

CHUGACH ELECTRIC ASSOCIATION, INC.
Anchorage, Alaska

OPERATIONS COMMITTEE MEETING
AGENDA ITEM SUMMARY

July 8, 2009

ACTION REQUIRED

AGENDA ITEM NO. XII.

Information Only
 Motion
 Resolution
 Executive Session
 Other

TOPIC

Proposed Revisions to Board Policy 110 – Statement of Functions of Finance Committee and Board Policy 127 – Audit Committee Charter

DISCUSSION

The Association's Standard Operating Procedure 063 calls for periodic review of board policies to determine if any revisions are necessary. Board counsel and staff have undertaken the review, and they recommend the changes to Board Policies 110 and 127 as shown in the attached documents. The changes more consistently describe the work of the Finance Committee when it is serving as the Audit Committee. Additionally, Board Policy 127 is altered slightly to better conform to the Association's open meeting requirements.

MOTION

Move that the Operations Committee recommend the Board of Directors approve the revisions to Board Policy 110, Statement of Functions of Finance Committee and Board Policy 127, Audit Committee Charter.

CHUGACH ELECTRIC ASSOCIATION, INC.

BOARD POLICY: 110

DATE:

STATEMENT OF FUNCTIONS OF FINANCE COMMITTEE

I. OBJECTIVE

To state the functions of the Finance Committee for providing an in-depth Board review of finances, cash management and controls, and financial planning.

II. DUTIES AND RESPONSIBILITIES

The Finance Committee of the Association Board of Directors:

- A. Reviews the Association financial and other operating statements and, when functioning as the Audit Committee, with auditor present, the annual financial audit and the management letter to determine if any action is required, discusses such action with the Chief Executive Officer and makes appropriate recommendations to the Board.
- B. Reviews the consolidated operating and capital budgets as recommended by the Chief Executive Officer and makes appropriate recommendations to the Board.
- C. Reviews all budget revisions greater than \$1,000,000.
- D. Studies staff recommendations on financial management policies and practices and makes appropriate recommendations to the Board.
- E. Reviews periodically the investment of funds to make sure the principal is safe and the rate of return is reasonable and discusses with the Chief Executive Officer any action required.
- F. When functioning as the Audit Committee, reviews, when necessary, with the Chief Executive Officer, firms available to conduct the independent financial audit and makes an appropriate recommendation to the Board, including without limitation, the selection of auditor and the scope of any special emphasis desired in the audit.
- G. Reviews sources and strategies for financing and makes appropriate recommendations to the Board.

- H. Reviews the long-range financial plans and forecasts to determine the financial needs of the Association and how they will be met and makes appropriate recommendations to the Board.
- I. Reviews proposed base rate changes and makes recommendations to the Board.
- J. Reviews annually objectives and goals in areas assigned to this committee and makes appropriate recommendations to the Board.
- K. Reviews capital credit policies and practices and makes appropriate recommendations to the Board.
- L. Reviews such other matters as may be specifically assigned to it by the Board.
- M. Reviews the equity management plan and makes recommendations to the Board of Directors.
- N. Reviews annually the Construction Work Plan and makes recommendation to the Board.
- O. Serves as the Audit Committee with the functions and responsibilities described in Board Policy 127.

III. ORGANIZATIONAL RELATIONSHIPS

- A. Makes recommendations to the Board in matters outlined in II above.
- B. The committee shall be comprised of not more than six Directors, including the Treasurer of the Board.
- C. The Treasurer of the Board shall serve as chairperson of the committee. The Board Chairman shall appoint the Audit Committee chairperson, with the consent of the Board, who need not be the Board Treasurer. The committee shall elect from its membership a vice chairman, and appoint a recording secretary as needed.
- D. The committee shall meet only as needed. The committee chairperson shall convene all meetings of the committee or a majority of the committee may call a special meeting.
- E. The chairman may appoint sub-committees from the committee's membership to study specific areas. Written statements of the functions of such subcommittees should be prepared and reviewed periodically.
- F. Staff Liaison: Chief Executive Officer or his/her designee.

