

PENNICHUCK CORPORATION

AUDIT, FINANCE AND RISK COMMITTEE  
MINUTES OF NOVEMBER 19, 2019 MEETING

A meeting of the Audit, Finance and Risk Committee (“Committee”) of the Board of Directors of Pennichuck Corporation (“Company”) was held on Tuesday, November 19, 2019 at 4:30 p.m. at the Company’s offices at 25 Manchester Street, Merrimack, New Hampshire.

Written materials relating to items listed in the Agenda were provided to the Committee members for their review prior to the meeting.

The following persons were in attendance for all or a portion of the meeting:

Committee Members:	James P. Dore, Chairman C. George Bower Thomas J. Leonard Deborah Novotny
Pennichuck Corporation:	Larry D. Goodhue, Chief Executive Officer Suzanne L. Ansara, Corporate Secretary George Torres, Corporate Controller Carol Ann Howe, Assistant Treasurer Lori Douglas, Senior Accounting Manager
Melanson Heath:	Deborah Tarbox, Principal Sheryl Burke, Principal Matthew Sawyer, Audit Manager

S. Ansara recorded the minutes of the meeting.

Approval of Minutes

There being no comments on the draft minutes of the March 20, 2019 Committee meeting, on motion duly made by T. Leonard and seconded by G. Bower, all of the Committee members present voting in favor, except for D. Novotny who abstained, it was

Resolved: that the minutes of the March 20, 2019 meeting of the Audit, Finance and Risk Committee are hereby approved.

## 2019 Audit Plan

Ms. Tarbox led a discussion relating to the 2019 year-end Audit Plan, a copy of which was included in the written materials to the Committee. She reviewed Melanson's responsibilities with regard to their audit of the financial statements. She indicated that there will be no significant changes in staffing for the audit from last year. She then reviewed the timing and scope of the audit work to be performed. Ms. Tarbox indicated that they expect to complete their fieldwork by the end of the 2<sup>nd</sup> week of February. Draft financial statements are expected to be available by March 18, 2020 and final audited financial statements released no later than March 25, 2020.

Ms. Tarbox reviewed the areas of focus for the audit which will include payroll, PPE, journal entries, PFOA projects, PWW QCPAC surcharge, internal controls and other significant events. The tax manager will audit the tax provision.

There was a discussion relating to the change in accounting rules on revenue recognition. G. Torres indicated that management is still working it through, and that it will only have an impact on several large contracts with Pennichuck Water Service Corporation.

L. Goodhue noted the following projects that are expected to be completed by year-end: the transfer of Southwood Corporation land to Pennichuck Corporation (Southwood Corporation to be retained as a shell company), and the dissolution of HECOP IV, LLC.

L. Goodhue, S. Ansara, G. Torres, C. Howe and L. Douglas left the meeting at 5:02 p.m. and the Committee met with Ms. Tarbox, Ms. Burke and Mr. Sawyer in executive session.

The executive session ended at 5:12 p.m. and L. Goodhue, S. Ansara, G. Torres, C. Howe and L. Douglas rejoined the meeting.

## Review of 2018 Audited Defined Benefit Plan Financials (Pension Plan)

G. Torres led a review and discussion of the 2018 audited defined benefit plan financial statements, accompanying notes and supplemental schedules. The form and content of the information included in the financial statements and supplemental schedules, other than information certified by MassMutual as trustee, were audited by Melanson Heath in accordance with auditing standards generally accepted in the United States and, in their opinion, are presented in compliance with the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA. At December 31, 2018, the pension plan had approximately \$17.7 million in net assets available for benefits.

## Review of 2018 Audited Defined Contribution Plan Financials (401k Plan)

G. Torres led a review and discussion of the 2018 audited defined contribution plan financial statements, accompanying notes and supplemental schedule. The form and content of the information included in the financial statements and supplemental schedule, other than information certified by MassMutual as custodian, were audited by Melanson Heath in accordance with

auditing standards generally accepted in the United States and, in their opinion, are presented in compliance with the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA. As of December 31, 2018, the plan had approximately \$15.6 million in net assets available for benefits.

#### SRF Loans – Audited Schedule of Expenditures of Federal Awards

G. Torres led a review of the audited Schedule of Expenditures of Federal Awards and accompanying notes for the year ended December 31, 2018. The audit is required because Pennichuck East Utility, Inc. expended more than \$750,000 of SRF related loans in 2018 for projects relating to the Merrimack River Intake, main replacement on Brady Avenue in Derry and main replacement on Hillcrest Road in Litchfield. In the opinion of Melanson Heath, the Schedule of Expenditures of Federal Awards presents fairly, in all material respects, the expenditures of federal awards under the Capitalization Grants for Drinking Water State Revolving Loan Funds – Loan Program, in accordance with accounting principles generally accepted in the United States.

Ms. Tarbox, Ms. Burke, Mr. Sawyer and Mr. Leonard left the meeting at 5:37 p.m.

#### 2019 Internal Control Review and Testing Update

C. Howe provided a status update on the internal control review and testing plan for 2019. She indicated that testing plans for each business area to be tested have been created, that all required information has been provided by each business area, and that testing and review of the information is in process. Testing is expected to be completed by year-end, and a final report will be presented to the Committee at a meeting in the first quarter of 2020.

#### Committee Charter

The annual review of the Committee Charter was deferred until the next meeting of the Committee.

There being no further business to come before the Committee, the Chairman adjourned the meeting at 6:00 p.m.

/s/ Suzanne L. Ansara  
Suzanne L. Ansara  
Corporate Secretary