

**CHUGACH ELECTRIC ASSOCIATION, INC.
ANCHORAGE, ALASKA**

AUDIT AND FINANCE COMMITTEE MEETING

AGENDA

Harold Hollis, Chair
Sam Cason, Vice Chair

Jim Henderson
Mark Wiggin
Bettina Chastain

May 19, 2021

4:00 p.m.

Chugach Board Room

- I. CALL TO ORDER (4:00 p.m.)
 - A. *Roll Call*
- II. APPROVAL OF THE AGENDA*
- III. APPROVAL OF THE MINUTES*
 - A. *March 31, 2021 (Bigelow)*
- IV. PERSONS TO BE HEARD
 - A. *Member Comments*
- V. CEO REPORTS AND CORRESPONDENCE (4:10 p.m.)
 - A. *1st Quarter 2021 Contract Status Report (Vecera) (4:10 p.m.)*
 - B. *1st Quarter 2021 Capital Tracking Report (Curran) (4:15 p.m.)*
 - C. *1st Quarter 2021 Operating Budget Status Report (Curran) (4:20 p.m.)*
- VI. NEW BUSINESS (scheduled) (4:25 p.m.)
 - A. *1st Quarter 2021 Financial Information and Variance Report (Harris/Curran)*
- VII. EXECUTIVE SESSION* (scheduled) (4:50 p.m.)
 - A. *BRU ARO Investment Fund Review (4:50 p.m.)*
 - B. *1st Quarter 2021 Financial Statement Review (5:00 p.m.)*
 - C. *Pandemic Recovery Plan and Revised Forecast (5:45 p.m.)*
- VIII. NEW BUSINESS** (continued) (6:45 p.m.)
 - A. *Annual Review of Board Policy 207 - Audit and Finance Committee Discussion** (Committee)*
- IX. DIRECTOR COMMENTS (7:00 p.m.)
- X. ADJOURNMENT* (7:15 p.m.)

CHUGACH ELECTRIC ASSOCIATION, INC.
Anchorage, Alaska

March 31, 2021
Wednesday
4:00 p.m.

AUDIT AND FINANCE COMMITTEE MEETING

Recording Secretary: Danielle Bigelow

I. CALL TO ORDER

Chair Hollis called the Audit and Finance Committee meeting to order at 4:02 p.m. in the boardroom of Chugach Electric Association, Inc., 5601 Electron Drive, Anchorage, Alaska.

A. Roll Call

Committee Members Present:

Harold Hollis, Chair
Sam Cason, Vice Chair (*via teleconference*)
Jim Henderson, Director (*via teleconference*)
Mark Wiggin, Director (*via teleconference*)
Bettina Chastain, Director (*via teleconference*)

Board Members Present:

Rachel Morse, Director (*via teleconference*)
Stuart Parks, Director (*via teleconference*)

Guests and Staff Attendance

Present:

Sherri Highers	Arthur Miller	Sean Skaling
Renee Curran	Kathy Harris	Nick Brodie

Via Teleconference:

Lee Thibert	Connie Owens	Blake Phillips, APCM
Brian Hickey	Julie Hasquet	Brandy Nicial, APCM
Arden Quezon	Karen Griffin	Allison Caps, APCM
Matthew Clarkson	Theresa Quigley	Bill Lierman, APCM
Tyler Andrews	Mike Hayhurst, KPMG	
Mark Fouts	Melissa Beedle, KPMG	

II. APPROVAL OF THE AGENDA

Director Henderson moved and Director Chastain seconded the motion to approve the agenda. Chair Hollis requested to discuss item VII.B. BRU ARO Investment Fund Review first in Executive session, then proceed with item VII.A. 2020 Year-End Financial Report.

Director Henderson and Director Chastain accepted the amendment to the agenda. The motion passed unanimously, as amended.

Directors Wiggin and Cason were not present at the time of vote.

III. APPROVAL OF THE MINUTES

Director Chastain moved and Director Henderson seconded the motion to approve the January 20, 2021, Audit and Finance Committee Meeting minutes. The motion passed unanimously.

Directors Wiggin and Cason were not present at the time of vote.

IV. PERSONS TO BE HEARD

- A. *Member Comments*
None.

V. CEO REPORTS AND CORRESPONDENCE

- A. *4th Quarter 2020 Contract Status Report*
The 4th Quarter 2020 Contract Status Report was provided in the meeting packet.
- B. *4th Quarter 2020 Capital Tracking Report*
The 4th Quarter 2020 Capital Tracking Report was provided in the meeting packet.
- C. *4th Quarter 2020 Operating Budget Status Report*
The 4th Quarter 2020 Operating Budget Status Report was provided in the meeting packet.
- D. *2020 Year-End Financial Statements and Variance Report*
Sherri Highers, Chief Financial Officer (CFO) and Executive VP, Finance and Administration, and Lee Thibert, Chief Executive Officer (CEO) discussed and responded to questions from the Committee.

Director Wiggin joined via teleconference at 4:09 p.m.

VI. NEW BUSINESS

- A. *2020 Year-End Financial Information*
Kathy Harris, Controller discussed the 2020 Year-End Financial Information.

VII. EXECUTIVE SESSION

- A. *BRU ARO Investment Fund Review*
- B. *2020 Year-End Financial Report*
- C. *Review of the 2020 Independent Audited Financial Statements*
- D. *Board and Auditor Discussion*
- E. *2021 Budget Analysis and Forecast Discussion*

At 4:24 p.m., Director Wiggin moved and Director Henderson seconded the motion that pursuant to Alaska Statute 10.25.175(c)(1) and (3) the Board of Directors' Audit and Finance Committee go into executive session to: 1) discuss and receive reports regarding financial matters, the immediate knowledge of which would clearly have an adverse effect on the finances of the cooperative; and, 2) to discuss legal matters with its attorneys, the immediate knowledge of which could have an adverse effect on the legal position of the cooperative. The motion passed unanimously.

Director Cason was not present at the time of vote.

Director Cason joined via teleconference during Executive Session; time was not noted.

The meeting reconvened in open session at 7:53 p.m.

VIII. NEW BUSINESS

None.

IX. DIRECTOR COMMENTS

Director comments were made at this time.

X. ADJOURNMENT

At 8:03 p.m., Director Wiggin moved and Director Chastain seconded the motion to adjourn. The motion passed unanimously.

**CHUGACH ELECTRIC ASSOCIATION
CAPITAL PROJECT TRACKING REPORT
As of March 31, 2021**

CIP Ref #	Project Name ¹	Project Manager	BOD Project Approval Date	Estimate			Actuals			Variance		Project Completion	Comments
				Estimate	Revisions to Estimate	Revised Estimate	Spending to Date	Forecast to Completion	Total Estimated Completion Cost	Total Estimated Cost vs. Revised Estimate			
										Amount	%		

SYSTEM IMPROVEMENT PROJECTS

Reliability

10.0240	Retire INSS 138kV Facilities E1720055	Wendling	1/24/2018	\$2,700,000	\$0	\$2,700,000	\$1,894,000	\$806,000	\$2,700,000	\$0	100%	83%	The retirement portion of this project has been completed by the OELCC Time and Materials Contractor brought on the summer of 2020 for COVID mitigation. Final connections to station equipment are being made. Due to high commodity pricing associated with the affects of COVID on supply chains moving of transformers to new foundations will be addressed in a future project.
03.0810	Muldoon OH/UG: Northern Lights ² E1613660	Miller, Mike	11/27/2017 5/27/2020	\$2,500,000	\$1,208,831	\$3,708,831	\$2,858,784	\$25,000	\$2,883,784	(\$825,047)	78%	90%	OH to UG Muldoon Road from Northern Lights to Creekside Center Drive. Originally approved in the CIP on November 27, 2017, but revised due to Department of Transportation changes and design enhancements resulting in a \$1.2M increase to the estimate on May 27, 2020. Construction on the project was completed in 2020, only landscaping and closeout remain to be done in spring 2021.
03.0810	Old Seward OH/UG 12.5kV&34.5kV ² E1813853, E2020058	Wendling	7/22/2020	\$5,121,971	\$0	\$5,121,971	\$342,770	\$4,779,201	\$5,121,971	\$0	100%	7%	The scope of this project is undergrounding the 12.5kV and 34.5kV overhead facilities along the Old Seward Highway between O'Malley and Huffman Road. The contract has been awarded, contractor mobilized to site and construction is starting this summer.

Retirements & Replacements

16.0000	Land Mobile Radio Replacement C1730001	Murray	11/26/2019	\$1,995,169	\$0	\$1,995,169	\$1,943,673	\$51,496	\$1,995,169	\$0	100%	85%	Technicians continue to test and optimize the system in advance of Mobile Radio installations that will begin in July. Phase II of the project to replace North District radios has kicked off and Chugach is finalizing mobile and portable radio counts based on what has been procured already.
20.0033 20.0035	Fuel Tank Replacement and Storm Drain Reconstruction A2040003, A2040004	Prior	2/24/2021	\$1,173,654	\$0	\$1,173,654	\$16,843	\$1,156,811	\$1,173,654	\$0	100%	5%	Project is on schedule. Fuel tanks have been ordered and delivery is expected in May 2021. Construction to take place over the summer 2021 and is anticipated to be complete by the end of October 2021.

Agency Mandated

20.0304	Eklutna Fish & Wildlife MY021283, P1990277	Brodie	2/24/2021	\$1,620,108 ³	\$0	\$1,620,108	\$84,617	\$1,535,491	\$1,620,108	\$0	100%	6%	Eklutna F&W is a multi-year project with final completion of the program in late 2024. The 2021 budget will be the first year of a 2-year study program on the Eklutna River, Lake, and plant facilities. The study plan has been approved and the year-one studies will occur through the end of October 2021. Development of year-two study plan and evaluation of study data will occur in the 4th quarter of the 2022 study program.
---------	--	--------	-----------	--------------------------	-----	-------------	----------	-------------	-------------	-----	------	----	--

Totals				\$15,110,902	\$1,208,831	\$16,319,733	\$7,140,687	\$8,353,999	\$15,494,686	(\$825,047)	95%	46%	
---------------	--	--	--	---------------------	--------------------	---------------------	--------------------	--------------------	---------------------	--------------------	------------	------------	--

¹ Report tracks projects with costs exceeding \$1M.