IV. TERM OF OFFICE

- A. The committee is a continuing one.
- B. The term of each member is for one year and thereafter or until a successor is appointed.

Date Approved: _____

Attested: _____
Secretary of the Board

CHUGACH ELECTRIC ASSOCIATION, INC.

BOARD POLICY: 110

DATE:

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STATEMENT OF FUNCTIONS OF FINANCE COMMITTEE

I. OBJECTIVE

To state the functions of the Finance Committee for providing an in-depth Board review of finances, cash management and controls, and financial planning.

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II. DUTIES AND RESPONSIBILITIES

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- B. Reviews the consolidated operating and capital budgets as recommended by the Chief Executive Officer and makes appropriate recommendations to the Board.
- C. Reviews all budget revisions greater than \$1,000,000.
- D. Studies staff recommendations on financial management policies and practices and makes appropriate recommendations to the Board.
- E. Reviews periodically the investment of funds to make sure the principal is safe and the rate of return is reasonable and discusses with the Chief Executive Officer any action required.
- F. When functioning as the Audit Committee, reviews, when necessary, with the Chief Executive Officer, firms available to conduct the independent financial audit and makes an appropriate recommendation to the Board, including without limitation, the selection of auditor and the scope of any special emphasis desired in the audit.
- G. Reviews sources and strategies for financing and makes appropriate recommendations to the Board.

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- H. Reviews the long-range financial plans and forecasts to determine the financial needs of the Association and how they will be met and makes appropriate recommendations to the Board.
- I. Reviews proposed base rate changes and makes recommendations to the Board.
- J. Reviews annually objectives and goals in areas assigned to this committee and makes appropriate recommendations to the Board.
- K. Reviews capital credit policies and practices and makes appropriate recommendations to the Board.
- L. Reviews such other matters as may be specifically assigned to it by the Board.
- M. Reviews the equity management plan and makes recommendations to the Board of Directors.
- N. Reviews annually the Construction Work Plan and makes recommendation to the Board.
- O. Serves as the Audit Committee with the functions and responsibilities described in Board Policy 127.

III. ORGANIZATIONAL RELATIONSHIPS

- A. Makes recommendations to the Board in matters outlined in II above.
- B. The committee shall be comprised of not more than six Directors, including the Treasurer of the Board.
- C. The Treasurer of the Board shall serve as chairperson of the committee. The Board Chairman shall appoint the Audit Committee chairperson, with the consent of the Board, who need not be the Board Treasurer. The committee shall elect from its membership a vice chairman, and appoint a recording secretary as needed.
- D. The committee shall meet only as needed. The committee chairperson shall convene all meetings of the committee or a majority of the committee may call a special meeting.
- E. The chairman may appoint sub-committees from the committee's membership to study specific areas. Written statements of the functions of such subcommittees should be prepared and reviewed periodically.
- F. Staff Liaison: Chief Executive Officer or his/her designee.

Deleted: With the exception of the Operations Committee and any special or ad hoc committee, every effort will be made so that no Director may serve on more than one committee. ¶

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IV. TERM OF OFFICE

- A. The committee is a continuing one.
- B. The term of each member is for one year and thereafter or until a successor is appointed.

Date Approved: _____

Attested: _____

Secretary of the Board

Deleted: October 18, 2006

CHUGACH ELECTRIC ASSOCIATION, INC.

BOARD POLICY: 127

DATE:

AUDIT COMMITTEE CHARTER

I. PURPOSE

The purpose of the Audit Committee is to assist the Board of Directors in fulfilling its oversight responsibilities by reviewing the Association's systems of internal controls regarding finance, accounting, and legal compliance and the Association's auditing, accounting and financial reporting processes. The Audit Committee's responsibilities are to:

Review the Association's financial reporting processes and internal control systems.

Review the performance of the Association's independent auditor.

