

Home Town Federal Credit Union Supervisory Committee Charter

PURPOSE

The Supervisory Committee of Home Town Federal Credit Union (Credit Union) supports the Board of Directors in fulfilling its oversight responsibilities for the following:

- Accuracy of financial reporting
- Evaluation of internal control
- Administration and oversight of the regulatory audit requirements
- Assessment of compliance with laws and regulations and the code of conduct

ORGANIZATION

The Supervisory Committee is appointed by the board of Directors from members of the Credit Union. The Supervisory Committee will consist of up to five members, of whom one member may be a member of the Credit Union's Board of Directors as long as the individual is not a financial officer or a compensated member of the Board. An individual may not be an employee of the Credit Union.

AUTHORITY

The Supervisory Committee has authority to conduct or authorize investigations into any matters within its scope of responsibility. It is empowered to:

- Appoint, compensate, and oversee the work of any independent auditors.
- Resolve any disagreements between management and the auditor regarding financial reporting.
- Pre-approve all auditing and non-audit services.
- Retain independent counsel, accountants, or others to advise the Supervisory Committee or assist in the conduct of an investigation.
- Seek any information it requires from employees-all of whom are directed to cooperate with the Supervisory Committee's requests –or external parties.
- Meet with the Credit Union officers, external auditors, or outside counsel, as necessary.

MEETINGS

The Supervisory Committee will meet quarterly, with authority to convene additional meetings, as circumstances require. All Supervisory Committee members are expected to attend each meeting, in person or via tele- or video-conference. The Supervisory Committee will invite members of management, auditors or others to attend meetings and provide pertinent information, as necessary. It will have the authority to hold private meetings with auditors (see below) and executive sessions. Meeting agendas will be prepared and provided in advance to members, along with appropriate materials. Minutes will be prepared.

RESPONSIBILITIES

The Supervisory Committee will carry out the following responsibilities:

Financial Reporting

- Review significant accounting and reporting issues, including complex or unusual transactions and highly judgmental areas, and recent professional and regulatory pronouncements, and understand their impact on the financial statements.
- Review with management and the external auditors the results of the audit, including any difficulties encountered.
- Review the financial statements and consider whether they are complete, consistent with information known to Supervisory Committee members, and reflect appropriate accounting principles.
- Review with management and the external auditors all matters required to be communicated to the Supervisory Committee under U.S. generally accepted auditing standards.

Internal Control

- Consider the effectiveness of the Credit Union's internal control system, including information technology security and control.
- Understand the scope of external auditors' review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with management's responses.

External Audit

- Review the external auditors' proposed audit score and approach, including coordination of audit effort with management.
- Review the performance of the external auditors, and exercise final approval on the appointment or discharge of the auditors.
- Review and confirm the independence of the external auditors by obtaining statement from the auditors on relationships between the auditors and the credit union, including non-audit services, and discussing the relationships with the auditors.
- On a regular basis, meet separately with the external auditors to discuss any matters that the Supervisory Committee or auditors believe should be discussed privately.

Compliance

- Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of noncompliance.
- Review the findings of any examinations by regulatory agencies, and any auditor observations.

- Review the process for communicating the code of conduct to credit union personnel, and for monitoring compliance therewith.
- Obtain regular updates from management and external auditors regarding compliance matters.

Reporting Responsibilities

- Regularly report to the Board of Directors about the Supervisory committee activities, issues, and related recommendations.
- Provide an annual open avenue of communication between the external auditors and the Board of Directors.
- Report annually to the members, describing the Supervisory Committee's composition, responsibilities and how they were discharged, and any other information required by rule, including approval of non-audit services.
- Review any other reports the credit union issues that relate to Supervisory Committee responsibilities.

Other Responsibilities

- Perform other activities related to this charter as requested by the Board of Directors.
- Institute and oversee special investigations as needed.
- Review and assess the adequacy of the Supervisory Committee charter annually, requesting board approval for proposed changes, and ensure appropriate disclosure as may be required by law or regulation.
- Confirm annually that all responsibilities outlined in this charter have been carried out.
- Evaluate the Supervisory Committee's and individual members' performance on a regular basis
- Provide oversight of all Board and committee members, as well as employees, to prevent any actions not in the best interest of members.
- Abide by the Letter of Commitment as a Credit Union volunteer.

Committee Qualifications

- A member in good standing of HomeTown Credit Union and a personal interest in participating in the Credit Union movement.
- A commitment to attend all regular and special meetings of the Committee, and periodically attend Board meetings.
- Ability and desire to attend planning programs and appropriate educational conferences and seminars related to the responsibilities of a member of the Supervisory Committee.
- Demonstrated desire to learn about HomeTown Credit Union, its services, laws and regulations that govern it and the duties and responsibilities of a member of the Supervisory Committee.