



Southern Iowa Electric Cooperative

A Touchstone Energy® Cooperative



Financial Handbook



Updated: January 2025

**Southern Iowa Electric Cooperative, Inc.
Financial Policies**

Policy#	Title	Last Revised
#300	SIEC Financial Management	09/04/2018
#305	SIEC Depositories	09/04/2018
#310	SIEC Cash Disbursement Authorization and Internal Controls	09/28/2023
#315	SIEC Unclaimed Property (i.e. Capital Credits)	09/04/2018
#320	SIEC Patronage Dividends Policy	09/04/2018
#325	SIEC Collection of Unpaid Accounts and Bad Debt Reserve	01/25/2024
#330	SIEC Cash Investments	02/22/2024
#335	SIEC Donation, Contribution and Sponsorship Policy and Guidelines	09/04/2018
#340	SIEC Retail Rates	09/04/2018
#345	SIEC Equity Management Policy	09/04/2018
#350	SIEC Revolving Loan Fund-Rural Economic Development Loan & Grant Program Limitations & Guidelines	04/27/2023

SIEC Financial Management

I. PURPOSE

- A. The purpose of the Financial Policy is to provide guidelines and direction from the Board of Directors (hereinafter “Board”) to Management in order to maintain a sound financial position and provide for the security of the financial resources of the Cooperative.
- B. The Cooperative is organized under the laws of the State of Iowa and will at all times be operated on a cooperative not-for-profit basis for the mutual benefit of its Members. In addition to these legal requirements, the Cooperative is guided in its operations by regulations and operational practices prescribed by various regulatory bodies and/or lender(s). Beyond these legal, regulatory, and lending requirements, the Cooperative has an obligation to its members to ensure the financial integrity of the Cooperative so that it can provide high quality electric service at the lowest possible long-term cost consistent with prudent business practices not only for today, but long into the future.

II. GUIDELINES

A. Planning Documents:

- 1. In order to maintain a sound financial position and provide for the effective management and security of the financial resources of the Cooperative, the Board directs the Manager to create and/or update or see to the creation and/or updating of the following planning reports and documents (hereinafter “reports”). These reports shall be created/updated on a regular basis with frequencies no less than the time frames stated below. All reports shall be reviewed and approved by the Board. Note that from time to time there may be other planning reports not included below that may be necessary to meet this policy’s intent.
 - a. Wholesale Power Contract..... As Necessary
 - Load Forecast Study (formerly PRS)..... 2 Years in conjunction with G&T
 - Long Range Construction Plan..... 8 Years (possible 2 year extension)
 - Construction Work Plan..... 4 Years (possible 2 year extension)
 - Strategic Plan or Board Retreat Summary.. 5 Years
 - 10 Year Financial Forecast..... Annually
 - Capital Budget..... Annually
 - Operating Budget..... Annually
 - b. The above planning reports and time periods shall be changed as recommended by the Manager and approved by the Board.
- 2. The Cooperative shall use all resources at its disposal to assist in preparing the aforementioned planning reports. These resources shall include, but are not limited to:

annual independent audit; CFC Key Ratio Trend Analysis (KRTA); historical operating statements, balance sheets and cash flow analyses; and cost of service study.

B. Financial Goals and Parameters:

1. The Board directs Management to operate the Cooperative so that its financial operating results are within the following goals and parameters as established by the Board. Cooperative management shall review these financial goals and parameters periodically and recommend changes to the Board, if necessary.
 - a. *Equity Ratio*—Herein this Financial Policy, Equity Management is considered as it is a component of Patronage Capital Management, Margin Management, Rate Management, and long-term financial strategies of the Cooperative. For full consideration of the Equity Ratio, see Financial Policy #345; Equity Management Policy.
 - b. *Patronage Capital*—Herein this Financial Policy, Patronage Capital is considered as it is a component of Equity Management, Margin Management, Rate Management, and long-term financial strategies of the Cooperative. For full consideration of Patronage Capital, see Financial Policy #320 regarding specific allocation and retirement guidelines for patronage dividends.
 - c. *Coverage Ratios*—In order to minimize liquidity and insolvency risk, management shall strive to achieve the following coverage ratio(s):
 - i. CFC—In accordance with the mortgage requirements of NRUCFC, the Cooperative shall maintain a minimum Modified Debt Service Coverage (MDSC) (2 of 3 year high average) of 1.35. MDSC (2 of 3 year high average) is defined as the average of the high two MDSC ratios of the last three years, as calculated by KRTA ratio # 11.
 - ii. RUS—In accordance with the mortgage requirements of RUS, the Cooperative shall maintain a minimum TIER of 1.25 for the two highest of the most recent three year period. TIER is defined as the Times Interest Earned Ratio and can only be below 1.25 one year and then must be above that level for the next two consecutive years, as calculated by KRTA ratio 7.
 - d. *Short Term Debt*—The Cooperative shall maintain a line-of-credit for short-term operating purposes in an amount not to exceed \$5,000,000. The Manager shall consider and discuss establishing a line-of-credit for interim or bridge financing with the board on a case-by-case basis. (i.e. FEMA Haz. Mitigation) The Manager is authorized to establish emergency lines-of-credit as necessary to support the capital and operating needs of storm recovery efforts.
 - e. *Long Term Debt/Variable and Fixed*—The aggregate amount of all loans drawn down and available to be drawn down by the Cooperative shall not exceed the maximum debt limit (MDL) established by the Board as contained in the Cooperative's mortgage documents. (Currently \$50,000,000)
 - f. *Debt Portfolio Management*—The Manager shall establish a policy regarding the management of the cooperative's long-term debt portfolio including the development of

target percentages for various loan types. The Manager shall report to the board the status of the debt portfolio on a regular basis.

- g. *Cost of Service Study*—Management and Board shall strive to maintain a fair, equitable and risk rated balance between the collection of revenue and incurring of expenses between all revenue classes. This balance shall be determined through completion of an industry accepted cost-of-service study, completed on a regular basis, but no less frequently than once every 5 years.
- h. *Cash and Cash Equivalents (General Funds)*—Management shall strive to maintain a cash and cash equivalents (General Funds) balance of no less than ___% and no more than ___% of the Cooperative’s Total Utility Plant (TUP), as calculated by KRTA 30. The Board realizes that the Cooperative should strive for cash equivalents equal to one month’s power bill but understands the purpose of the short-term Lines of Credit are for covering cash shortfalls month over month. These funds by nature, should be repaid within a short-term time frame (generally 1 year or less).
- i. *Approved Depositories*—In conformity with the By-laws 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 of the Board shall be by resolution at a regular board meeting (Financial Policy #305)
- j. *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.
- k. *Disbursements*—The disbursements 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 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 (Financial Policy #310)
- l. *Investment Policy/General Funds and Other Liquid Assets*—Optimal management of electric cooperatives includes the fiduciary responsibility of selecting appropriate investments for general funds and other liquid assets. Typically, these investments are of low risk and high liquidity in order to ensure payment of current liabilities as they become due. Management shall prepare and the Board shall approve an investment policy statement (IPS) regarding the cooperative’s general funds and other liquid assets. Please see (Financial Policy # 330) for Cash Investment Policy.

