



AUDIT COMMITTEE CHARTER

1. PURPOSE OF THE AUDIT COMMITTEE

The purpose of the Audit Committee of Pedernales Electric Cooperative, Inc. ("PEC" or "Cooperative") Board of Directors ("Board") is to provide independent review of the Cooperative's accounting and financial reporting, oversee the annual financial audit, make recommendations to the Board, and receive periodic reports from the Cooperative's internal audit function.

2. COMPOSITION AND TERM OF THE COMMITTEE

The Audit Committee shall be elected annually at a regular Board meeting, within three (3) months after the Annual Meeting. It shall be composed of three (3) members of the Board, each to serve one (1) year terms. The Board President shall appoint the chair of the Audit Committee with approval by the Board.

3. DUTIES AND RESPONSIBILITIES OF THE AUDIT COMMITTEE

The duties and responsibilities of the Audit Committee shall be to:

- a) Review significant accounting and reporting issues, including complex or unusual transactions and recent professional and regulatory pronouncements, and understand their impact on the financial statements as part of the annual financial audit.
- b) Determine whether the Cooperative is complying with specific Board directions and adopting best management practices to cover all regular and special audit requirements.
- c) Recommend selection of an external independent financial auditor ("external auditor").
- d) Periodically meet with the external auditor to review the preparation of the annual financial audit and management letter, and to coordinate with management to discuss the management letter with the full Board and to review audit issues.
- e) Review with management and the external auditor all matters required to be communicated to the Audit Committee under generally accepted auditing standards.
- f) Understand how management develops interim financial information, and the nature and extent of external auditor involvement.
- g) Consider the effectiveness of the company's internal controls.
- h) Review the effectiveness of the Cooperative's audit function, including conforming with the PEC Code of Conduct, and PEC Ethics and Compliance Program.
- i) On a regular basis, meet separately with the executive overseeing the Cooperative's audit function to discuss any matters that the Audit Committee or the Cooperative's audit function believes should be discussed privately.
- j) Review the external auditor's proposed audit scope and approach, including coordination of the audit effort with the Cooperative's audit function.



- k) Review the performance of the external auditor.
- l) As needed, meet separately with the external auditor to discuss any matters that the Audit Committee or external auditor believe should be discussed privately.
- m) Regularly report to the Board about Audit Committee activities, issues, and related recommendations.
- n) Review the Cooperative's Form 990 Return of Organization Exempt From Income Tax including, but not limited to, the financial compensation of PEC executive-level/key employees;
- o) Perform any and all such other duties as may be assigned to the Audit Committee by the Board from time-to-time, including, without limitation, overseeing special investigations as may be needed.

4. COMMITTEE MEETING

The Audit Committee shall meet at least two (2) times per year with authority to convene additional meetings as necessary and convenient. Personal attendance of Audit Committee members is preferred and encouraged, but Audit Committee members may attend via teleconference or video conference when attendance in person is not possible.

5. SCOPE OF AUTHORITY OF THE AUDIT COMMITTEE

The Audit Committee is advisory and shall have no authority to act on behalf of the Board or the Cooperative, except in matters where that authority has been expressly granted or otherwise delegated to the Audit Committee by Board approval of this Charter, or by Board vote in a meeting conducted in compliance with the Cooperative's [Board Meetings Policy](#). Notwithstanding the foregoing, the Chair of the Audit Committee is authorized, as a duly authorized agent of the Cooperative, for and in the name and on behalf of the Cooperative, to execute any engagement letter(s) with an external auditor, consistent with and pursuant to terms of such engagement as approved by Board resolution.

6. GOVERNING LAWS AND POLICY

The Audit Committee will be governed in all respects by state and federal law, the Cooperative's [Articles of Incorporation](#), the Cooperative's [Bylaws](#), the Board Meetings Policy, and the [Board Committee Guidelines](#).



Date adopted:	September 21, 2009
Last reviewed:	TBD
Review frequency:	Annually
Amendment dates:	July 6, 2012; August 15, 2016; June 17, 2017; July 19, 2019; June 19, 2020; TBD
Effective date:	TBD
Approver:	Board of Directors
Applies to:	Board of Directors Audit Committee
Administrator:	Board of Directors and General Counsel
Superseding effect:	This Charter supersedes all previous charters concerning the subject matter. Only the Approver may authorize exceptions to this Charter.