

ACCOUNTING POLICY

I. PURPOSE

The purpose of this policy is to document the Agency's method of accounting, audit schedule and standards of internal controls.

II. POLICY

1. The Agency will establish accounting practices that conform to Generally Accepted Accounting Principles (GAAP) for governmental entities.
2. An independent firm of Certified Public Accountant (CPAs) shall perform an annual financial audit and an official annual financial report shall be issued no later than 6 months following fiscal year-end.
3. Audit contracts shall be competitively bid at least every five years, or sooner as desired by the Board. Staff will present the process and the results of its screening and selection process of the external auditor to the SVCE Board of Directors.
4. Quarterly, the Agency's Accounting Statements, including a Balance Sheet, a Profit and Loss Statement, and Statement of Cash Flows shall be submitted to the SVCE Board of Directors.
5. Internal control procedures shall be developed and routinely updated to ensure accurate financial reporting and an effective internal control structure over the assets of the Agency.
6. The SVCE Board of Directors shall establish a three-member Audit Committee to primarily oversee the audit of the Agency's financial statements by the external auditor. The external auditor shall report directly to the Audit Committee. The SVCE Board of

Directors shall establish a five-member Finance and Administration Committee to primarily provide financial oversight of the Agency.

7. A management letter, the by-product of an annual audit, shall be presented to the SVCE Board of Directors by the independent certified public accounting firm no later than 60 days from issuance of the Agency's audited financial report. The SVCE Board of Directors shall have final approval over the audit.

ESTABLISH AUDIT COMMITTEE

I. PURPOSE

The Board of Directors appoints the audit committee to, among other things:

- oversee the accounting and financial reporting process and the audit of the Agency's financial statements by the independent auditor; and
- monitor compliance with the conflict of interest policy
 - Each member shall be free of any relationship that, in the opinion of the Board of Directors, would interfere with his or her individual exercise of independent judgement.

II. REPORTING

The audit committee reports directly to the Board of Directors.

III. COMMITTEE MEMBERSHIP

The audit committee shall consist of no fewer than three members and no greater than six members. The members of the audit committee shall be appointed annually by the Board of Directors. Eligible Members to serve on the Audit Committee shall be Board members, Alternate Board members, and Member Agency Staff. Committee Membership shall prohibit the appointment of Alternate Members. No more than one eligible Committee Member shall represent their respective Member Agency. The Audit Committee shall designate the chairperson.

IV. COMMITTEE AUTHORITY and RESPONSIBILITIES

The audit committee shall meet as often as it determines necessary or appropriate to fulfill its responsibilities, but no fewer than twice annually – once to review the audit plan and once to review the audited financials, and related documents, and to review the audit engagement, special investigations, financial irregularities and internal control failures. The audit committee will be a Brown-Acted meeting. The following are the specific functions of the audit committee:

- The audit committee shall annually retain or renew the appointment of an independent auditor to conduct the audit, and upon completion, must review the results of the audit and any related management letter.
- Review with the independent auditor the scope and planning of the audit prior to its commencement.
- Upon completion of the audit, review and discuss the following with the independent auditor:
 - Any material risks and weaknesses in internal controls identified by the independent auditor
 - Any restrictions placed on the independent auditor's scope of the activities or access to requested information
 - The adequacy of the Agency's interim and annual accounting and financial reporting process
 - Any recommendations made by the independent auditor
- Assess the performance and independence of the independent auditor on an annual basis.
- Report to the Board of Directors of the committee's activities, and recommend the results of audit findings for approval.

Additional Responsibilities

- Review audit plans for the upcoming year and discuss with the external audit firm and management.
- Review presentation of financial information in the annual report for consistency with the audited financial statements before the annual report is printed.
- Review with management the internal control process, and risk management and mitigation process.
- Periodically review financial-related policies.

Limitation of Audit Committee's Role

The audit committee is not responsible for planning or conducting audits. The independent auditor is responsible for planning and conducting audits. Neither is the audit committee responsible for (1) preparing and fairly presenting SVCE's financial statements in accordance with generally accepted accounting principles, (2) maintaining effective internal control over financial reporting, nor (3) ensuring SVCE is in compliance with applicable laws, regulations, and other requirements. These responsibilities are management's, and the

independent auditor and the audit committee have independent and complementary oversight responsibilities for determining that the related objectives of management's responsibilities, as described, are achieved.

ESTABLISH FINANCE AND ADMINISTRATION COMMITTEE**I. PURPOSE**

The Board of Directors appoints the Finance and Administration Committee to primarily provide financial oversight for SVCE. Task areas will include budgeting and financial planning, financial reporting and the creation and monitoring of internal controls and accountability policies and investments.

II. REPORTING

The Finance and Administration Committee reports directly to the Board of Directors.

III. COMMITTEE MEMBERSHIP

The Finance and Administration Committee shall consist of no fewer than three members and no greater than six members. The members of the Finance and Administration Committee shall be appointed annually by the Board of Directors. Eligible Members to serve on the Finance and Administration Committee shall be Board members, Alternate Board members, and Member Agency Staff. Committee Membership shall prohibit the appointment of Alternate Members. No more than one eligible Committee Member shall represent their respective Member Agency. The Finance and Administration Committee shall designate the chairperson.

IV. COMMITTEE AUTHORITY and RESPONSIBILITIES

The Finance and Administration Committee shall meet as often as it determines necessary or appropriate to fulfill its responsibilities, but no fewer than quarterly. The Finance and Administration Committee will be a Brown-Acted meeting.

Budgeting and Financial Reporting

1. Develop an annual operating budget with staff.
2. Set long-range financial goals along with funding strategies to achieve them.
3. Monitor adherence to the budget.

4. Develop multi-year operating budgets that integrate strategic plan objectives and initiatives.
5. Present all financial goals and proposals to the Board of Directors for approval.
6. Develop useful and readable report formats with staff.
7. Present the financial reports to the Board of Directors.

Internal Controls and Accountability Policies

1. Create, approve, and update (as necessary) policies that help ensure the assets of the agency are protected.
2. Ensure policies and procedures for financial transactions are documented and reviewed annually, and updated as necessary.
3. Ensure approved financial policies and procedures are being followed.
4. Developing other policies that further serve to protect the Agency including:
 - a. Personnel policies
 - b. Long-term contracts or leases.
 - c. Loans or lines of credit.
 - d. IT security.
 - e. Capital purchases.
 - f. Insurance requirements and reviews.
 - g. Records retention.

Investments

1. Draft an investment policy detailing the objectives of the investment portfolio and guidelines on the asset allocation of the portfolio based on predetermined level of risk tolerance.
2. Ensure provisions of the policy are followed.
3. Review the policy at least annually and update if necessary.
4. Monitor investment returns.