Financial Overview
USDA RUS ReConnect Program
Agenda

- Local Network Services Revenue
- Competitor Service Offerings
- Depreciation Schedule
- Long-Term Debt Schedule
- Capital Contributions
- Amortization Schedule
- Non-Operating Net Income
- Plant-in-Service Schedule
- Network Access Services Revenue
- Income Statement
- Balance Sheet
- Statement of Cash Flow
- Financial Documents
- Available Resources
- Q&A
## Financial Tab Introduction

<table>
<thead>
<tr>
<th>Project Information</th>
<th>Service Area(s) Information</th>
<th>Network Design</th>
<th>Financials</th>
<th>Environmental</th>
<th>Licenses &amp; Agreements</th>
<th>Certifications</th>
<th>Documents</th>
<th>Summary/Submit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Investment Workbook (C IW)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital Investment Schedule</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Network Documents</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Funding Type

100% Loan
The Local Network Services Revenue section is where applicants provide information related to projected revenues from local network services derived from the proposed project.

The applicants must include the following in this section:

- **Service Offerings** – that will be offered in proposed funded and non-funded service areas (PFSA, NFSA)

- **Subscriber Projections** – Enter the price, new subscriber number, and the number of cancellations for the applicable years for all PFSAs and NFSAs to calculate the operating revenue.
Local Network Services Revenue (Cont.)

- **Other Revenues** – revenues earned that are not a direct result of providing service to customers (e.g. installation fees, monthly cable rentals, broadcast network fees)
- **Subscriber Breakdown by Service Area** – including residential and business subscribers, and total households in the service area
- **Local Network Services Revenue** – when completed, users can view a summary of the local services revenue based on how this section was populated
- **Alternate Household Documents** – applicable if the applicant entered alternate household Data in the subscriber breakdown subsection
Competitor Service Offering

• Applicants enter information regarding **Competitor Service Offerings** for each PFSA and NFSA recorded in the service area mapping tool. Applicants must indicate whether they have any competitor service offerings to report and include:
  o Name of service provider
  o Service offerings
  o Service package description
  o Broadband upload and download speeds
  o Customer type
  o Price
  o Service areas

• Please note, upload and download speeds will be required for data service offerings. If unknown, select n/a.
## Competitor Service Offering

<table>
<thead>
<tr>
<th>Service Area(s)</th>
<th>Service Area Funding</th>
<th>Service Area Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>Example 4: Existing NFSA</td>
<td>Non-Funded</td>
<td>Existing</td>
</tr>
<tr>
<td>Example 1: new PFSA in western PA</td>
<td>Proposed Funded</td>
<td>New</td>
</tr>
<tr>
<td>Example 2: existing PFSA in western PA</td>
<td>Proposed Funded</td>
<td>Existing</td>
</tr>
</tbody>
</table>
Depreciation Schedule

• Applicants must indicate depreciate rate assumptions for all asset types identified in the Capital Investment Workbook (CIW) and any other depreciation expenses expected to be incurred during the forecast period.

• The four (4) main components of the depreciation schedule include:
  o **Depreciation Rates** – should align to the deployment and retirement of the plant and must be consistent with guidance offered in the ReConnect Program Construction Procedures
  o **Composite Economic Life Calculation** – after depreciation rates are provided, the application system will calculate the Composite Economic Life (the weighted average economic life) of all classes of facilities in the Award
  o **Annual Depreciation Expense** – the annual depreciation expense for assets included in the PFSA, NFSA, and UPLF CIWs across the five-year build out period. This is calculated based on the CIS and the depreciation rate assumptions provided by the applicants
  o **Depreciation Expense Summary** – see next slide
## Depreciation Schedule (Cont.)

### Depreciation Expense Summary

<table>
<thead>
<tr>
<th>Statement Sub-Type</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
<th>2024</th>
<th>2025</th>
<th>2026</th>
</tr>
</thead>
<tbody>
<tr>
<td>Existing Property, Plant and Equipment</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Non-telecommunications plant added during forecast period</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Telecommunications Plant - FFSA</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Telecommunications Plant - NFSA</td>
<td>$</td>
<td>0.00</td>
<td>$</td>
<td>0.00</td>
<td>$</td>
<td>0.00</td>
</tr>
<tr>
<td>Less Grant-Funded Plant</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td><strong>Total Depreciation Expense</strong></td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
</tbody>
</table>
Long-Term Debt Schedule

• Applicants must provide information related to long-term debt and equivalents that are currently outstanding or planned during the forecast period. The ReConnect application includes five categories of long-term debt:

  o **Funded Debt RUS/RTB/FFB** – all existing RUS notes, including all Telecom and Electric loans.
  o **Funded Debt – Other** – this is intended to capture all non-RUS, -RTB, and -FFB debt, made up of fixed-maturity types of borrowings that are funded by interest payments.
  o **Funded Debt – Rural Development (RD)** – any debt from USDA RD that is not from RUS.
  o **Other Long-Term Debt** – all long-term debt that is not included in the other long-term debt items. E.g. regularly scheduled principal and interest payments.
  o **Obligations Under Capital Lease**
Capital Contributions