² Projects funded by the Undergrounding Ordinance.

³ Represents Chugach's portion.



TO: Sherri L. Highers, Chief Financial Officer

FROM: Renee Curran, Manager, Budget & Financial Reporting

DATE: May 12, 2021

SUBJECT: *1st Quarter 2021 Operating Budget Status Report*

The Operating Budget Status Report on page 2 reflects the budget adjustment for the first quarter and is outlined below.

- A transfer of labor costs associated with a position that moved from Administrative Services to Member Services following acquisition close.

The foregoing budget adjustment had no impact on the 2021 Operating Budget.

CHUGACH ELECTRIC ASSOCIATION, INC.
OPERATING BUDGET STATUS REPORT
1ST QUARTER 2021

CATEGORY	2021 APPROVED BUDGET	2021 Q1 BUDGET REVISIONS	2021 Q1 AMENDED BUDGET
REVENUES:			
TOTAL REVENUE	\$364,283,486	\$0	\$364,283,486
EXPENSES:			
FUEL EXPENSE	84,158,638	0	84,158,638
POWER PRODUCTION EXPENSE	36,368,956	0	36,368,956
COST OF PURCHASED POWER	24,495,588	0	24,495,588
TRANSMISSION EXPENSE	10,609,412	0	10,609,412
DISTRIBUTION EXPENSE-OPERATIONS	12,336,031	0	12,336,031
DISTRIBUTION EXPENSE-MAINTENANCE	15,623,002	0	15,623,002
CONSUMER ACCOUNTS EXPENSE	9,499,422	85,703	9,585,125
CUSTOMER SERVICE/INFO EXPENSE	1,110,320	0	1,110,320
ADMINISTRATIVE/GENERAL EXPENSE	42,640,597	(85,703)	42,554,894
TOTAL OPERATIONS/MAINTENANCE EXPENSE	\$236,841,966	\$0	\$236,841,966
DEPRECIATION/AMORTIZATION EXPENSE	64,373,484	0	64,373,484
TAX EXPENSE-OTHER	8,934,253	0	8,934,253
INTEREST ON DEBT	42,210,623	0	42,210,623
INTEREST ON CONSTRUCTION-CREDIT	(680,928)	0	(680,928)
OTHER DEDUCTIONS	400,000	0	400,000
TOTAL COST OF ELECTRIC SERVICE	\$352,079,398	\$0	\$352,079,398
PATRONAGE CAPITAL/OPERATING MARGINS	\$12,204,088	\$0	\$12,204,088
NON-OPERATING MARGINS-INTEREST	198,380	0	198,380
ALLOWANCE FUNDS USED DURING CONST.	226,980	0	226,980
NON-OPERATING MARGINS-OTHER	0	0	0
GENER./TRANS. CAPITAL CREDITS	0	0	0
OTHER CAPITAL CREDITS/DIVIDENDS	0	0	0
EXTRAORDINARY ITEMS	0	0	0
PATRONAGE CAPITAL OR MARGINS	\$12,629,448	\$0	\$12,629,448
MFI/I	1.30		1.30



BUDGET REVISION REQUEST

1.	Division: Member Services	Department:												
2	Add: <input type="checkbox"/>	Transfer: <input checked="" type="checkbox"/>												
	Delete: <input type="checkbox"/>													
3.	Full year amount (rounded to dollars): \$85,703													
4.	Monthly amounts (rounded to dollars - should total to line 3 above)													
	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 33%;">January \$6,835</td> <td style="width: 33%;">May \$6,835</td> <td style="width: 33%;">September \$7,286</td> </tr> <tr> <td>February \$6,509</td> <td>June \$7,161</td> <td>October \$6,955</td> </tr> <tr> <td>March \$7,486</td> <td>July \$7,286</td> <td>November \$7,286</td> </tr> <tr> <td>April \$7,161</td> <td>August \$7,286</td> <td>December \$7,617</td> </tr> </table>	January \$6,835	May \$6,835	September \$7,286	February \$6,509	June \$7,161	October \$6,955	March \$7,486	July \$7,286	November \$7,286	April \$7,161	August \$7,286	December \$7,617	
January \$6,835	May \$6,835	September \$7,286												
February \$6,509	June \$7,161	October \$6,955												
March \$7,486	July \$7,286	November \$7,286												
April \$7,161	August \$7,286	December \$7,617												
5.	General Ledger Account Number (from): 92000-000-01/14-3101 General Ledger Account Number (to): 90300-000-01/14-3240													
6.	General Ledger Account Name (from): ADMIN & GENERAL SALARIES General Ledger Account Name (to): CUSTOMER RECORDS&COLLECTN EXP													
7.	Explanation: Transfer labor budget associated with a position moved from Administrative Services department to Member Services upon acquisition Day 1.													
8.	Requested by: Renee Curran	Date: 2/24/2021												
9.	<\$25,000 Approved by: <i>Kari Hays for Ron Vecera</i> Division Director/Department Manager	Date: 2/24/21												
10.	\$25,000 - \$250,000 Approved by: <i>Shant Digheis</i> Executive Manager	Date: 2/24/2021												
11.	\$250,000 - \$1,000,000 Approved by: _____ Chief Executive Officer	Date: _____												
12.	>\$1,000,000 Approved by: _____ Board of Directors	Date: _____												
Obtain necessary approval signatures, forward to the Manager of Budget and Financial Reporting														

Sum of Budget \$					Month													
Earn Type	Account	Minor	CE	CC	1	2	3	4	5	6	7	8	9	10	11	12	Grand Total	
P	90300	000	14	3240	\$ -												\$ -	
P Total					\$ -												\$ -	
S	90300	000	01	3240	\$ -	\$ -											\$ -	
S	90300	000	14	3240	\$ -	\$ -											\$ -	
S	92000	000	01	3101	\$ 3,616	\$ 3,444	\$ 3,961	\$ 3,789	\$ 3,616	\$ 3,789	\$ 3,855	\$ 3,855	\$ 3,855	\$ 3,680	\$ 3,855	\$ 4,030	\$ 45,345	
S	92000	000	14	3101	\$ 3,219	\$ 3,065	\$ 3,525	\$ 3,372	\$ 3,219	\$ 3,372	\$ 3,431	\$ 3,431	\$ 3,431	\$ 3,275	\$ 3,431	\$ 3,587	\$ 40,358	
S Total					\$ 6,835	\$ 6,509	\$ 7,486	\$ 7,161	\$ 6,835	\$ 7,161	\$ 7,286	\$ 7,286	\$ 7,286	\$ 6,955	\$ 7,286	\$ 7,617	\$ 85,703	
Grand Total					\$ 6,835	\$ 6,509	\$ 7,486	\$ 7,161	\$ 6,835	\$ 7,161	\$ 7,286	\$ 7,286	\$ 7,286	\$ 6,955	\$ 7,286	\$ 7,617	\$ 85,703	

Sum of Budget Hours					Month												
Earn Type	Account	Minor	CE	CC	1	2	3	4	5	6	7	8	9	10	11	12	Grand Total
P	90300	000	14	3240	0												0
P Total					0												0
S	90300	000	01	3240	0	0											0
S	90300	000	14	3240	0	0											0
S	92000	000	01	3101	168	160	184	176	168	176	176	176	176	168	176	184	2088
S	92000	000	14	3101	0	0	0	0	0	0	0	0	0	0	0	0	0
S Total					168	160	184	176	168	176	176	176	176	168	176	184	2088
Grand Total					168	160	184	176	168	176	176	176	176	168	176	184	2088

CHUGACH ELECTRIC ASSOCIATION, INC.

March 2021 YTD Financial Information
Audit and Finance Committee Meeting
May 19, 2021



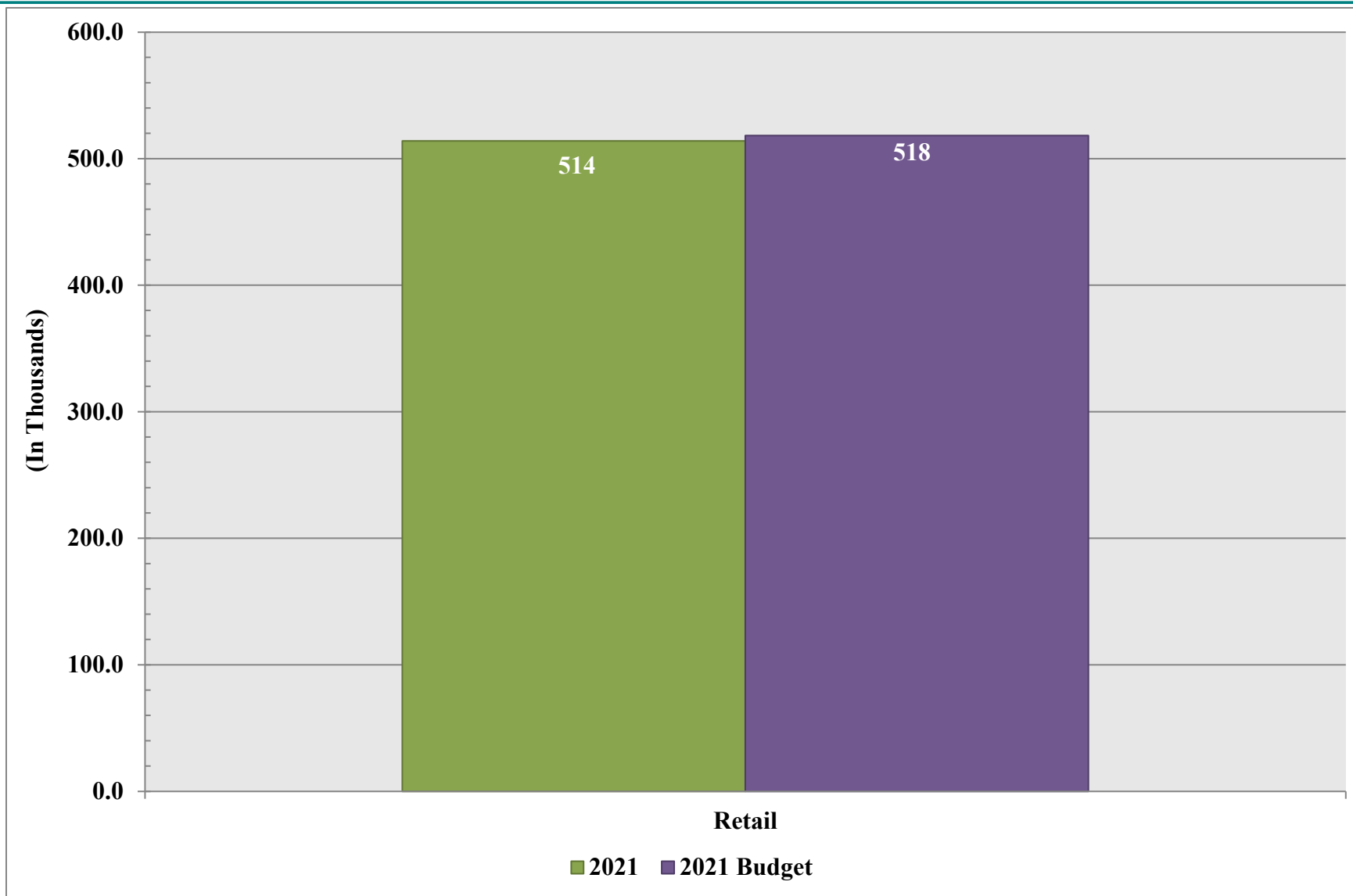
March 2021 YTD Financial Information



- ▶ MWH Sales
- ▶ Statement of Operations
- ▶ Balance Sheet
- ▶ Statements of Cash Flows