C. Financial Forecasting:

- 1. Management shall create financial forecasts including: an *Annual Budget* and a *10-year financial forecast*, further described below. The forecasts shall use the planning documents identified in section II (A) and incorporate the financial goals identified in section II (B).
 - a. *Annual Budget*—Based on the planning documents and the financial goals identified in

sections II (A) and II (B), management shall prepare or cause to be prepared an annual financial budget. The budget shall be prepared for the ensuing calendar year and shall be presented to the Board for their approval no later than December each year. The budget shall include, at a minimum, the following sections:

- i. Assumptions used to prepare the budget
- ii. Projected Plant Growth in the Work Plan projects in correlation with the Equity Management Plan (see Financial Policy #345) to balance Long-Term Debt and Total Equities
- iii. Projected Statement of Operations with a focus on Margin Management (see Financial Policy #345), balancing the impact on Equities and Debt
- iv. With reference to Total Controllable Expense per Consumer (KRTA Ratio 87) as a reasonable benchmark
- v. With reference to Total Fixed Expense per Consumer (KRTA Ratio 102) for long-term strategic planning on stabilizing Depreciation Expense and shaving long-term Interest Expense
- vi. Projected Balance sheet demonstrating controlled increases/decreases in Total Assets, Total Equities, and Total Liabilities
- vii. Projected Statement of Changes in Cash Flow, detailing cash from operations, investing and financing
- viii Long-term Debt tied to Plant Growth and Equity Management Plan
- ix. Projected Capital Expenditures (General Plant not tied to long-term debt)
- b. *10-Year Financial Forecast*—Based on the planning documents and the financial goals identified in sections II (A) and II (B), management shall prepare, or cause to be prepared, a 10-year financial forecast. The first forecast year will contain the financial data from the annual budget above. A summary of the financial forecast shall be reported to the Board no later than December at its regular or special board meeting each year. The financial forecast shall include and comply with all of the financial goals and parameters identified by the Board in section II (B) plus include significant assumptions utilized in its preparation. In order to comply with typical lender requirements, the 10-year financial forecast shall, at a minimum, contain the following sections:
 - i. Ratios
 - ii. Balance sheet
 - iii. Statement of operations
 - iv. General funds

- v. Load projections
 - vi. Determination of operating revenue
 - vii. Plant investment
 - viii. Determination of debt and debt service
 - ix. Cash flow
2. Conflicts with Financial Goals—If the financial goals in section II (B) conflict with each other to such a degree that the financial forecast cannot reasonably achieve all of them at the same time, management shall communicate the conflict(s) to the Board. The Board shall, with Management’s guidance, discuss and resolve these conflicts.
 3. Rate Policies/Philosophy—Management shall recommend to the Board retail electric rates as recommended or amended to meet the aforementioned financial goals established by the Board. The rates include a power cost factor adjustment designed to automatically adjust revenues based on changes in the Cooperative’s wholesale power cost.
 4. Accounting System and Reports—As per the By-Laws, Article III, Section 7; The Board of Directors shall cause to be established and maintained a complete accounting system which, among other things, subject to applicable laws and rules and regulations of any regulatory body, shall conform to such accounting system as may from time to time be designated by the Administrator of the Rural Utilities Service of the United States of America. The Board of Directors shall also after the close of each fiscal year cause to be made a full and complete audit of the accounts, books and financial condition of the Cooperative as of the end of such fiscal year. Such audit reports shall be submitted to the members at the following Annual Meeting.

III. RESPONSIBILITY

A. The Board is responsible for:

1. Reviewing, discussing, and evaluating the cooperative’s CEO/Manager recommendations for the Financial Policy;
2. Approving the Financial Policy as presented or amended;
3. Reviewing, evaluating, and revising this Policy as needed.

B. The Manager is responsible for:

1. Implementing this Policy and for overseeing development of the practices and procedures necessary to maintain the financial integrity of the Cooperative.
2. Recommending revisions of this Policy to the Board as circumstances warrant.

C. The Board and Manager are responsible for assuring compliance with this Policy.

ATTESTED: 
Board President

DATE: 9/18/2013

Reviewed: October 23, 2008
July 27, 2023
Revised: May 26, 2011
July 19, 2012
August 19, 2013
October 23, 2014
May 25, 2017
September 4, 2018

SIEC Depositories

I. PURPOSE

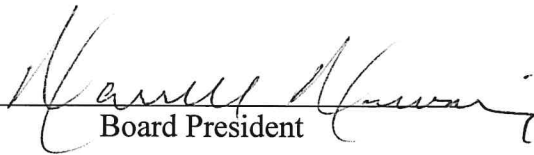
- A. In order to provide for orderly and safe handling of Cooperative funds, it is necessary to establish official depositories and outline the policy and procedures for the investment of general funds. The goal is to utilize Cooperative funds to generate value for the members while limiting undue risk.
- B. In conformity with the By-Laws, Article VII, Section 3, all funds of the Cooperative shall be deposited from time to time to the credit of the Cooperative in such financial institution(s) as the Board of Directors may select. It shall be the policy of the Cooperative to deposit all funds of the Cooperative, with the exception of petty cash, in the financial institutions designated by the Board in this policy.

II. GUIDELINES

- A. Southern Iowa Electric Cooperative, Inc. hereby designates the following financial institutions as its depositories for the funds indicated.
 - 1. *General Funds:*
 - a. 1st Iowa State Bank
Bloomfield, Iowa 52537
 - b. Associated Electric Cooperative, Inc.
Springfield, MO 65801
 - 2. *Special Construction Funds:*
 - a. 1st Iowa State Bank
Bloomfield, IA 52537
 - 3. *Revolving Loan Fund:*
 - a. 1st Iowa State Bank
Bloomfield, Iowa 52537
 - b. Success Bank
Bloomfield, Iowa 52537
 - c. Community 1st Credit Union
Bloomfield, IA 52537

III. RESPONSIBILITY

- A. The CEO/Manager and Senior Accountant shall be responsible for seeing that the provisions of this policy are carried out.

ATTESTED: 
Board President

DATE: 9/28/2013

Reviewed: November 30, 1995

July 19, 2012

August 24, 2023

Revised: February 27, 2006

July 29, 2010

July 28, 2011

May 25, 2017

September 4, 2018

SIEC Cash Disbursement Authorization and Internal Controls

I. PURPOSE

- A. In order to provide for the proper accounting and protection of the funds of the Cooperative, it is necessary to designate specific persons as authorized to make withdrawals of funds from the specified bank accounts.
- B. As per the Cooperative's By-Laws, Article VII, Section 2, all checks, drafts, or other orders for the payment of money, and all notes, or other evidences of indebtedness issued in the name of the Cooperative shall be signed by such officer or officers, agent or agents, employee or employees of the Cooperative, and in such manner as shall from time to time be determined by resolution of the Board of Directors. The purpose of this policy is to define the Board's directives for cash disbursements and to establish proper internal control.

II. GUIDELINES

A. Invoices:

- 1. Vendor invoices will be received by personnel responsible for receiving and distributing the mail daily.
- 2. The Senior Accountant or designee will prepare invoices for payment by stamping each invoice "Received" and assembling all proper accompanying support documentation. Invoices will be initialed and dated at each level of approval by at least two employees for proper authorization prior to payment.

B. Checks:

- 1. The Accounting Department will process accounts payable checks. Personnel that are responsible for the daily mail will mail all accounts payable checks. All checks submitted for signature will have accompanying support that includes a Cash Requirements List and an Accounts Payable Check Register.
- 2. Checks or electronic payments shall be issued for all bills, invoices, statements and claims for goods or services furnished in connection with the execution of approved work programs, contracts, budgets, etc., that have been approved for payment in accordance with the following authorization.
 - a. *Special Construction & Revolving Loan Fund Accts*—Special Construction Fund and Revolving Loan Fund (RLF) account checks shall be signed by the CEO/Manager, except that in his absence they may be signed by other staff or board members authorized as financial institution signators by the Board of Directors.

