

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
FINANCE, AUDIT AND POWER COMMITTEE MISSION STATEMENT**

**Approved by CAP Board 9/3/98
Amended by CAP Board 7/1/99
Amended by CAP Board 5/3/01
Amended by CAP Board 10/7/04
Amended by CAP Board 11/1/07
Amended by CAP Board 05/07/09**

1. Organization

Central Arizona Water Conservation District (District) was formed in 1971 pursuant to Arizona law for the primary purpose of repaying the reimbursable construction costs of the Central Arizona Project (CAP) as provided in a contract with the United States. The District also serves as the operating agent of CAP. The District's popularly elected Board of Directors (Board) serves as its governing body.

The Board has established a committee to be known as the Finance, Audit and Power Committee (Committee). The Committee shall be composed of at least five and not more than seven directors, with at least two directors from counties other than Maricopa County.

2. Statement of Policy

The Committee shall provide assistance to the Board in fulfilling its responsibilities to the electorate relating to accounting, auditing, the quality and integrity of the District's financial reports, the budgetary and fiscal practices of the District, operational security, energy risk management and other power and transmission matters. In so doing, it is the responsibility of the Committee to maintain free and open communication between the Board, the Independent Auditors, the Internal Auditors, and the Management of the District with respect to these matters. The Committee will meet no less than three times per year and more often if needed and appropriate.

3. Responsibilities

In carrying out its responsibilities, the Committee believes its policies and procedures should remain flexible in order to best react to changing conditions and to ensure to the Board that accounting, auditing, financial reporting, budgetary, fiscal and power and transmission practices are in accordance with all requirements and are of the highest quality. In carrying out these responsibilities, the Committee will meet with Management and review Management's recommendations regarding the annual budget, water service charges, ad valorem tax rates, power and transmission matters and other matters necessary to fulfill the responsibilities of the Committee, and make recommendations regarding these matters to the

Board.

- Review Management 's recommendations and recommend to the Board the Independent Auditors to be selected to audit the financial statements of the District.
- Meet with the Independent Auditors and financial Management of the District to review the scope of the proposed audit for the current year and the audit procedures to be used. At the conclusion thereof, review such audit and the related financial statements, including any comments or recommendations of the Independent Auditors. The adoption of, or any changes in, significant accounting principles should also be reviewed.
- Review with the Independent Auditors, the District=s Internal Auditor, and financial and accounting personnel, the adequacy and effectiveness of the accounting and financial controls of the District, and elicit any recommendations for the improvement of such internal control procedures or particular areas where new or more detailed controls or procedures are desirable.
- Appraise the economy and efficiency with which the District=s resources are utilized and review operations or programs to ascertain whether results are consistent with established objectives and goals.
- Meet with the Internal Auditor to review the work plan for the current year. Receive a summary of findings from completed internal audits and a progress report on the proposed internal audit plan, with explanations for any deviations from the original plan.
- Provide sufficient opportunity for the Internal and Independent Auditors to meet with the members of the Committee without members of Management present. Among the items which may be discussed in these meetings are the Independent Auditor=s evaluation of the District=s financial, accounting and auditing personnel, and the cooperation that the Independent Auditors received during the course of the audit.
- Submit the minutes of all meetings of the Committee to, or discuss the matters discussed at each Committee meeting with, the Board of Directors.
- Investigate any matter brought to its attention within the scope of its duties, with the power to retain outside counsel for this purpose if, in its judgment, that is appropriate.

4. Organizational Relationships

Independent Auditor

The Independent Auditor is employed by the Board and has a direct reporting relationship to the Board through the Finance, Audit and Power Committee. The Independent Auditor will meet with the Committee twice per year: in the fall during annual audit planning; and, in the spring to report on audit findings. The Independent Auditor will meet with the full Board following the spring Committee meeting to report audit findings. The Independent Auditor will work with Management and the Internal Auditor during the course of audit activities.

Internal Auditor

The Board must approve the employment and termination of the Internal Audit Manager. The Internal Audit Manager reports functionally to the Finance, Audit and Power Committee and administratively to the General Manager. The General Manager and Finance, Audit and Power Committee will work collaboratively on the Internal Audit Manager's annual performance planning, evaluation and salary adjustments. The Internal Auditor works with Management to identify opportunities for improved effectiveness and efficiency in the management and use of the District's resources to meet the goals and objectives of the organization. The Internal Auditor will meet with the Committee at least three times per year to report on the annual plan for internal audits and other work and the annual plan's status. As may be needed, the Internal Auditor may meet privately with the Committee in a duly noticed Executive Session. The Internal Auditor will meet privately with the Chairperson of the Committee as required, but not less than once per quarter.

5. Meetings

Each meeting agenda shall address one or more of the following areas:

- External audit reports
- Internal audit reports
- Budget preparation
- Business plan integration
- Budget review
- Long range forecast
- Insurance renewal
- Water service charges
- Establishment of ad valorem tax rates
- Power and Transmission matters
- Other subjects as necessary to fulfill the responsibilities of the Committee.