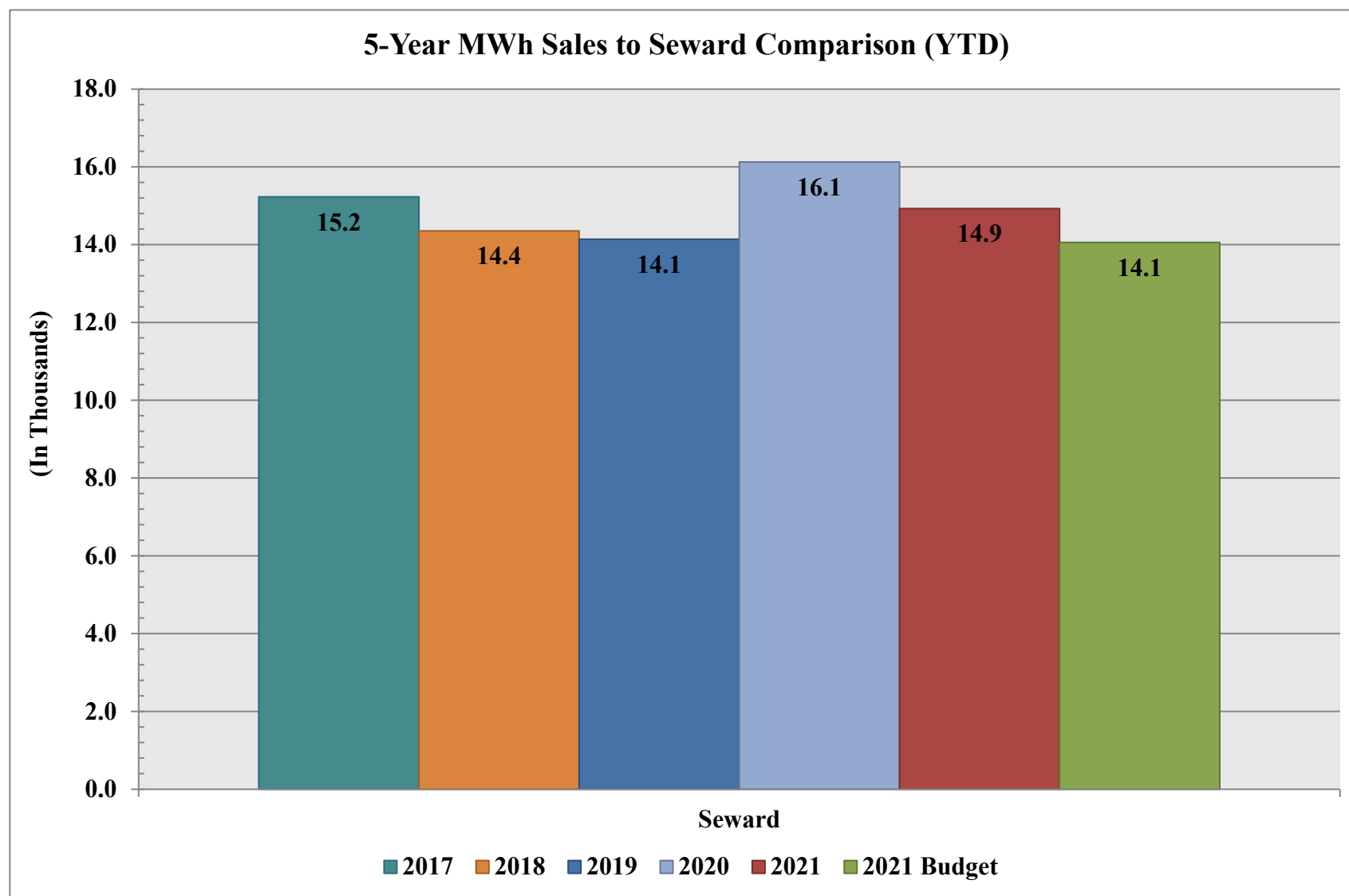
March 2021 YTD Financial Information

2021 Retail MWh Sales Comparison



March 2021 YTD Financial Information

5 Year Seward MWh Sales Comparison



March 2021 YTD Financial Information

Comparative Statement of Operations

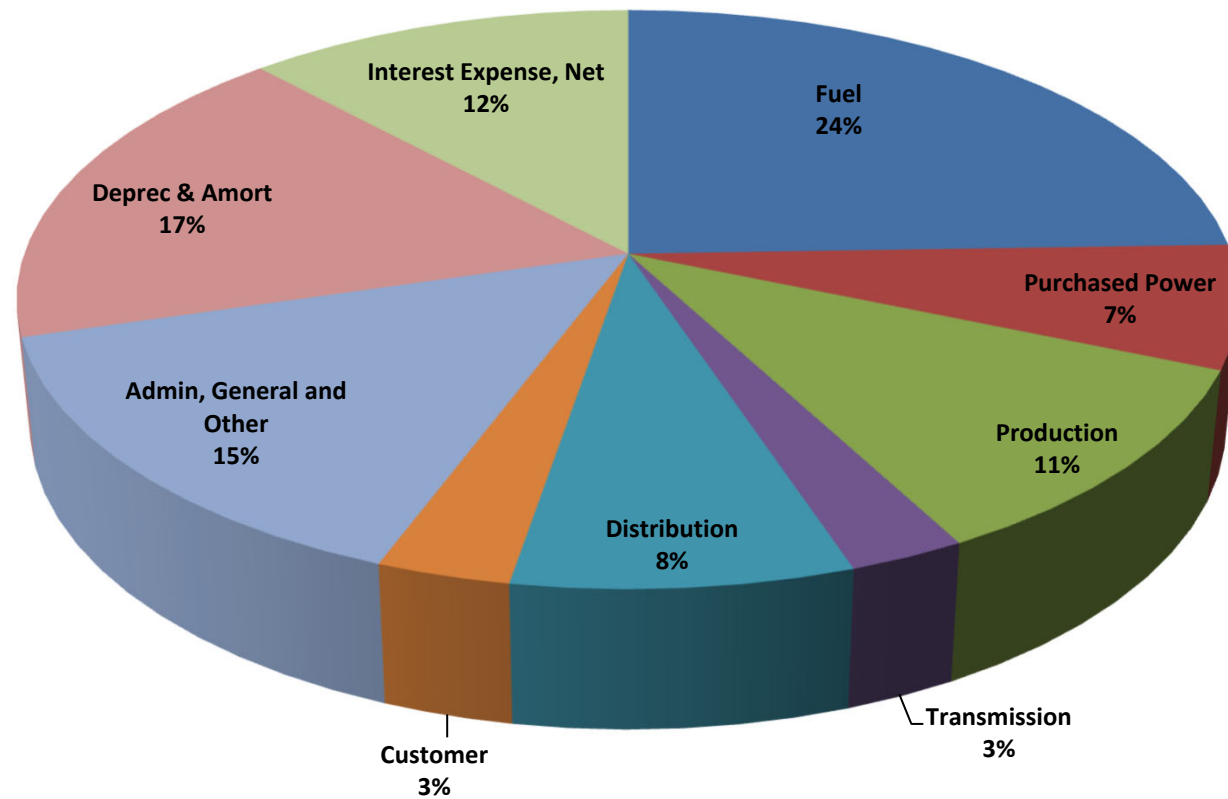


CATEGORY	ACTUAL	BUDGET	VARIANCE
Operating Revenues	\$ 92,540,163	\$ 97,997,599	\$ (5,457,436)
Fuel	21,792,715	23,579,926	(1,787,211)
Production	9,490,185	8,920,186	569,999
Purchased Power	6,251,612	6,368,162	(116,550)
Transmission	2,387,493	2,585,132	(197,639)
Distribution	6,935,168	6,947,486	(12,318)
Consumer Accounts	2,727,914	2,626,438	101,476
Administrative, General and Other	13,091,033	13,564,310	(473,277)
Depreciation and Amortization	15,701,047	16,072,131	(371,084)
Total Operating Expenses	\$ 78,377,167	\$ 80,663,771	\$ (2,286,604)
Interest Expense, Long-Term and Other	10,748,017	10,763,290	(15,273)
Interest Charged to Construction	(143,441)	(170,232)	26,791
Net Interest Expense	\$ 10,604,576	\$ 10,593,058	\$ 11,518
Net Operating Margins	\$ 3,558,420	\$ 6,740,770	\$ (3,182,350)
Interest Income	72,761	49,595	23,166
Allowance Funds Used During Const.	35,450	56,745	(21,295)
Capital Credits, Patronage Dividends, Other	6,742	0	6,742
Patronage Capital or Margins	\$ 3,673,373	\$ 6,847,110	\$ (3,173,737)