- b. *General Fund and Other Accounts (Authorized Signers)*—General Fund checks shall be signed and countersigned by the CEO/Manager or other Board authorized financial institution signator. Any Officer of the Board of Directors shall also have the authority to sign or countersign such General Fund or Other Account checks in the absence of the CEO/Manager
- c. *Electronic Payments*—Electronic payments may be made to vendors as authorized by the CEO/Manager or Senior Accountant.
- d. *Use of Check Signing Equipment*—At the discretion of the CEO/Manager, it is permissible to have signatures affixed by the use of approved check signing equipment. Appropriate control procedures for the use of this equipment in affixing signatures shall be established and maintained including two authorized signers as indicated above to approve the Disbursement Register prior to checks being mailed.
- e. *Internal Transfers*—Transfers between accounts at financial institutions authorized by the Board of Directors may be completed by authorization of one person. These transactions may be initiated over the phone or by utilizing electronic banking. These authorizations may be made by the CEO/Manager, Senior Accountant or designee and include transfers between locally approved financial institutions; such as Revolving Loan Fund (RLF) accounts and transfers from 1st Iowa State Bank to Associated Electric Cooperative, Inc.

C. Bank Statements:

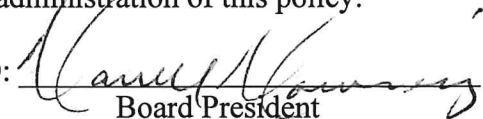
- 1. Bank statements will be received and processed by accounting staff. They will be reviewed by management staff that is not responsible for check writing or record keeping.

D. Board Review of Descriptions:

- 1. All monies shall be accounted for monthly (i.e. Check Register and Electronic Payments) and descriptions reviewed by the Treasurer prior to the Board Meeting. All accounting and financial records are subject to audit by the Cooperative's Certified Public Accountant and the Board of Directors.

III. RESPONSIBILITY

- A. The Secretary/Treasurer of the Board of Directors and the CEO/Manager are responsible for the administration of this policy.

ATTESTED: 
Board President

DATE: 1/25/2024

Reviewed: November 30, 1995
 July 19, 2012
 Revised: August 27, 2009
 January 26, 2012
 October 18, 2012
 May 25, 2017
 September 4, 2018
 September 28, 2023

SIEC Unclaimed Property (i.e. Capital Credits)

I. PURPOSE

- A. Southern Iowa Electric Cooperative (SIEC) periodically makes payable to its members, deposits, refunds and deferred patronage dividends which have been allocated to the members' accounts for prior years. Occasionally, SIEC is unable to locate some of the members to whom this property is payable or the members fail to claim the property. SIEC will make a reasonable effort to locate these members.

II. GUIDELINES

- A. In connection with finding these members, SIEC incurs overhead expenses and SIEC may apply a service charge against all unclaimed property abandoned by members in an amount sufficient to compensate SIEC for the actual overhead costs involved in locating members to whom the property belongs. The CFO (or other applicable employee) shall ascertain annually the costs of attempting to locate members of unclaimed property. This annualized cost may then become the service charge that may be applied against the amount of unclaimed property. The service charge may be deducted from the amount of unclaimed property before it is placed in a Reversion Fund as required by Iowa law.
- B. SIEC shall retain unclaimed property as provided by Iowa law. SIEC shall publish notice and any property not claimed within three (3) years shall be forfeited to SIEC. The abandoned property shall be placed in a Reversion Fund maintained in a similar manner as SIEC's other unfunded reserve accounts. Unclaimed property forfeited to SIEC in accord with Iowa law may be used in two ways:
1. Educational purposes for the teaching and promotion of cooperation as defined in Iowa Code §499.30, or
 2. Economic development in the form of private or joint public and private investments involving the creation of economic opportunities for members or the retention of existing sources of income that would otherwise be lost as defined in Iowa Code §499.30A(6)(b).
- C. SIEC shall maintain records relating to unclaimed property for a minimum period of seven (7) years.

III. RESPONSIBILITY

A. The Cooperative's CEO/Manager is responsible for implementing this Policy and for developing the practices and procedures necessary. (See Attachment)

ATTESTED: 
Board President

DATE: 1/25/2024

Reviewed: October 25, 2001
July 19, 2012
November 16, 2023
Revised: May 26, 2011
September 4, 2018

Attachment:

PROCEDURES FOR ATTEMPTING TO LOCATE OWNERS
OF UNCLAIMED PROPERTY

1. Research existing Cooperative files, noting all addresses, former addresses, telephone numbers and references.
2. Search telephone books, directories, etc., for possible information relating to present address. Make phone calls if necessary.
3. Prepare list of all members who cannot be located and prepare notices after June 30 each year.
4. Review the above preparations and send out notices before August 15 each year.
5. Allow approximately two weeks to hear back from the inquiry.
6. If additional information or new addresses are obtained, send out original check to the new address.
7. If no new information is obtained and the member still cannot be found, place name and account in lost-member files.
8. Publish notice in accordance with Iowa Code §499.30A(4)(a-d).
9. Apply service charge to unclaimed property.
10. Reconcile accounts and ledgers.
11. Place unclaimed property in a Reversion Fund in a similar manner as the Cooperative's other unfunded accounts.
12. If property is not claimed within one (1) year, the abandoned property may be forfeited to the cooperative for educational purposes or economic development.
13. Mail letter to the Treasurer of the State of Iowa before November 1 each year indicating that the Cooperative has elected to retain unclaimed property funds in accordance with Iowa law.

SIEC Patronage Dividends Policy

I. PURPOSE

- A. This Patronage Dividends Policy (“Policy”) establishes the basis by which members of the Cooperative provide capital investment in the future of the Cooperative. Such capital investment is necessary to insure the financial stability of the Cooperative. The purpose herein is to state the general policy of Southern Iowa Electric Cooperative (“Cooperative”) for allocating and retiring patronage dividends. The Cooperative realizes there are good business reasons to retire patronage dividends including the provision of tangible evidence of a member’s ownership in the Cooperative and demonstrating the difference between cooperatives and other utilities. Since the funds Members invest in the Cooperative do not earn dividends or other financial remuneration, retiring patronage dividends is a way to ensure that each generation of members pays its own way by providing its own equity.
- B. The Cooperative shall allocate margins and retire patronage dividends in a manner that: (1) is consistent with state and federal law; (2) is consistent with operating on a cooperative basis under federal tax law; (3) is fair and reasonable to the Cooperative’s members and former members; (4) provides the Cooperative with sufficient equity and capital to operate effectively and efficiently; (5) is in compliance with debt covenants; and (6) protects the Cooperative’s financial condition. Subject to law, the Cooperative’s Articles of Incorporation, and the Cooperative’s Bylaws, the allocation of margins and retirement of patronage dividends are at the sole discretion of the Cooperative’s Board of Directors (“Board”) who will first determine that the retirement will not adversely impact the Cooperative’s financial condition.

II. GUIDELINES

A. Board Approval:

1. Cooperative Articles of Incorporation (Articles), Article VIII, Section 1; No dividends or interest shall be paid upon issuing price of memberships in the Cooperative. Subject to the provisions of any mortgage or deed of trust given or assumed by the Cooperative, the Board of Directors shall, after the expiration of each fiscal year and after paying or making provision for the payment of all obligations and expenses of the Cooperative properly chargeable against its revenues and receipts for such fiscal year, apply the unexpended revenue and receipts for such fiscal years as follows:

B. Margin Allocations:

1. Iowa Code §499.30(1) and Article VIII, Section 1 (a) To provide a reasonable Contingency Reserve for depreciation, obsolescence, bad debts, or contingent losses or expenses (i.e. retired material after extreme storm event or non-operating losses or losses on customer’s demand

ratchet). The amount allocated to this Reserve shall not cause the balance in the Reserve account to exceed 15% of Total Utility Plant – RUS Form 7, Line 1, Balance Sheet.

