

**LNRA BOARD POLICY
402 – BUDGET AND AUDIT**

402.10 PURPOSE

The purpose of this policy is to establish procedures relating to the adoption of an annual budget and the preparation of audits and annual reports.

402.20 POLICY

402.201 BUDGET

Prior to the commencement of a fiscal year, the Board shall adopt an annual budget. The budget shall contain a complete financial statement, including a statement, or estimate, if appropriate, of the following:

- the outstanding obligations of the LNRA;
- the amount of cash on hand to the credit of each fund of the LNRA;
- the amount of money received by the LNRA from all sources during the previous year;
- the amount of money available to the LNRA from all sources during the ensuing year;
- the amounts of the balances expected at the end of the year in which the budget is being prepared;
- the estimated amount of revenues and balances available to cover the proposed budget.

Before the Board adopts its annual operating budget, it shall conduct a public hearing and shall make the proposed budget available to the public at least three days prior to the hearing. Any person residing within the jurisdiction of the LNRA shall be allowed to participate in the budget hearing, subject to reasonable time limitations. The LNRA may not make expenditures in excess of the total budgeted expenditures for a fiscal year unless the Board amends the budget.

402.202 RESERVE FUNDS

LNRA's Board of Directors authorizes the General Manager to accumulate and maintain funds in reserve (Reserve Funds) to fund improvements and/or make repairs and provide a source of funding for unplanned or unexpected needs.

- The Board of Directors shall act to establish thresholds for LNRA's Reserve Fund balances at least once every five years. In doing so, the Board shall consider Reserve Fund balances, expected additions, and/or depletions, and other predicted future needs.
- The Board of Directors shall periodically review the established Reserve Fund thresholds and Reserve Fund balances at least once annually as part of LNRA's fiscal operating budget process.
- All funds held in reserve shall be categorized as restricted, committed, or assigned.
- All funds held in reserve may be reallocated by the Board of Directors to meet the current and/or future needs of LNRA.

402.203 AUDIT

Each fiscal year the LNRA shall have prepared a financial and compliance audit by an independent certified public accountant or a firm of independent certified public accountants, which audit shall be open to public inspection. Such auditors shall have no personal interest directly or indirectly in the fiscal affairs of the LNRA and shall be experienced and qualified in the accounting and auditing of public bodies. Every five years, or sooner if necessary, LNRA will seek Request for Qualifications for audit services. Auditor selection will comply with Board Policy 302 – Use of Professional and Consulting Services, Section 302.202. The audit shall be performed in accordance with generally accepted auditing standards and shall satisfy all requirements imposed by Subchapter G, Chapter 49, § 49.191-200, Texas Water Code.

402.204 INDEPENDENT MANAGEMENT AUDIT

Every five years the LNRA shall conduct an independent management audit, which shall be submitted to the Texas Commission on Environmental Quality. Alternatively, the LNRA may establish an internal audit office which shall report to the Board of Directors.

402.205 INDUSTRIAL DEVELOPMENT BONDS AND POLLUTION CONTROL BONDS

If the LNRA has issued industrial development bonds, pollution control bonds, or similar types of contract revenue bonds, either in its own name or in the name of a related industrial

development corporation, it shall comply with the requirements of 30 Tex. Admin. Code § 292.13 relating to disclosure.

402.206 CONTRACTING WITH HISTORICALLY UNDERUTILIZED BUSINESSES

To the extent applicable, the LNRA shall comply with the provisions and intent of § 106, contracting with Historically Underutilized Businesses of Texas, Article V, General Provisions of Texas House Bill 1, 72nd Legislature, First Called Session (1991) relating to contracting with underutilized businesses and providing equal employment opportunities.

402.30 RESPONSIBILITIES

402.301 GENERAL MANAGER

The General Manager shall be responsible for the administrative and coordination of this policy.

Effective: June 25, 2003, Amended June 23, 2004, Amended May 24, 2006, November 15, 2023.