

Sacramento Suburban Water District

**Finance & Audit Committee
Mission Statement & Charter**

Ratified Without Changes: December 17, 2018

Status: Standing Committee
Meeting Times: Varies, as required
Staff Contact: Dan Bills, District Treasurer

100.00 Mission Statement:

100.10 Finance

To provide an oversight function and an avenue of communication between District finance staff and the Board of Directors regarding all District financial matters.

To review and recommend policies and procedures covering District capital structure, debt financing, cash management, investments, capital assets, reserve position, and financial risk management.

To submit an annual capital and operating budget to the Board of Directors for consideration and approval.

To review and recommend policies and procedures covering directors', officers', and employee expense accounts, perquisites, and use of District assets.

To monitor and recommend changes to the District Ethics Policy covering all Directors and District personnel.

100.20 Audit

To provide an open avenue of communication among the District finance staff, auditors, and Board of Directors.

To recommend the engagement of outside independent auditors and internal auditors.

To review external audit reports and periodic financial statements.

To review legal, regulatory and other matters that may have a material effect on the District's financial position, compliance policies and/or programs and to recommend actions concerning these matters to the full Board.

200.00 Charter

200.10 Purpose and Authority

The Finance and Audit Committee (Committee) is established to assist the Board of Directors in fulfilling its oversight responsibilities in all areas of District financial responsibilities including capital structure, debt financing, capital expenditures, cash management, banking activities and relationships, investments, annual budgets, integrity of the District's financial reporting process, system of internal controls over financial reporting, audit process, process for monitoring compliance with financially-related laws and regulations, and the District's Ethics Policy. The Committee provides an open avenue of communication between financial management, internal auditors (if any), external auditors and the Board.

Any action taken by the Committee pursuant to the power and authority conferred under this Charter will for all purposes constitute an action taken by the Board of Directors and may be certified as such by the District Secretary. Notwithstanding the power and authority of the Committee to act on behalf of the Board of Directors with respect to such matters, the Committee, in its discretion, may submit any such matter, along with its recommendation with respect thereto, to the full Board of Directors for consideration and approval.

In its discretion and at any time, the full Board of Directors may direct the Committee to bring certain matters delegated to the Committee to the full Board for consideration and approval. The full Board also may abrogate any power or duty delegated to the Committee under this Charter or delegate any new power or duty.

200.20 Composition

The Committee will consist of at least two members of the Board of Directors. Committee members are appointed by and serve at the discretion of the President of the Board of Directors.

200.30 Meetings

The Committee will meet as required, with special meetings as the Committee Chair or President of the Board of Directors may direct. The Committee may invite members of management, auditors or others to attend meetings and provide pertinent information. The Committee may hold closed sessions in accordance with the requirements of the Brown Act.

200.40 Responsibilities

The Committee will formulate policy and procedures, review with District staff and recommend for approval existing or proposed policies and actions to the full Board of Directors, any and all strategies, plans, policies and actions related to District finance. The matters within the scope of the Committee's authority will include but are not limited to the following:

200.40.10 Financial

1. Recommending policies and actions concerning District capital structure, debt financings, capital expenditures, reserve balances and requirements, investments, and cash management, including the establishment and maintenance of bank, investment and brokerage accounts.
2. Reviewing an annual capital and operating budget and providing feedback to staff.
3. Considering and recommending methods of acquiring or holding interests in District property, fixed assets or contributed capital. Inquiry will be sought into any unusual methods of acquiring title to or holding such property.

200.40.20 External Audit

1. Reviewing the annual audited financial statements with the external auditors and management, including inquiring about major issues regarding accounting and auditing principles and practices, and the adequacy of internal controls that could significantly affect the District's financial statements. All external audit reports shall be presented to the full Board of Directors.
2. Reviewing critical accounting policies and any major changes to accounting policies.
3. Reviewing with management, and the external auditors if necessary, any District newsletter or press release regarding District financial information before such materials are filed.
4. Reviewing with management and/or the external auditors the effect of regulatory and accounting initiatives, as well as reviewing and approving any off-balance sheet structures on the District's financial statements.
5. Reviewing with management and the external auditors significant financial reporting issues and judgments made in connection with the District's financial statements, including the effect of alternative GAAP methods on the District's financial statements.