2. To provide a Statutory Surplus Reserve as required by the Iowa Code (equity until dissolution of Cooperative) Iowa Code §499.30(2)(b) and Article VIII, Section 1 (B) Ten percentum (10%) of the remaining net earnings must be added to surplus until surplus equals either (1) thirty percentum (30%) of the total of all capital paid in for memberships, plus all unpaid patronage dividends, plus certificates of indebtedness payable upon liquidation, earnings from non-member business, and earnings arising from the earnings of other cooperative organizations of which the Cooperative is a member, or (2) one thousand dollars (\$1,000.00), whichever is greater; no additions shall be made to surplus whenever it exceeds either fifty percentum (50%) of such total, or one thousand dollars (\$1,000.00), whichever is greater;
3. Iowa Code 499.30 (3) and Article VIII, Section 1 (C) To provide an Educational Fund of not less than 1% nor more than 5% of earnings in excess of the foregoing reserves, to be used as the directors deem suitable for teaching or promoting cooperation and the effective use of electricity. (The fund is allowed for by Iowa State Law and if it has a balance it must meet the previous criteria but the SIEC Board of Directors has not established this type of educational fund to date.)
4. Iowa Code §499.30 (5) and Article VIII, Section 1 (d) All remaining net earnings shall be allocated to a revolving fund and shall be credited to the account of each member ratably in proportion to the business the member has done with the Cooperative during each year.
5. Iowa Code §499.31 and Article VIII, Section 3 The Directors shall determine the percentage or the amount of said allocation that currently shall be paid in cash. All said remaining allocation not so paid in cash shall be transferred to a revolving fund and credited to said members and subscribers.

C. Patronage Loss Allocations:

1. The Iowa Code does not address the allocation of losses; however, for each good or service provided by the Cooperative on a cooperative basis, the Cooperative shall offset patronage losses with the Cooperative's equity reserve accounts.

D. Non-Member Earning or Loss Allocations:

1. The Cooperative shall equitably allocate the Cooperative's non-member earnings and losses in the same manner as the earnings and losses from member activities; however, certain tax regulations require separate accounting of non-member income and expenses (so a determination can be made on an annual basis if the Cooperative has satisfied the IRS 85%/15% member income test to maintain its tax exemption). Separate accounting of the income from non-members is also necessary in order to properly calculate the maximum and minimum allocations to the Statutory Surplus account as described in the Iowa Code (above).

E. Assignment of Patronage Dividends:

1. Upon termination of service a former member may assign a patronage dividend account to a successor. The assignor shall complete a form which shall indemnify, hold harmless and

defend Cooperative and its Directors, officers, agents and employees, against any claim contesting the ability of the member to grant this assignment.

- a. For joint accounts, both members must sign the assignment form.
- b. For accounts held by corporations, a corporate resolution must be submitted and signed by an individual with appropriate corporate capacity.
- c. Prior to payment, at the time of retirement pursuant to the assignment, there shall be deducted from the amount being paid, any debt owed by the former member to Cooperative.

F. General Patronage Dividends Retirements:

1. The Cooperative shall generally retire patronage dividends with the goals of:
 - a. Maintaining an equity level between Forty percent (40%) and Fifty percent (50%) of the Cooperative's total assets (see Financial Policy #345 for Equity Management);
 - b. Retiring some patronage dividends every year (with a goal of retiring at least \$200,000 every year);
 - c. Retiring patronage dividends that would provide for retiring the SIEC portion on a Twenty (20) year rotation cycle (an arithmetic calculation of Total Revolving Fund divided by 20 years) on a basis to be determined annually by the Board of Directors. Previous retirements have been 30% LIFO and 70% FIFO but may also include a percentage retired from an intermediary year rather than "first" or "last". The G&T portion will be retired for the year(s) designated by the G&T, in the year they pay SIEC;
 - d. Retiring the SIEC portion of patronage dividends within a maximum of Thirty (30) years (an arithmetic calculation of Total Revolving Fund divided by 30 years);
 - e. Understanding that capital credit allocations and retirements through SIEC's membership in affiliated organizations (separate from the G&T portion above) such as materials supply cooperatives, CFC, & CoBank will be allocated and retired together with the SIEC portion and not accounted for separately;
 - f. Communicating and promoting the cooperative principles;
 - g. Fostering loyalty and support among members and former members; and
 - h. Maximizing public relations and political goodwill.
2. The goals stated above, in conjunction with all other budget assumptions, are to be used to create a baseline financial forecast. Related rate option and other options would be discussed prior to Board approval of the actual financial forecast and tariff. If the goals conflict with each other to such a degree that the financial forecast cannot reasonably achieve all of them at the same time, management shall communicate the conflict(s) to the Board. The Board shall, with Management's guidance, discuss and resolve these conflicts.

G. Special Patronage Dividend Retirements/Discount:

1. The Cooperative may specially retire patronage dividends without reference to the order of priority, to former members (a former member is defined as having no active electric service anywhere within the SIEC service territory for at least six (6) months upon termination of service) as stated in Section 3(b) of Article VIII of the Articles of Incorporation. The Cooperative may also specially retire patronage dividends without reference to the order of priority upon the death of a natural person as stated in Section 3(b) of Article VIII of the Articles of Incorporation.
2. The Cooperative may specially retire patronage dividends upon the termination of service of a former member or death of a member or former member who was a natural person only upon receiving a written request on an Agreement form provided by the Cooperative from the appropriate legal representative, and only under terms and conditions agreed upon by the Cooperative, acting under policies of general application, and the former member or appropriate legal representative of such member's estate. Absent such an Agreement, payment to the former member or estate shall not be made out of the order of priority.
3. The Cooperative may specially retire patronage dividends, involuntarily, upon determination of an "aged Bad Debt" (including applicable bankruptcy) according to the Iowa Code as it relates to utilities; 199.20.4 (16) when the Cooperative shall cease the refusal of service based on that outstanding debt. The following determinants shall constitute just cause for involuntary retirement of patronage dividends for member with:
 - a. Delinquency in payment for service arising more than ten years prior, as measured from the most recent of;
 - i. The last date of service for the account giving rise to the delinquency,
 - ii. Physical disconnection of service for the account giving rise to the delinquency, or
 - iii. The last voluntary payment or voluntary written promise of payment made by the member, made before the 10-year period described in this paragraph has otherwise lapsed.
 3. A former member or legal representative of the estate of a former member has a choice to have the account paid out early, minus the applicable discount, or wait for the general retirements to occur.
 4. The purpose of this policy is to minimize the expense of keeping track of former members or heirs of the deceased natural person or locating them when regular retirements are made and to permit the former member's patronage account or estate of the deceased natural person to be settled and closed.
5. The Board has thus determined the NET Special Patronage Dividend Retirements paid out in cash should not exceed \$75,000 per year.
6. When funding early retirements, the Board has determined to give priority to estates. After estates have been paid, in May each year former member requests for special patronage retirement to those who became eligible for such consideration during the immediate preceding

calendar year will be paid. Only after the payment has been made to estates and to those who became eligible for such consideration during the immediate preceding calendar year, will consideration be given by the board on a first come first served basis to those former members who became eligible longer ago than the immediate preceding calendar year and the balance of the special retirement cap above. Involuntary retirements will be processed each year following former member request.

7. If the Board determines there are limited funds to grant all former member and involuntary member requests in a fiscal year, the request in excess of the available funding will be held over to a succeeding year. In the succeeding year priority will still be given to the succeeding & current year estate payments first, then in May each year to the succeeding year, prior member accounts of those who became eligible for such consideration during two calendar years ago and then to those who became eligible during the immediate preceding calendar year. And finally, if funds remain, payment will be made to those former members who became eligible longer ago than the prior two calendar years held over from previous years followed by eligible involuntary special retirements carried forward.
8. If a former member or legal representative of the estate applies for the patronage dividends during the same calendar year as the date of termination of service or of death, and the discount option is exercised, then the interest in the present year unallocated patronage dividends would be assigned by the former member or legal representative to the Cooperative. If the former member or legal representative applies for the former member's or deceased natural person's patronage dividends any year following the year of termination of service or the date of death, and the discount option is exercised, the allocated patronage dividends will be paid up to the date of termination of service or the date of death, respectively.
9. The former member or the deceased member-owner must have been the sole owner of the patronage dividends to be retired. Patronage dividends will not be paid to former members or estates when the account was owned jointly with an active or surviving member-owner. Dissolved entities such as businesses or corporations will only be eligible for the early retirement in the same manner as a former member natural person or deceased natural person if there is no successor entity or affiliated entity (meaning an entity with common owners, a parent corporation, or subsidiary) that continued to receive service or applies for service during the four (4) months following termination of service.

