

# BATAVIA DEVELOPMENT CORPORATION

## **Batavia Developemnt Coporaiton Audit and Finance Committee Charter**

This Audit and Finance Committee Charter was adopted on this the 26<sup>th</sup> day of September, 2018 by the Board of Directors of the Batavia Development Corporation, (“BDC”) a local development corporation established under the laws of the State of New York.

### **Purpose**

Pursuant to Article III- Section 15 of the BDC’s bylaws, the purpose of the audit and finance committee shall be to (1) assure that the BDC’s board fulfills its responsibilities for the BDC’s internal and external audit process, the financial reporting process and the system of risk assessment and internal controls over financial reporting; (2) provide an avenue of communication between management, the independent auditors, and the board of directors; and (3) to review proposals for the issuance of debt and to make recommendations.

### **Powers of the Audit and Finance Committee**

It shall be the responsibility of the audit and finance committee to:

- Oversee the work of any public accounting firm employed by the BDC.
- Conduct or authorize investigations into any matters within its scope of responsibility.
- Seek any information it requires from BDC employees, all of whom should be directed by the board to cooperate with committee requests.
- Meet with BDC staff, independent auditors or outside counsel, as necessary.
- Retain, at the BDC’s expense, such outside counsel, experts and other advisors as the audit committee may deem appropriate.
- Review proposals for debt issuance and to make recommendations.

The BDC board will ensure that the audit committee has sufficient resources to carry out its duties.

### **Composition of Committee and Selection of Members**

The audit and finance committee shall be established as set forth in and pursuant to Article V, Article III, Section 15 of the BDC’s bylaws. The audit and finance committee shall be comprised of the Board President and the Elected Officers of the BDC including the Vice-President, Treasurer and Secretary. The ex-officio member of the board will also be a member of the committee. The committee must be comprised of three “independent members”, within the meaning of, and to the extent required by, Section 2825 of New York Public Authorities Law, as amended from time to time. Other audit and finance committee members shall be appointed by the Board President on an annual basis, or as needed. The Board President shall designate

one member of the Audit and Finance Committee as its Chair. Ideally, all members of the audit and finance committee shall possess or obtain a basic understanding of governmental financial reporting and auditing.

The audit and finance committee shall have access to the services of at least one financial expert; whose name shall be disclosed in the annual report of the BDC.

The audit and finance committee's financial expert should have 1) an understanding of generally accepted accounting principles and financial statements; 2) experience in preparing or auditing financial statements of comparable entities; 3) experience in applying such principles in connection with accounting for estimates, accruals and reserves; 4) experience with internal accounting controls; 5) experience with debt issuances, and 6) an understanding of audit and finance committee functions.

### **Meetings**

The audit and finance committee will meet a minimum of twice a year, with the expectation that additional meetings may be required to adequately fulfill all the obligations and duties outlined in the charter.

Members of the audit and finance committee are expected to attend such committee meeting. The audit and finance 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 and finance committee will meet with the authority's independent auditor at least annually to discuss the financial statements of the BDC.

Meeting agendas will be prepared for every meeting and provided to the audit and finance committee members along with the briefing materials two (2) business days before the scheduled audit committee meeting. The audit and finance committee will act only on the affirmative vote of a majority of the members at a meeting. Minutes of those meetings will be recorded.

### **Responsibilities**

The audit and finance committee shall have responsibilities related to: (a) the independent auditor and the annual financial statements; (b) the BDC's internal auditors (if any); (c) oversight of management's internal controls, compliance and risk assessment practices; (d) special investigations and whistleblower policies; (e) issuances of debt and (f) miscellaneous issues related to the financial practices of the BDC.

The audit and finance committee shall also be responsible for reviewing financial statement accuracy and review of Revolving Loan Fund requests.

## **A. Independent Auditors and Financial Statements**

The audit and finance committee shall:

- Recommend to the board of the BDC the appointment of independent auditors retained by the BDC and pre-approve all audit services provided by the independent auditor.
- Establish procedures for the engagement of the independent auditor to provide permitted audit services. The BDC'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 BDC's operations, such as bookkeeping or other services related to the accounting records or financial statements 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.
- Review and approve the BDC's audited financial statements, associated management letter, report on internal controls and all other auditor communications.
- 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.
- 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.
- 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 same.

#### **B. Internal Controls, Compliance and Risk Assessment**

The audit and finance committee shall:

- Review management's assessment of the effectiveness of the BDC's internal controls and review the report on internal controls by the independent auditor as part of the financial audit engagement.

#### **C. Special Investigations**

The audit and finance committee shall:

- Ensure that the BDC 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 BDC, or breaches of internal control.
- Develop procedures for the receipt, retention, investigation and/or referral of complaints concerning accounting, internal controls and auditing to the appropriate body.
- 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.)
- Review all reports delivered to it by the Inspector General and serve as a point of contact with the Inspector General.

#### **D. Other Responsibilities of the Audit and Finance Committee**

The audit and finance committee shall:

- Present annually to the BDC's board a report of how it has discharged its duties and met its responsibilities as outlined in the charter.
- Obtain any information and training needed to enhance the committee members' understanding of the role of internal audits and the independent auditor, the risk management process, internal controls and a certain level of familiarity in financial reporting standards and processes.
- 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.
- Conduct an annual self-evaluation of its performance, including its effectiveness and compliance with the charter and request the board approval for proposed changes.
- Review proposals for the issuance of debt and to make recommendations.