

## FINANCE AND AUDIT COMMITTEE CHARTER

### I. PURPOSE

The primary function of the Finance and Audit Committee (FAC) is to assist the Board in fulfilling its financial oversight and financial planning responsibilities.

In part, the Committee shall fulfill its financial oversight responsibilities by reviewing:

- Financial information provided by the District.
- The District's financial systems and associated internal controls.
- The District's auditing, accounting and financial reporting processes. Consistent with this function, the Committee shall encourage continuous improvement of, and shall foster adherence to, the District's policies, procedures and practices at all levels.
- The District's budgeting process and assumptions.
- The financial data provided by the District's charter schools.

The Committee's primary financial oversight duties and responsibilities are to:

- Serve as an independent and objective party to monitor the District's financial reporting process and internal financial control systems.
- Review and appraise the efforts of the independent auditors, Financial Services Department, and Internal Auditor.
- Provide an open avenue of communication among the independent auditors, Administration, the Financial Services Department, Internal Auditor, and the Board.

The Committee's primary financial planning duties and responsibilities are to:

- Become familiar with school finance and the District's budgeting processes and current financial positions.
- Review and evaluate annual budget assumptions.
- Provide recommendations, including budget priorities, to the Chief Financial Officer.
- Review and evaluate draft and final budget proposals prior to presentation to the Board.
- Participate in discussions with the public and the Board of Education on various budget proposals.
- Assist in developing strategies for the budgeting of anticipated programmatic and facility changes.
- Make recommendations for increasing revenues (e.g. mill levy overrides or advertising) as well as decreasing expenses over the long-term that would provide the basis for developing future budgets.
- Make recommendations for policy changes that would eliminate budgeting barriers and reduce expenses.

### II. COMPOSITION

The Committee shall be comprised of a minimum of five members, including a maximum of two Board of Education members, each of whom shall be independent and free from any relationship that, in the opinion of the Board, would interfere with the exercise of independent judgment as a member of the Committee. Committee members shall be considered independent if they have no relationship to the District that will interfere with the exercise of their independence from the Administration, the Board, or the District.

All members of the Committee shall have a working familiarity with basic finance and accounting practices, and at least three members of the Committee shall have accounting or related financial management expertise.

The members of the Committee shall be appointed by the Board for staggered three-year terms and shall be eligible for reappointment. The members of the Committee shall designate a citizen member as chairperson by majority vote of the full Committee membership. If a Committee member chooses to not renew his or her membership for another three-year term, it is understood that it is that Committee person's responsibility to suggest options for his or her replacement.

Each member of the Committee shall be allowed four absences during each fiscal year ended June 30. After the fifth absence of any fiscal year, the Committee chairperson shall meet with that Committee member to discuss his or her plans to remain a sustaining and productive member of the Committee. After the chairperson meets with this Committee member, the Committee, by majority vote, shall decide whether or not to retain the Committee member.

The Committee may choose to include ad hoc invitees, including the Chief Financial Officer and other members of the Administration.

### **III. MEETINGS**

In a public meeting, the Committee shall meet at least monthly, or more frequently as circumstances dictate, to review the District's financial performance and budgeting process.

The Committee shall meet at least annually with the Board, the Superintendent, the Chief Financial Officer, the Financial Services Department, the Internal Auditor, and the independent auditors to discuss any matters that any of these parties or the Committee believe should be discussed.

### **IV. RESPONSIBILITIES AND DUTIES**

To fulfill its responsibilities and duties, the Committee shall:

#### **Documents/Reports Review**

1. Review and update this Charter at least once every two years or as conditions dictate. The objective shall be to fulfill the Board's financial responsibilities to the community at large.
2. Review the District's, audit, annual financial statements, and any reports or other financial information.
3. Review the regular financial reports to the Board and Administration prepared by the Financial Services Department, plus management's response to these reports. As needed, the Committee shall also assist the Board with the interpretation of such statements.
4. Review the District's annual budget proposals and assumptions during the budgeting process and prior to submission to the Board.
5. Review and monitor grant programs and reports on an 'as needed' basis.
6. Review the charter schools' annual audited financial statements and regular monthly financial statements as deemed necessary or as requested.

### **Independent Auditor**

7. Participate in the selection process for the independent auditors, considering independence and effectiveness.
8. Provide input to the Board on the independent auditors and the annual auditing process.
9. Consider the independent auditors' findings and recommendations about the quality and appropriateness of the District's accounting principles as applied in its financial reporting.
10. Review with the Administration, Board, and independent auditors the scope, proposed timeline, and coordination of the internal and independent audit efforts.

### **Financial Reporting Process**

11. In consultation with the independent auditors and Financial Services Department, review the integrity of the District's financial reporting processes, both internal and external, on an on-going basis.
12. Consider and recommend changes to the District's auditing and accounting principles and practices as suggested by the independent auditors, Board, Administration, Financial Services Department, or other authorities.

### **Process Improvement**

13. Establish regular and separate systems of reporting to the Committee by each of the Administration, independent auditors, and Financial Services Department regarding any significant judgments made in the Administration's preparation of the financial statements and the view of each as to appropriateness of such judgments.
14. Following completion of the annual audit, review separately with the Administration, independent auditors and Financial Services Department any significant difficulties encountered during the course of the audit, including any restrictions on the scope of the work or access to required information.
15. Consult with the independent auditors about internal controls and the breadth and accuracy of the District's financial statements as well as the level of expertise of the Financial Services Department.
16. Review any significant disagreement among the Administration, independent auditors, and Financial Services Department in connection with the preparation of the District's financial statements.
17. Review with the Administration, independent auditors, and Financial Services Department the extent to which changes or improvements in financial accounting practices, as recommended by the Committee, have been implemented. This review shall be conducted at an appropriate time subsequent to implementation of changes or improvements, as decided by the Committee.
18. Review activities, organizational structure, and qualifications of the Financial Services Department and assist in hiring key members of the staff, including the Chief Financial Officer.

### **Miscellaneous Responsibilities and Duties**

19. The Committee has the authority to present any Committee opinion which dissents from the opinion offered by the independent auditors, Board, Administration, or Financial Services Department.
20. Perform any other activities consistent with the Charter, the District's policies and procedures, as the Committee or the Board deems necessary or appropriate.
21. During the exercise of its duties and responsibilities, the Committee may be exposed to confidential information. As appropriate, the Committee shall have an obligation to the District and community to maintain the confidentiality of such information.

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St. Vrain Valley School District RE-1J, Longmont, Colorado