

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

October 31, 1979

SUBJECT: Timely Submission of Requisitions and Temporary Investment
of Funds Received Pursuant to REA Loan Guarantees, or from
the Rural Telephone Bank, or Rural Electrification and
Telephone Revolving Fund

TO: Borrowers with Loans from REA or RTB or Loan Guarantees from REA

- I. Purpose: To emphasize the requirement that requisitions for loan funds are not to be submitted prematurely, or for amounts greater than immediate needs; and to provide guidelines for the temporary investment of funds advanced by the Federal Financing Bank (FFB) and other lenders pursuant to REA loan guarantees or from the Rural Telephone Bank (RTB) or the Rural Electrification and Telephone Revolving Fund (RETRF), and on the proper use of idle funds.
- II. Timely Submission of Requisitions:
 - A. Loan fund advances should be timed to assure they occur only when essential to meet current needs for funds for disbursement. Requesting advances before they are needed to make payments on contracts and other obligations is to be avoided.
 - B. Requisitions for advances of funds are processed on a timely basis as received. The requisitions for RETRF and RTB advances should not be submitted to REA more than 30 days before the funds are to be disbursed in payment of obligations. For requisitions under loan guarantees, the requested date for receipt of the advances should coincide as nearly as possible with the date upon which disbursements are to be made. In reviewing and approving requisitions, the Area Office will inform the Borrower that advances will be withheld if it appears that funds are being requested too far in advance of the time needed.
 - C. Loan funds which have been requisitioned and advanced should be retained in the Borrower's "Trustee, Special Construction Account" (Electric) or "Trustee, REA Construction Fund Account" (Telephone) until properly supported for reimbursing general funds or for direct payment of approved construction costs. If the funds have been advanced to reimburse the Borrower's general funds for previously approved and completed construction, the amount should be transferred promptly to general funds, with proper support.

III. Idle FFB and RTB Funds:

- A. When unanticipated events cause a delay in using advances from FFB and RTB loans (but not from RETRF loans), Borrowers may, without obtaining prior approval from REA, (1) invest the idle funds in short-term securities issued by the United States Treasury (these may be purchased under repurchase agreements -- agreements by banks and securities dealers to repurchase U. S. securities sold by them at a fixed price), or (2) deposit the idle funds, if permitted by state law to do so, in savings accounts of banks and other institutions insured by agencies of the Federal Government. Borrowers may also invest idle funds in other short-term securities, including certificates of deposit, with the prior approval of REA.
- B. Each security or other investment purchased or made pursuant to this authorization, together with all other related documentation, shall identify the Borrower by the corporate name of the Borrower followed by the words "Trustee, Rural Telephone Bank (Rural Electrification Administration, in the case of an FFB loan) Special Construction Loan Funds". All temporary investments of FFB and RTB funds and all income thereon will be considered as part of the trustee account and subject to the same controls as cash in that account.
- C. Securities and other investments should have maturity dates or other liquidating provisions that assure the availability of funds as required for the completion of projects and the payment of obligations. Generally, the yield rate of the temporary investment will be lower than the interest rate charged on the loan advances. Even when the rate of yield on the investment is higher, the amount of investment income will generally be less than interest costs because the holding period of the temporary investment will be less than the period between the date of the advance and the date the funds are expended for construction.
- D. Any instrument evidencing a security or other investment herein authorized to be purchased or made may not be sold, discounted or pledged as collateral for a loan or as security for the performance of an obligation, or for any other purpose, without the express written consent in advance of the Administrator.
- E. The Administrator may, in his sole discretion, require a Borrower to pledge any security or other evidence of investment authorized hereby by forwarding to him all pertinent instruments and related documentation as the Administrator may reasonably require. The Administrator reserves the right to suspend the authorization herein.
- F. Borrowers are responsible for effective safekeeping of redeemable and negotiable securities and other investments.

G. All interest receipts on these investments shall be deposited in the appropriate account described in II.C above and the Construction Work in Progress Account shall be credited for the full amount of such deposits. Appropriate adjustment shall also be incorporated into the Construction Fund Budget to reflect the additional funds available for construction purposes.

H. On the next requisition submitted to REA, the proceeds shall be accounted for as follows:

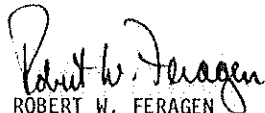
1. Electric Borrowers shall account for the proceeds on the Financial Requirement and Expenditure Statement (REA Form 595) in order that REA can make necessary adjustments on the Primary Budget Purpose Sheet in the manner described in Bulletin 26-1, Section III.D.2. Proceeds from the Sale of Property -- Sales of \$25,000 and more.

In addition, the proceeds shall be reported under the same Primary Budget Purpose(s) as the advance of funds from which the investment was originally derived; whether or not the advance was invested in whole or in part.

2. Telephone Borrowers shall account for the proceeds on the Financial Requirements Statement (REA Form 481) in order that REA can make the necessary adjustments on the budgetary records, as provided for in REA Bulletin 327-1, Appendix A, Section II. Other Funds (Credit).

IV. Idle Funds of Other Guaranteed Lenders: Funds advanced by a guaranteed lender other than FPB may, if so permitted by such lender, be invested under the terms and conditions prescribed for FPB advances in III, above.

V. Idle RETRF Funds: When unanticipated events cause delay in using advances from RETRF, the Borrower may (1) return the idle funds to REA as a "refund of an advance" and later request the funds when needed; or (2) invest the 2 percent funds in 2 Percent Treasury Bonds R.E.A. Series, and 5 percent funds in 5 Percent Treasury Certificates of Indebtedness - R.E.A. Series. (See REA Bulletin 103-9:403-4 for complete details.) All interest received on these investments shall be deposited in the Construction Fund/Trustee Account and the Construction Work in Progress Account shall be credited for the full amount of the deposit. Appropriate adjustment shall also be incorporated into the Construction Fund Budget to reflect the additional funds available for construction purposes. For reporting requirements see III.H. above.


ROBERT W. FERAGEN
Administrator

UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL ELECTRIFICATION ADMINISTRATION
WASHINGTON, D.C. 20250

OFFICE OF THE ADMINISTRATOR

MAY 8 1973

SUBJECT: Financial Requirement Statement; REA Form 595

TO: All Electric Borrowers

We are requesting that future requisitions be prepared so that the total of advances is in rounded thousands of dollars. This is being done in an effort to simplify records and avoid errors in budgetary records of both REA and the borrowers.

