

# ELKHORN RURAL PUBLIC POWER DISTRICT

## POLICY #1200

### FINANCIAL LITERACY POLICY

#### I. Objective

To set forth the board's policy regarding assuring that its members are sufficiently knowledgeable and experienced regarding key principles underlying critical finance and accounting functions to govern the district.

#### II. Policy

- A. ***Commitment to Board Financial Literacy***- It is the policy of the Board of Directors of this district to support the financial literacy of its members by active oversight of key finance functions, individual learning, and formal education.
- B. ***Elements of Board Member Financial Literacy***- 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.
  2. Equity management and interpretation of alternative scenarios.
  3. Comparative performance analysis of financial, service quality, and productivity indicators.
  4. Evaluation of the district's debt financing alternatives and their respective covenant and security requirements, interest rate modes, principal amortization methods, prepayment costs, and other features.
  5. Preparation of the district's monthly and annual financial statements with footnotes and choices of accounting policies.
  6. Design, operation, and 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.

7. Management of the district's cash flows, balances, and investments to assure sufficient working capital as well as the efficiency and safety of temporarily invested funds.
8. Design and application of the district's electric rate tariffs and terms of service including security deposits and line extensions.

**C. *Policy Implementation***

Implementation of this policy to continuously strengthen board member competencies with respect to the district's finance and accounting functions is subject to the following guidelines:

1. The responsibility of the board is to provide oversight and policy direction to the district's planning and operations; accordingly, board members will carefully avoid interference in management or staff activities.
2. District reimbursement of board member training costs will be limited to those approved in the course of the budget process and generally consistent with training cost reimbursements provided to employees.

Adopted: June 14, 2005  
Revised: October 13, 2009