200.40.30 Internal Controls

1. Considering and reviewing with management and the external auditors the effectiveness of the District's internal controls over annual and interim financial reporting, including information technology security and control. These controls will provide reasonable assurance of the integrity of the financial information and assurance that the District's reported financial results are presented fairly in conformity with GAAP.
2. Understanding the scope of the external auditors' review of internal controls over financial reporting and obtaining reports on significant findings and recommendations together with management's responses.

200.40.40 Internal Auditors

1. Recommending to the full Board the appointment of an internal auditor, and reviewing the auditor's performance and recommending the replacement or dismissal of the internal auditor.
2. Reviewing significant internal audit findings reported during the period and their respective impact on internal controls, the control environment and the overall effectiveness and efficiency of the District's operations.

200.40.50 External Auditors

1. Reviewing the external auditors' proposed audit scope and approach, including coordination of external audit effort with internal audit.
2. Recommending to the full Board the appointment or discharge of external auditors.
3. Reviewing the experience and qualifications of the primary partners and staff on the external audit team and the quality control procedures of the firm.
4. Reviewing the external auditors' Management Letter, recommendations, and management's response.
5. With direction from the Board, reviewing and approving the annual budget for all audit and non-audit services from the external auditor, and approving in advance any other fees for non-audit services provided by the external auditor.
6. Reviewing and confirming the independence of the external auditors, including obtaining statements from the external auditor regarding its independence. Discussing relationships between the external auditors and the District with the auditors and considering whether the provision of non-audit services is compatible with maintaining the external auditor's independence.
7. Reviewing and concurring with the General Manager's hiring as an employee or engagement as a contractor any employee of an external auditor who was engaged on the District account in the most recent two years.

200.40.60. Ethics Policy

1. District staff will monitor compliance with the District Ethics Policy to which all Directors and employees will attest. At least annually, the Committee will receive a report from District staff indicating compliance with the District Ethics Policy.

200.40.70 Compliance

1. Reviewing the effectiveness of the accounting system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of noncompliance.
2. Reviewing with management and the external auditors any correspondence with regulators or governmental agencies and any employee complaints or published reports, which raise material issues regarding the District's financial statements, accounting policies or internal controls, and making recommendations concerning these matters to the full Board.
3. Reviewing the process for communicating the District's Ethics Policy with District staff, for reporting incidents and for monitoring compliance annually.
4. Obtaining regular updates from management and the District's legal counsel regarding legal matters which may have a material impact on the financial statements, including any related-party transactions, and any material reports or inquiries received from regulators or governmental agencies.
5. Conducting or authorizing investigations into any matters within the Committee's charter. With the full Board's concurrence, the Committee is empowered to: (i) retain outside counsel, accountants, or others to advise or assist the Committee in the conduct of an investigation; (ii) seek any information it requires from external parties or employees, all of whom are directed to cooperate with the Committee's requests; (iii) meet with management, external auditors, or outside counsel, as necessary; and (iv) meet with the District's financial advisors, if any.

300.00 Reporting

The Committee's reporting responsibilities will include oral and written reports to the Board of Directors regarding Committee activities, issues and related recommendations and actions. At each regularly scheduled meeting of the Board of Directors, the Chair of the Committee will provide the Board of Directors with a report of the Committee's activities and proceedings.

400.00 Committee Charter

The Committee also will perform other activities related to this Charter, including: (i) a review and assessment of the adequacy of the charter at least biennially and request Board approval of any proposed changes; (ii) annual confirmation that the responsibilities outlined in this charter have been carried out; and (iii) ensuring that this charter is posted on the District's website.