

I. PURPOSE

The purpose of the Financial Management Policy is to present KyMEA's approach to assessing current and future financial impacts related to conducting normal business transactions and funding operations, and administrative functions. Adherence to this policy will support KyMEA's goal of managing its finances in a prudent and thoughtful manner that maintains KyMEA's long-term financial health.

This policy may refer to provisions contained in other agreements including those identified in Section VIII, Reference Documents, below.

II. GENERAL FINANCIAL GOALS

- To provide a strong financial base sufficient to sustain KyMEA's services to its Members.
- Maintain an excellent credit rating in the financial community and assure Members that KyMEA is operated in sound fiscal manner.

III. ANNUAL OPERATING BUDGET

- KyMEA will operate on a fiscal year ending June 30 and will prepare and approve an annual budget prior to the start of each fiscal year.
- The budget will include a projection of revenues and expenditures including operating expenditures and planned capital expenditures.
- The KyMEA Board of Directors is responsible for approving and amending the annual budget.

IV. REVENUE

- KyMEA will establish and maintain Member assessments and rate schedules that provide revenues sufficient to meet all expected costs including operations, administrative and general, debt service, reserve funds, and margins needed for creditworthiness requirements.
- Rate Schedules, Member assessments, and other charges or fees will be consistent with provisions contained in the Interlocal Agreement, AR Contract, Transmission Services Contract, and other agreements as applicable.
- Schedules for rates, charges, and Member assessments will be reviewed and revised from time to time to meet KyMEA obligations and financial goals.
- Rates and Revenue Requirements are further described in the AR Contract Section 5, Rates and Section 6, Revenue Requirements.

V. EXPENSES

- KyMEA will maintain expenditure categories consistent with applicable statutes and, where appropriate, will be consistent with accepted standards such as the Uniform System of Accounts
- Operations expenditures and capital expenditures will meet the requirements of generally accepted accounting principles (GAAP).

VI. RESPONSIBILITY

- The Treasurer, as elected by the Board of Directors, will have general charge of funds and financial affairs. The Treasurer may assign certain financial duties to others subject to KyMEA Bylaws.

VII. MISCELLANEOUS ITEMS

- Financial Reporting – KyMEA will prepare, on a monthly basis for Board of Directors review, a statement of the financial condition of KyMEA including a report of financial transactions. Monthly financial statements will include year-to-date revenue and expenditures as well as explanations for major variances to budget.
- Annual Audit – KyMEA will engage an independent auditor to review its financial books and accounts annually. The audit is to be performed by an independent, certified public accountant.
- Procurement – KyMEA adopted the provisions of KRS Sections 45A.345 to 45A.460 of the Kentucky Model Procurement Code for the purpose of providing KyMEA with rules, guidelines and provisions for the procurement of goods and services.
- Authorized Persons – KyMEA adopted a resolution, dated January 28, 2016, designating persons authorized to sign checks, negotiate loans, and deposit funds. The resolution is incorporated herein by reference.
- Risk Management – KyMEA will review, on an annual basis, any ongoing transaction obligations related to market risks, credit risks, and liquidity risks. Note, as of the date of this policy, KyMEA does not have any trading-related risks.
- Review and Revision – KyMEA will review this Financial Management Policy on a periodic basis and revise as necessary to reflect changes in its financial responsibilities.

VIII. REFERENCE DOCUMENTS

- (a.) Interlocal Cooperation Agreement Creating the Kentucky Municipal Energy Agency (Interlocal Agreement)
- (b.) Bylaws of Kentucky Municipal Energy Agency (Bylaws)
- (c.) Kentucky Municipal Energy Agency, All Requirements Power Sales Contract (AR Contract)
- (d.) Agency Agreement for Procurement of Transmission Services (Transmission Services Agreement)
- (e.) Resolution of the Kentucky Municipal Energy Agency Adopting provisions of the Kentucky Model Procurement Code (Resolution dated September 24, 2015)
- (f.) Resolution of the Kentucky Municipal Energy Agency Designating Persons Authorized to Sign Checks (Resolution dated January 28, 2016)