

LAKE CHAMPLAIN – LAKE GEORGE REGIONAL DEVELOPMENT CORPORATION

AUDIT COMMITTEE MEETING

March 30, 2023 Immediately following Finance Committee meeting

Meeting Locations:

LCLGRP Conference Room, 1 Lower Amherst St. Lake George, NY 12845

Hamilton Co Bd of Supervisors Conference Room, 102 Country View Dr Lake Pleasant, NY 12108

Washington County Classroom, second floor, 383 Broadway Fort Edward, NY 12828

Clinton Co Legislative Office Conference Room, 137 Margaret St #208 Plattsburgh, NY 12901

AGENDA

1. Approval of October 11, 2022 minutes
2. 2022 Audit (Tom Smith from EFPR Group)
3. Assessment of the Effectiveness of Internal Controls
4. Other

Chairwoman Hunt called the meeting to order at 10:08 am.

MEMBERS PRESENT

Beth Hunt

Shannon Thayer

ALSO PRESENT

Al Nolette

Beth Gilles

Dave O'Brien

Meg Wood

APPROVAL OF OCTOBER 11, 2022 MEETING MINUTES

Chairwoman Hunt asked for a motion to approve the October 11, 2022 Audit Committee minutes.

Motion made by Ms. Thayer.

Seconded by Ms. Hunt.

Hearing no additions or corrections and no opposed, motion carried.

2022 AUDIT (TOM SMITH FROM EFPR GROUP)

Chairwoman Hunt introduced Tom Smith and Brian Sawma from EFPR Group, the RDC's independent auditors. Mr. Smith and Mr. Sawma discussed the RDC financial audit for 2022. Mr. Sawma noted that the audit opinion is unmodified, meaning there were no material misstatements detected in the financials. He discussed the financial aspects of the statements; cash balance is just over \$60,000; loans outstanding net of allowance for doubtful accounts is \$18,000 - \$19,000; and USDA loan payoff is at \$60,000. He noted that if things continue trending, the RDC will be able to pay off the USDA loan. There was a decrease of \$8,000 in interest revenue due to paying loans winding down; operating expenses were consistent year over year. The RDC has net assets of around \$17,000 at year end. Mr. Smith discussed financial footnote #8 – economic conditions. It states the potential for the corporation to pay back its debts in full. Mr. Smith noted the RDC is in a much stronger position than in the recent past, but there is a defaulted loan owing about \$48,000, so leaving the footnote in there is a conservative approach. The Committee had no additional questions.

ASSESSMENT OF THE EFFECTIVENESS OF INTERNAL CONTROLS

Ms. Gilles explained the process to complete the assessment and went through the 2021 assessment. Ms. Gilles and the Committee discussed each criterion for the 2022 assessment. All controls were found to be low risk for fraud.

Hearing no other business, Chairwoman Hunt adjourned the meeting at 10:25 am.

Respectfully submitted by Beth Gilles, Director, LCLGRP.

AUDIT COMMITTEE CHARTER

This Audit Committee Charter was adopted by the Board of Directors of the Lake Champlain – Lake George Regional Development Corporation, a public benefit corporation established under the laws of the State of New York, on this 14th day of January 2020.

Purpose

Pursuant to Article 7, Section 1 of the Corporation's bylaws, the purpose of the audit committee shall be to (1) assure that the authority's board fulfills its responsibilities for the authority's internal and external audit process, the financial reporting process and the system of risk assessment and internal controls over financial reporting; and (2) provide an avenue of communication between management, the independent auditors, the internal auditors, and the board of directors.

Powers of the Audit Committee

It shall be the responsibility of the audit committee to:

- Appoint, compensate, and oversee the work of any public accounting firm employed by the Corporation.
- Conduct or authorize investigations into any matters within its scope of responsibility.
- Meet with Corporation members, independent auditors or outside counsel, as necessary.
- Retain, at the Corporation's expense, such outside counsel, experts and other advisors as the audit committee may deem appropriate.

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

Composition of Committee and Selection of Members

The audit committee shall be established as set forth in and pursuant to Article 7, Section 1 of the Corporation's bylaws. The audit committee shall consist of

three members of the board of directors who are independent of Corporation operations. The Corporation'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 Corporation or an immediate family member of an employee of the Corporation. In addition, audit committee members shall not engage in any private business transactions with the Corporation or receive compensation from any private entity that has material business relationships with the Corporation, or be an immediate family member of an individual that engages in private business transactions with the Corporation or receives compensation from an entity that has material business relationships with the Corporation.

Ideally, all members on the audit committee shall possess or obtain a basic understanding of governmental financial reporting and auditing.

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

The audit 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 the accounting for estimates, accruals and reserves; 4) experience with internal accounting controls and, 5) an understanding of audit committee functions.