MFI/I	1.34	1.64
TIER	1.35	1.64

March 2021 YTD Financial Information

Total Operating and Interest Expense



March 2021 YTD Financial Information

Comparative Balance Sheet, Assets & Other Debits



ASSETS & OTHER DEBITS	03/31/21	12/31/20	CHANGE
Electric Plant in Service	1,946,651,348	1,941,080,063	5,571,285
Construction Work in Progress	33,068,727	38,075,575	(5,006,848)
Total Utility Plant	\$ 1,979,720,075	\$ 1,979,155,638	\$ 564,437
Accumulated Depreciation	(592,185,980)	(581,506,871)	(10,679,109)
Net Utility Plant	\$ 1,387,534,095	\$ 1,397,648,767	\$ (10,114,672)
Nonutility Property	76,889	76,889	0
Financing & Operating Lease Right-of-Use Assets	3,994,785	4,102,328	(107,543)
Investment in Assoc. Organizations	7,288,564	7,595,197	(306,633)
Special Funds	29,402,427	19,862,119	9,540,308
Restricted Cash Equivalents & Other	64,310	64,310	0
Long-term Prepayments	475,603	423,404	52,199
Total Other Property & Investments	\$ 41,302,578	\$ 32,124,247	\$ 9,178,331
Cash and Restricted Cash	49,096,676	60,392,108	(11,295,432)
Special Deposits and Marketable Securities	58,300	58,300	-
Accounts Receivable - Net	50,644,031	53,679,921	(3,035,890)
Materials and Supplies, Fuel Stock	58,754,172	62,430,009	(3,675,837)
Prepayments	6,156,994	4,672,489	1,484,505
Other Current Assets	356,610	241,983	114,627
Total Current Assets	\$ 165,066,783	\$ 181,474,810	\$ (16,408,027)
Deferred Charges, Net	112,941,583	110,489,123	2,452,460
Total Assets	\$ 1,706,845,039	\$ 1,721,736,947	\$ (14,891,908)

March 2021 YTD Financial Information

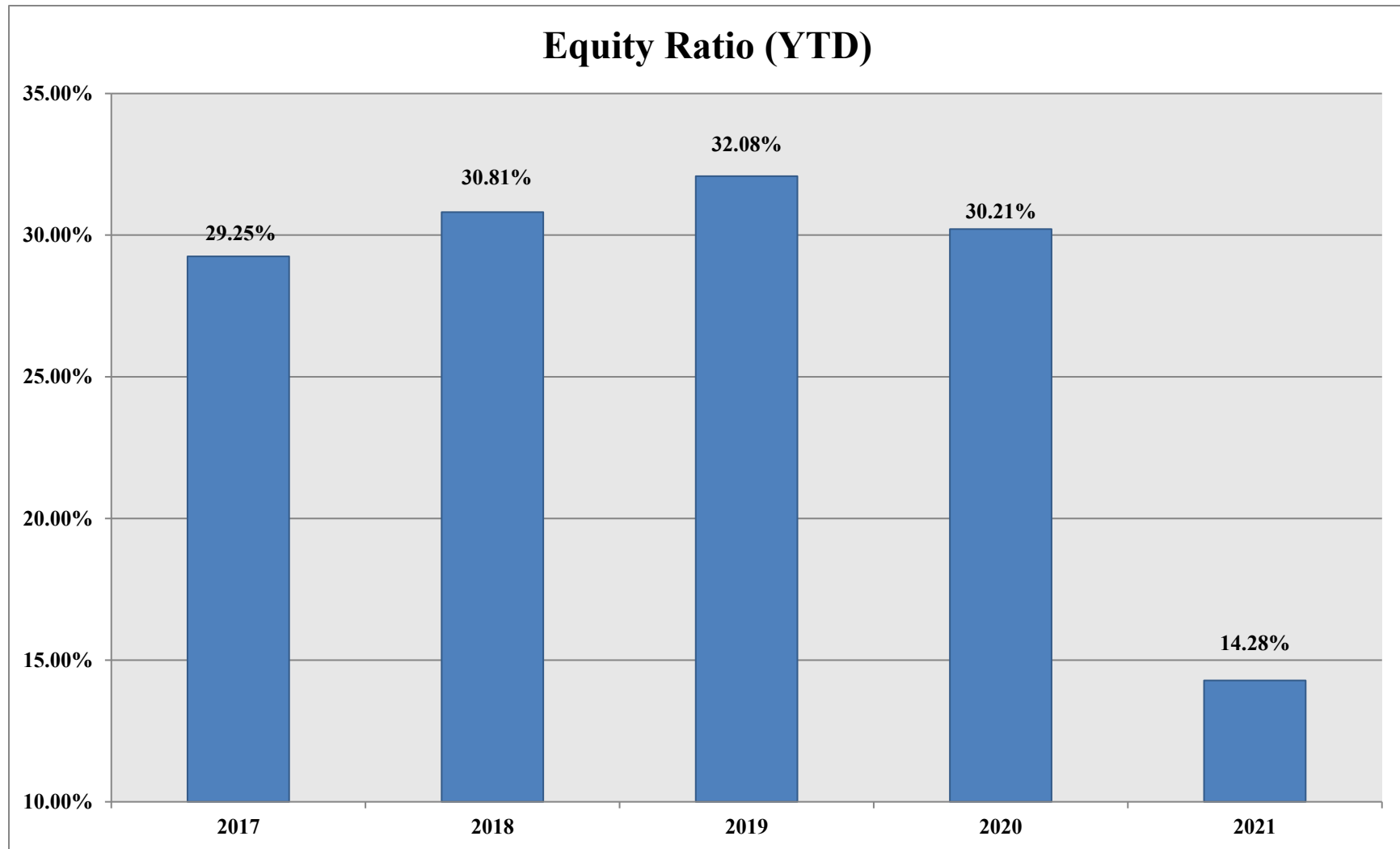
Comparative Balance Sheet, Liabilities & Other Credits



LIABILITIES & OTHER CREDITS	03/31/21	12/31/20	CHANGE
Memberships	1,917,562	1,908,432	9,130
Patronage Capital	185,214,710	181,564,419	3,650,291
Other	15,375,348	15,376,562	(1,214)
Total Equities and Margins	\$ 202,507,620	\$ 198,849,413	\$ 3,658,207
Bonds Payable	1,195,266,663	1,211,683,330	(16,416,667)
National Bank for Cooperatives	25,992,000	26,904,000	(912,000)
Unamortized Debt Issuance Costs	(6,060,476)	(6,179,476)	119,000
Operating & Finance Lease Liabilities	3,764,169	3,873,394	(109,225)
Total Long-Term Obligations	\$ 1,218,962,356	\$ 1,236,281,248	\$ (17,318,892)
Current Installments of Long-Term Obligations	42,195,816	42,197,115	(1,299)
Commercial Paper	10,000,000	10,000,000	-
Accounts Payable	9,520,744	19,170,493	(9,649,749)
Consumer Deposits	5,011,930	5,249,272	(237,342)
Other Current & Accrued Liabilities	62,565,444	53,612,254	8,953,190
Total Current Liabilities	\$ 129,293,934	\$ 130,229,134	\$ (935,200)
Deferred Compensation	1,882,472	1,821,222	61,250
Other Liabilities, Non-Current	708,504	548,570	159,934
Deferred Liabilities	34,652,818	36,899,176	(2,246,358)
Cost of Removal Obligation / ARO	118,837,335	117,108,184	1,729,151
Total Liabilities, Equities and Margins	\$ 1,706,845,039	\$ 1,721,736,947	\$ (14,891,908)

March 2021 YTD Financial Information

5 Year Equity Ratio



March 2021 YTD Financial Information

Statements of Cash Flows



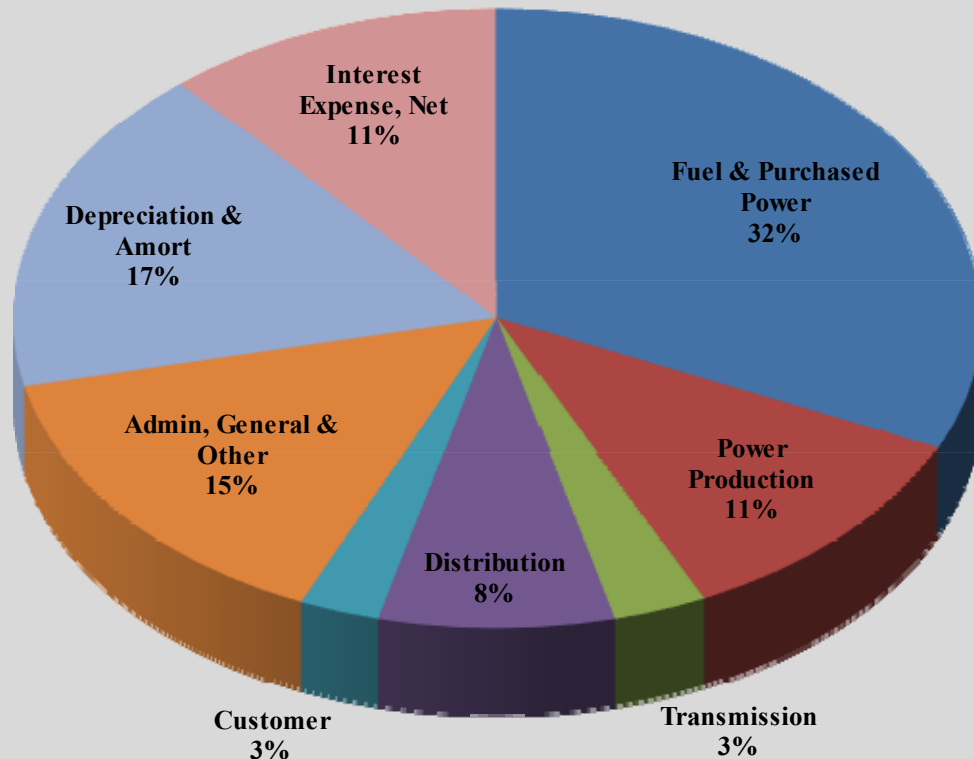
	03/31/21	03/31/20
1. Cash flows from operating activities:		
Assignable margins	\$ 3,673,373	\$ 4,986,334
Adjustments to reconcile assignable margins to net cash provided (used) by operating activities:		
Depreciation and amortization	19,129,732	9,815,258
Allowance for funds used during construction	(35,450)	(32,738)
Other	90,252	170,081
Net (increase) decrease in assets	(114,228)	(717,515)
Decrease in liabilities	(5,002,865)	(4,904,028)
Net cash provided by operating activities:	\$ 17,740,814	\$ 9,317,392
2. Cash flows from investing activities:		
Return of capital from investment in associated organizations	308,646	357,301
Investment in special funds	(9,479,058)	(11,089)
Investment in marketable securities and investments-other	0	(1,664)
Extension and replacement of plant	(4,137,405)	(6,408,084)
Net cash used in investing activities:	\$ (13,307,817)	\$ (6,063,536)
3. Cash flows from financing activities:		
Payments for debt issue costs	(7,734)	(21,033)
Net increase (decrease) in short-term obligations	0	17,000,000
Net increase (decrease) in long-term obligations	(17,328,667)	(24,214,667)
Net increase (decrease) in consumer advances/retired patronage/oth	1,607,972	1,203,294
Net cash provided by (used in) financing activities:	\$ (15,728,429)	\$ (6,032,406)
Net change in cash, cash equivalents & restricted cash	(11,295,432)	(2,778,550)
4. <u>Cash, cash equivalents & restricted cash at beginning of period</u>	\$ 60,456,418	\$ 8,623,975
5. <u>Cash, cash equivalents and restricted cash at end of period</u>	\$ 49,160,986	\$ 5,845,425

Questions?

