

WELLS RURAL ELECTRIC COMPANY

Adopted: March 1976

Reviewed: August 21, 1998

Revised: August 21, 1998

POLICY NO. 5-3

YEARLY AUDIT

I. OBJECTIVE

To select a Certified Public Accountant (CPA) or firm of CPA'S properly licensed to conduct business in the State of Nevada and to be approved by RUS.

II. PROCEDURE

- A. The audit shall use RUS guidelines in "RUS Bulletin 185-1 (Electric)" in order to receive government approval.
- B. The primary purpose of the annual audit is to provide the members, the board of directors, the management and RUS with an accurate survey of the financial condition of the company.
- C. The company's annual audit report shall determine whether it's financial policies are in fact being carried out by the manager and other employees and whether the financial health of the business is being preserved.
- D. It should also help the company determine the progress it has made, trends in operation, the adequacy of controls, and the effectiveness of business policies.
- E. The audit should be conducted so as to discourage dishonesty and fraud; special care being given to recommend procedures that would eliminate temptation and give a maximum cross-checking consistent with an efficient operation.
- F. A signed agreement with the auditor specifying (1) completion date of the audit (2) the date of the oral report to the board (3) cost within reasonable limits for unforeseen expenditures.

III. RESPONSIBILITY

The board of directors will be responsible for the annual audit report.