



CAYUGA COUNTY WATER & SEWER AUTHORITY

AUDIT COMMITTEE CHARTER

APPROVED JUNE, 2009

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This Audit Committee Charter was adopted by the Board of Directors of the CAYUGA COUNTY WATER & SEWER AUTHORITY (CCWSA), a public benefit corporation established under the laws of the State of New York, on this 17th day of June, 2009.

Section 1: Purpose

Pursuant to Article E, Section 1 of the Authority's by-laws, the Authority shall create an Audit Committee consisting of less than five members of the Authority. The Committee shall serve in an advisory capacity only and not delegated any powers of the Authority. The purpose of the audit committee is to:

- a. Assure that the Authority's board fulfills its responsibilities for the authority's external audit process, the financial reporting process and the system of risk assessment and internal controls over financial reporting; and
- b. Provide an avenue of communication between management, the independent auditors and the Board of Directors.

Section 2: Powers of the Audit Committee

It shall be the responsibility of the Audit Committee to:

- a. Appoint, compensate, and oversee the work of any public accounting firm employed by the authority.
- b. Conduct or authorize investigations into any matters within its scope of responsibility.

- c. Seek any information it requires from Authority employees, all of whom should be directed by the Board to cooperate with committee requests.
- d. Meet with Authority staff, independent auditors or outside counsel, as necessary.
- e. With Board approval, solicit, at the Authority's expense, persons having special competencies, including legal, accounting or other consultants as the committee deems necessary to fulfill its responsibilities.

The CCWSA Board will ensure that the Audit Committee has sufficient resources to carry out its duties.

Section 3: Composition and Selection

The membership of the committee shall be as set forth in accordance with and pursuant to Article E, Section 1 of the Authority's by-laws. The Audit Committee shall be comprised of less than five independent members of the Board of Director. The Authority's Board will appoint the Audit Committee members and the Audit Committee Chair.

Audit Committee members shall be prohibited from being an employee of the Authority or an immediate family member of an employee of the Authority. In addition, Audit Committee members shall not engage in any private business transactions with the Authority or receive compensation from any private entity that has material business relationships with the authority, or be an immediate family member of an individual that engages in private business transactions with the Authority or receives compensation from an entity that has material business relationships with the Authority.

Section 4: Meetings

The Audit Committee will meet as often as may be required to adequately fulfill all the obligations and duties outlined in the charter. All committee members are expected to attend each meeting, in person or via telephone.

The Audit Committee may invite other individuals, such as members of management, auditors or other technical experts to attend meetings and provide pertinent information, as necessary.

The Audit Committee will meet with the authority's independent auditor at least annually to discuss the financial statements of the Authority.

Meeting agendas will be prepared for every meeting and provided to the Audit Committee members in advance of the scheduled meeting, along with the appropriate materials needed to make informed decisions. The Audit Committee shall act only on the affirmative vote of a majority of the members at a meeting or by unanimous consent. Where there is a "question of independence" or conflict of interest, a Board member shall abstain from voting. Minutes of these meetings are to be recorded.

Section 5: Responsibilities

The Audit Committee shall have responsibilities related to:

- a. The independent auditor and annual financial statements;
- b. Oversight of management's internal controls, compliance and risk assessment practices;
- c. Special investigations policies; and
- d. Miscellaneous issues related to the financial practices of the Authority.

Section 6: Independent Auditors and Financial Statements

The Audit Committee shall:

- a. Appoint, compensate and oversee independent auditors retained by the Authority and pre-approve all audit services provided by the independent auditor.
- b. Establish procedures for the engagement of the independent auditor to provide permitted audit services. The Authority's independent auditor shall be prohibited from providing non-audit services unless having received previous written approval from the audit committee. Non-audit services include tasks that directly support the Authority's operations, such as bookkeeping or other services related to the accounting

- records or financial statement of the authority, financial information systems design and implementation, appraisal or valuation services, actuarial services, investment banking services, and other tasks that may involve performing management functions or making management decisions.
- c. Review and approve the Authority's audited financial statements, associated management letter, report on internal controls and all other auditor communications.
 - d. Review significant accounting and reporting issues, including complex or unusual transactions and management decisions, and recent professional and regulatory pronouncements, and understand their impact on the financial statements.
 - e. Meet with the independent audit firm on a regular basis to discuss any significant issues that may have surfaced during the course of the audit.
 - f. Review and discuss any significant risks reported in the independent audit findings and recommendations and assess the responsiveness and timeliness of management's follow-up activities pertaining to the same.

Section 7: Internal Controls, Compliance and Risk Assessment

The Audit Committee shall review management's assessment of the effectiveness of the Authority's internal controls and review the report on internal controls by the independent auditor as a part of the financial audit engagement.

Section 8: Special Investigations

The Audit Committee shall:

- a. Ensure that the authority has an appropriate confidential mechanism for individuals to report suspected fraudulent activities, allegations of corruption, fraud, criminal activity, conflicts of interest or abuse by the directors, officers or employees of the authority or any persons having business dealings with the authority or breaches of internal control.

- b. Develop procedures for the receipt, retention, investigation and/or referral of complaints concerning accounting, internal controls and auditing to the appropriate body.
- c. Request and oversee special investigations as needed and/or refer specific issues to the appropriate body for further investigation (for example, issues may be referred to the State Inspector General or, other investigatory organization.)
- d. Review all reports delivered to it by the Inspector General and serve as a point of contact with the Inspector General.

Section 9: Other Responsibilities of the Audit Committee

The Audit Committee shall:

- a. Present annually to the authority's board a written report of how it has discharged its duties and met its responsibilities as outlined in the charter.
- b. Obtain any information and training needed to enhance the committee members' understanding of the role of the independent auditor, the risk management process, internal controls and a certain level of familiarity in financial reporting standards and processes.
- c. Review the committee's charter annually, reassess its adequacy, and recommend any proposed changes to the board of the authority. The Audit Committee charter will be updated as applicable laws, regulations, accounting and auditing standards change.
- d. Conduct an annual self-evaluation of its performance, including its effectiveness and compliance with the charter and request the board approval for proposed changes.