Meetings

The audit 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 committee are expected to attend each committee meeting, in person or videoconference. 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 Corporation's independent auditor at least annually to discuss the financial statements of the Corporation.

Meeting agendas will be prepared for every meeting and provided to the audit committee members along with briefing materials ten (10) business days before the scheduled audit committee meeting. The audit committee will act only on the affirmative vote of a majority of the members at a meeting or by unanimous consent. Minutes of these meetings will be recorded.

Responsibilities

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

A. Independent Auditors and Financial Statements

The audit committee shall:

- Appoint, compensate and oversee independent auditors retained by the authority 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 Corporation'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 Corporation's operations, such as bookkeeping or other services related to the accounting records or financial statements of the Corporation, 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 Corporation'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 the same.

B. Internal Auditors

The audit committee shall:

- Review with management and the internal audit director, the charter, activities, staffing and organizational structure of the internal audit function. The audit committee shall have authority over the appointment, dismissal, and performance reviews of the internal audit director.
- Ensure that the internal audit function is organizationally independent from Corporation operations.
- Review the reports of internal auditors, and have authority to review and approve the annual internal audit plan.
- Review the results of internal audits and approve procedures for implementing accepted recommendations of the internal auditor.

C. 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.

D. Special Investigations

The audit committee shall:

- 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 Corporation 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.

E. Other Responsibilities of the Audit Committee

The audit committee shall:

- Present annually to the Corporation's board a written 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 Corporation. 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.

Lake Champlain – Lake George Regional Development Corporation

Audit Committee Self-Assessment Form

2023

This Board Committee Self- Assessment form is intended to assess the performance of the members of the Audit Committee in the discharge of their responsibilities as prescribed in the LCLGRDC By-Laws and the Committee Charter and determine ways to enhance the board committee's future effectiveness.

The assessment is focused on three (3) key areas:

1. Committee Composition
2. Committee Responsibilities
3. Operating Practices

INSTRUCTIONS

Please go over each statement carefully and answer using the following scale:

<u>Scale</u>	<u>Category</u>
1	Not at all Satisfied; Poor (NS)
2	Slightly Satisfied; Needs improvement (SS)
3	Satisfied; Meets requirements (S)
4	More Satisfied; Exceeds requirements (MS)
5	Very Satisfied; Outstanding (VS)

Note: You may check (✓) the appropriate box to indicate your answer.

If you rate an item with 1 (Not at all Satisfied; Poor) or 2 (Slightly Satisfied; Needs Improvement), please state your reason on the space provided for comments and suggestions so it can be addressed.

Assessment Criteria	1	2	3	4	5	Comments/Suggestions
	NS	SS	S	MS	VS	
A. Committee Composition						
The audit committee has at least three (3) voting Directors.						
All three of the Committee members are Independent Directors.						
All committee members have a basic understanding of governmental financial reporting and auditing.						
No Committee member has engaged in/is an immediate family member of an individual that has engaged in private business transactions with the Corporation.						
B. Committee Responsibilities						
Monitors compliance and adherence of the Corporation with all applicable laws and regulations pursuant to its conduct of business and operations.						
It reviews and completes the assessment of the effectiveness of internal controls.						
Committee pre-approves independent audit services.						
Reviews the internal audit function.						
Review and approve the Corporation’s audited financial statements, associated management letter, report on internal controls and all other auditor communications.						
Understands the scope and results of the review of the Corporation’s internal controls and financial reports done by the internal and external auditors.						
Performs oversight functions over the Corporation’s internal and external auditors. It also ensures that the internal and external auditors act independently from each other, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions.						

Assessment Criteria	1	2	3	4	5	Comments/Suggestions
	NS	SS	S	MS	VS	
Reviews and discusses any significant risk reported in the independent audit.						
Ensures the timely submission of the ABO annual report.						
Understands and oversee special investigations.						
It reviews annually the Charter of its Committee and recommends appropriate changes or improvements to the Board.						
C. Operating Practices						
The Committee meets at least and not less than two (2) times every year and allow sufficient time to properly discuss and resolve issues.						
At least ten (10) calendar days' notice is given in writing, specifying the place, date and time for the meeting and the general nature of the business to be transacted at the meeting.						
The Committee meets with the Corporation's independent auditor at least annually to discuss the financial statements of the Corporation.						
The Committee has access to the services of at least one financial expert.						
Members consent and a quorum is ensured before business is conducted.						
All relevant discussions, issues and agreements during the meeting are minuted and reviewed and concurred by committee members.						
Members are kept up-to-date on Corporation business.						
The Committee chair reports after each meeting to the Board on the Committee's activities, major issues discussed and recommendations for board action.						
It conducts an annual self-assessment of performance and reviews, with the Board, its performance results and the areas for improvement.						
Committee members obtain any necessary training needed to enhance understanding of audits						

Completed by: _____

Date of Completion: _____

Signature: _____