Ensure open communication between the Association's independent auditor, management and the Board of Directors.

The Audit Committee will fulfill these responsibilities as enumerated in Section III of this Policy.

II. COMPOSITION

The Audit Committee shall be comprised of three or more directors as determined by the Board. Unless otherwise determined by the Board, the members of the Board Finance Committee shall be the members of the Audit Committee. Committee members may enhance their familiarity with finance and accounting by participating in educational programs conducted by the Association or an outside consultant or other programs. The Committee may also retain the services of a qualified accounting professional with auditing expertise to assist it in the performance of its responsibilities.

The Board Chairman shall appoint the Audit Committee chairperson, with the consent of the Board, who need not be the Board Treasurer. The Audit Committee shall elect from its membership a vice chairman, and appoint a recording secretary as needed.

III. RESPONSIBILITIES

The responsibilities of the Committee are to:

1. Recommend to the Board of Directors the selection of the independent auditor, it being understood that the Board of Directors has the ultimate authority and

- responsibility to select, evaluate and, where appropriate, replace the independent auditor.
2. Receive annually a report of, and review and discuss with the independent auditor, all significant relationships they have with the Association, including the fees and other compensation paid to them, to verify their independence.
 3. Ensure the receipt of, and evaluate the written disclosures and the letter that the independent auditor submits to the Audit Committee regarding the auditor's independence in accordance with Independence Standards Board Standard No. 1, discuss such reports with the auditor and, if so determined by the Audit Committee in response to such reports, recommend that the Board of Directors take appropriate action to address issues raised by such evaluation.
 4. Discuss with the independent auditor the matters required to be discussed by SAS 61, as it may be modified or supplemented.
 5. Instruct the independent auditor that the Committee expects to be advised if there are any areas that require special attention.
 6. Meet with management and the independent auditor to discuss the annual financial statements and the report of the independent auditor thereon, and to discuss significant issues encountered in the course of the audit work, including restrictions on the scope of activities, access to required information and the adequacy of internal financial controls.
 7. Review the management letter delivered by the independent auditor in connection with the audit.
 8. Following such reviews and discussions, if so determined by the Audit Committee, recommend to the Board of Directors that the annual financial statements be included in the Association's annual report.
 9. Meet quarterly with management and the independent auditor to review and discuss the quarterly financial statements prior to the filing of the Form 10Q, provided that this responsibility may be delegated to the Chairman of the Audit Committee.
 10. Meet with the independent auditor out of the presence of management about internal controls and the fullness and accuracy of the Association's financial statements.
 11. When necessary, meet in separate executive sessions with management and the independent auditor to discuss matters the immediate knowledge of which would clearly have an adverse effect on the finances of the cooperative, or when such an executive session would otherwise comply with the open meeting requirements of the Association.

- 12. Have such meetings with management, the independent auditor and the internal auditor, as the Audit Committee deems appropriate, to discuss significant financial risk exposures facing the Association, and steps management has taken to monitor and control such exposures.
- 13. Review the scope and results of internal audits.
- 14. Evaluate the performance of the independent auditor and, if so determined by the Audit Committee, recommend to the Board of Directors replacement of the independent auditor.
- 15. At the request of Association counsel, review with Association counsel legal and regulatory procedures that may have a significant impact on the Association's financial statements, compliance policies or programs.
- 16. Conduct or authorize such inquiries into matters within the Committee's scope of responsibility as the Committee deems appropriate.
- 17. Provide minutes of Audit Committee meetings to the Board of Directors, and report to the Board of Directors on any significant matters arising from the Committee's work.
- 18. Review with the independent auditors and management the extent to which any changes or improvements in financial or accounting practices, as recommended by the independent auditors and approved by the Board, have been implemented.
- 19. At least annually, review and reassess this charter and, if appropriate, recommend proposed changes to the Board of Directors.