The new cover sheet for the Financial Requirement Statement carries the following added instruction (f):

"(f) Whenever practical to do so, the amounts of the individual purposes entered in column (7), Advance Now Requested, should be rounded so that the total of column (7) adds to a sum of rounded thousands."

Until the supply of old forms is exhausted the cover sheet will have the instruction added using a typed or paste-on form.

The exception "whenever practical to do so" is intended for use in instances such as when the exact amount of a final contract payment requires an advance carried to the penny. Odd amount requests submitted to match work-order schedules are not a significant reason to avoid the use of rounded thousands.

It would be most helpful if you will submit future requests for advance of funds in thousands of dollars so that they may be generally honored as submitted.

Donald L. Grant

DONALD L. GRANT
Acting Assistant Administrator - Electric

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

November 14, 1972

SUBJECT: Budgetary Control and Advance of Loan Funds

TO: Electric Borrowers

The purpose of this memorandum is (1) to emphasize the requirement that requisitions for loan funds are not to be submitted too far in advance of or in amounts greater than immediate needs, and (2) to add several items to the term "special equipment" as used in REA Bulletin 26-1 so that it agrees with the revised REA Bulletin 181-1, "Uniform System of Accounts."

In regard to the submission of requisitions to REA for loan funds, it has been brought to our attention that on a number of occasions borrowers have submitted requisitions to REA more than 30 days in advance of their need for funds to meet contractual or other obligations. Since REA loan funds are a part of the Federal budget, advances of funds by the Treasury for financing borrowers' construction have a substantial impact on Treasury financing cost. The timing of loan fund advances should be such as to assure that withdrawals from the Treasury occur only as and when essential to meet current needs for actual disbursement of funds. Borrowers' requisitions for advances of funds are being processed generally within about three weeks after the receipt of the requisition. Borrowers' requisitions for funds should be limited to the minimum amounts needed and submitted to REA so as to obtain the funds not more than 30 days before they are to be disbursed in payment of obligations as they become due or to reimburse general funds on a timely basis. In reviewing and approving requisitions, the area office may communicate with individual borrowers if it appears that funds in large amounts are being requested too far in advance of the time needed. Loan funds which have been requisitioned and advanced should not be retained in the borrower's Construction Fund-Trustee Account longer than necessary. If the funds have been advanced to reimburse the borrower's general funds for previously approved and completed construction, the amount should be transferred promptly, with proper support, in the interest of good cash management.

In regard to special equipment, page 5 of REA Bulletin 26-1 under Primary Purpose 1 - Distribution, refers to meters, transformers, oil circuit reclosers and sectionalizers as "special equipment" for which funds will be "approved for advance" on the basis of a borrower's letter of request. The revised REA Bulletin 181-1, "Uniform System of Accounts," includes current and potential transformers, meter sockets and other metering equipment listed in Account 370, Meters, as well as pole-type and underground voltage regulators in Account 368, Line Transformers, as items which are to be capitalized on purchase. These additional items of

equipment, including estimated first installation costs, if properly chargeable to Accounts 368 or 370, may also now be included in letter requests for approval of advance of loan funds. Transformers, voltage regulators, metering equipment and current and potential transformers for substations are not to be included as "special equipment."

David G. Kinnel

Administrator

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

May 20, 1971

Revised REA Bulletin 26-1

Enclosed is a revision of REA Bulletin 26-1, "Budgetary Control and Advance of Electric Loan Funds." The principal changes are:

1. The bulletin has been updated to provide for changes in procedures and the format has been changed to make it more concise.
2. Exhibit V of the bulletin includes procedures for budgetary control and advance of funds under concurrent loans.
3. The Financial Requirement and Expenditure Statement, REA Form 595, (Exhibit III) has been revised so that it may also be used for requisitioning funds and reporting expenditures under concurrent loans. Borrowers not having concurrent loans may use REA Form 595 (Rev. 10-66) until revised REA Form 595 (Rev. 5-71) is furnished by REA.

This bulletin supersedes Bulletin 26-1, "Budgetary Control and Advance of Loan Funds," dated July 1957.

Enclosure

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

May 20, 1971
Supersedes 7/57

REA BULLETIN 26-1

SUBJECT: Budgetary Control and Advance of Electric Loan Funds

- I. Purpose: This bulletin provides instructions and procedures for requesting advance of Section 4 loan funds and for reporting loan fund expenditures. The approved loan purposes, the maintenance of loan budget records, the method of securing approval for advance of loan funds, and the method of requesting loan fund advances are described.

This bulletin pertains solely to the budgeting, requisitioning, and expending of loan funds and is not directly related to the accounting procedures or classifications provided in the REA Uniform System of Accounts.

- II. Primary Budget Purposes: The six primary budget purposes for which REA electric loan funds are budgeted, advanced and expended are:

1. Distribution
2. Transmission
3. Generation
4. Headquarters Facilities
5. Acquisitions
6. All Other

The specific identification of items which are included in each primary budget purpose for which loan funds may be available is included in Exhibit I, Items Normally Provided for Under Primary Budget Purposes.

At the time a new loan is made each borrower is provided with a copy of REA Form 740c, Cost Estimates and Loan Budget for Electric Borrowers. The Loan Budget column on Form 740c is completed by REA showing the actual amounts approved for each primary budget purpose as well as items within each primary purpose. REA Form 740c containing the loan budget for each new loan will be maintained as a permanent record to support the entries made in posting the new loan to other loan budget records. The figures on the Form 740c will not be changed to reflect budget transfers or adjustments made after approval of the loan. Such transfers will be recorded by entries made in the consolidated loan budget records. As additional loans are made, the new loan funds will be consolidated with previous loans by primary budget purpose and the cumulative totals will be shown in column 4, Total in Consolidated Loan Budget, on REA Form 605, Primary Budget Purpose Sheet, (see Exhibit II). REA will send the borrower a photocopy of

the Form 605 after the new loan is recorded and after each subsequent budget transaction. Upon receipt of such copies the borrower should conform its records.

