Responsibilities

- Objectives
 - i. Express an opinion as to whether the financial statements fairly present financial position and activities

Discussion Outline

- ii. We will not express an opinion on internal control over financial reporting
- Auditor's responsibilities include:
 - i. Perform tests, analysis and reviews of financial statements and underlying support
 - ii. Plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement, whether caused by error or fraud
 - iii. Evaluate fairness of presentation of financial statements in conformity with accounting principles generally accepted in the United States of America, in all material respects
 - iv. Understanding the internal control structure
- Management's responsibilities include:
 - i. Preparation of fairly stated financial statements
 - ii. Maintenance of effective systems of internal control
 - iii. Prevention or detection of fraud and error
 - iv. Compliance with laws and regulations

IV. GASB Considerations

- GASB 72- Fair Value
- GASB 78- Multi-Employer Defined Benefit Plans
- Considerations regarding potential addition of management discussion and analysis.

V. Audit Approach

- Focus on key business risks, audit risks, and key business processes
- Assess and test key controls in business processes
- Test account balances and analyze activity
- Review financial statements and disclosures
- Significant 2016 Items – Focus Areas
 - Rate stabilization funds and member trusts
 - Utility plant and property
 - Wallingford Transition
 - FERC Ruling

Discussion Outline

- Solar field accounting

- Business Risk and Audit Focus Areas

Financial Statement Item	Audit Procedures	Audit Considerations
Utility Plant and Property	<ul style="list-style-type: none"> - Analyze and vouch major activity for the year - Test depreciation expense - Review construction in progress 	<ul style="list-style-type: none"> - Existence - Valuation
Special Funds	<ul style="list-style-type: none"> - Analyze activity for the year - Confirm investment balances 	<ul style="list-style-type: none"> - Existence - Valuation
Cash	<ul style="list-style-type: none"> - Confirmation of bank accounts - Review bank reconciliations 	<ul style="list-style-type: none"> - Existence - Restrictions on use
Accounts receivable	<ul style="list-style-type: none"> - Analyze receivable activity - Analyze agings and collectibility 	<ul style="list-style-type: none"> - Proper cut off - Existence - Valuation of reserves
Regulatory asset	<ul style="list-style-type: none"> - Analysis of account activity 	<ul style="list-style-type: none"> - Valuation - Existence
Debt	<ul style="list-style-type: none"> - Confirm balances - Analyze activity during the year 	<ul style="list-style-type: none"> - Completeness - Valuation
Bond covenant compliance	<ul style="list-style-type: none"> - Recalculations of covenant calculations - Analyze and verify covenant compliance 	<ul style="list-style-type: none"> - Compliance
Accounts payable and accruals	<ul style="list-style-type: none"> - Evaluate and test controls over disbursements - Analytical review of year-end balances 	<ul style="list-style-type: none"> - Completeness - Valuation
Rate stabilization funds	<ul style="list-style-type: none"> - Analyze activity during the year 	<ul style="list-style-type: none"> - Existence - Valuation
Revenue	<ul style="list-style-type: none"> - Review of contracts - Analyze activity - Review billings to members during the year 	<ul style="list-style-type: none"> - Proper cut-off - Existence - Valuation
Expense	<ul style="list-style-type: none"> - Analyze activity 	<ul style="list-style-type: none"> - Proper cut-off - Completeness
Forward Contract Hedges	<ul style="list-style-type: none"> - Determine fair values at year-end - Review new contracts - Analyze activity during the year - Determine applicable collateral deposits 	<ul style="list-style-type: none"> - Valuation
Related parties	<ul style="list-style-type: none"> - Analyze activity during the year - Disclosures 	<ul style="list-style-type: none"> - Presentation and disclosure
Financial reporting	<ul style="list-style-type: none"> - Review and test financial statement disclosures - Comparison of financial statements against industry standards 	<ul style="list-style-type: none"> - Presentation and disclosure

Discussion Outline

Financial Statement Item	Audit Procedures	Audit Considerations
Technology risks	<ul style="list-style-type: none">- Review general computer controls- Assess and review major IT application controls	<ul style="list-style-type: none">- Valuation- Existence- Completeness

VI. Upcoming Schedule

- Preliminary Fieldwork – December 5 and 6, 2016
- Final Fieldwork – weeks of February 6 and February 13
- Meet with Audit Committee – early March
- Finalize financials – by March 15

VII. Other Communications

At the completion of our audit we will communicate in writing the following information related to our audit:

- Management judgments and accounting estimates
- Significant accounting policies
- Audit adjustments (recorded and unrecorded)
- Disagreements with management
- Difficulties encountered in performing the audit
- Irregularities and illegal acts
- Consultation with other auditors
- Matters affecting independence of auditors
- Material weaknesses, significant deficiencies and control deficiencies

Discussion Outline

VIII. Fees

	<u>2016</u>	<u>2015</u>
Audit- consolidated	\$ 75,900	\$ 73,700
Transco- standalone financials and debt compliance letter	\$ 5,400	\$ 5,250

IX. Committee areas of concern and/or knowledge of fraud