



# Financial Overview

USDA RUS ReConnect Program



Rural Development  
U.S. DEPARTMENT OF AGRICULTURE

# 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

Funding Type  
100% Loan

Project	Service Area(s)	Network	Financials	Environmental	Licenses & Agreements	Certifications	Documents	Summary/Submit
Project Information NEPA Review Project Documents	Service Area(s) Information	Network Design Build-out Timeline and Milestones Capital Investment Workbook (CIW) Capital Investment Schedule Network Documents	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	Construction Map Site/Route Descriptions Environmental Questionnaire Environmental Documents	Licenses & Agreements	Certifications Certification Documents	Manage Uploaded Documents	Summary/Submit

# Local Network Services Revenue

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.

### Service Offering Summary View

Service Area	Service Offering	Service Offering Description ↓	Service Offering Status	Broadband Download Speed	Broadband Upload Speed	Customer Type	Price
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Number of rows 5 « Prev 1 Next »

### Create New Service Offering

SERVICE OFFERING \* i

SERVICE OFFERING DESCRIPTION \* i

SERVICE OFFERING STATUS \* i

CUSTOMER TYPE \* i

\$ PRICE \* i

Subscriber projections must be provided for the applicant's entire operations; existing and new. Please select all of the service areas in which each service offering type is available or will become available.

## 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 NFSAs recorded in the service area mapping tool. Applicants must indicate whether they have any competitor service offerings to report and include:
  - Name of service provider
  - Service offerings
  - Service package description
  - Broadband upload and download speeds
  - Customer type
  - Price
  - Service areas
- Please note, upload and download speeds will be required for data service offerings. If unknown, select n/a.

# Competitor Service Offering

## Competitor Service Offering

<b>A</b>	SERVICE PROVIDER *		SERVICE OFFERINGS * Voice/Video/Data	<b>B</b>
<b>C</b>	SERVICE PACKAGE DESCRIPTION *	<b>i</b>	BROADBAND DOWNLOAD SPEED	<b>D</b>
<b>E</b>	BROADBAND UPLOAD SPEED	<b>i</b>	CUSTOMER TYPE	<b>F</b>
<b>G</b>	\$ PRICE: *	<b>i</b>		

### **H** Service Area(s)

Select	Service Area	Service Area Funding	Service Area Type
<input type="checkbox"/>	Example 4- Existing NFSA	Non-Funded	Existing
<input type="checkbox"/>	Example 1: new PFSA in western PA	Proposed Funded	New
<input type="checkbox"/>	Example 2: existing PFSA in western PA	Proposed Funded	Existing

# 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:
  - **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
  - **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
  - **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
  - **Depreciation Expense Summary** – see next slide



# Depreciation Schedule (Cont.)

## Depreciation Expense Summary

Save

Refresh

<input type="checkbox"/>	Statement Sub-Type	2021	2022	2023	2024	2025	2026
<input type="checkbox"/>	Existing Property, Plant and Equipment	\$	\$	\$	\$	\$	\$
<input type="checkbox"/>	Non-telecommunications plant added during forecast period	\$	\$	\$	\$	\$	\$
<input type="checkbox"/>	Telecommunications Plant - PFSA	\$	\$	\$	\$	\$	\$
<input type="checkbox"/>	Telecommunications Plant - NFSA	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
<input type="checkbox"/>	Less Grant-Funded Plant	\$	\$	\$	\$	\$	\$
Total Depreciation Expense		\$0	\$0	\$0	\$0	\$0	\$0

# 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:
  - **Funded Debt RUS/RTB/FFB** – all existing RUS notes, including all Telecom and Electric loans.
  - **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.
  - **Funded Debt – Rural Development (RD)** – any debt from USDA RD that is not from RUS.
  - **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.
  - **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:
  - If the applicant is proposing to provide any owner/member capital, evidence of equity infusion must be uploaded
  - If the applicant is proposing to provide investor capital, a letter of commitment or term sheet must be uploaded
  - If the applicant is proposing to contribute through a state grant, grant documents must be uploaded
  - If the applicant is applying for a 100% grant, users must identify the match source on the schedule and upload evidence documentation

# Amortization Schedule

- 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
  - For 100 percent loans, the interest rate will be fixed at 2 percent
  - 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
  - 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
  - A certain number of tables display for each debt item added
  - 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.



# Financials Statements – Income Statement

- 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

Funding Type  
100% Loan

[Summary/Submit](#)[illegible]

# 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

[illegible]



# Financials Statements – Statement of Cash Flow

- 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'.

# Financials Statements – Statement of Cash Flow

## Statement of Cash Flow

[illegible]

# Supplemental Application Materials

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

# Available Resources





# Available Resources

- **Upcoming Events**
  - <https://www.usda.gov/reconnect/events>
- **Resources**
  - ReConnect website <https://reconnect.usda.gov>
  - Fact Sheets and Frequently Asked Questions
  - Application guide
- **Contact RUS**
  - <https://www.usda.gov/reconnect/contact-us>
- **ReConnect Regulation**
  - <https://www.govinfo.gov/content/pkg/FR-2021-02-26/pdf/2021-03443.pdf>
- **FY 2022 Funding Opportunity Announcement**
  - <https://www.federalregister.gov/documents/2021/10/25/2021-23128/rural-econnectivity-program>