H. Recoupment:

1. After retiring, and before paying, patronage dividends allocated to a member or former member, including eligible bad debt accounts, the Cooperative may recoup, offset, or setoff any amount owed to the Cooperative by the member or former member, or eligible bad debt accounts, by reducing the amount of retired patronage dividends paid to the member or former member, or bad debt accounts by the amount owed, including any late payment charges. In the event of a special retirement for estates, former members, or eligible bad debt accounts per above G. 1,2 and 3, recoupment will be applied at the discounted value per I.6 below.

I. Limitations:

1. *Forfeiture of Patronage dividends.* The Cooperative shall not enter contracts through which a member or former member forfeits the right to the allocation of margins or retirement of

patronage dividends. The Cooperative shall not require any member or former member to forfeit the right to the allocation of margins or retirement of patronage dividends.

- a. In contrast to a forfeiture or waiver, under special circumstances the Board may approve a contract which includes a provision providing for the member to assign any patronage dividends accruing on the account of the member to the Cooperative. In such an instance, the member is not waiving or forfeiting the right to receive the allocation; but rather may be assigning such allocation back to the cooperative in exchange for other provisions contained in the contract.
 - b. Examples of instances when the Cooperative may consider such an arrangement may include, but shall not be limited to, instances when: a substantial load became 5% or greater of Cooperative total sales; or for purposes of economic development; or a possible plant closing would adversely affect job retention. The Cooperative's consideration of an agreement providing for an assignment of patronage dividends in these instances would likely result in a lower electric rate for the member.
2. *Allocation of Margins to those Classes of Members Creating the Margins.* As reasonable and fair, and as approved by the Board, the Cooperative may allocate margins to classes of similarly situated members and former members under different manners, methods, timing, and amounts, provided the Cooperative allocates margins and retires patronage dividends to similarly situated members and former members under the same manner, method, timing and amount. At present, the Cooperative does not differentiate among its members or former members; but the Board of Directors could elect to do so in the future if circumstances warrant.
 3. *Separate Allocations and Retirements.* The Cooperative may separately identify the patronage dividends allocated to the Cooperative's members that arise from allocations to the Cooperative by an entity in which the Cooperative is a member, patron or owner. The Cooperative may elect to retire these separately identified and allocated patronage dividends only after the entity retires and pays the amounts that have been allocated to the Cooperative. (See Section F. above)
 4. *Notice of Allocation.* Within 6 months following a fiscal year, the Cooperative shall notify each patron in writing of the amount of patronage dividends allocated to the patron for the preceding fiscal year through a written notice stating the dollar amount allocated.
 5. *Adverse Financial Impact.* The Cooperative shall not retire any patronage dividends unless the Board first determines that the retirement will not adversely impact the Cooperative's financial condition.
 6. *Discount Rate.* If the Cooperative retires patronage dividends before the time the Cooperative anticipates normally retiring the patronage dividends and pays the discounted, net present value of the patronage dividends, then the Cooperative shall use a discount rate equaling the Cooperative's weighted cost of capital for estates and the weighted cost of capital plus the opportunity costs of equity for past members and eligible bad debt accounts. The discount amount will be recorded as donated capital.
 7. *Minimum Amount.* The Cooperative shall not retire and pay patronage dividends in an amount less than twenty-five dollars (\$25.00). If a member's retirement is less than \$25, that amount

will be held until the total of succeeding years are greater than \$25. If the retirement is for all remaining patronage dividends, the amount will be considered donated capital unless the member makes special request for the retirement.

8. *Payment and Notice of Retirement.* When the Cooperative retires patronage dividends allocated to a current member or a former member, the Cooperative shall pay the retired amount by sending a check for the amount of the retirement to the former member's most current address listed on the Cooperative's records or apply the retired amount to the current member's electric bill.
9. *Unclaimed Patronage Dividends.* If a member or former member fails to claim a retired patronage dividend, then the Cooperative shall provide any notice and take such other actions as described in Financial Policy #315. The unclaimed patronage dividends may ultimately end up in a Reversion Fund as permitted by Iowa Code §499.30A (3), and the Cooperative may use the amount placed in the Reversion Fund that is forfeited to the Cooperative, as permitted by law for teaching or promoting cooperation or for economic development as explained in Financial Policy #315.

III. RESPONSIBILITY

- A. **Implementation of Policy**—The Cooperative's CEO/Manager is responsible for implementing this Policy and for developing the practices and procedures necessary to allocate margins and retire patronage dividends according to this Policy.
- B. **Recommendations to Board**—The Cooperative's CEO/Manager is responsible for:
 1. Recommending to the Board the manner, method, timing, and amount for allocating margins and retiring patronage dividends; and
 2. When in the best interest of the Cooperative and its members and former members, recommending to the Board revisions to this Policy.
- C. **Review and Approval by Board**—The Board is responsible for:
 1. Reviewing, discussing, and evaluating the CEO/Manager's recommendations regarding the manner, method, timing, and amount for allocating and retiring patronage dividends;
 2. Approving the manner, method, timing, and amount for allocating and retiring patronage dividends;
 3. Reviewing, discussing, and evaluating this Policy periodically and at least every 3 years;
 4. Reviewing, discussing, and evaluating the CEO/Manager's recommendations for revising this Policy; and
 5. Revising this Policy.

D. Compliance with Policy—The Board is responsible for the Cooperative’s compliance with this Policy.

ATTESTED: 
Board President

DATE: 1/25/2024

Reviewed: November 20, 2008
July 19, 2012
December 14, 2023

Revised: May 26, 2011
August 19, 2013
July 24, 2014
July 26, 2018
September 4, 2018

Attachment 1:

Although the Board of Directors shall have the discretion to make the margin allocation decisions on an annual basis, the following GUIDELINES are established to guide the Board's decision-making:

(As an example, the Board will decide how to allocate \$500,000 year end margin)

1st – Choose an amount to place in Contingency Reserve (the amount allocated to this Reserve should not cause the balance in this Reserve account to exceed 15% of Total Utility Plant – RUS Form 7 – Line 1 – Balance Sheet) (example \$100,000).

2nd – Review the audit results of the Statutory Surplus test to determine if it is required to add 10% of remaining margins each year until minimum Statutory Surplus account total is reached -- 30% of the sum of all paid in capital (membership fees), unpaid patronage dividends, earnings from non-member business, and earnings from other cooperatives of which the Cooperative is a member. Also, no additions to the Statutory Surplus account may be made when the Cooperative reaches 50% of the above sum without approval of the membership.

One reason to allocate no more than 10% to the Statutory Surplus is that we have other sources of equity until dissolution of the Cooperative in the form of Donated Capital from the Cities and the discount amount from voluntary patronage refunds related to estates and/or former members. If the Statutory Surplus test is less than 30% then choose an amount of 10% or more of remaining earnings (In the example, $\$500,000 - \$100,000 = \$400,000 \times 10\% = \$40,000$ or more) not to exceed the 50% test level.

3rd – IF a separate Education Fund THEN choose 1% to 5% of margins in excess of reserves (example $\$500,000 - \$100,000 - \$40,000 = \$360,000 \times 5\% = \$18,000$)

4th – Allocate all remaining margins to the Revolving Fund (example $\$500,000 - \$100,000 - \$40,000 - \$18,000 = \$342,000$)

5th – If the Board determines the year end margins are small enough that to spread them to the accounts or allocate to the members is not going to be of material benefit, then they may elect to allocate the margins elsewhere. For example, the Board could:

1. Allocate the margins to the reserves within the reasonable and required limits with no allocation to the Revolving Fund.