• Applicants must provide documentation to support any sources of capital used for the project. This includes identifying the source, timing, and volume of investment during the bridge year and 5-year forecast. Some examples include:
  o If the applicant is proposing to provide any owner/member capital, evidence of equity infusion must be uploaded
  o If the applicant is proposing to provide investor capital, a letter of commitment or term sheet must be uploaded
  o If the applicant is proposing to contribute through a state grant, grant documents must be uploaded
  o If the applicant is applying for a 100% grant, users must identify the match source on the schedule and upload evidence documentation
The application system calculates an amortization schedule based on applicants’ loan information, which means the Capital Investment Workbook (CIW), Capital Investment Schedule (CIS), and the Annual Capital Investment schedule must be completed before beginning the amortization schedule.
Amortization Schedule (Cont.)

• **New RUS Debt** – loan information which enables the system to calculate an amortization schedule
  o For 100 percent loans, the interest rate will be fixed at 2 percent
  o For the loan component of the 50/50 loan/grant combination, the user should enter the US Treasury rate with a comparable maturity to that of the composite economic life calculated by the system

• **RUS Debt Summary** – any debt from USDA RD that is not from RUS
  o Applicants must provide the forecast payment information including interest paid, principal paid, and long-term portion

• **Other Debt Summary** – based on the amount of debt items added in the specific Long-Term Debt Schedule section of the application
  o A certain number of tables display for each debt item added
  o Applicants must provide the appropriate information for new borrowing, interest paid, and principal paid
Non-Operating Net Income

- **Non-operating net income includes gains and losses on sales of equipment and capital gains.** The applicant will need to include the following:
  - Non-Operating Item Type
  - Item – enter a description for specific detail regarding the source of the revenue or expense
  - Historical Years – enter the appropriate dollar amount for each historical year
  - Bridge Year – enter the appropriate dollar amount for the bridge year
  - Forecast years – enter the appropriate dollar amount for each forecast year
  - Assumptions – enter an assumption for each line item for which the entered value is different than zero
Plant-in-Service Schedule

- Applicants should enter information related to the existing plants and non-telecommunications plants in this section, grant-funded expenses, and grant-funded assets.

  - **Plant-in-Service, Beginning of Year** – enter the appropriate dollar amount into the Bridge Year field. Applicants are only able to enter the dollar amount for the Bridge Year. Plant additions for PFSA, NFSA, and UPLF will be auto-calculated from the CIS.

  - **Non-Telecommunications Plant Additions** - enter the appropriate dollar amount into the Bridge Year and Forecast Years.

  - **Less Plant Retirements** – enter the appropriate dollar amounts into the Bridge Year and Forecast Years.

  - **Less Grant-Funded Expenses** – enter the appropriate dollar amounts into the Bridge Year and Forecast Years.

  - **Less Grant-Funded Assets** – enter the appropriate dollar amount into the Bridge Year and Forecast Years.
Network Access Services Revenue

- Applicants must enter information related to any revenue earned from fees for network access services.

- Applicants will need to list each type of fee and the amounts earned.

- Historical, Bridge, and Forecast Years will all need to be calculated and listed.

- Supporting documents for Forecast Years should be included with the application.
  - If applicants fail to provide appropriate evidence of forecasted network service access revenues, RUS may find the application not financially feasible, particularly if these revenues represent a significant portion of the applicant's total revenues.

- If no revenue is earned in this manner, the section will not apply.
The income statements demonstrate financial performance and the net position of the applicant, via recorded revenues, expenses, gains, and losses over the historical and forecast periods. This includes:

- Increases and decreases in future expenditures, depreciation, amortization, and taxes,
- Growth rates and trends in expenses,
- Profitability, as indicated by net income, and
- Data necessary to perform a valuation of the applicant entity
- Interest of Line(s) of Credit
- Amortized Grant Revenue
## Income Statement

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Local Network Services Revenue</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
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</tr>
<tr>
<td>Network Access Services Revenue</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Long Distance Network Services Revenue</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Carrier Billing and Collection Revenue</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Other Operating Revenue</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Amortized Grant Revenue</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Uncollectible Revenue</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Net Operating Revenues</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Plant Specific Operations Expense</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Plant Nonspecific Operations Expense (Excluding Deprec…)</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
</tbody>
</table>
Financials Statements – Balance Sheet

- The balance sheet demonstrates the assets, liabilities, and capital structure of the entity in a given time period. Applicants must enter the applicable information for the four historical years, bridge year, and forecast years.

- Applicants must prepare and identify the assumptions underlying the balance sheet projections in:
  - Current Assets
  - Non-Current Assets
  - Plant, Property, Equipment
  - Current Liabilities
  - Long-Term Debt
  - Other Liabilities and Deferred Credits
  - Equity
Financials Statements – Balance Sheet (Cont.)