III. Consolidated Loan Budget Records:

A. Maintenance:

1. The borrower should maintain its own subsidiary loan budget records for each primary budget purpose in such manner that it can readily ascertain (1) items for which advanced funds have been expended, and (2) the sufficiency of the sum of the cash balance and unadvanced funds to complete the work for which the loans were made.
2. The consolidated loan budget records maintained by REA consist of a set of Primary Budget Purpose Sheets, REA Form 605. A separate sheet will be established for each primary budget purpose and the Closed Budget. Also in connection with Primary Budget Purpose 3, Generation, a separate primary budget purpose sheet will be maintained for each generating plant and each separately loaned generating unit or units of that plant. Funds cannot be transferred from one plant to another plant or from one generating plant unit to another generating plant unit without REA approval. The primary budget purpose sheets will be maintained so as to show each loan designation and the amount of each loan for that primary budget purpose. The amount shown in column 4, Total in Consolidated Loan Budget, plus any amount shown as under stop order or conditional agreement, plus any amount for that purpose moved to Closed Budget, will equal the total loan funds made available for that purpose.
3. Amounts approved for advance will be recorded in such manner on the Form 605 that the contract, work order inventory, or other documents supporting the request for approval for advance can be easily identified. Each amount approved for advance will be recorded individually in column 3, Amount this Transaction, and the total approved for advance is shown in column 8 as the sum of the amount of the transaction plus the previous total in column 8, Approved for Advance.
4. The difference between the amounts in column 4 and column 8 will be shown in column 5, Balance in Reserve, and will indicate the balance available to be approved for advance.

5. If inventories of work orders are approved for some budget purpose in amounts in excess of the amount provided in the loan for this budget purpose, the amount of the deficiencies will be accumulated in column 6, Approved No Funds Available.
- B. Adjustments: When the balance in reserve for any primary budget purpose is insufficient to cover additional contracts or other documented needs applicable to that purpose the borrower may request a transfer of funds. Funds may be transferred from excess funds available in other primary budget purposes. In making such request the borrower must submit a statement showing the reason the funds are no longer or presently not needed in the purpose from which the transfer is proposed, and the reason for insufficient funds in the purpose to which the transfer is to be made. Any request for transfer of funds between primary budget purposes which involves a change in the construction program from that provided for in the loan must be accompanied by a certified copy of a board resolution requesting such transfer. As budget transfers are approved, they will be recorded in a manner to readily identify the primary budget purposes involved and the basis of the budget changes.
- C. Closed Budget: After expenditures in any primary budget purpose have been reviewed and concurred in by an REA field accountant, they may be transferred by the area office from that primary budget purpose to Closed Budget.
- D. Proceeds from the Sale of Property: The disposition of the proceeds from the sale of property may be handled in several ways as outlined in REA Bulletin 115-1, "Sales of Property by Electric Borrowers." The loan budget records will be adjusted only when the proceeds are deposited in the "Cash-Construction Fund-Trustee," Account 132.1 as follows:
1. Sales of less than \$25,000. An adjustment in the Financial Requirement and Expenditure Statement, REA Form 595, should be made by the borrower by decreasing column 5, Total Expenditures to Date, and increasing column 6, Cash Balance, by the amount of the proceeds in the proper budget purpose. The adjustment may in some cases result in a negative amount in column 5 until further expenditures are recorded. The proceeds are normally reflected in the budget amounts of the primary budget purpose for which the property sold was originally purchased. They may, however, be applied to another purpose at the borrower's request.

2. Sales of \$25,000 and more. The borrower should make the adjustments in the Financial Requirement and Expenditure Statement, REA Form 595, described in 1. above, and in addition request REA to make the necessary adjustments on Primary Budget Purpose Sheet, REA Form 605, for the purpose or purposes involved. The amount in column 8, Approved for Advance, is decreased and the amount in column 6, Balance in Reserve, is increased by the amount of the proceeds. In some cases a negative amount may result in column 8 until additional funds are approved for advance.

F. Liquidated Damages: When the borrower has paid a contractor the full amount of the contract without deducting liquidated damages, and the contractor pays liquidated damages to the borrower, the amount received shall be deposited in Account 132.1, Cash-Construction Fund-Trustee. The borrower will then reflect the amount of liquidated damages in the proper primary budget purpose on the Financial Requirement and Expenditure Statement, REA Form 595, by increasing cash balance and decreasing expenditures by this amount. On receipt of notice of such deposits REA will make adjusting entries on Form 605 to reflect the deposit.

K. Responsibility for Expenditure of Loan Funds: The borrower will be responsible for controlling the expenditure of funds advanced in accordance with the terms of the loan contract and mortgage and all other contractual obligations, such as terms of payment, escalation clauses, proof of title, and release of liens. Funds established for one primary budget purpose must not be expended for another primary budget purpose unless a transfer of funds has been approved by REA.

IV. REA Approval of Funds for Advance by Primary Budget Purposes: Before loan funds can be requisitioned and advanced, they must first be approved for advance and recorded as such in the consolidated loan budget records. The methods by which loan funds are approved for advance under each of the six primary budget purposes are as described in detail below.

Where the approval for advance of funds is for the purchase of real estate or for the construction of facilities where the purchase of real estate is involved, such as substations, headquarters and generating plants, title clearance must be approved by the Office of the General Counsel, U.S. Department of Agriculture (See REA Bulletin 20-3, "Obtaining Adequate Right-of-Way and Submission of Title Evidence by Electric Borrowers.").

A. Primary Purpose 1 - Distribution: Funds for this purpose will be approved for advance on the basis of approved Inventories of Work Orders, REA Form 219, and for special equipment, (meters, transformers, oil circuit reclosers and sectionalizers) on the basis of the borrower's letter of request. However, if a borrower does not have sufficient general funds to meet its obligations during the construction period it may make a written request, and if approved by REA, funds will be approved for advance for (1) construction or engineering service contracts, when copies of such contracts are submitted to REA for approval or its information and records, or (2) a normal inventory fund. The Normal Inventory, column 7, REA Form 605, represents funds approved for advance prior to REA's receiving the Inventories of Work Orders or other documents which would normally be used as instruments for having funds approved for advance. As soon as expedient the normal inventory fund will be reduced to zero by applying amounts shown as previous advances (column 9 of REA Form 219) on subsequent Inventories of Work Orders submitted to REA.

