

Section:	FB-4 Finance and Business Services	Approval Date:	7/28/2017
Policy:	FB-4.3 Financial Planning and Reporting	Latest Revision:	N/A

FB-4.3 Financial Planning and Reporting

4.3.1 Purpose

This policy sets forth the financial planning and reporting criteria for the Association consistent with accounting standards and best management practices.

4.3.2 Budget

The Executive Director in conjunction with the Controller/Treasurer will prepare the Association's two-year budget with three additional years of financial projections in the same format for review and recommendation by the Finance Committee each even numbered year for the subsequent two years. The Finance Committee will make a recommendation regarding the budget as well as for mid-budget adjustments, which will be approved by the Board no later than its September meeting each year.

The budget of the Association will serve the following major purposes:

- Provide the fiscal direction of the Board of Directors;
- Provide an operational guide for the administrative staff in the management and control of fiscal resources; and
- Present the Association's financial plan for the ensuing fiscal years; itemizing projected revenues and estimated expenses.

4.3.2.1 Executive Director's Contingency Fund

The Association's annual budget will include a contingency fund in an amount up to \$50,000 for the Executive Director's use to cover expenses not already budgeted elsewhere within the planned budget. The Executive Director may expend up to \$10,000 per authorization, following consultation with and unanimous consent from the President, Vice President, and Finance Committee Chair. The Executive Director will provide a regular report to the Board on the use of the contingency fund.

4.3.2.2 Other Postemployment Benefits (OPEB)

Each year of the budget will provide for funding the Association's other postemployment benefits (OPEB) trust for an amount equal to or greater than the Annual Required Contribution based on an actuarial analysis until fully funded. A new actuarial analysis will be performed in accordance with GASB 45 every other year.

4.3.3 Financial Oversight and Reporting

The Association's financial statements are prepared in accordance with Generally Accepted Accounting Principles (GAAP). The presentation of the Financial Statements will follow the recommendation of the Financial Accounting Standards Board (FASB) No. 117, "Financial Statements of Not-For-Profit Organizations." The net position of the Association is classified as unrestricted, restricted and invested in capital.

The Controller/Treasurer or designee will present quarterly financial reports, including the unaudited year-end report, to the Finance Committee at its earliest meeting following the end of each quarter. The reports will include Statement of Net Position, Statement of Revenues and Expenses, Investment Report, Reserve Report, and Region Financials. An analysis of revenue and expense variances will be provided with the reports. The Finance Committee's recommendation will be presented to the Board for its review and approval at the earliest meeting date following the committee's review.

The audited year-end financial report will be provided to the Board for its review and approval at the earliest meeting date following the Audit Subcommittee and Finance Committee's review.

4.3.4 Audits

The Association will annually engage an outside auditing firm to perform an audit of the Association's financial position and state of internal control system. The completed audit will be placed on the Board's agenda for review and approval at the earliest meeting date, following review by the Audit Subcommittee and the Finance Committee.

4.3.4.1 Selection of Auditor

Every three to five years or as otherwise deemed necessary, the Association staff will issue a Request for Proposal for Audit Services (RFP) for its financial statements. Following review of the Finance Committee's recommendation, the Board will approve an auditor of record for a contract period of one to three years, with the option of renewing the contract for a fourth and fifth year upon subsequent approval by the Board. The same auditing firm can be selected by the Board to perform the Association's audit services at the conclusion of the contract period under the following circumstances:

- A new Request for Proposal for Audit Services is issued.
- A different partner in the firm directs the auditing services.

4.3.4.2 Financial Exit Audits

The Association will perform complete financial exit audits by the auditor of record, independent from the annual financial audit, with the departure of the Executive Director or the Controller/Treasurer.

References:

Bylaws, Articles 4, 7 and 11; Previous Board Policy G.1.a, g, and i.

See Administrative Procedure: *To be determined.*

Revision History:

Revision Date	Description of Changes	Requested By
7/28/2017	Initial Release	ACWA Staff and Governance Workgroup