Balance Sheet

<table>
<thead>
<tr>
<th>Current Assets</th>
<th>Historical Years</th>
<th>Bridge Year</th>
<th>Forecast Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash And Equivalents</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash-RUIS Construction Fund</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts Receivable - Affiliates</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts Receivable - Non-Affiliates</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Notes Receivable - Affiliates</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Notes Receivable - Non-Affiliates</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest and Dividends Receivable</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Materials and Inventory</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other Current Assets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Current Assets</strong></td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
</tbody>
</table>
• Applicants’ statement of cash flow demonstrate whether or not the applicant is generating or using cash on an annual basis.

• In this application (see next slide), most of the line-item amounts are automatically generated as a result of changes to amounts of the balance sheet and income statement.

• Where the line items shown in the statement of cash flows do not reflect all cash transactions, the applicant can manually enter amounts for additional line items using line items described as ‘Manual Input’.
# Financial Statements – Statement of Cash Flow

## Statement of Cash Flow

<table>
<thead>
<tr>
<th>Line Item</th>
<th>Historical Years</th>
<th>Bridge Year</th>
<th>Forecast Years</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2018</td>
<td>2019</td>
<td>2020</td>
</tr>
<tr>
<td>Beginning Cash (Cash &amp; Equivalents plus RU...</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
</tbody>
</table>

## Cash Flows From Operating Activities

| Net Income (Loss) | $0   | $0   | $0   | $0   | $0   | $0   | $0   | $0   | $0   |

| ADJUSTMENTS TO RECONCILE NET INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES |
| Add: Depreciation | $0   | $0   | $0   | $0   | $0   | $0   | $0   | $0   | $0   |
| Add: Amortization | $0   | $0   | $0   | $0   | $0   | $0   | $0   | $0   | $0   |
| Other (Explain)   |       |       |       |       |       |       |       |       |       |

## CHANGES IN OPERATING ASSETS & LIABILITIES

| Decrease / (Increase) in Accounts Receivable | $0   | $0   | $0   | $0   | $0   | $0   | $0   | $0   | $0   |
| Decrease / (Increase) in Materials & Inventory | $0   | $0   | $0   | $0   | $0   | $0   | $0   | $0   | $0   |
| Decrease / (Increase) in Other Current Assets, 1... | $0   | $0   | $0   | $0   | $0   | $0   | $0   | $0   | $0   |
| Increase / (Decrease) in Accounts Payable | $0   | $0   | $0   | $0   | $0   | $0   | $0   | $0   | $0   |
| Increase / (Decrease) in Other Current Liabilities | $0   | $0   | $0   | $0   | $0   | $0   | $0   | $0   | $0   |
| Net Cash Provided (Used) by Operations | $0   | $0   | $0   | $0   | $0   | $0   | $0   | $0   | $0   |
### Supplemental Application Materials

<table>
<thead>
<tr>
<th>Document</th>
<th>Required Entities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Obligations Under Capital Lease – Lease Agreement</td>
<td>Required for all obligations under capital lease. Uploads should be identified by the Capital Lease Identifier</td>
</tr>
<tr>
<td>Other Long-Term Debt - Debt Instrument</td>
<td>Required for all loans entered in this section. Uploads should be identified by the Long-term Debt Identifier</td>
</tr>
<tr>
<td>Funded Debt - Rural Development Loan - Debt Instrument</td>
<td>Required for all loans entered in this section. Uploads should be identified by the Long-term Debt Identifier</td>
</tr>
<tr>
<td>Funded Debt - Other Debt Instrument</td>
<td>Required for all loans entered in this section. Uploads should be identified by the Long-term Debt Identifier</td>
</tr>
<tr>
<td>Evidence of Equity Infusion</td>
<td>Required if 'Owner/Member Capital' is selected for &quot;Capital Contributions Source&quot; value</td>
</tr>
<tr>
<td>Letter of Commitment / Term Sheet</td>
<td>Required if 'Investor Capital' is selected for &quot;Capital Contributions Source&quot; value</td>
</tr>
<tr>
<td>Grant Documents</td>
<td>Required if 'State Grant' or 'Federal Grant' is selected for &quot;Capital Contributions Source&quot; value</td>
</tr>
<tr>
<td>Alternate Households Supporting Data</td>
<td>Required if alternate household data is included for any of the service areas</td>
</tr>
</tbody>
</table>
Available Resources

- **Upcoming Events**
  - [https://www.usda.gov/reconnect/events](https://www.usda.gov/reconnect/events)

- **Resources**
  - ReConnect website [https://reconnect.usda.gov](https://reconnect.usda.gov)
  - Fact Sheets and Frequently Asked Questions
  - Application guide

- **Contact RUS**
  - [https://www.usda.gov/reconnect/contact-us](https://www.usda.gov/reconnect/contact-us)

- **ReConnect Regulation**
  - [https://www.govinfo.gov/content/pkg/FR-2021-02-26/pdf/2021-03443.pdf](https://www.govinfo.gov/content/pkg/FR-2021-02-26/pdf/2021-03443.pdf)

- **FY 2022 Funding Opportunity Announcement**