B. Primary Purpose 2 - Transmission: Funds for this purpose will be approved for advance (with the exception of funds for right-of-way procurement) when documents such as construction contracts, engineering service contracts and inventories of work orders are approved by REA or other specific approval to a borrower's request is given by REA.

Funds for all right-of-way procurement costs (except attorney's fees) will be approved for advance upon approval by REA of the borrower's estimate of needs and a schedule of rates of payment for easements and other costs.

If a borrower does not have sufficient general funds to finance construction to be accounted for by work orders, or to finance owner-furnished materials for work to be done by construction contract, a normal inventory as explained under A. above may be established upon approval by REA of the borrower's written estimate of requirements. As soon as expedient amounts shown on previous advances on work order inventories and amounts shown on owner-furnished materials in construction contracts will be applied to the normal inventory until the fund is reduced to zero.

C. Primary Purpose 3 - Generation: Funds for this purpose will be approved for advance on the basis of the following documents:

1. Inventories of Work Orders
2. Construction Contracts
3. Engineering Service Contracts

4. Architectural Service Contracts
5. Material Contracts
6. Equipment Contracts
7. Purchase Orders
8. Production Plant Estimate Work Orders (where justified)
9. Letter request for funds required for items not included above.

For the purchase of land and land rights, funds will be approved for advance upon submission of a letter of request, provided the site has been approved by REA and satisfactory opinion of borrower's attorney as to legal clearance of site has been obtained. See REA Bulletin 20-3, "Obtaining Adequate Right-of-Way and Submission of Title Evidence by Electric Borrowers." Letters to REA requesting approval for advance of funds for land and land rights should contain a summary of costs such as:

Site Purchase
Recording Fees
Abstracts
Agents' Commissions

- D. Primary Purpose 4 - Headquarters Facilities: Funds for this purpose will be approved for advance on the basis of construction contracts approved by REA, borrower's letters of requests for funds to finance other contract or force account construction and approved inventories of work orders with the following exception:

For building site procurement the same requirements must be met as for the purchase of land and land rights under Budget Purpose 3 above.

- E. Primary Purpose 5 - Acquisitions: Funds for this purpose will be approved for advance as follows:

1. Purchase Price: For the facilities and equipment included in acquisitions funds will be approved for advance in the amount of the adjusted purchase price in accordance with the terms of the purchase agreements when they are approved by REA.
2. Rehabilitation: For all initial costs for rehabilitating or improving acquired facilities and for integrating such facilities which are specifically included in a loan or which have been established by approved budget adjustments, funds will be approved for advance on the basis of inventories of work orders, contracts, letters of request or other specific documents as may be required by REA.

- F. Primary Purpose 6 - All Other: Funds for this purpose will be approved for advance in the full amounts shown in the loan (unless specifically restricted) when the loan documents are executed and approved. Loan funds subsequently transferred to this purpose from other primary purposes will be approved for advance at that time in the full amount transferred. The amount expended from loan funds for attorney's fees shall not exceed the amount provided for this item under this budget purpose without prior written approval by REA.
- V. Related Requirements for Advance of Funds: No advance of loan funds can be made for any purpose unless the following requirements have been met,
- A. Execution of Notes: The borrower has executed notes which cover the amount requested. Advances cannot exceed the amount under note. The borrower should take action to execute notes in sufficient time so that advances will not be delayed. See REA Bulletin 20-10, "Notes and Basis Date Agreements."
- B. Compliance Assurance and Compliance Report: The borrower has submitted to REA a Compliance Assurance, REA Form 266, and a current annual Compliance Report, REA Form 268, relating to Title VI of the Civil Rights Act of 1964 as required by REA Bulletin 20-19, "Non-Discrimination Among Beneficiaries of REA Programs."
- C. General Funds Level: The borrower's general funds level does not exceed the REA recommended appropriate level. See REA Bulletin 1-7, "General Funds."
- D. Insurance: The borrower has met REA insurance requirements. See REA Bulletin 114-2, "Minimum Insurance and Fidelity Coverage."
- VI. Financial Requirement and Expenditure Statement, REA Form 595:
- A. Preparation: The Financial Requirement and Expenditure Statement, REA Form 595, is to be used by borrowers when requesting advance of loan funds, and for reporting expenditures made from these funds which have been advanced and deposited in the Cash-Construction Fund-Trustee account.

The amount of REA loan funds approved for each primary budget purpose will be shown in column 2, Consolidated Loan Budget, on the form and this amount will reflect all approved transfers between purposes, amounts contained in new loans (less any amount under stop order or conditional agreement), and approved transfers to Closed Budget.

In column 7, Advance Now Requested, the borrower will show the amount of advance it requires for each primary budget purpose. Ordinarily advance of loan funds will be made upon request of the borrower as required, up to the full amount approved for advance, column 3, minus the amount previously advanced, column 4, except that the total of all advances cannot exceed the amount under note.

- B. Adjustments by REA: The word "adjusted" appears in column 1, under each primary budget purpose, and a line for "REA use only" to show adjusted amounts is provided in each of the columns 2 through 7. Adjustments will result from new loans, approval of budget transfer requests, deposit of proceeds from the sale of property, additional approvals for advance, and for amounts transferred to Closed Budget. REA will use the "adjusted" spaces in column 7 to show the actual amounts advanced when these vary from the requested advances.
- C. Certification: The Financial Requirement and Expenditure Statement is to be signed by a corporate officer or manager of the borrower. The borrower must have executed and submitted a Certification of Authority, REA Form 675, authorizing by name the officers and manager to sign such statements (see Exhibit IV).
- D. Submission to REA: Borrowers should request advance of funds in sufficient time to meet their needs as determined by contractual and other obligations, but should not request advances too far in advance of time needed or in greater amounts than actually needed. The Financial Requirement and Expenditure Statement should not be submitted to REA more often than once per month to request advance of loan funds, but shall be submitted for each quarter ending March, June, September and December if there were any receipts or expenditures in connection with the Cash-Construction Fund-Trustee account, since the last statement.