STATEMENT OF OPERATIONS

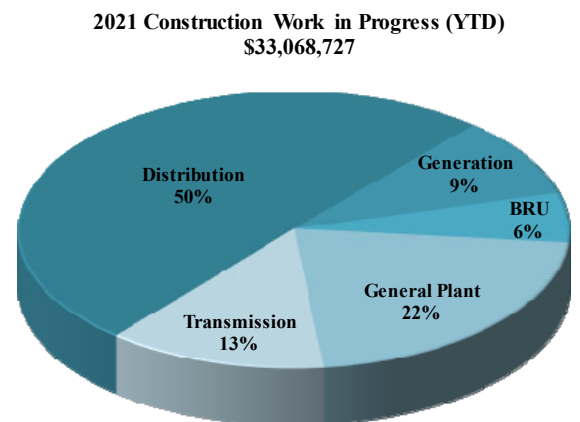
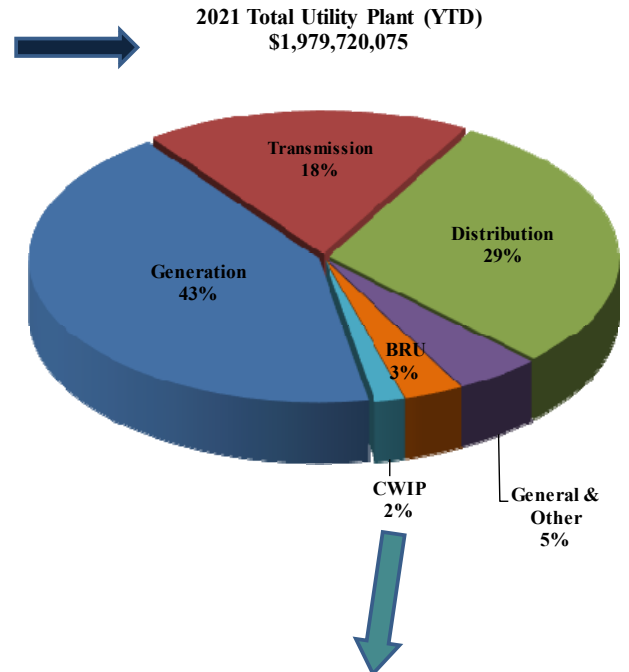
CATEGORY	2021 MTD ACTUAL	2021 MTD BUDGET	2021 MTD VARIANCE
Operating Revenue and Patronage Capital	\$ 31,816,131	\$ 31,332,572	\$ 483,559
Fuel and Purchased Power Expense	9,897,870	9,607,597	290,273
Power Production Expense	3,460,957	3,039,255	421,702
Transmission Expense	970,328	862,150	108,178
Distribution Expense	2,431,734	2,390,396	41,338
Customer Expense	832,672	910,482	(77,810)
Administrative, General and Other	4,625,725	4,625,442	283
Depreciation & Amortization Expense	5,339,723	5,359,873	(20,150)
Interest Expense, Net	3,530,881	3,511,041	19,840
Total Cost of Electric Service	\$ 31,089,890	\$ 30,306,236	\$ 783,654
Patronage Capital & Operating Margins	\$ 726,241	\$ 1,026,336	\$ (300,095)
Non-Operating Margins - Interest	24,823	16,531	8,292
Allowance for Funds Used During Construction	7,476	18,915	(11,439)
Non-Operating Margins - Other	5,942	-	5,942
Patronage Capital or Margins	\$ 764,482	\$ 1,061,782	\$ (297,300)

Total Cost of Electric Service (MTD Actual)



BALANCE SHEET

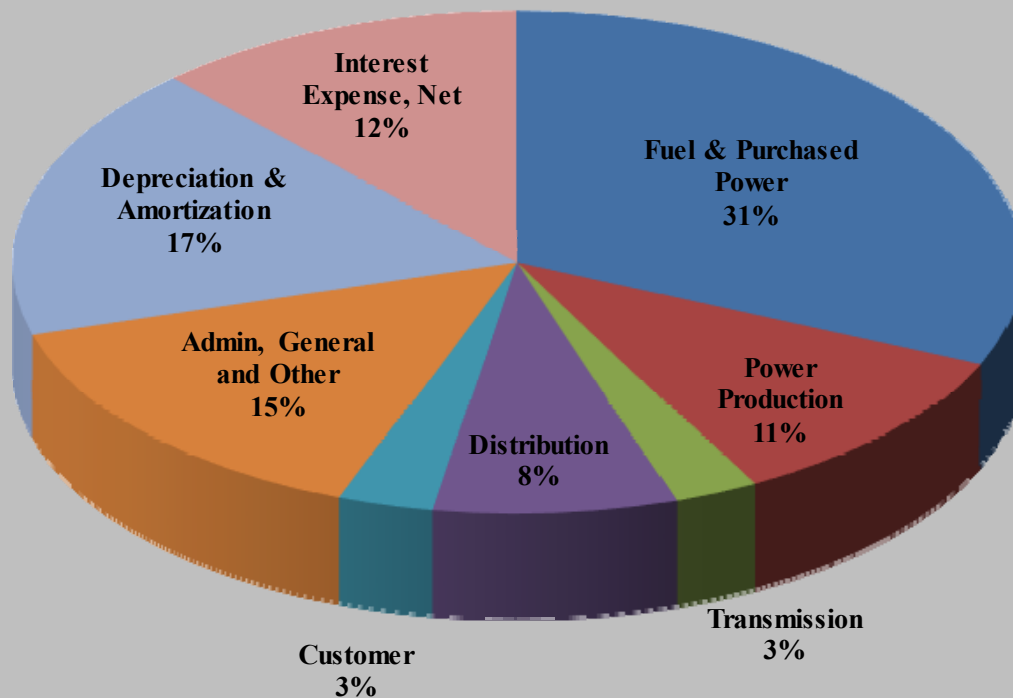
ASSETS & OTHER DEBITS	3/31/2021	12/31/2020
Electric Plant in Service	1,946,651,348	1,941,080,063
Construction Work in Progress	33,068,727	38,075,575
Total Utility Plant	\$ 1,979,720,075	\$ 1,979,155,638
Accum. Prov. for Depreciation/Amortization	(592,185,980)	(581,506,871)
Net Utility Plant	\$ 1,387,534,095	\$ 1,397,648,767
Nonutility Property - Net	76,889	76,889
Financing & Operating Lease Right-of-Use Assets	3,994,785	4,102,328
Investment in Assoc. Organizations	7,288,564	7,595,197
Special Funds	29,402,427	19,862,119
Restricted Cash Equivalents & Other	64,310	64,310
Long-term Prepayments	475,603	423,404
Total Other Property & Investments	\$ 41,302,578	\$ 32,124,247
Cash & Restricted Cash	49,096,676	60,392,108
Special Deposits and Marketable Securities	58,300	58,300
Accounts Receivable - Net	50,644,031	53,679,921
Materials and Supplies, Fuel Stock	58,754,172	62,430,009
Prepayments	6,156,994	4,672,489
Other Current & Accrued Assets	356,610	241,983
Total Current & Accrued Assets	\$ 165,066,783	\$ 181,474,810
Deferred Debits	112,941,583	110,489,123
Total Assets & Other Debits	\$ 1,706,845,039	\$ 1,721,736,947
LIABILITIES & OTHER CREDITS	3/31/2021	12/31/2020
Memberships	1,917,562	1,908,432
Pat. Capital, Margins & Equities	200,590,058	196,940,981
Total Margins & Equities	\$ 202,507,620	\$ 198,849,413
Long-Term Debt - Bonds	1,195,266,663	1,211,683,330
Long-Term Debt - Other	25,992,000	26,904,000
Unamortized Debt Issuance Costs	(6,060,476)	(6,179,476)
Operating Lease Liabilities	3,757,390	3,866,092
Finance Lease Liabilities	6,779	7,302
Total Long-Term Debt	\$ 1,218,962,356	\$ 1,236,281,248
Notes Payable	52,195,816	52,197,115
Accounts Payable	9,520,744	19,170,493
Consumer Deposits	5,011,930	5,249,272
Other Current & Accrued Liabilities	62,565,444	53,612,254
Total Current & Accrued Liabilities	\$ 129,293,934	\$ 130,229,134
Deferred Compensation	1,882,472	1,821,222
Other Liabilities, Non-Current	708,504	548,570
Deferred Liabilities	34,652,818	36,899,176
Cost of Removal Obligation	118,837,335	117,108,184
Total Liabilities & Other Credits	\$ 1,706,845,039	\$ 1,721,736,947