2. Or, when possible use an appropriate portion of the Contingency Reserve to add to the year-end margin (not on the income statement) but still meet the Statutory Surplus test and if applicable the Education Fund minimum requirement with more dollars remaining to allocate to the Revolving Fund.

Attachment 2:

**Assignment and Agreement
Past Member**

WHEREAS, _____, Member, was a member of Southern Iowa Electric Cooperative, Inc. of Bloomfield, Iowa (SIEC) and has not had active service for the last six months (past member); and,

(Member Name)

WHEREAS, Member has, pursuant to SIEC's Bylaws, requested payment of all deferred patronage dividends allocated by SIEC to Member; and,

WHEREAS, SIEC is willing to make such payment pursuant to the terms and conditions set forth in this Agreement and Assignment and consistent with SIEC's policy on payment of patronage to past members;

IT IS, THEREFORE, IN CONSIDERATION OF THE MUTUAL COVENANTS SET FORTH HEREIN, AGREED BY AND BETWEEN SIEC AND MEMBER AS FOLLOWS:

1. Member hereby applies to SIEC for payment of all deferred patronage dividends allocated to above listed Member in the event cessation of membership plus six months.
2. SIEC hereby agrees to make payment of all deferred patronage dividends, pursuant to the provision of its Bylaws, and cooperative policies, through year ended _____, on a discounted basis.
3. Member hereby assigns to SIEC, and disclaims all right to payment of, all of said member's right, title, claim or interest in and to any deferred patronage dividends to be allocated to the account of Member for the year of cessation of service, _____ or any other future allocations.
4. Member agrees that the amount of \$ _____ (*use amount listed as Total Capital Credits under Current Option (front side of this page)*) represents the full and complete amount of the deferred patronage dividends allocated to Member, which would ordinarily be payable over time; however; which amount shall be discounted to an estimated \$ _____ (*use amount listed as Discount Capital Credits under New Discount Option (front side of this page)*) in order to permit payment presently pursuant to the terms of this Agreement and Assignment, and Member hereby acknowledges receipt of payment of said amount.

EXECUTED this _____ day of _____, 20__.

Signature: _____

Address: _____

Phone #: _____

Southern Iowa Electric Cooperative, Inc.
By _____

Attachment 3:

Assignment and Agreement - Estate

WHEREAS, _____ is a deceased natural person who was a member of Southern Iowa Electric Cooperative, Inc. of Bloomfield, Iowa; and,

WHEREAS, _____ is the duly appointed, qualified and acting executor or administrator of the estate of Member, and has pursuant to Southern Iowa Electric Cooperative, Inc.'s Bylaws, requested payment of all deferred patronage dividends allocated by Southern Iowa Electric Cooperative, Inc. to Member in order to facilitate the closing of the estate of _____; and,

WHEREAS, Southern Iowa Electric Cooperative, Inc. is willing to make such payment pursuant to the terms and conditions set forth in this Agreement and Assignment and consistent with Southern Iowa Electric Cooperative, Inc.'s policy on payment of patronage to estates;

IT IS, THEREFORE, IN CONSIDERATION OF THE MUTAL COVENANTS SET FORTH HERIN, AGREED BY AND BETWEEN SOUTHERN IOWA ELECTRIC COOPERATIVE, INC. AND REPRESENTATIVE AS FOLLOWS:

1. Representative, as executor or administrator of said estate, hereby applies to Southern Iowa Electric Cooperative, Inc. for payment of all deferred patronage dividends allocated to _____ through date of death and cessation of membership.
2. Southern Iowa Electric Cooperative, Inc. hereby agrees to make payment of all deferred patronage dividends, pursuant to the provisions of its Bylaw, and cooperative policies, through the year ended December 31, 2017, on a discounted basis.
3. Representative hereby assigns to Southern Iowa Electric Cooperative Inc., and disclaims all right to payment of, all of said estate's right, title, claim or interest in and to any deferred patronage dividends to be allocated to the account of Member for the year of Member's death, _____ or any other future allocations.
4. Representative represents that he or she is the duly appointed, qualified and acting executor or administrator of the estate of Member, that he or she has full and complete authority to make this request and to enter into this agreement for and on behalf of the estate of Member, and that he or she further agrees to indemnify and hold Southern Iowa Electric Cooperative, Inc. harmless from and against all liability for any and all claims or demands for payment of the deferred patronage dividends which are the subject of this agreement that may be made by third parties.
5. Representative agrees that the amount of \$ _____ represents the full and complete amount of the deferred patronage dividends allocated to Member, which would ordinarily be payable over time; however, which amount shall be discounted to \$ _____ in order to permit payment presently pursuant to the terms of this Agreement and Assignment, and Representative herby acknowledges receipt of payment of said amount for and on behalf of said estate.

EXECUTED this _____ day of _____, 20__.

Executor of the Estate of

Signature: _____

Address: _____

Phone #: _____

Southern Iowa Electric Cooperative, Inc.

By _____

SIEC Collection of Unpaid Accounts and Bad Debt Reserve

I. PURPOSE

- A. Whenever a member does not pay his/her account to the Cooperative, it becomes an expense to the Cooperative, which reduces the margin, thus reducing that year's allocation to the Patronage Capital account of the members 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 collectible. 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.
- B. It shall be the policy of the Cooperative to follow systematic practices in the effort to collect unpaid accounts and to maintain an Uncollectible Accounts/Electric in the General Ledger of the Cooperative against which uncollectible accounts will be charged upon approval by the Board of Directors.
- C. It shall be the policy of the Cooperative that all members have applied for service which constitutes a written contract. The Statute of Limitations on unpaid accounts and refusal of service – will be directed by 1) Cooperative Tariff, Article 12, 12.2 Prior Indebtedness *“Cooperative shall not connect or reconnect and supply electric service to Member-consumer if Member-consumer, or Member-consumer's spouse (unless they are parties to a pending divorce) is indebted to Cooperative until such prior indebtedness has been paid or other acceptable arrangements have been made with Cooperative. If electric service is disconnected for non-payment, service will not be reconnected in Member-consumer's name or the name of any other person liable for the delinquent bill's payment or any individual or entity failing to meet Cooperative's creditworthiness standard, until such prior indebtedness has been paid or other acceptable arrangements have been made with Cooperative. An individual or entity leasing or utilizing a grain bin or other outbuilding, equipment, or facility on the premises which is not separately metered shall be deemed to occupy the premises for purposes of this paragraph, even though said individual may not reside at the premises.”* and 2) Iowa Code 20.4 (16), (statute of limitations refusal of service expiring 10 years for written contracts).
1. “Delinquency in payment for service arising more than 10 years prior, as measured from the most recent of:
- a. The last date of service for the account giving rise to the delinquency,
- b. Physical disconnection of service for the account giving rise to the delinquency, or

- c. The last voluntary payment or voluntary written promise of payment made by the member, if made before the ten-year period described in this paragraph has otherwise lapsed.
2. Delinquency in payment for service that arose on or before September 4, 2010, pursuant to an oral contract, except in cases of fraud or deception that prevented the utility from timely addressing such delinquencies with the member.”