David A. Hann

Administrator

Enclosures

- Exhibit I - Items Normally Provided for Under Primary Budget Purposes
- Exhibit II - REA Form 605, Primary Budget Purpose Sheet
- Exhibit III - REA Form 595, Financial Requirement and Expenditure Statement
- Exhibit IV - REA Form 675, Certification of Authority
- Exhibit V - Budgetary Control and Advance of Funds Under Concurrent Loans

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- CONSTRUCTION - Budget
- LOANS - Advance and Budgetary Control

ITEMS NORMALLY PROVIDED FOR UNDER PRIMARY BUDGET PURPOSES

A. BUDGET PURPOSE 1 - DISTRIBUTION:

This purpose is used to provide funds for constructing distribution facilities, including new construction, system improvements and replacement costs in excess of the original cost of the property replaced. Loan funds may be provided for the following items:

1. Labor, materials and equipment for construction. For all labor, materials and equipment used in overhead and underground distribution facilities including items such as right-of-way clearing, material handling and storage and other direct costs.
2. Engineering Services. For all engineering services (except preloan engineering, which is included in Budget Purpose 6) including the preparation of plans and specifications, staking, supervision of construction, system planning studies, mapping new facilities, and other engineering services.
3. Procurement of right-of-way easements and substation sites. For the procurement of right-of-way easements and substation sites, salaries and expenses of easement solicitors, abstracting fees, recording fees, condemnation costs (exclusive of attorney fees), easement maps, printing of easement forms, notary seals, bonds and commissions for easements, highway and railroad crossing permits, and power and telephone agreements. Loan funds are not to be used for the purpose of providing compensation to landowners for right-of-way easements.
4. Overhead related to construction. For overhead costs as described in Part I, Section 3, REA Bulletin 184-2, "Suggested Work Order Procedure."

B. BUDGET PURPOSE 2 - TRANSMISSION:

This purpose is used to provide funds for constructing transmission facilities including new construction, system improvements and replacement costs in excess of the original cost of property replaced. It includes substations (other than step-up substations at generating plants and those included in Primary Budget Purpose 1) switching, communication and supervisory control equipment, and miscellaneous facilities. Loan funds may be provided for the following items:

1. Labor, materials and equipment for construction. For labor and materials used in the construction of transmission lines, substations, switching and miscellaneous facilities, including items

such as right-of-way clearing, materials handling and storage, and other direct costs.

2. Engineering services. Funds are provided for the same items as shown under this heading for Budget Purpose 1 above.
3. Procurement of right-of-way easements and substation sites. Funds are provided for the same items as shown under this heading for Budget Purpose 1 above, except that funds are included for the purpose of providing necessary compensation to landowners for right-of-way easements.
4. Overhead related to construction. For overhead costs as described in Part I, Section 3, REA Bulletin 184-2, "Suggested Work Order Procedure."

C. BUDGET PURPOSE 3 - GENERATION:

This purpose is used to provide funds for constructing electric generating facilities. Loan funds may be provided for the following items:

1. Labor, materials and equipment for construction. For all direct labor, material and equipment costs in connection with construction or improvements of fossil fuel and nuclear steam plants, hydro plants, gas turbine plants and diesel plants or units in such plants, including the step-up substations.
2. Engineering services. For engineering services associated with the design and supervision of construction of a generating plant and step-up substation, including site investigations or surveys, and for coordinating engineering if such engineering services are required, but excluding preloan engineering which is provided for in Primary Budget Purpose 6 - All Other.
3. Procurement of land and land rights. For the purchase of the plant site, including options, abstracts, title insurance, recording fees, agent commissions, and condemnation costs (excluding attorney fees).
4. Overhead related to construction. For overhead costs as described in Part I, Section 3, REA Bulletin 184-2, "Suggested Work Order Procedure."

D. BUDGET PURPOSE 4 - HEADQUARTERS FACILITIES

This purpose is used to provide funds for constructing, purchasing, or improving offices, warehouses, and garages (except those described under Budget Purpose 5 - Acquisitions). Funds may be provided as follows:

1. Labor, materials and equipment for construction. For all direct labor and material costs in connection with the construction or improvement of office buildings, warehouses and garages.
2. Architectural services. For architectural services associated with the design and supervision of construction of offices, warehouses and garages including site investigations and surveys.
3. Procurement of land and land rights. For the purchase of building sites for offices, warehouses and garages, including such costs as options, abstracts, title insurance, recording fees, agents' commissions.
4. Overhead related to construction. For overhead costs as described in Part I, Section 3, REA Bulletin 184-2, "Suggested Work Order Procedure."

E. BUDGET PURPOSE 5 - ACQUISITION:

This purpose is used to provide funds for all costs in connection with purchase and initial rehabilitation or improvement of existing electric plant facilities purchased, including engineering services and overhead costs, but not attorney fees.

F. BUDGET PURPOSE 6 - ALL OTHER:

This purpose is used to provide funds for items not specifically provided for in Primary Budget Purposes 1 through 5 including:

1. General plant equipment. For all general plant equipment, including office furniture and equipment; transportation equipment and accessories; stores and shop equipment which is not permanently attached to buildings; and laboratory equipment such as voltmeters, meter testers and fuel analyzers; tools and work equipment. It includes communications equipment, such as two-way radios and towers, intercommunication, carrier, supervisory control, and telemetering equipment except when such equipment is provided for under another primary budget purpose. It also includes accessories which are made a part of or used in connection with the general plant equipment.
2. Preloan expense. For costs incurred prior to the execution of the loan contract, including preloan engineering, coordinator's or manager's salary and transportation expenses, attorney's out-of-pocket expenses, directors' fees and transportation expenses, etc. as approved by REA.

3. Legal fees and expenses. For normal and special legal services as defined in REA Form 739, Information Concerning Duties and Fees of Borrower's Attorneys in Connection With Electric Loans, including attorneys' miscellaneous out-of-pocket expenses for telephone, telegraph, mailing and express charges on legal documents, recording and filing fees and similar items. It does not include the cost of legal services incurred in connection with borrowers' operations not related to any particular section or project after construction is completed. Such legal services are to be paid for from borrowers' general funds.

Funds for special legal services will be approved for advance on the basis of the attorney's itemized statement of such costs submitted to and approved by REA.

4. Working capital funds. For operating costs incurred within 90 days after the energization of the first section or project, or later when specifically approved by the Administrator.

