

Independent Audit of Accounting & Financial Records Policy #: BP 22

Rappahannock Electric Cooperative

1. Purpose

This policy governs the engagement of an external audit firm to conduct an annual audit of Rappahannock Electric Cooperative's ("REC") accounting and financial records.

2. Scope

This policy applies to the annual external audit of all accounting and financial records of REC and its affiliates.

3. Policy Statement and Implementation

- 3.1. The consolidated books of account and supporting financial records of REC (and its subsidiaries) shall be audited annually by an independent certified public accounting firm (the CPA Firm) selected by the Board of Directors (the Board) and the appropriate controlling and regulating authorities. These audits shall be in accordance with generally accepted auditing standards, including such standards as may be required by REC's lenders, and the reports shall be in conformity with the appropriate controlling and regulating authorities.
- 3.2. The Board shall require the periodic rotation of auditors.
- 3.3. The Board shall periodically request bids from audit firms to perform the annual audit.
- 3.4. Prior to commencement of the audit, the Board's Finance Committee shall meet with representatives of the CPA firm and Cooperative accounting staff, and the Board shall agree to the scope of the audit, the time limit for completion, and the associated fees. The audit shall begin within three months following the close of the period to be covered by the audit.
- 3.5. In order to facilitate the audit, a physical inventory of materials and supplies shall be taken annually and observed by one or more representatives of the CPA Firm. Supporting records shall be reconciled with control accounts. Member accounts shall be aged as of the audit date, and the aging schedule shall be furnished along with all other schedules as may be required.
- 3.6. The CPA Firm shall supply the desired number of copies of the Audit Report. Representatives of the CPA Firm shall appear in person or via electronic means to present the Audit Report to the Finance Committee and to the Board upon request. Approval of the Audit Report shall be made part of the Minutes, and the Report shall be available to any member upon request. Copies of the Audit Report and any adjusting entries shall be sent to the appropriate controlling and regulating authorities.
- 3.7. REC will publish audited financial statements in accordance with its legal obligations and may provide additional financial information, in the spirit of transparency, to its membership.

4. Responsibilities

The Board of Directors and the President & Chief Executive Officer are responsible for implementation and adherence to this policy.

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5. Confidentiality

This policy may be treated as public and may be made available on REC's website or other communication channels.

6. Definitions

Board: The Board of Directors for Rappahannock Electric Cooperative

Cooperative: Rappahannock Electric Cooperative and its affiliates.

References and Related Documents:

REC Transparency Statement

(https://www.myrec.coop/sites/myrec/files/documents/Document%20Center/Transparency_Position_Statement_001.pdf)

Policy Title:	Independent Audit of Accounting & Financial Records
Policy Number:	BP 22
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Amendment Dates:	September 26, 2019, February 15, 2023
Approver:	Board of Directors
Applies to:	Board of Directors and the President & Chief Executive Officer
Administrator:	President & Chief Executive Officer
Superseding Effect	This Policy supersedes all previous policies and memoranda concerning the subject matter. Only the Approver may authorize exceptions to this Policy.