II. GUIDELINES

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

1. Collections of delinquent accounts—For past due active and/or former member accounts, the Cooperative’s personnel shall make every reasonable effort to collect the delinquent balance that is not covered with a deposit. If reasonable efforts have failed, the delinquent account will be given to an outside collection service or the Cooperative Attorney for collection and/or legal action with allowable attorney fees, court costs, sheriff fees, etc. – added to the account balance. This level of continued collection efforts is dependent on the balance of the account.
2. Accumulated Provision for uncollectible Accounts—The delinquent accounts will be analyzed annually to evaluate the appropriate balance in the reserve for uncollectible accounts. This balance will be deemed appropriate based upon the historical averaging of Electric Accounts Receivable write-offs for uncollectible accounts. An expense will be realized when the balance for uncollectible Accounts/Electric needs to be adjusted upwards.
3. Recoupment (applicable until the end of the 10-year Statute of Limitations above)—As per Patronage Dividends Financial Policy #320) After retiring, and before paying, patronage dividends allocated to a member or former member, the Cooperative may recoup, offset, or setoff any amount owed to the Cooperative by the member or former member by reducing the amount of retired patronage dividends paid to the member or former member by the amount owed, including any late payment charges. The Uncollectible Accounts/Electric will be offset when patronage capital recoupments are realized.
4. Involuntary Special Retirement—After Recoupment above, and after the Statute of Limitations above;
 - a. If account has remaining balance but NO Capital Credits remaining, collections cease, balance is removed, and account becomes eligible for service.
 - b. If account has remaining unpaid balance and HAS Capital Credits remaining, based on Patronage Dividends Financial Policy #320, an Involuntary Special Retirement is initiated where the Past Member discount is applied to the Capital Credits where the member portion is then applied to offset any amount owed. If account balance remains, then 4.a above applies. If the discounted Capital Credit application results in a credit on the account, the credit will be mailed to the last address of record on the member account.

III. RESPONSIBILITY

- A. The CEO/Manager is responsible for seeing that the provisions of this policy are carried out with an annual compilation of recommendations for write-off, presented to the Board of Directors for approval.

ATTESTED: *Maureen Manning* DATE: *6/27/24*
Board President

Reviewed: May 25, 2017
Revised: September 4, 2018
January 25, 2024

SIEC Cash Investments

I. PURPOSE

- A. The purpose of this policy is to outline policy and procedures for the investment of the general funds of the Cooperative, and to see that the funds are utilized to their fullest value for the benefit of the members of the Cooperative.
- B. Objectives:
 - 1. To establish a uniform system for the investment of the Cooperative's general funds to obtain maximum earnings with limited risk.
 - 2. To establish an investment guideline to be used by the management and staff of the Cooperative in making investments.

II. GUIDELINES

A. Investment Policy Statement:

- 1. Consideration of the following factors known as our investment policy statement (IPS) should be taken into account regarding the cooperative's general funds and other liquid assets. The IPS shall include the following:
 - a. *Risk Tolerance*—Understand the willingness and ability for the Cooperative to assume risk. For electric cooperatives, risk tolerance should be low since these investments are typically needed to pay current liabilities.
 - b. *Constraints:*
 - i. *Time Horizon*—Identify the time horizon of the investments. For electric cooperatives, the time horizon should be short (under 12 months) since these investments are typically needed to pay current liabilities.
 - ii. *Liquidity*—Identify immediate and ongoing liquidity needs. For electric cooperatives, these investments should be very liquid in order to be available to pay current liabilities.
 - iii. *Laws and Regulation*—Identify legal and regulatory issues governing investment activity.
 - iv. *Taxes*—Identify tax issues, if applicable.
 - v. *Unique Circumstances*—Identify any special needs of the Cooperative.

- c. *Return*—Identify the expected rate of return based on the requirements stated above. For electric cooperatives, the return on these investments is of secondary importance to risk tolerance, time horizon and liquidity in order to ensure payment of current liabilities.

B. Designated Institutions:

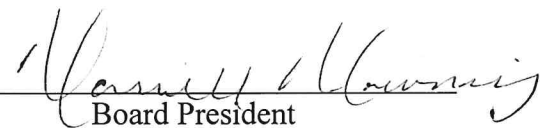
- 1. Southern Iowa Electric Cooperative, Inc. Board of Directors hereby designates the following institutions as its depositories for investment funds.
 - a. Associated Electric Cooperative, Inc.
Springfield, Missouri
 - b. National Rural Utilities Cooperative Finance Corp.
Herndon, Virginia
- 2. The staff will provide to the Board of Directors information that may encourage the use of local financial investment opportunities that meet the criteria as outlined in our Financial Management Policy #300 and our Equity Management Policy #345.
- 3. The Board of Directors shall approve the selection of any other investment depositories required and will approve any change in investment depositories.

C. Interest Earnings:

- 1. Interest earnings shall be credited to the general fund of the Cooperative to be used for general operating purposes or investments.

III. RESPONSIBILITY

- A. The responsibility of the investments shall be placed upon the Manager and the Chief Financial Officer of the Cooperative.

ATTESTED:  DATE: 6/27/24
Board President

Reviewed: November 30, 1995
July 19, 2012
Revised: July 28, 2011
June 22, 2017
September 4, 2018
February 22, 2024

SIEC Donation, Contribution and Sponsorship Policy and Guidelines

I. PURPOSE

- A. To establish a consistent policy and guidelines for the approval or denial of Southern Iowa Electric Cooperative's contributions, donations and sponsorships.
- B. Southern Iowa Electric Cooperative recognizes its responsibility to be a good corporate citizen of the community in which its member consumers reside and in which SIEC facilities are present. Southern Iowa Electric Cooperative intends to provide assistance to non-profit organizations who are committed to enhancing the quality of life to Cooperative Members, the Community, and our Employees.

II. GUIDELINES

- A. Budget—The maximum funding available for any given calendar year shall approximate \$6,000.00 and shall be reviewed annually.
- B. Administration—The General Manager shall assign personnel to administer the distribution of funds.
- C. Donation and Contribution Funding Guidelines—Although there are many worthy projects, benefits, and community needs throughout the Southern Iowa Electric Cooperative service territory, the limited availability of funds requires the establishment of priorities so as not to exceed the budget allocation. Completion of the Donation, Contribution and Sponsorship Request Form (see attachment) shall be required for all new requests exceeding \$400.
 - 1. Major Funding Focus:
 - a. School Related Activities
 - b. Youth Programs/Events
 - c. Volunteer Fire Departments
 - d. Emergency Medical Response Teams
 - e. Community Public Safety Programs
 - f. Community/Chamber Events
 - g. Economic Development Initiatives

- h. Libraries
 - i. County Fairs in which SIEC facilities reside
 - j. Other causes that benefit Southern Iowa Electric Cooperative Members and the community in which they live
2. Restricted Funding:
- a. Organizations whose mission or values are in conflict with those of Southern Iowa Electric Cooperative
 - b. Groups that support political parties or advocacy programs
 - c. Personal fund-raising benefits
 - d. The Southern Iowa Electric Board of Directors shall determine if an exception is applicable for restricted funding requests. The General Manager will bring such requests to the next scheduled board meeting for consideration.

III. RESPONSIBILITY

- A. The General Manager shall be responsible for reviewing donation, contribution and sponsorship requests for approval or denial in excess of \$400. The Board of Directors may approve exceptions to the guidelines set forth in this policy including the allocation of funds in excess of the annual budget amount.

ATTESTED: Marshall Mourning
Board President

DATE: 6/27/24

Reviewed: November 16, 2017
March 28, 2024
Revised: September 4, 2018

Attachment:

**Southern Iowa Electric Cooperative
Donation, Contribution and Sponsorship Request Form**

Policy Number 335

Date of Request: _____

Request Description: _____

Name of Organization: _____ **Tax ID #:** _____

Address: _____ **City:** _____ **State:** _____ **Zip:** _____

Contact person: _____ **Telephone#:** _____

Type of donation: _____ **Cash amount: \$** _____

Mission/purpose of organization: _____
_____ **A 501(c)3 non-profit: __ Y or N__**

How support will be used: _____

Organization's budget or funding goal: _____

Support received from other sources: _____

Documentation to verify tax status (if applicable): _____

Other information appropriate to evaluate request: _____

Is your group associated with any employee or director of Southern Iowa Electric Cooperative?: __ Y or N__

If yes, give name and their role in your organization: _____

Requesting Party's Signature: _____

Note: Please attach additional sheets or documentation if desired.

