

NEVADA 15 WELLS

WELLS RURAL ELECTRIC COMPANY

WELLS, NEVADA

We have audited the loan fund transactions of the Wells Rural Electric Company for the period from January 1, 1962, to March 31, 1963. Our examination included the verification of receipts, a review of the evidence supporting the disbursements and the classification of construction fund expenditures by loan budget purposes. We also test-checked the accounting distribution of selected disbursements in the books of account. We relied upon the consulting engineer's certificate as to the adequacy of the construction from the standpoint of meeting REA requirements. Our audit was generally restricted to the transactions pertaining to REA loan funds. In addition, however, we made a limited review of the accounting procedures and practices and the method of bookkeeping to ascertain whether they were in accordance with REA recommendations.

STATUS OF REA SECTION 4 LOAN FUND RECEIPTS AND DISBURSEMENTS

Total REA advances through March 31, 1963	\$ 2,343,418.73
Cash balance March 31, 1963	28,116.15
Total disbursements to March 31, 1963	\$ <u>2,315,302.58</u>
Disbursements approved:	
Approved through prior field review, January 1, 1962	\$ 1,461,659.33
Total approved for period January 1, 1962, to March 31, 1963	\$ <u>851,405.21</u>
Net disbursements approved through March 31, 1963	\$ 2,313,064.54
Disbursements not approved:	
Overdisbursements of advances for primary budget purposes: This review: Budget Item 2-Transmission	\$ 2,238.04
Total disbursements to March 31, 1963	\$ <u>2,315,302.58</u> *

*Agrees with the total disbursements reported on financial requirement and expenditure statement for the period ending March 31, 1963.

The construction fund balance reflected on the books of the borrower on March 31, 1963, was verified by reconciliation with bank statements and the balance shown was directly confirmed with the depository.

Net disbursements approved of \$2,313,064.54 shown above, represents total disbursements to March 31, 1963 of \$2,315,302.58 less disbursements in excess of advances by primary budget purposes in the amount of \$2,238.04, approval of which is withheld pending advances to cover such overdisbursements. These overdisbursements are in technical violation of the provisions of the loan contract with REA and should be eliminated as soon as possible.

Subsequent to the audit date, the borrower prepared a work order covering additions to substations. An engineering certification needed for submission to REA for advance of loan funds under primary budget purpose 2-Transmission will be secured. This will eliminate the overdisbursement thereon.

GENERAL COMMENTS

Our limited review of the accounting procedures and practices disclosed certain matters which should, in our opinion, be given the attention of the management. These are as follows:

1. We suggest that information included in pages 75 through 80 of REA Bulletin 184-2 (5/62) be used for establishing control of all costs in connection with meters, transformers, oil circuit breakers and sectionalizers, during the period covering the purchase, identification, testing and preparation of them for actual use by the system.
2. We are please to note the interest shown in establishing the plant records on a property unit basis. We urge that every effort be made to complete these essential plant records by at least the end of December 1963, or sooner if possible.

The manager and personnel provided all assistance necessary and were fully cooperative throughout the period of this examination.

ACCOUNTANTS' OPINION

We have made a review of loan funds for the period January 1, 1962, to March 31, 1963. In our opinion, subject to the comments relating to disbursements in excess of advances, REA loan funds have been properly accounted for and have been used for proper loan program purposes.

CONTROLLER'S DIVISION

Date:

May 3, 1963/s/ Carl W. Elair
REA Field Accountant

Approved:

JUL - 3 1963*W. H. Lewis*
Area Accountant