It includes funds for borrowers' initial inventory of fuel and lubricants, spare parts not obtained under a prime equipment contract, materials and supplies for operations and maintenance purposes, directors' fees and mileage and managers' and other employees' salaries and transportation expenses. It does not include overhead costs in connection with construction which are provided for through submission of work order inventories or specific requests in connection with a specific primary budget purpose.

5. Interest. For payment of interest, when loan funds are provided therefor, in accordance with the provisions of REA Bulletin 20-7. Loan funds provided for other items in Primary Budget Purpose 6 - All Other, cannot be used for payment of interest unless prior specific approval is given by REA. When funds for payment of interest are included in a loan budget they may be used to pay interest on notes related to that specific loan only.

FINANCIAL REQUIREMENT & EXPENDITURE STATEMENT TO U.S. Department of Agriculture, REA, Washington, D.C. 20250				FORM APPROVED OMB NO. 40-40168		
(INSTRUCTIONS - Submit original and two copies to REA. For detailed instructions and operating aids of Steps 1 and REA (Pub. 261).				1. BORROWER DESIGNATION		2. STATEMENT NO.
THIS SPACE FOR REA USE ONLY				3. PERIOD ENDING (Month & year)		4. DATE SUBMITTED
DATE RECEIVED _____ REGISTER NO. _____						5. EFFECTIVE DATE OF ADJUSTED AMOUNTS _____
PRIMARY BUDGET PURPOSES (1)	CONSOLIDATED LOAN BUDGET (2)	AMOUNTS APPROVED FOR ADVANCE (3)	TOTAL ADVANCE (4)	TOTAL EXPENDITURES TO DATE (5)	CASH BALANCE (6)	ADVANCE NOT REQUESTED (7)
1. OBLIGATION						
1. ADJUSTED (REA use only)						
2. TRANSACTIONS						
2. ADJUSTED (REA use only)						
3. GENERATION						
3. ADJUSTED (REA use only)						
4. EQUIPMENT FACILITIES						
4. ADJUSTED (REA use only)						
5. LIABILITIES						
5. ADJUSTED (REA use only)						
6. ALL OTHERS						
6. ADJUSTED (REA use only)						
7. FUND BUDGET						
7. ADJUSTED (REA use only)						
Under Stop Order or Conditional Agreement, Exclusive of Current Loan Standard Conditional Agreement:						
ADJUSTED (REA use only)						
TOTALS						
ADJUSTED (REA use only)						
Breakdown of Amount Under Stop Order or Conditional Agreement as Shown Above				Total Amount of Notes Executed		
TRANSACTIONS		GENERATION		EQUIPMENT FACILITIES	ACQUISITIONS	OTHER
STATUS OF CONCURRENT LOANS			UNDER WHICH THIS REQUEST IS MADE			
ITEM			REA		OTHER	
LOANED FROM FACILITIES						
UNDER STANDARD CONDITIONAL AGREEMENT						
APPROVED BY DATE						
CERTIFICATION						
<p><i>I declare that the "Cash-Construction Fund-Trustee" account (total of column 6) at the close of the period covered by this report is \$ _____ subject to approval of REA, the copartners request that total of column 7 be advanced under the loan contract. I certify that this amount is required for the purposes designated in accordance with provisions of said loan contract, and that proceeds will be deposited in the "Cash-Construction Fund-Trustee" account of the _____ bank which is a member of the FDIC, and will be disbursed only as herein specified in accordance with the provisions of said contract. I further certify that I have checked the cash balance shown on this statement in column 6 with the books and records of the copartners and said balances are true and correct and expenditures reported in column 5 were used for the purposes and in the amounts authorized by the loan contract and previously approved Financial Requirement and Expenditure Statement.</i></p> <p><i>With respect to concurrent loan funds included in this requisition, if any, the total amount of funds advanced to date under this designated concurrent loan is as shown above and this request is now made in _____ Name of Lender _____ in accordance with the established procedure for requisitioning and advancing funds under concurrent loans. All loan contract conditions concerning advance of funds under concurrent loans have been met.</i></p> <p style="text-align: right;">Name and Address of Borrower _____</p> <p style="text-align: right;">Signature _____ Title: Authorized Corporate Officer or Manager _____</p>						
RECORD OF PAYMENT						
INSURANCE VERIFIED				RECORD OF PAYMENT		
STOP ORDERS & CONDITIONAL AGREEMENTS VERIFIED				APPROPRIATION SYMBOL		
<p><i>I certify that the borrower has complied with all the provisions of the Loan Contract therein required to be performed in order to obtain the payment approved under this report; that all receipts, memos, statements, and documents, and the obligations required from the borrower in connection herewith by the provisions of said Loan Contract have been received, examined, and found to be satisfactory, and payment is approved in the total adjusted amount shown in column 7.</i></p> <p>DATE _____ SIGNATURE _____</p>				NOTES		
				CYCLE	STATE	BORROWER
				TOTAL		

WORKSHEET (Remove this sheet before preparing form)