SIEC Retail Rates

I. PURPOSE

- A. In order to provide member/owners with a vitally needed service, to insure adequate revenue to cover the costs of such service, and to provide adequate revenue to maintain the system of the Cooperative at acceptable standards, it is necessary to establish a method for determining equitable charges for such service.

II. GUIDELINES

- A. It shall be the policy of the Board of Directors to establish and maintain equitable Rate Schedules and Terms and Conditions of Service covering the provision of electric service for each classification of consumers. As per Financial Management Policy #300; Management and Board shall strive to maintain a fair, equitable and risk rated balance between the collection of revenue and incurring of expenses between all revenue classes. A monthly payment is required according to the Cooperative's By-Law, Article I, Section 3: Each member shall, as soon as electric energy shall be available, purchase from the Cooperative all electric energy used on the premises referred to in the application of such member for membership, and shall pay therefor monthly at rates which shall from time to time be fixed by resolution of the Board of Directors; provided, however, that the electric energy which the Cooperative shall furnish to any member may be limited to such an amount as the Board of Directors shall from time to time determine, and that each member shall pay to the Cooperative such minimum amount per month as shall be fixed by the Board of Directors from time to time, regardless of the amount of electric energy consumed.

III. RESPONSIBILITY

- A. The Board of Directors shall have the responsibility of considering and adopting rate schedules for electric service as prepared by the Board, or the Manager, and of the periodic review of all rate schedules, and revisions as necessary to fulfill the purpose of this policy.
- B. The Manager shall have the responsibility, with the assistance of his/her staff or special consultants, of initiating, developing and recommending new or revised Rate Schedules and Terms and Conditions of Service for the consideration of the Board of Directors, and for the implementation and enforcement of all Rate Schedules and Terms and Conditions of Service when adopted by the Board and filed with appropriate agencies as required. He/she or his/her delegated representative, shall further be responsible for the proper classification of all consumers for the purpose of applying established rate schedules.

ATTESTED: *A. Carroll Crowley*
Board President

DATE: *6/27/2017*

Reviewed: May 25, 2017
April 25, 2024
Revised: September 4, 2018

SIEC Equity Management Policy

I. PURPOSE

- A. The purpose of the Equity Management Policy is to provide guidelines and direction from the Board of Directors (hereinafter “Board”) to Management in order to minimize the risks associated with insolvency and maintain an optimal cost of capital and to provide for the security of the financial resources of the Cooperative.
- B. The Cooperative is organized under the laws of the State of Iowa and will at all times be operated on a cooperative not-for-profit basis for the mutual benefit of its Members. In addition to these legal requirements, the Cooperative is guided in its operations by regulations and operational practices prescribed by various regulatory bodies and/or lenders(s). Beyond these legal, regulatory, and lending requirements, the Cooperative has an obligation to its members to ensure the financial integrity of the Cooperative so that it can provide high quality electric service at the lowest possible long-term cost consistent with prudent business practices not only for today, but long into the future.

II. GUIDELINES

- A. It shall be the policy of Southern Iowa Electric Cooperative, Inc. to reach through an established financial program, the equity range set by the Board of Directors, and maintain equity in that range to insure the financial integrity of the Cooperative.
 - 1. Equity Ratio range is to maintain an equity ratio between 40% and 50%.
 - 2. The Equity Ratio (Equity as a % of Assets) is defined as Total Margins & Equity divided by Total Assets & Other Debits, as calculated by KRTA ratio # 16.
- B. Particular interrelated areas included under this policy for which specific goals and practices need to be established are:
 - 1. Develop a long-range financial plan and goals that will guide and ensure the Cooperative of meeting all of its financial obligations through sound equity planning, which includes the following:
 - a. Maintain required working capital and cash reserve.
 - b. Maintain necessary funds for Debt Service coverage.
 - c. Establish forecasted growth rates in total capitalization (Plant) of the Cooperative, based upon expected increases in memberships and electricity sales or replacement of aging facilities.

- d. Maintain necessary loan fund balances and sources to meet needed plant additions – accounting for tolerance of increasing loan debt.
 - e. Understanding that an increase in total capitalization must balance with an equal increase in either equity or debt (or a combination thereof).
 - f. Ensure that funds are available for established capital credit rotation program (see Financial Policy #320 Patronage Dividends).
 - g. Maintain the mortgage requirements of NRUCFC with a minimum MDSC (2 of 3 year high average) of 1.35 as calculated by KRTA ratio #11.
 - h. Maintain the mortgage requirements of RUS with a minimum TIER (2 of 3 year high average) of 1.25 as calculated by KRTA ratio #7.
 - i. Establish Rate Management in conjunction with Margin Management.
 - j. Revenue collected from members for equity capitalization (reducing need for debt capitalization) is Margin to be allocated and is then a future liability (retirement reference f. above).
 - k. Understanding that the equity ratio is a product of the Balance Sheet where Total Margins & Equities increasing in pace with Total Assets will result in a level Equity Ratio.
 - l. For performance evaluation, multiple KRTA ratios will be reviewed to avoid misleading results.
- C. For the capital credit rotation, see Financial Policy #320, the Board of Directors will determine the retirement annually, based on the financial condition of the Cooperative.
- D. To reach and maintain the above goals, the Cooperative will utilize available resources for budgeting and forecasting such as CFC's COMPASS (10-year forecasting model based on budget assumptions and inputs above), to meet margins, equity level, rotation of capital credits, debt service goals and to forecast necessary retail rate increases.
- E. In the implementation of this policy it is recognized that the above goals need to be reviewed periodically to adjust for certain variables i.e., cost of debt capital, growth of electric plant, and margins.

III. RESPONSIBILITY

- A. The Manager will be responsible for monitoring and reporting to the Board of Directors.

ATTESTED: *Marshall M. ...*
Board President

DATE: 6/27/24

Reviewed: May 25, 2017

Revised: April 25, 2024
September 4, 2018

Revolving Loan Fund – Rural Economic Development Loan and Grant Program Limitations and Guidelines

I. PURPOSE

- A. To establish the maximum level of program participation so as not to compromise the financial stability of the Cooperative.
- B. To establish guidelines to determine the program participation threshold based upon Member equity.

II. GUIDELINES

- A. A Program Participation Level shall be determined by the aggregate of the following:
 - 1. Revolving Loan Fund (RLF) account balance available for lending.
 - 2. Principal balance of all active RLF participant loans.
 - 3. Aggregate amount of all active and pending Rural Economic Development Loan and Grant (REDLG) applications subject to consideration by the United States Department of Agriculture (USDA).
- B. A Modified Program Participation Level shall be determined by the reduction of the Program Participation Level by the aggregate of active and pending loans to community hospitals and school districts.
- C. The maximum Modified Program Participation Level shall be limited to a value less than or equal to 15% of the current valuation of the Cooperative's equity.
- D. The Board of Directors may increase the equity level threshold at their discretion when the value to the Community warrants so long as the Modified Program Participation Level does not exceed 25% of the Cooperative's equity.
- E. The Cooperative shall refrain from additional program participation if Member equity falls below 35%.

III. RESPONSIBILITY

- A. It shall be the responsibility of management to communicate the Cooperative's equity level and the current Modified Program Participation Level at the time of Board of Director consideration of applications.

B. The Board of Director shall be responsible for the execution of this policy and any exceptions in conflict with the stated guidelines.

ATTESTED: *Carroll Manning* DATE: 6/27/24
Board President

Reviewed: April 27, 2023

May 23, 2024

Revised: April 27, 2023