

FINANCE, AUDIT AND RATE COMMITTEE

I. OBJECTIVE

To provide an in-depth review of GVEA's financials, cash management and controls; and to provide assurance to the Board that effective results are being achieved and that financial matters on which the Board must act have been thoroughly studied and considered by the committee before the Board is asked to take action.

II. POLICY

- A. The committee will include at least three Board members appointed by the Chair of the Board. The President & CEO or the President & CEO designee will attend as the committee's staff assistant.
- B. The committee will meet as needed. The President & CEO, in consultation with the committee chair, or the committee chair in consultation with the President & CEO, may convene a meeting of the committee. A majority of the committee may also call a meeting of the committee. Dates of all committee meetings will be coordinated with the President & CEO or the President & CEO's designee to avoid conflict and to assure completion of any required staff work.
- C. The committee will have such powers and duties as are delegated to it by the Board in the Statement of Functions outlined below. The functions of the committee will be reviewed periodically by the Board to determine if revisions are needed or if the committee is still required.

III. STATEMENT OF FUNCTIONS

Unless performed by the whole Board or a special committee, the FAR Committee will perform the following functions:

- A. Review in March the financial and other operating statements, the annual financial audit and the management letter to determine if any action is required, and discuss such action with the President & CEO and make appropriate recommendations to the Board.
- B. Review in November the consolidated operating and capital budgets as recommended by the President & CEO and make appropriate recommendations to the Board.

- C. Study staff recommendations concerning financial management policies and make appropriate recommendations to the Board; periodically review the investment of GVEA funds to make sure the principal is safe and the rate of return is reasonable and discuss with the President & CEO any action required.
- D. Review with the President & CEO information about and proposals received from firms available to conduct the independent financial audit and tax preparation services, determine the scope of the audit, advise the Board of its intention to award the audit to a particular firm and the reasons for doing so, and then engage the financial audit and tax preparation services.
- E. Engage a Certified Public Accounting Firm or Certified Public Accountant, licensed in the State of Alaska by the Alaska State Board of Public Accounting, to act as an internal auditor who will be assigned duties by the Finance, Audit and Rate Committee as desired.
- F. Review with the President & CEO long-range financial plans and forecasts to determine the financial needs of GVEA and how and through whom those needs will be met, and make appropriate recommendations to the Board.
- G. Review cost of service studies and proposals for rate adjustments and make appropriate recommendations to the Board.
- H. Annually review annually risk management policies and insurance coverage's and proposed changes as recommended by the President & CEO to ensure that the assets of GVEA are reasonably protected and make appropriate recommendations to the Board.
- I. Review compliance with IRS requirements annually in March in conjunction with the financial audit and make appropriate recommendations to the Board.
- J. Review capital credits policies and practices and make appropriate recommendations to the Board.
- K. Review, in consultation with the President & CEO, power requirement studies and load projections to make sure they are realistic and are reflected in GVEA's planning for additional distribution, transmission, substation and communication facilities and system improvements, as well as their impact on financial forecasts, budgets, rates and need for loan funds, and make appropriate recommendations to the Board; compare forecasts to actual load projections and discuss with the President & CEO any remedial action required.

- L. Review, in consultation with the President & CEO, system and other engineering studies and work plans and the impact they will have on future financing, rates and system operations, and make appropriate recommendations to the Board.
- M. Serve the Board in such other areas as may be specifically assigned to it by the Board in consultation with the Finance, Audit & Rate Committee Chair.

IV. RESPONSIBILITY

- A. The Chair of the Board will be responsible for the committee's compliance with this policy.
- B. The committee chair will be responsible for reporting to the Board at the next regular Board meeting following a committee meeting.
- C. The President & CEO will be responsible for making recommendations to the committee.
- D. The President & CEO will be responsible for preparing the agenda and recording minutes of committee meetings.

ADOPTED: April 15, 1987
AMENDED: June 26, 2017