

Policy: #1200 – Financial Management

SCOPE OF POLICY: Board of Directors

RESPONSIBILITY: Board of Directors, Board President

I. Policy

To establish sound principles and practices concerning the financial management of Elkhorn Rural Public Power District (ERPPD) to establish a policy governing the prudent investment and use of these funds, and to provide orderly financial management of ERPPD.

II. Procedure

- A. **Board Financial Oversight-** Each Member of the Board of Directors should study and participate actively in oversight of key finance functions, including those listed below, so as to understand their purpose and general mechanics sufficiently to govern the district:
1. Financial planning, including its relationships to the district's business plan and long-term planning.
 2. Equity and debt management and the interpretation and understanding of alternative scenarios. Equity and debt management and financial targets shall be based upon the interactions of past, present, and projected future conditions. These targets are intended as a general guideline. They will be reviewed periodically and subject to change at the Board's discretion to reflect current economic and operating conditions.
 3. Review of management's preparation of the district's monthly and annual financial statements and annual budget. The Board shall have the authority to review and investigate any internal accounting procedure giving rise to an inconsistency or question discovered in the statement or budget review process.
 4. An evaluation of the district's internal control system and the role of independent auditors in testing the system in the course of their examination of the financial statements each year.
 5. Funds shall be provided from general revenues for the renewal and replacement of plant assets due to ordinary wear and tear and obsolescence. The Board shall provide management with sufficient funding to allow the physical facilities of the district to be maintained at their highest operational level consistent with sound economic practices.
 6. Review and evaluate the District's rates. Rates may be adjusted whenever the financial plans of the district, including working capital requirements and debt or equity management objectives show that too little revenue or revenues that are disproportionately in excess of requirements, will be received.
 7. Direct and oversee the investment of deposit funds into interest bearing accounts, which are deemed to provide the necessary safety and/or safekeeping receipts that provides optimal returns through FDIC insurance or security given pursuant to Neb. Rev. Stat. §77-2355 or, in the alternative, comply with the alternatives to FDIC insurance or security as provided for in Neb. Rev. Stat. 77-2365.02. Investment of deposit funds in CFC shall be permissive so long as CFC meets the provisions of Nebraska State law.

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B. Management Delegation-Management is responsible for planning, organizing and executing its finance and accounting functions at levels of expertise required to fulfill the District's statutory duties and responsibility to its customers. Those functions include:

1. Timely completion and presentation to the Board of financial plans to guide development of and execution of business planning and debt and equity portfolio management.
2. Maintaining an understanding of capital markets and interest rate trends, forecasts of ERPPD's capital needs, and keeping documentation of possible financial sources to meet the district's needs.
3. Capital budgeting performed so as to assure efficient use of ERPPD's resources, including debt and equity. Capital budgeting shall include, but not be limited to, maintenance of existing ERPPD assets, as well as funding for future asset needs.
4. Creation of timely, accurate monthly financial and operating reports including explanations of budget variances as well as progress toward strategic and business goals.
5. Compliance with regulatory and contractual obligations.
6. Compliance with bond and loan covenant commitments, which shall be retired according to the repayment schedule contained in the notes accompanying each loan.
7. Development, review, and execution of sound internal accounting procedures consistent with industry and accounting standards.
8. Make and manage deposits into banking or other qualifying financial institutions. Such deposits are to be demand deposits unless Certificate of Deposits are made for investment purposes. The total level of funds must be covered by pledged securities and/or Federal Deposit Insurance Corporation (FDIC), or as provided by Nebraska State Law. The deposit of funds in excess of FDIC coverage must comply with the conditions set forth in the above Section A.-7.

C. Implementation

The responsibility of the board is to provide oversight and policy direction to ERPPD's planning and operations; accordingly, board members will carefully avoid interference in management or staff activities. Management shall be responsible for the development of and recommendations to the Board as to ERPPD's needs and overall financial status. Based upon guidance and direction from the Board, Management shall execute the policy goals and directives.