**COMPARATIVE FINANCIAL REPORT
STATEMENT OF OPERATIONS
2021 ACTUAL TO BUDGET VARIANCE**

CATEGORY	2021 YTD ACTUAL	2021 YTD BUDGET	2021 YTD VARIANCE
Operating Revenue and Patronage Capital	\$ 92,540,163	\$ 97,997,599	\$ (5,457,436)
Fuel and Purchased Power Expense	28,044,327	29,948,088	(1,903,761)
Power Production Expense	9,490,185	8,920,186	569,999
Transmission Expense	2,387,493	2,585,132	(197,639)
Distribution Expense	6,935,168	6,947,486	(12,318)
Customer Expense	2,727,914	2,626,438	101,476
Administrative, General and Other	13,091,033	13,564,310	(473,277)
Depreciation & Amortization Expense	15,701,047	16,072,131	(371,084)
Interest Expense, Net	10,604,576	10,593,058	11,518
Total Cost of Electric Service	\$ 88,981,743	\$ 91,256,829	\$ (2,275,086)
Patronage Capital & Operating Margins	\$ 3,558,420	\$ 6,740,770	\$ (3,182,350)
Non-Operating Margins - Interest	72,761	49,595	23,166
Allowance Funds Used During Const.	35,450	56,745	(21,295)
Non-Operating Margins - Other	6,742	-	6,742
Patronage Capital or Margins	\$ 3,673,373	\$ 6,847,110	\$ (3,173,737)
MFI/I	1.34	1.64	
TIER	1.35	1.64	

Total Cost of Electric Service (YTD Actual)

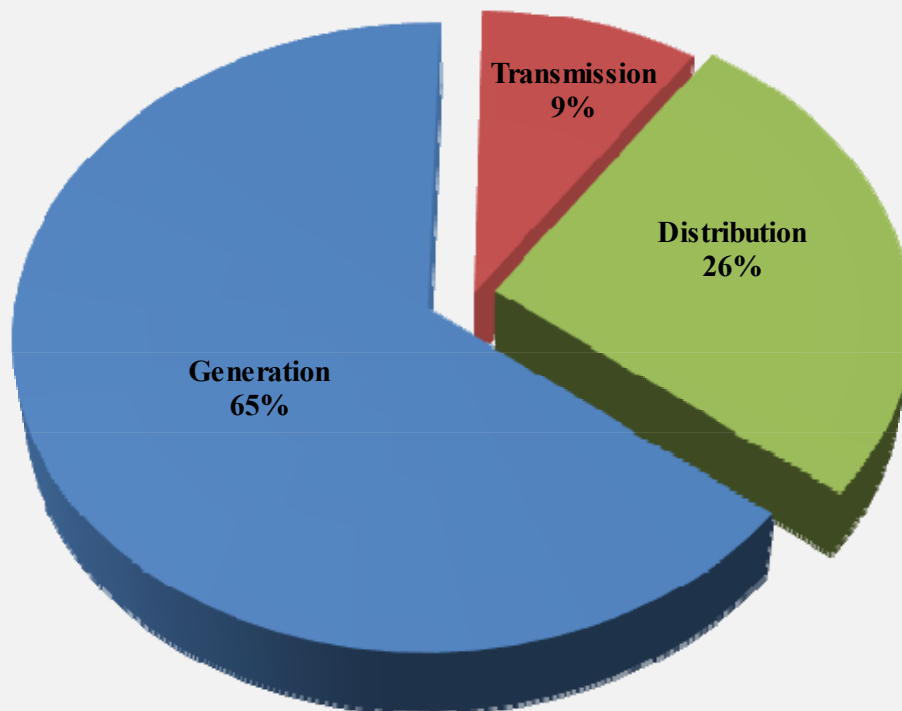


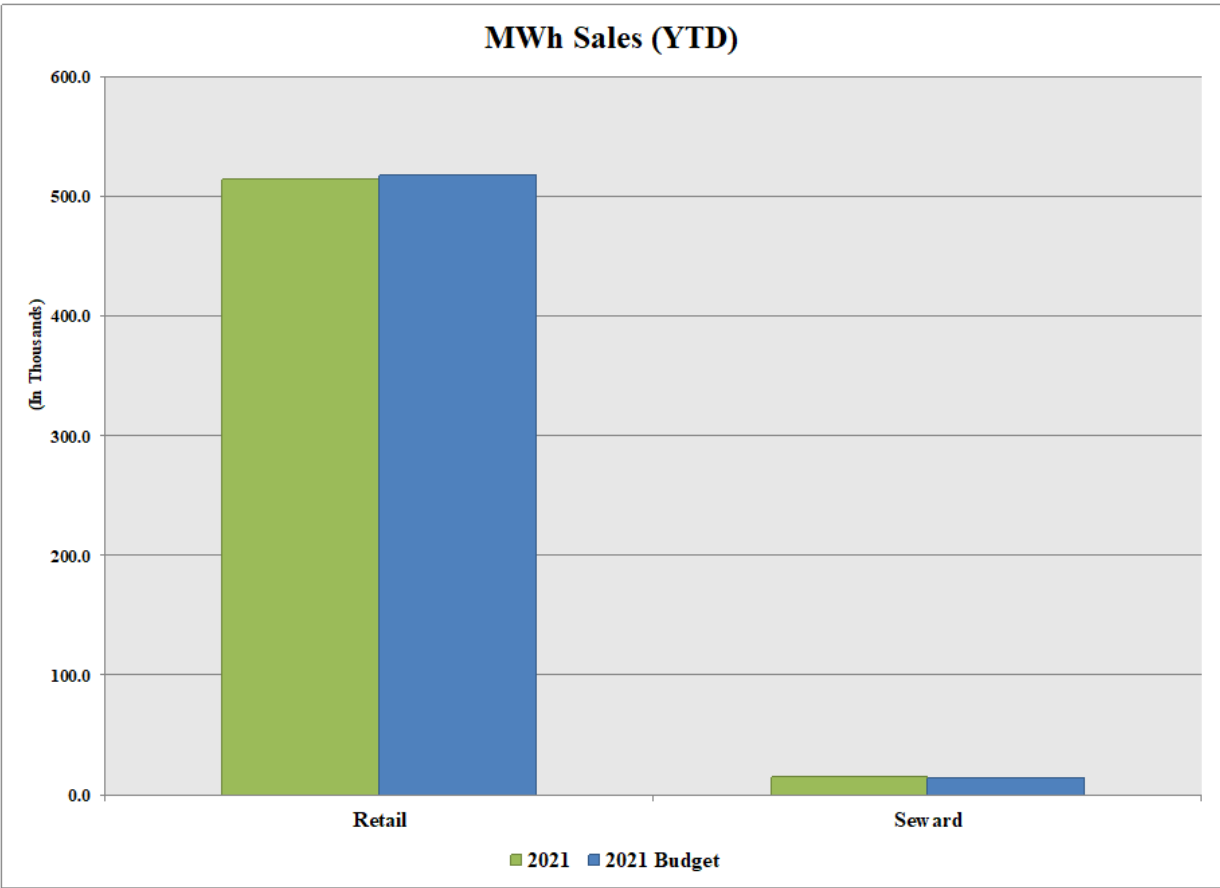
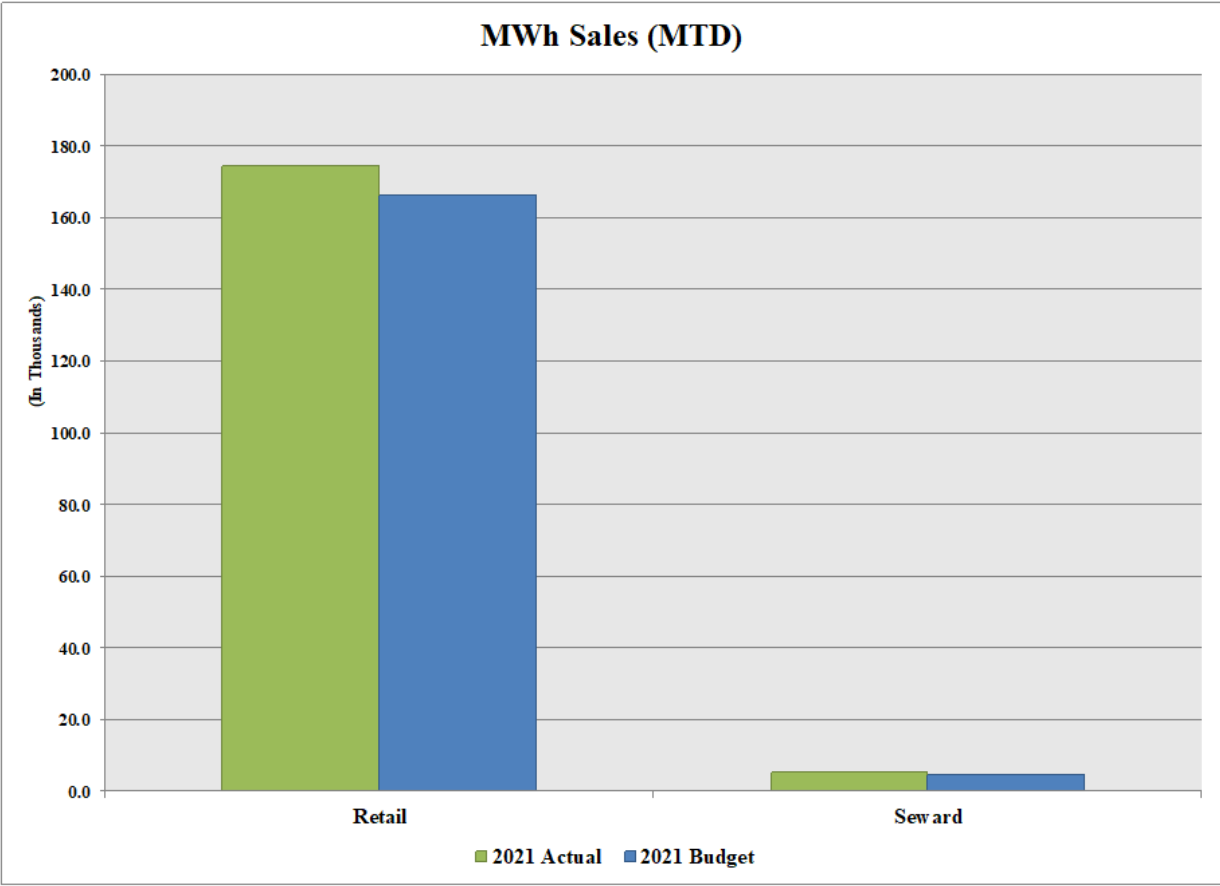
FUNCTIONAL STATEMENT OF OPERATIONS

