



Bank of McKenney

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Bank of McKenney
Audit Committee Charter

I. **Organization**

The Audit Committee of the Board of Directors of Bank of McKenney (the "Bank") shall be composed of three or more Directors, each of whom is independent of management and the Bank and free of any relationship which, in the opinion of the Board of Directors, would interfere with the Director's exercise of independent judgment as a Committee member.

II. **Purpose.**

The primary purpose of the Audit Committee is to assist the Board of Directors in overseeing management and the independent auditors in fulfilling their responsibilities in the financial reporting process of the Bank. It is not the responsibility of the Audit Committee to plan or conduct audits or to determine that the Bank's financial statements are in all material respects complete and accurate and in accordance with generally accepted accounting principles. This is the responsibility of management and the independent auditors. It is also not the responsibility of the Audit Committee to assure compliance with laws and regulations or with any codes or standards of conduct or related policies adopted by the Bank from time to time, which seek to ensure that the business of the Bank is conducted in an ethical and legal manner.

III. **Meetings.**

The Committee shall meet on a regular basis and is empowered to hold special meetings as circumstances require, and shall keep minutes of its meetings and all actions shall be reported to the Board of Directors. In order to foster open communications, the Committee reserves the right to meet regularly with management and the independent auditors in separate executive sessions to discuss any matters that the Committee or each of these groups believes should be discussed privately.

IV. **Relationship with Independent Auditors.**

While the Bank's independent auditors are ultimately accountable to the Board of Directors, the Audit Committee has the ultimate authority and responsibility to select, evaluate, and, where appropriate, replace the independent auditors. Additionally, the Audit Committee shall:

- Obtain from the independent auditors each year a formal written statement delineating all relationships between the auditors and the Bank;
- Periodically engage in a dialogue with the independent auditors regarding any disclosed relationships or services which may impact the objectivity and independence of the auditors; and
- Based on a review of the independent auditor's formal statement and the Committee's dialogue with the independent auditors, make a determination regarding the independence of the independent auditors and take other appropriate action, or recommend that the Board of Directors take such action.

V. **Responsibilities.**

The Audit Committee shall:

1. Review with Bank management and the independent auditors the proposed overall scope of the Bank's annual audit, the adequacy and integrity of the Bank's system of internal controls, and the Bank's audited financial statements and related disclosures.

2. Discuss with the independent auditors their judgments about the quality, not just the acceptability, of the Bank's accounting principles as applied in its financial reporting.
3. Review periodically with management and independent auditors any codes, programs, standards or policies adopted by the Bank from time to time which seek to ensure that the business of the Bank is conducted in an ethical and legal manner, as well as the systems established by the Bank to monitor compliance with such codes, programs, standards or policies. Such reviews will be undertaken in the manner and not less frequently than required by the terms of the applicable code, program, standard or policy.
4. Review with the Bank's counsel any legal and regulatory matters that may have a material impact on the Bank's financial statements.
5. Review with the independent auditors significant changes in accounting principles and practices.
6. Review and assess the adequacy of the Audit Committee Charter on an annual basis.
7. Perform such other activities as the Committee or the Board of Directors may from time to time deem necessary or appropriate.