USDA - REA		FINANCIAL REQUIREMENT & EXPENDITURE STATEMENT		FORM APPROVED OMB NO. 5702-0015		
TO: U.S. DEPARTMENT OF AGRICULTURE, REA, WASHINGTON, D.C. 20250		1. BORROWER DESIGNATION		2. STATEMENT NO.		
INSTRUCTIONS - SUBMIT ORIGINAL AND TWO COPIES TO REA FOR DE- TAILED INSTRUCTIONS SEE REVERSE SIDE OF SHEET 4 & REA BUL 26-1		3. DATE SUBMITTED		4. EFFECTIVE DATE OF ADJUSTED AMOUNTS		
THIS SPACE FOR REA USE ONLY						
DATE RECEIVED	REGISTER NO.	A. PERIOD ENDING (MONTH AND YEAR)				
PRIMARY PURPOSES	CONSOLIDATED LEARN BUDGET	AMOUNTS APPROVED FOR ADVANCE	TOTAL ADVANCE	TOTAL EXPENDITURES TO DATE	CASH BALANCE	ADVANCE NOW REQUESTED
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1. DISTRIBUTION ADJUSTED (REASON)						
2. TRANSMISSION ADJUSTED (REASON)						
3. GENERATION ADJUSTED (REASON)						
4. HEADQUARTERS FACILITIES ADJUSTED (REASON)						
5. ACQUISITIONS ADJUSTED (REASON)						
6. OTHER ADJUSTED (REASON)						
7. UNCLASSIFIED BUDGET ADJUSTED (REASON)						
8. UNDER THE DEFERRED REPAYMENT SCHEDULES EXCLUSIVE OF DEFERRED REPAYMENT (DEFERRED REPAYMENT PROGRAM AGREEMENT)						
ADJUSTED (REASON)						
TOTALS						
ADJUSTED (REASON)						
BREAKDOWN OF AMOUNT UNDER STOP ORDER OR CONDITIONAL AGREEMENT AS SHOWN ABOVE				TOTAL AMOUNT OF NOTES EXECUTED		
A. DISTRIBUTION	\$	D. HEADQUARTERS	\$	A. REA	\$	
B. TRANSMISSION	\$	E. ACQUISITIONS	\$	B. FFB	\$	
C. GENERATION	\$	F. OTHER	\$	C. OTHER	\$	
STATUS OF THE			LOAN UNDER WHICH THIS ADVANCE IS REQUESTED			
(REA Loan Designation)						
ITEM	REA	FFB	OTHER	TOTAL		
AMOUNT OF LOAN						
AMOUNT UNDER CONCURRENT LOAN CONTRACTS						
ADVANCED TO DATE						
CERTIFICATION						
Balance in "Cash Construction Fund Trustee" account (total of column 6) at the close of the period covered by this report is \$						
Subject to approval of REA, the corporation requests that total of column 7 be advanced under the loan contract. All references herein to "Loan Contract" shall include, in addition to the REA loan contract, any Federal Financing Bank (FFB) loan commitment agreement with related commitment notice and correspondence concerning loan terms and conditions. I certify that this amount is required for the purposes designated in accordance with provisions of said loan contract and that proceeds will be deposited in the "Cash Construction Fund Trustee" account of the						
Bank which is a member of the FFB and will be disbursed only as herein specified in accordance with the provisions of said contract. I further certify that I have checked the cash balance shown on this statement in column 6 with the books and records of the corporation and said balances are true and correct and expenditures reported in column 5 were used for the purposes and in the amounts authorized by the loan contract and previously approved Financial Requirement and Expenditure Statement.						
With respect to concurrent loan funds included in this requisition, if any, the total amount of funds advanced to date under this designated concurrent loan is as shown above and this request is now made to _____ Name of Lender _____ in accordance with the established procedure for requisitioning and advancing funds under concurrent loans. All loan contract conditions concerning advance of funds under concurrent loans have been met.						
NAME AND ADDRESS OF BORROWER						
SIGNATURE			TITLE - AUTHORIZED CORPORATE OFFICER OR MANAGER			
EXPLANATION OF ADJUSTED AMOUNTS			REA USE ONLY			

SUMMARY OF INSTRUCTIONS

(See REA Bulletin 26-1 for detailed procedure.)

EXPLANATION OF COLUMNS 1 THROUGH 7

1. **PRIMARY BUDGET PURPOSES:** Item Numbers 1 through 6 are the primary purposes established in the Loan Budget, REA Form 740c, for which loan funds may be used.
2. **CONSOLIDATED LOAN BUDGET:** This column shows the amount of loan funds established in the consolidated budget, including subsequent adjustments, for each respective budget purpose. Borrowers may request transfer of funds from one budget purpose to another, accompanied by justification for such transfer. REA will evaluate requests and if approved will insert the adjusted budget purpose amounts on the lines marked "Adjusted."
3. **AMOUNTS APPROVED FOR ADVANCE:** Borrowers will insert in this column after each budget purpose the sum of the amount appearing on the previous Financial Requirement and Expenditure Statement returned to the borrower plus any amounts approved by REA since the return of the previous statement and prior to the preparation of a new Financial Requirement and Expenditure Statement. REA will consider a supplemental lender's funds approved for advance as soon as the contractual obligations of the loans have been met.
4. **TOTAL ADVANCE:** These amounts should be the sum of column 4 and column 7 of the previous Financial Requirement and Expenditure Statement returned to the borrower.
5. **TOTAL EXPENDITURES TO DATE:** This amount will be inserted by the borrower for each budget purpose from the records it maintains for expenditures, refunds, etc.
6. **CASH BALANCE:** This amount will be inserted by the borrower for each budget purpose from its Cash Record on the date of this Statement. The total of the column must agree with the balance in the "Cash-Construction Fund-Trustee." Account 131.2. The Cash Balance should also equal the difference between column 4 "Total Advance" and column 5 "Total Expenditures to Date."
7. **ADVANCE NOW REQUESTED:** These amounts should be inserted by the borrower opposite the appropriate budget purpose. Should the sum of column 7 (Advance Now Requested) and column 4 (Total Advance) for any budget purpose exceed the amount in column 2 (Consolidated Loan Budget), the Financial Requirement and Expenditure Statement shall be accompanied by a request for transfer of funds from some other budget purpose. The request shall contain (1) substantiating evidence that the funds to be transferred will not be needed for the purpose for which the funds were originally established and (2) the reason for insufficient funds in the purpose to which transfer is requested.

BREAKDOWN OF AMOUNT UNDER STOP ORDER OR CONDITIONAL AGREEMENT AS SHOWN ABOVE

Under the above heading show any amounts which are under stop order or conditional agreement, exclusive of the standard conditional agreement relating to the advance of funds under concurrent loans, for Primary Budget Purposes 1 through 5.

TOTAL AMOUNT OF NOTES EXECUTED Show by designated lender or OTHER supplemental lender, the total of notes executed by the board of directors and the lender.

STATUS OF DESIGNATED LOAN UNDER WHICH THIS ADVANCE IS REQUESTED Show in the heading, the REA designation of the loan under which this advance is to be made. For the lender(s) included under the specified loan designation, show the following data:

AMOUNT OF LOAN -- The amount of the loan(s) from the lender(s) involved. For CFC loans show under OTHER the amount of the loan excluding any capital term certificate purchases.

AMOUNT UNDER CONCURRENT LOAN CONTROL -- As applicable, the amount of the REA loan under concurrent loan standard conditional agreement, usually 50% of REA loan.

ADVANCED TO DATE -- The amounts previously advanced under the REA loan designation from the lender(s) involved.