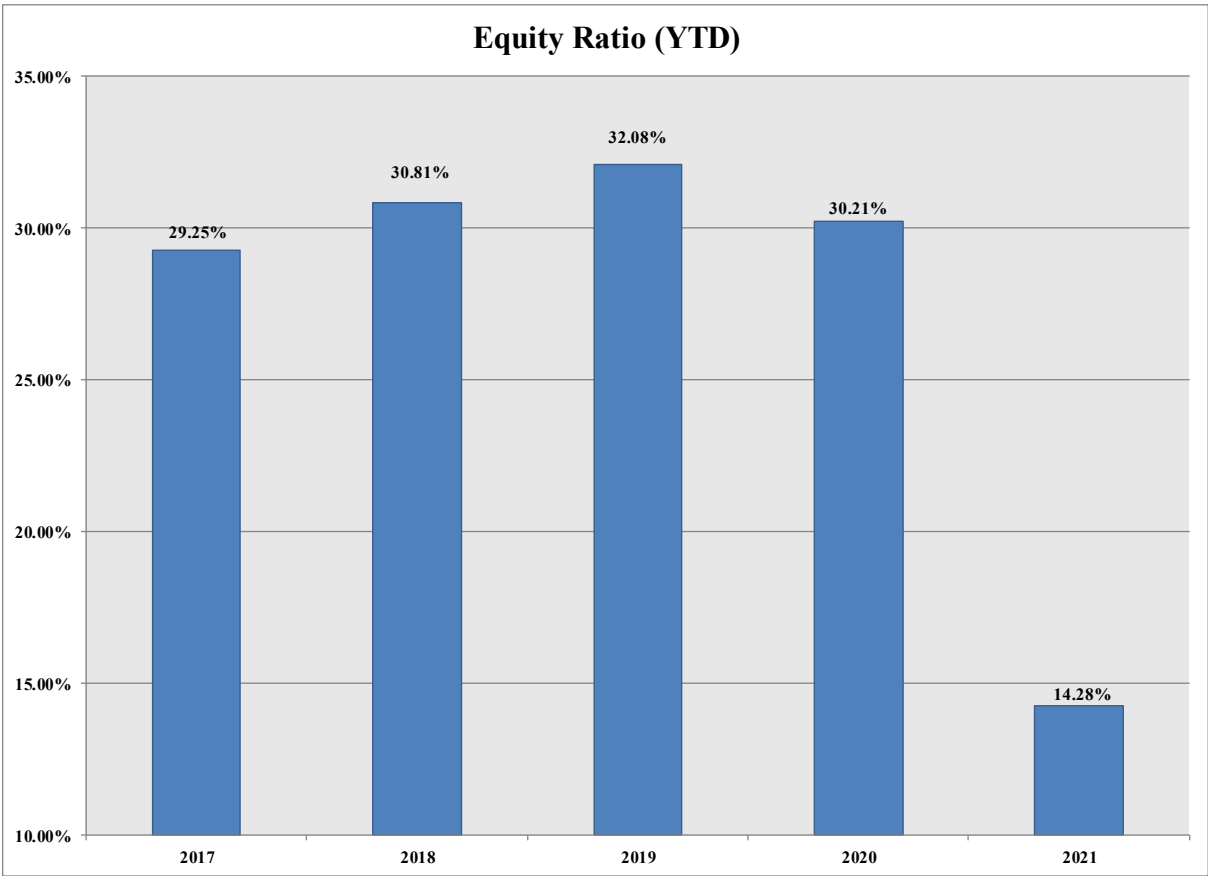
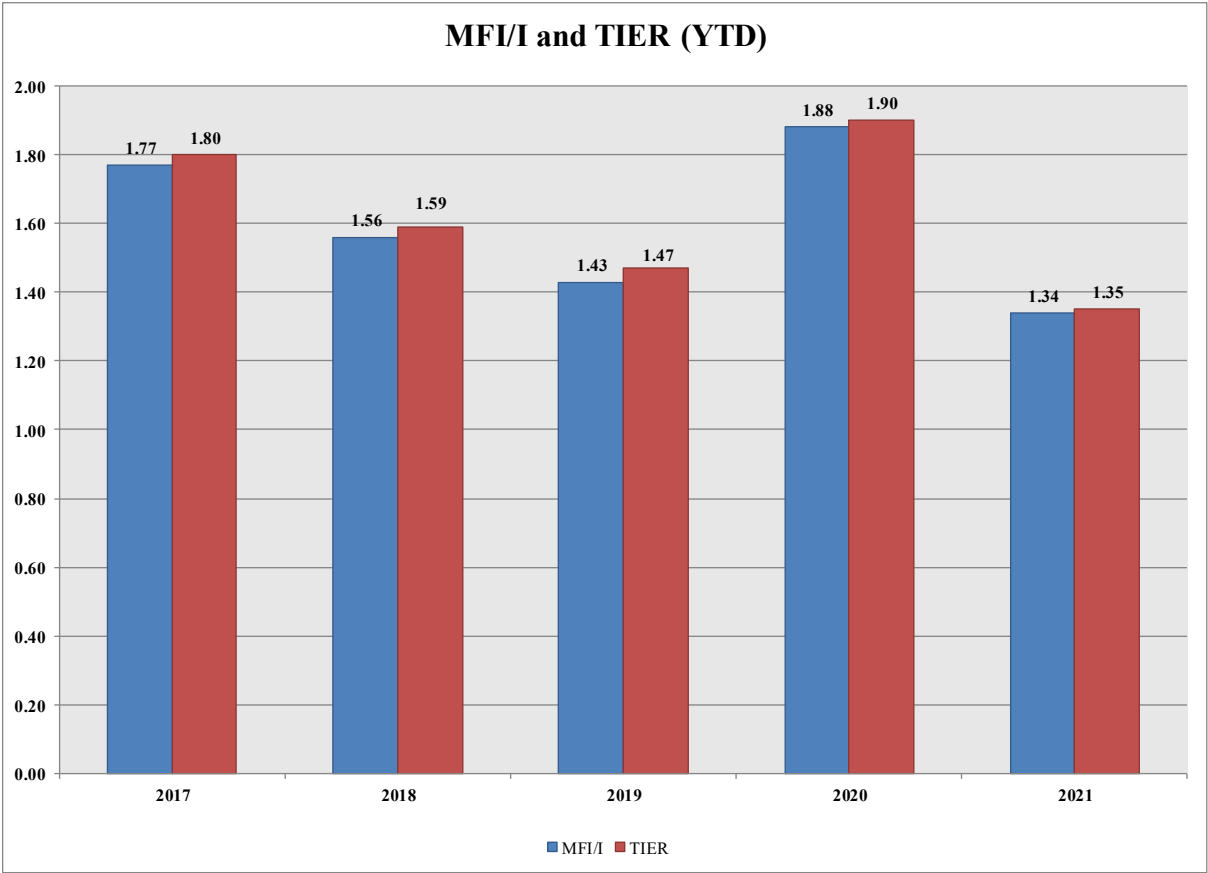
March 31, 2021

CATEGORY	2021 YTD TOTAL	2021 YTD GEN	2021 YTD TRANS	2021 YTD DIST
Operating Revenue and Patronage Capital	\$ 92,540,163	\$ 59,941,235	\$ 8,753,018	\$ 23,845,910
Fuel and Purchased Power Expense	28,044,327	28,044,327	-	-
Power Production Expense	9,490,185	9,490,185	-	-
Transmission Expense	2,387,493	-	2,387,493	-
Distribution Expense	6,935,168	-	-	6,935,168
Customer Expense	2,727,914	-	-	2,727,914
Administrative, General and Other	13,091,033	4,549,762	1,718,834	6,822,437
Depreciation & Amortization Expense	15,701,047	8,843,493	1,963,150	4,894,404
Interest Expense, Net	10,604,576	6,708,565	2,168,999	1,727,012
Total Cost of Electric Service	\$ 88,981,743	\$ 57,636,332	\$ 8,238,476	\$ 23,106,935
Patronage Capital & Operating Margins	\$ 3,558,420	\$ 2,304,903	\$ 514,542	\$ 738,975
Non-Operating Margins - Interest	72,761	40,982	9,098	22,681
Allowance for Funds Used During Construction	35,450	2,035	2,144	31,271
Non-Operating Margins - Other	6,742	2,061	892	3,789
Patronage Capital or Margins	\$ 3,673,373	\$ 2,349,981	\$ 526,676	\$ 796,716

Total Cost of Electric Service







ENERGY SALES (kWh)

	<u>YTD Actual</u>	<u>YTD Budget</u>
Retail Energy Sales	513,997,484	518,296,303
Wholesale Energy Sales	<u>14,925,394</u>	<u>14,055,538</u>
Total Firm Energy Sales	528,922,878	532,351,841
Economy Energy Sales	<u>19,666,000</u>	<u>17,900,000</u>
Total Energy Sales	548,588,878	550,251,841

Firm energy sales totaled 528,922,878 kWh, which was a 0.6% unfavorable variance compared to budget. Retail energy sales were under budget 0.8% primarily due to lower than anticipated residential and large commercial energy sales, which was somewhat offset by higher than anticipated small commercial energy sales. This variance was further offset by wholesale and economy energy sales, which were over budget by 6.2% and 9.9%, respectively.

ENERGY REVENUE (in millions)

	<u>YTD Actual</u>	<u>YTD Budget</u>
Retail Revenue	\$88.3	\$ 94.4
Wholesale Revenue	<u>1.2</u>	<u>1.3</u>
Total Firm Revenue	89.5	95.7
Economy Energy/Capacity Revenue	1.6	1.5
Other Operating Revenue	<u>1.4</u>	<u>0.8</u>
Total Revenue	\$ 92.5	\$ 98.0

Revenue from firm sales totaled \$89.5 million compared to \$95.7 million in the budget. Firm revenue was lower than expected primarily due to lower than anticipated residential and commercial energy sales, commercial demand revenue and fuel costs recovered through the fuel and purchased power adjustment process. Economy energy/capacity revenue represents non-firm energy sales and were \$1.6 million compared to \$1.5 million in the budget. This favorable variance was due to higher than anticipated sales to GVEA. Other operating revenue includes late fees, pole rental, wheeling, microwave, BRU royalties, miscellaneous service and other electric revenue. Other operating revenue totaled \$1.4 million compared to \$0.8 million in the budget, primarily due to higher than anticipated wheeling from GVEA and FEMA grants associated with the 2018 earthquake.