Date Approved: _____

Attested: _____
Secretary of the Board

In the performance of its responsibilities, the Audit Committee is a representative of the members. However, it is not the responsibility of the Audit Committee to plan or conduct audits, or to determine whether the Association's financial statements are complete and accurate or in accordance with generally accepted accounting principles. It is not the responsibility of the Audit Committee to conduct inquiries, to resolve disagreements, if any, between management and the independent auditor, or to assure compliance with laws, regulations or any company compliance policies or programs.

CHUGACH ELECTRIC ASSOCIATION, INC.

BOARD POLICY: 127

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AUDIT COMMITTEE CHARTER

I. PURPOSE

The purpose of the Audit Committee is to assist the Board of Directors in fulfilling its oversight responsibilities by reviewing the Association’s systems of internal controls regarding finance, accounting, and legal compliance and the Association’s auditing, accounting and financial reporting processes. The Audit Committee’s responsibilities are to:

Review the Association’s financial reporting processes and internal control systems.

Review the performance of the Association’s independent auditor.

Ensure open communication between the Association’s independent auditor, management and the Board of Directors.

The Audit Committee will fulfill these responsibilities as enumerated in Section III of this Policy.

II. COMPOSITION

The Audit Committee shall be comprised of three or more directors as determined by the Board. Unless otherwise determined by the Board, the members of the Board Finance Committee shall be the members of the Audit Committee. Committee members may enhance their familiarity with finance and accounting by participating in educational programs conducted by the Association or an outside consultant or other programs. The Committee may also retain the services of a qualified accounting professional with auditing expertise to assist it in the performance of its responsibilities.

The Board Chairman shall appoint the Audit Committee chairperson, with the consent of the Board, who need not be the Board Treasurer. The Audit Committee shall elect from its membership a vice chairman, and appoint a recording secretary as needed.

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III. RESPONSIBILITIES

The responsibilities of the Committee are to:

- 1. Recommend to the Board of Directors the selection of the independent auditor, it being understood that the Board of Directors has the ultimate authority and

responsibility to select, evaluate and, where appropriate, replace the independent auditor.

2. Receive annually a report of, and review and discuss with the independent auditor, all significant relationships they have with the Association, including the fees and other compensation paid to them, to verify their independence.
3. Ensure the receipt of, and evaluate the written disclosures and the letter that the independent auditor submits to the Audit Committee regarding the auditor's independence in accordance with Independence Standards Board Standard No. 1, discuss such reports with the auditor and, if so determined by the Audit Committee in response to such reports, recommend that the Board of Directors take appropriate action to address issues raised by such evaluation.
4. Discuss with the independent auditor the matters required to be discussed by SAS 61, as it may be modified or supplemented.
5. Instruct the independent auditor that the Committee expects to be advised if there are any areas that require special attention.
6. Meet with management and the independent auditor to discuss the annual financial statements and the report of the independent auditor thereon, and to discuss significant issues encountered in the course of the audit work, including restrictions on the scope of activities, access to required information and the adequacy of internal financial controls.
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8. Following such reviews and discussions, if so determined by the Audit Committee, recommend to the Board of Directors that the annual financial statements be included in the Association's annual report.
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10. Meet with the independent auditor out of the presence of management about internal controls and the fullness and accuracy of the Association's financial statements.
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- 15. At the request of Association counsel, review with Association counsel legal and regulatory procedures that may have a significant impact on the Association’s financial statements, compliance policies or programs.
- 16. Conduct or authorize such inquiries into matters within the Committee’s scope of responsibility as the Committee deems appropriate.
- 17. Provide minutes of Audit Committee meetings to the Board of Directors, and report to the Board of Directors on any significant matters arising from the Committee’s work.
- 18. Review with the independent auditors and management the extent to which any changes or improvements in financial or accounting practices, as recommended by the independent auditors and approved by the Board, have been implemented.
- 19. At least annually, review and reassess this charter and, if appropriate, recommend proposed changes to the Board of Directors.

Date Approved: _____

Attested: _____
Secretary of the Board

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