

§ 1744.64

7 CFR Ch. XVII (1–1–08 Edition)

§ 1744.64 Budget adjustment.

(a) If more funds are required than are available in a budget account, the borrower may request RUS's approval of a budget adjustment to use funds from another account. The request shall include an explanation of the change, the budget account to be used, and a description of how the adjustment will affect loan purposes. RUS will not approve a budget adjustment that affects other loan purposes unless the borrower satisfies RUS that the additional funds are available from another source, requests a deficiency loan, or scales back the project.

(b) RUS may make a budget adjustment without a formal request by the borrower when a budget account is insufficient to encumber funds for a contract that otherwise would be approved by RUS. See 7 CFR part 1753.

§ 1744.65 The construction fund.

(a) The construction fund is used by the borrower primarily to hold advances until disbursed.

(b) All advances shall be deposited in the construction fund.

(c) RUS may require that other funds be deposited in the construction fund. These may include equity or general fund contributions to construction, service termination payments, proceeds from the sale of property, amounts recovered from insurance for losses during the construction period, and interest received on loan funds in savings or interest bearing checking accounts, and similar receipts. Deposit slips for any deposit to the construction fund shall show the source and amount of funds deposited and be executed by an authorized representative of the bank.

(d) Funds shall be disbursed only up to the amount approved for advance on the FRS as described in §1744.66. No funds may be withdrawn from the fund except for loan purposes approved by RUS.

(e) The disbursement of nonloan funds requires the same RUS approvals as loan funds.

(f) Disbursements must be evidenced by canceled checks. The invoices and supporting documentation needed for construction contracts are specified in the contracts and in 7 CFR part 1753.

Disbursements to reimburse the borrower's general funds shall be documented by a reimbursement schedule, *to be retained in the borrower's files*, that lists the construction fund check number, date, and an explanation of amounts reimbursed by budget account.

§ 1744.66 The financial requirement statement (FRS).

(a) To request advances, the borrower must submit to RUS an FRS, a description of the advances desired, and other information related to the transactions when required by RUS.

(b) The FRS is used by RUS and the borrower to record and control transactions in the construction fund. Approved contracts and other items are shown on the FRS under "Approved Purposes." Except as noted below, the amount approved for advance is 100 percent of the amount encumbered for that item. Funds are approved for advance as follows:

(1) *Construction*—(i) *Construction contracts and force account proposals*. Ninety percent of the encumbered amount (95 percent for outside plant), with the final 10 percent (5 percent) approved when RUS approves the closeout documents. When a contract contains supplement "A" (See 7 CFR part 1753), 90 percent (95 percent) of the contract is approved less materials supplied by the borrower. For the Supplement "A" materials, which are a separate entry on the FRS, 100 percent of the material cost is approved.

(ii) *Work orders*. The portion of the work order summary (See 7 CFR part 1753) determined by RUS to be for approved loan purposes.

(iii) *Work order fund*. Based on a borrower's request as described in 7 CFR part 1753.

(iv) *Real estate*. Upon request by the borrower after submission of evidence of a valid title.

(v) *Right of way procurement*. Based on the borrower's itemized costs.

(vi) *Joint use charges*. Based on copies of invoices from the other utility.

(2) *Engineering*—(i) *Preloan engineering*. Based on a final itemized invoice from the engineer.