FUEL AND PURCHASED POWER (in millions)

	<u>YTD Actual</u>	<u>YTD Budget</u>
Fuel	\$ 21.8	\$ 23.6
Purchased Power	<u>6.3</u>	<u>6.4</u>
Total	\$ 28.1	\$ 30.0

Fuel expense includes fuel, storage, transportation, and BRU operating costs. Fuel expense was \$21.8 million compared to \$23.6 million in the budget. This favorable variance was primarily due to lower than anticipated storage and transportation costs, BRU operating costs and a lower price, which was somewhat offset by more fuel purchased for production.

Actual fuel purchased or withdrawn from inventory for production was 2,254,797 Mcf at an average effective delivered price of \$8.38 per Mcf compared to 2,117,321 Mcf in the budget at an average effective delivered price of \$9.15 per Mcf.

Purchased power expense represents energy purchased from Bradley Lake, Fire Island, and other utilities as needed, as well as costs associated with dispatching. Purchased power expense was \$6.3 million compared to \$6.4 million in the budget. This unfavorable variance was primarily due to more energy purchased, which was somewhat offset by a lower average effective price.

Actual energy purchased was 92,944 MWh at an average effective price of 5.21 cents per kWh compared to 62,154 MWh budgeted at an average effective price of 8.22 cents per kWh.

POWER PRODUCTION (in millions)

	<u>YTD Actual</u>	<u>YTD Budget</u>
Total Power Production	\$ 9.5	\$ 8.9

Power production expense was \$9.5 million compared to \$8.9 million in the budget. This unfavorable budget variance is primarily due to higher than anticipated expense labor at SPP, which was somewhat offset by lower than anticipated maintenance and utility costs associated with Sullivan.

TRANSMISSION OPERATIONS AND MAINTENANCE (in millions)

	<u>YTD Actual</u>	<u>YTD Budget</u>
Total Transmission	\$ 2.4	\$ 2.6

Transmission operations and maintenance expense was \$2.4 million compared to \$2.6 million in the budget. This favorable variance was primarily due to lower than anticipated labor expense offset by higher than budgeted vegetation control service expenditures.

DISTRIBUTION OPERATIONS AND MAINTENANCE (in millions)

	<u>YTD Actual</u>	<u>YTD Budget</u>
Total Distribution	\$ 6.9	\$ 6.9

Distribution operations and maintenance expense was \$6.9 million compared to \$6.9 million in the budget. While no overall variance, lower than anticipated labor expense was offset by higher than anticipated costs charged to this financial category from the garage and Information Services.

CONSUMER ACCOUNTS / CUSTOMER INFORMATION (in millions)

	<u>YTD Actual</u>	<u>YTD Budget</u>
Total Consumer / Customer Information	\$ 2.7	\$ 2.6

Consumer accounts and customer information expense was \$2.7 million compared to \$2.6 million in the budget. This unfavorable variance is primarily due to higher than anticipated payment processing costs.

ADMINISTRATIVE, GENERAL AND OTHER (in millions)

	<u>YTD Actual</u>	<u>YTD Budget</u>
Administrative, General and Other	\$ 13.1	\$ 13.6

Administrative, general and other expense includes tax, donations, other deductions associated with preliminary survey and investigation charges of projects, and obsolete inventory write-offs that are not attributable to operating or maintenance accounts. Administrative, general and other expense was \$13.1 million compared to \$13.6 million in the budget. This favorable budget variance is primarily due to lower than anticipated costs associated with legal and corporate planning initiatives as well as audit fees, which was somewhat offset by higher than anticipated labor and PILT.

SUMMARY

Depreciation, interest, and interest during construction expense totaled \$26.3 million compared to \$26.7 million in the budget. This favorable variance compared to budget was primarily due to lower than anticipated depreciation expense.

All the foregoing expenses resulted in total cost of electric service of \$89.0 million compared to \$91.3 million in the budget.

Non-operating margins include allowance for funds used during construction (AFUDC), capital credit and patronage capital allocations, extraordinary items, and interest income. Non-operating margins totaled \$115.0 thousand compared to \$106.3 thousand in the budget primarily due to higher than anticipated interest income. The BRU ARO Investment Fund Review to the Audit and Finance Committee includes the market value and rate of return on Chugach's investments at March 31, 2021.

The net result of revenue and expenses was margins of \$3.7 million compared to projected margins of \$6.8 million in the budget.

CHUGACH ELECTRIC ASSOCIATION, INC.
Anchorage, Alaska

AUDIT AND FINANCE COMMITTEE MEETING
AGENDA ITEM SUMMARY

May 19, 2021

ACTION REQUIRED

AGENDA ITEM NO. VIII.A.

<u> </u>	Information Only
<u> X </u>	Motion
<u> </u>	Resolution
<u> </u>	Executive Session
<u> </u>	Other

TOPIC

Board Policy 207 – Audit and Finance Committee

DISCUSSION

The Audit and Finance Committee meets annually to review their governing policy.

Section III, Item 9 of Board Policy 207 is being amended to remove the requirement to meet quarterly with the independent auditor and removed the references to filing Form 10Q and Form 10K, Securities and Exchange Commission (SEC) reports.

Attached is a redlined version of the proposed change to Board Policy 207.

MOTION

Move that the Audit and Finance Committee recommends the Board of the Directors' approve the revision to Board Policy 207 – Audit and Finance Committee, as shown in the attached draft policy.

CHUGACH ELECTRIC ASSOCIATION, INC.

BOARD POLICY: 207

AUDIT AND FINANCE COMMITTEE

I. PURPOSE

The purpose of the Audit and Finance 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, results and reports. The Audit and Finance Committee's responsibilities are to:

- A. Act consistent with the Association's Board Policy 100, *Code of Ethics*, in particular to create, promote and maintain a culture of honesty and high ethical standards.
- B. Review and oversee the Association's financial reporting process, results and reports as they apply to internal controls to prevent, deter and detect fraud.
- C. Review the performance of the Association's independent registered public accounting firm ("independent auditor" or "auditor").
- D. Ensure open communication between the Association's independent auditor, management and the Board of Directors.

The Audit and Finance Committee shall also:

- A. Make recommendations to the Board regarding Section II. B. of Board Policy 103.
- B. Review annually, objectives and goals in areas assigned to this Committee and makes appropriate recommendations to the Board.
- C. Review and complete such other matters as may be specifically assigned to it by the Board.

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

II. COMPOSITION

The Audit and Finance Committee shall be comprised of three or more directors as determined by the Board. 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 Chair shall appoint the Board Treasurer as Audit and Finance Committee chairperson. The Audit and Finance Committee shall elect from its membership a vice chair 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 and Finance 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 and Finance 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 applicable auditing standards.
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. Each year, confirm the level of financial information to include 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, if applicable,~~ and meet annually with management and the independent auditor to review and discuss the annual financial statements ~~and, if applicable, prior to filing of the Form 10K.~~
10. At least annually, meet with the independent auditor out of the presence of management to discuss internal controls and to review 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 be necessary to comply with the open meeting requirements of the Association.
12. Have such meetings with management, the independent auditor and the internal auditor, if applicable, as the Audit and Finance Committee deems appropriate, to discuss significant financial risk exposures facing the Association, and steps management has taken or should be taken to monitor and control such exposures.
13. Review the scope and results of internal audits, if applicable.
14. Evaluate the performance of the independent auditor and, if so determined by the Audit and Finance 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 and Finance 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 Policy and, if appropriate, recommend proposed changes to the Board of Directors.

Date Approved: ~~May 27, 2020~~

Attested:

James Henderson
Secretary of the Board

Formatted: Not Highlight

In the performance of its responsibilities, the Audit and Finance Committee is a representative of the members. However, it is not the responsibility of the Audit and Finance 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 and Finance 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: 207

AUDIT AND FINANCE COMMITTEE

I. PURPOSE

The purpose of the Audit and Finance 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, results and reports. The Audit and Finance Committee's responsibilities are to:

- A. Act consistent with the Association's Board Policy 100, *Code of Ethics*, in particular to create, promote and maintain a culture of honesty and high ethical standards.
- B. Review and oversee the Association's financial reporting process, results and reports as they apply to internal controls to prevent, deter and detect fraud.
- C. Review the performance of the Association's independent registered public accounting firm ("independent auditor" or "auditor").
- D. Ensure open communication between the Association's independent auditor, management and the Board of Directors.

The Audit and Finance Committee shall also:

- A. Make recommendations to the Board regarding Section II. B. of Board Policy 103.
- B. Review annually, objectives and goals in areas assigned to this Committee and makes appropriate recommendations to the Board.
- C. Review and complete such other matters as may be specifically assigned to it by the Board.

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

II. COMPOSITION

The Audit and Finance Committee shall be comprised of three or more directors as determined by the Board. 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 Chair shall appoint the Board Treasurer as Audit and Finance Committee chairperson. The Audit and Finance Committee shall elect from its membership a vice chair 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 and Finance 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 and Finance 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 applicable auditing standards.
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. Each year, confirm the level of financial information to include in the Association's annual report.
9. Meet quarterly with management to review and discuss the quarterly financial statements and meet annually with management and the independent auditor to review and discuss the annual financial statements.
10. At least annually, meet with the independent auditor out of the presence of management to discuss internal controls and to review 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 be necessary to comply with the open meeting requirements of the Association.
12. Have such meetings with management, the independent auditor and the internal auditor, if applicable, as the Audit and Finance Committee deems appropriate, to discuss significant financial risk exposures facing the Association, and steps management has taken or should be taken to monitor and control such exposures.
13. Review the scope and results of internal audits, if applicable.
14. Evaluate the performance of the independent auditor and, if so determined by the Audit and Finance 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 and Finance 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 Policy and, if appropriate, recommend proposed changes to the Board of Directors.

Date Approved:

Attested: _____

James Henderson
Secretary of the Board

In the performance of its responsibilities, the Audit and Finance Committee is a representative of the members. However, it is not the responsibility of the Audit and Finance 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 and Finance 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.