



FALL RIVER RURAL ELECTRIC COOPERATIVE, INC.

GENERAL POLICY No. 308

SUBJECT: Collection of Unpaid Accounts and Bad Debt Reserve

I. PURPOSE:

Whenever a consumer does not pay his/her account to the Cooperative, it becomes an expense to the Cooperative, which reduces the Patronage Capital account of the patrons who do pay. Prudent business operation requires that every effort be made, on a systematic basis, to collect unpaid accounts.

Realistic business management recognizes that some accounts may never be collectable. Accepted business practices provide that a system be established for the maintenance of an accounting reserve fund against which uncollectible accounts may be charged, eliminating the possibility of a large amount of write-off against any one operating period.

II. POLICY:

It shall be the policy of the Cooperative to follow systematic practices in the effort to collect unpaid accounts and to maintain a Bad Debt Reserve in the General Ledger of the Cooperative against which uncollectible accounts can be charged.

III. RESPONSIBILITY:

The CEO/General Manager is responsible for seeing that the provisions of this policy are carried out.

IV. PROVISIONS:

The following practices and procedures shall apply to the provisions of this policy:

A. Collection of delinquent accounts:

For past due active accounts, the Cooperative's personnel shall make every reasonable effort to collect the delinquent balance.

For closed delinquent accounts, if service has been terminated to a consumer and there is a delinquent balance that is not covered by deposit fees, Cooperative personnel shall make every reasonable effort to collect this delinquent balance.

If, after reasonable efforts the Cooperative's personnel have not been able to collect the delinquent balance, the account will be given to an outside collection service or the Cooperative Attorney for collection and/or legal action, plus any allowable attorney fees, court costs, sheriff fees, etc.

B. Accumulated Provision for Uncollectible Customer Accounts:

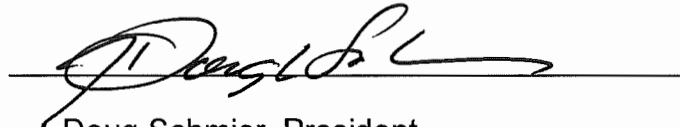
The delinquent accounts should be aged monthly and analyzed periodically. Two methods may be used in estimating probable loss:

1. The Cooperative's CEO/General Manager or other responsible person should indicate which accounts he/she believes will prove to be uncollectible. All amounts protected by consumer's deposits should be deducted, and a reserve established equal to the remaining probable loss. This process should be repeated as often as is necessary to maintain the reserve at a reasonable amount, in relation to probable losses; Or
2. The reserve is maintained by a periodic journal entry. When all reasonable efforts have been exhausted, the CEO/General Manager shall write-off the account against the Bad Debt Reserve, after first applying deposit fees, and discounted Capital Credits that have become available for payment, and other sums to the credit of the consumer against the account.

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


Doug Schmier, President

DATE EFFECTIVE: January 22, 2001

DATE REVISED: August 25, 2014

March 23, 2015

June 17, 2019