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(2) Savings plan contributions (company portion);

(3) Worker's compensation required by law;

(4) Life, hospital, medical, dental, and vision plan insurance, and

(5) Social Security and other payroll taxes.

(c) *Rents.* (1) This subsidiary record category shall include amounts paid for the use of real and personal operating property. Amounts paid for real property shall be included in Account 6121, Land and Buildings Expense. This category includes payments for operating leases but does not include payments for capital leases.

(2) This subsidiary record category is applicable only to the Plant Specific Operations Expense accounts. Incidental rents, *e.g.*, short-term rental car expense, shall be categorized as Other Expenses (see paragraph (d) of this section) under the account which reflects the function for which the incidental rent was incurred.

(d) *Other expenses.* This subsidiary record category shall include costs which cannot be classified to the other subsidiary record categories. Included are material and supplies, including provisioning (*note also* Account 6512, Provisioning Expense); contracted services; accident and damage payments, insurance premiums; traveling expenses and other miscellaneous costs.

(e) *Clearances.* This subsidiary record category shall include amounts transferred to Construction accounts (*see* 47 CFR 32.2000(c)(2)(iii)), other Plant Specific Operations Expense accounts and/or Account 3100, Accumulated Depreciation (cost of removal; *see* 47 CFR 32.2000(g)(1)(iii)), as appropriate, from Accounts 6112, Motor Vehicles Expense, 6114, Tools and Other Work Equipment Expense, 6534, Plant Operations and Administration Expense, and 6535, Engineering Expense. There shall also be transfers to Construction or other Plant Specific Operations Expense accounts, as appropriate, from Account 6512, Provisioning Expense. With respect to these expenses, companies may establish such clearing accounts as they deem necessary to accomplish substantially the same results, provided that within thirty (30) days of

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the opening of such accounts, companies shall notify the FCC of the nature and purpose thereof. Additional clearing accounts affecting other expense areas may be established with prior approval of the FCC. Should companies elect, the initial incurred subsidiary record category identification may be carried through to the final accounts without FCC approval.

[70 FR 25757, May 16, 2005]

§§ 1770.18–1770.24 [Reserved]

§ 1770.25 Unusual items and contingent liabilities.

Extraordinary items, prior period adjustments and contingent liabilities shall be submitted to RUS for review before being recorded in the company's books of account. The materiality of corrections of errors in prior periods shall be measured in relation to the summary account level used for reporting purposes for Class A companies, or in relation to total operating revenues or total operating expenses for Class B companies. For Class A companies, no correction in excess of one percent of the aggregate summary account dollars or one million dollars, whichever is higher, may be recorded in current operating accounts without prior approval. For Class B companies, no correction which exceeds one percent of total operating revenues or one percent of total operating expenses, depending on the nature of the item, may be recorded in current operating accounts without prior approval.

[70 FR 25758, May 16, 2005]

Subpart C—Accounting Interpretations

SOURCE: 61 FR 39847, July 31, 1996, unless otherwise noted.

§ 1770.26 General.

(a) The standard provisions of the security instruments utilized by the Rural Utilities Service (RUS) and the Rural Telephone Bank (RTB) for all telecommunications borrowers require borrowers to at all times keep and safely preserve, proper books, records, and accounts in which full and true entries will be made of all of the dealings,

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business, and affairs of the borrower in accordance with the methods and principles of accounting prescribed by the state regulatory body having jurisdiction over the borrower and by the Federal Communications Commission (FCC) in its Uniform System of Accounts for telecommunications companies (47 CFR part 32), as those methods and principles of accounting are supplemented from time to time by RUS.

(b) This subpart implements those standard provisions of the RUS and RTB security instruments by prescribing accounting principles, methodologies, and procedures applicable to all telecommunications borrowers for particular situations.

§ 1770.27 Definitions.

As used in this part:
Borrower is an RUS telecommunications borrower.
Cushion of Credit Account is a 5 percent interest bearing account established by RUS in which all voluntary payments or overpayments on Rural Electric and Telephone Revolving Funds after October 1, 1987, are deposited.
FCC is the Federal Communications Commission.
Part 32 is 47 CFR part 32, Uniform System of Accounts, issued by the Federal Communications Commission.
RAO is the Responsible Accounting Officer of the Federal Communications Commission.
RE Act is the Rural Electrification Act of 1936, as amended (7 U.S.C. 901 *et seq.*).
RETRF is the Rural Electric and Telephone Revolving Fund.
RTB is the Rural Telephone Bank.
RUS is the Rural Utilities Service, an agency of the United States Department of Agriculture, or its predecessor or successor.

§§ 1770.28-1770.45 [Reserved]

APPENDIX TO SUBPART C OF PART 1770—ACCOUNTING METHODS AND PROCEDURES REQUIRED OF ALL BORROWERS

All borrowers shall maintain and keep their books of accounts and all other books and records which support the entries in such books of accounts in accordance with

the accounting principles prescribed in this appendix.

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101 Postretirement Benefits

A. Statement of Financial Accounting Standards No. 106, Employers' Accounting for Postretirement Benefits Other than Pensions (Statement No. 106), requires reporting entities to accrue the expected cost of postretirement benefits during the years the employee provides service to the entity. For purposes of applying the provisions of Statement No. 106, members of the board of directors are considered to be employees of the