U.S. Department of Agriculture
Rural Electrification Administration

CERTIFICATION OF AUTHORITY

INSTRUCTIONS — Submit one copy to REA. See REA Bulletins 327-1 (Telephone); 24-1 and 26-1 (Electric)

In conformity with the requirements of the Rural Electrification Administration, and in accordance with the resolution of the board of directors of the _____
BORROWER'S NAME

_____ BORROWER'S ADDRESS

attached hereto, adopted at a meeting of the board, held _____ 19_____, at which a quorum of the board was present, the officers and manager, whose signatures appear below, have been authorized to sign the following REA forms in connection with the requisitioning and accounting for Loan Funds:

REA Form No.	TITLE
481	FINANCIAL REQUIREMENT STATEMENT (Telephone)
595	FINANCIAL REQUIREMENT & EXPENDITURE STATEMENT (Electric)

This certification is to remain in force until rescinded by resolution of the board of directors and notification of such action to REA.

_____	_____	_____
TITLE	NAME (TYPE OR PRINT)	SIGNATURE
_____	_____	_____
TITLE	NAME (TYPE OR PRINT)	SIGNATURE
_____	_____	_____
TITLE	NAME (TYPE OR PRINT)	SIGNATURE

		BORROWER'S NAME

		SIGNATURE OF PRESIDENT
_____	_____	_____
DATE		SIGNATURE OF SECRETARY

BUDGETARY CONTROL AND ADVANCE OF FUNDS
UNDER CONCURRENT LOANS

Generally, where REA has participated with the National Rural Utilities Cooperative Finance Corporation (CFC) or other lenders in concurrent loans, the existing REA procedures in regard to the budgetary records and advance of loan funds will be used except as indicated below.

The term "concurrent loans" as used herein will mean loans made concurrently by REA and at least one other lender to cover the borrower's financial requirements as shown on the loan application. Since the loans are separate, they are referred to as either REA's concurrent loan or the supplemental lender's concurrent loan even though they do not individually provide for any separate specific facilities.

I. Consolidated Loan Budget Records:

- A. Amounts in Budget - REA and Other: For concurrent loans the borrower's Consolidated Loan Budget shall include the total amount of the concurrent loans (both REA and supplemental lender loans) less any capital term certificate purchases or similar financing charges from a supplemental lender included in the supplemental lender's loan. The total of all budget purposes will be the total of "New Financing Requested for Above Facilities" as shown on REA Form 740c, Cost Estimates and Budget for Electric Borrowers. No breakdown will be made by primary budget purpose of each lender's individual loan. This arrangement is designed to simplify the approval and advancing of loan funds, alleviate the possibility of duplicate financing and facilitate the reporting and auditing of loan fund expenditures.
- B. Entries Made by REA on Form 605: When concurrent loans are first recorded on a Primary Budget Purpose Sheet, REA Form 605, the loans, properly identified, will be listed in column 2 and the total amount provided for the designated budget purpose from all lenders shown in column 4. Subsequent entries shown on the REA Form 605 for transactions concerning these loans will be the same as for 100% REA loans.

II. Controls on Advances:

- A. Limit on Advances from REA: Normally REA will not advance more than 50% of its concurrent loan before the supplemental lender has advanced all of its loan. In order to avoid unnecessary

awkward adjustments of requisitions, advances will, if possible, be made in the full amount requested if this amount does not exceed the 50% limit by more than \$1000. If the amount requested exceeds the 50% limit by more than \$1000 it will be adjusted down to the 50% level by REA and processed.

Any proceeds from salvage from retirements, sale of property, or liquidated damages which the borrower may receive during the period that concurrent loan funds are being requisitioned will be accounted for in the normal manner and will not affect this 50% limit on advances from REA.

After concurrent loans are made and such loan funds are available, requisitions for loan fund advances will generally be applied first to the unadvanced balances remaining from prior REA loans (excluding any amounts under stop order or conditional agreement). This amount, if any, together with 50% of the REA concurrent loan will, upon appropriate approvals, be advanced before the supplemental lender's funds would be required to be advanced. The area office will inform the borrower by letter of such amounts at the time REA Form 605 covering the approved concurrent loans is forwarded to the borrower.

- R. Establishing Funds as Approved for Advance: In approving REA loan funds for advance, the same requirements and procedures are in effect for concurrent loans as for 100% REA loans. (See Section IV, REA Bulletin 26-1). However, REA will consider the supplemental lender's funds available for advance as soon as the contractual obligations for these loans have been met.

III. Requisitioning and Advancing Funds:

- A. General: For REA record purposes and to assure that the contractual obligations of its loans are being met, requisitions for funds from concurrent loans (both to REA and other lenders) shall be submitted to REA, on REA Form 595, Financial Requirement and Expenditure Statement. The information and procedures for requisitioning funds which follow have been developed with CFC. Where other supplemental lenders are involved, deviation from these procedures may be necessary.
- B. Requisitions for First 50% of REA Concurrent Loan Funds: Requisitions for REA funds under concurrent loans should be submitted in the same manner as for 100% REA loans, indicating on the Financial Requirement and Expenditure Statement, REA Form 595, that the request is for REA funds under concurrent loans.

REA will process requisitions, provided all loan control requirements for advance of funds are met, until approximately 50% of the REA concurrent loan has been advanced. At this time REA will notify both the borrower and the supplemental lender that no further advances can be made by REA until the supplemental lender has advanced all of its concurrent loan.

- C. Requisitions for Funds from Supplemental Lenders: Requisitions for funds from supplemental lenders should be submitted in the same manner as requisitions for REA loan funds using REA Form 595, indicating on the form that the request is for funds from the supplemental lender. After REA is assured that the request is in accordance with loan provisions it will forward the requisition to the supplemental lender and notify the borrower of this action. The supplemental lender upon approval of the request will return a copy of the approved requisition to the borrower and a copy to REA.
- D. Requisitions for Second 50% of REA Concurrent Loan Funds: A loan contract provision requires the borrower to furnish evidence to REA that all of the supplemental lender's loan has been received and deposited in the Cash-Construction Fund-Trustee account before funds can be advanced from the second 50% of REA's concurrent loan. Separate notification by the borrower is not required as the information furnished by the borrower on REA Form 595, "Status of Concurrent Loans" and "Certification" meets this requirement. Otherwise, requisitions for funds from the second 50% of the REA concurrent loan will be the same as for 100% REA loans.