



FALL RIVER RURAL ELECTRIC COOPERATIVE, INC.

**GENERAL POLICY No. 301
SUBJECT: FINANCIAL PRACTICES**

I. PURPOSE:

Fall River Rural Electric Cooperative, Inc. is a nonprofit corporation organized under the laws of the State of Idaho. In addition to these legal requirements, the Cooperative is guided in its operation by the various regulations and operational practices prescribed by the Federal Energy Regulatory Commission (FERC) and lender mortgage requirements. Beyond these legal and official requirements, the Cooperative has a trusteeship obligation to its members. This obligation makes it incumbent upon the Cooperative to follow standard accepted financial practices, which will protect its members' interests.

II. POLICY:

The Cooperative will expect and require the management of the Cooperative to follow financial practices which conform to the statutes of the State of Idaho, the regulations of the National Rural Utilities Cooperative Finance Corporation (CFC), the Bylaws of the Cooperative, and generally accepted sound business practices and to make periodic reports to the Board of Directors of the financial operation and status of the Cooperative.

III. RESPONSIBILITY:

The CEO/General Manager

IV. PROVISIONS:

Particular areas of concern included under this policy for which specific practices need to be established include:

A. Cash Management:

At the end of each monthly accounting period, or more often if required by

existing circumstances, the General and Operating Accounts of the Cooperative shall be adjusted to provide the necessary cash requirements for the following month and for establishing reserves. The amount of funds to be retained in the General Funds for general and operating requirements shall be determined by anticipated cash needs as anticipated by the Operating Budget.

B. Investment of Surplus Funds:

Whenever the Cooperative has surplus funds in excess of current anticipated needs, the CEO/General Manager shall be authorized to invest these funds in guaranteed, interest-bearing investments. Any such investments should take into account the future needs of such surplus funds and provisions should be made to ensure availability as needed. When, in the opinion of the CEO/General Manager, it appears to be in the best interest of the Cooperative to make advance purchase of construction material to obtain a price advantage, such purchases shall be permitted in lieu of investment of surplus funds as herein provided.

C. Annual Operating and Capital Equipment Budgets:

Each year the CEO/General Manager shall present to the Board of Directors an Annual Operating Budget and a Capital Budget for its approval. These budgets shall be based upon the Work Plans for the year as determined by the Department Managers in collaboration with the CEO/General Manager.

D. Accounting Practices:

1. Approved Depositories

In conformity with the Bylaws of the Cooperative, all receipts of funds of the Cooperative shall be deposited in such bank or banks as may be selected from time to time by the Board of Directors. Such action, by the Board, shall be by resolution at a regular board meeting (General Policy No. 302).

2. Handling of Cash Receipts:

The cash receipts of the Cooperative shall be duly recorded and deposited daily according to sound business practices. The Chief Financial Officer shall establish operating procedures for the handling of such funds.

3. Disbursements:

A Disbursement of Cooperative funds shall be by paper check or electronic payment (i.e. Automated Clearing House (ACH), Electronic Funds Transfer (EFT) or wire transfer), in conformity with operating procedures established by the CEO/General Manager and the Chief Financial Officer. The By-laws of the Cooperative stipulate that the Board of Directors shall from time to time specify by resolution the authorized signatures for checks against the various funds of the Cooperative (General Policy No. 303).

4. Purchases:

The purchases of all equipment, materials, and supplies shall conform to accepted financial practices and shall be conducted in ways which are in the best interest of the Cooperative. Purchasing and handling procedures shall be established by the CEO/General Manager, the Purchasing Agent, and the Chief Financial Officer and shall provide for a series of internal controls.

5. Annual Audit:

The Cooperative books, records, and accounts shall be audited annually by a Certified Public Accountant or firm in accordance with generally accepted auditing standards. Reports of the Audit shall be presented to the National Rural Utilities Cooperative Finance Corporation in accordance with the loan contract.

The Chief Financial Officer shall be responsible for the development, implementation, and supervision of the operating procedures needed to cover the provisions of this policy. Such operating procedures shall have the approval of the CEO/General Manager.

V. **PRIMACY OF POLICY**

This policy supersedes any existing policy that may be in conflict with the provisions of this policy.

APPROVED BY THE BOARD OF DIRECTORS



Georg Behrens, President

DATE APPROVED: June 26, 2000

DATES REVISED: September 23, 2013

November 20, 2017

April 27, 2020

March 27, 2023