

Advance and Disbursement of ReConnect Award Funds



ICE CREAM

Agenda

- Overview
- Definitions
- General Requirements
- ReConnect Project Budget
- Pledged Deposit Account
- Financial Requirement Statement
- Approved Purposes
- Funding Sequence
- Tips for Timely Processing of Advance Requests
- Available Resources

Overview

- Included in Award Documents provided to ReConnect awardees
- Covers:
 - Advance and Disbursement of ReConnect Program Award Funds
 - Available to download on the ReConnect website under Forms and Resources:
 - https://www.rd.usda.gov/files/ReConnect_Program_Construction_Procedures_Final.pdf

Definitions

- **Advance:** Transferring funds from RUS to the Awardee's Pledged Deposit Account
- **Award:** ReConnect award made by the Rural Utilities Service
- **Award Documents:** Documents covering an award made by RUS, including the award contract, note and mortgage or other security documents between the Awardee and RUS
- **Award Funds:** Grant or loan funds approved for the ReConnect Project
- **Awardee:** Organization with an award made by the RUS under the ReConnect Program
- **Disbursement:** Payment by the Awardee out of the Pledged Deposit Account for purposes approved on RUS Form 481
- **Financial Requirement Statement (FRS):** RUS Form 481 used by the Awardee to request funds and record/control PDA transactions

Definitions

- **Pledged Deposit Account (PDA):** Bank account established and maintained by the Awardee to hold all ReConnect project funds including loan, grant, match, or other funds required for completion of the ReConnect project. All project funds must be deposited into this account
- **Pre-application expenses:** Any reasonable expenses, as determined by RUS, incurred after the release of a Federal Register notice opening an application window to prepare an Application or to respond to RUS inquiries about the Application
- **Release of Funds Date:** Date that funds are first made available as evidenced by the notice sent by the Agency to the Awardee

General Requirements

- Award documents contain provisions regarding advances and disbursement of award funds by Awardees
- All required matching and cash substitution funds must be deposited into the Pledged Deposit Account. These funds can be deposited in a lump sum amount prior to closing of the award, or on a rolling basis prior the submission of each Financial Requirement Statement
- All required matching and cash substitution funds must be expended prior to requesting any grant funds **except** eligible pre-application expenses
- “Other Funds” required for project completion must also be deposited into a Pledged Deposit Account; however, these funds **do not** have to be expended prior to requesting grant/loan funds
- For purposes of advances, all matching, cash substitution and/or “Other Funds” will be treated as award funds and recorded appropriately on the Financial Requirement Statement
- RUS is under no obligation to approve advances of award funds unless the Awardee complies with all terms and conditions of the award documents

ReConnect Project Budget

- RUS will provide the Awardee with the approved project budget when the award is approved
- Funds are divided up in different budget categories (Network& Access Equipment, Outside Plant, Land & Buildings, Towers, Professional Services, etc.) based on the line items included on the Capital Investment Workbook
- Funds from one budget category may not be used for another budget category without prior written approval from RUS
- If additional funds are required in a budget category, the Awardee may request RUS' approval of a budget adjustment to reallocate funds from one budget category to another
- RUS will not approve a budget adjustment unless the Awardee can demonstrate that all purposes can still be completed with the requested budget adjustment
- RUS, at its discretion, may make a budget adjustment without a formal request from the Awardee, when it determines that the budget adjustment is insignificant

Pledged Deposit Account (PDA)

- Awardee shall establish a PDA to hold all advances of ReConnect award funds and deposits of matching, cash substitution and/or “Other Funds” required for project completion
- The PDA must be established in a bank or depository whose deposits are insured by the FDIC or other federal agency acceptable to RUS
- All advances of ReConnect award funds will be deposited electronically into the PDA via the Automated Clearing House Payment System
- Proceeds from the sale of property, interest received on award funds and similar types of receipts must also be deposited into the PDA
- Matching, cash substitution and/or “Other Funds” deposited into the PDA must be supported by deposit slips or bank statements clearly indicating the name of the financial institution and the account number

Pledged Deposit Account (PDA)

- Funds in the PDA shall be used solely for the purpose(s) approved on the FRS and shall be withdrawn/disbursed accordingly
- Withdrawals/Disbursements of matching, cash substitution and/or “Other Funds” deposited into the PDA require prior approval from RUS
- Withdrawals/Disbursements can be made from the PDA to reimburse the Awardee’s general fund account for project costs previously paid; however, such amounts shall be documented by a reimbursement schedule to be retained in the Awardee’s records that lists the PDA check number/electronic transaction number, date, and an explanation of amounts reimbursed for the Project
- For accounting purposes, all withdrawals/disbursements from the PDA must be evidenced by canceled checks or support for other forms of payment

Financial Requirement Statement (FRS)

- RUS Form 481, **Financial Requirement Statement** (FRS), is used by RUS and the Awardee to record and control transactions in the PDA
- Awardees must submit the FRS, along with a cover letter, to request award funds **or** to use the matching, cash substitution and/or “Other Funds” that were deposited into the PDA, for “**Approved Purposes**”
- The FRS must be certified by an authorized official of the Awardee listed on the RUS Form 675, **Certificate of Authority** (submitted as part of ReConnect award closing documents)
- The signature on the FRS must match with the signature on the RUS Form 675
- Only “**Approved Purposes**” (Contracts, Make-ready Costs, Approved Work Orders, Pre-application Expenses, etc.) must be listed on the FRS

Approved Purposes

- **Construction (Line Item 1 on the FRS)**
 - Outside Plant Construction Contracts – up to 95% of the approved contract amount can be requested on the FRS. The remaining 5% withheld amount can be requested upon approval of RUS Form 756, **Contract Closeout Certification**.
 - Equipment, Buildings, and Tower Construction Contracts – up to 90% of the approved contract amount can be requested on the FRS. The remaining 10% withheld amount can be requested upon approval of RUS Form 756, **Contract Closeout Certification**.
 - Approved Work Orders (Small-Scale Construction) – amount requested must be supported by a properly completed and executed RUS Form 771a, **Summary of Work Orders**. Additional information in later slides.
 - Rights-of-way, Make-Ready & Permits – requested amount must be supported by documentation, such as invoices, contracts, etc. Compensation to land-owners for the acquisition of rights-of-way is not eligible for financing under the ReConnect Program.

Approved Purposes

- **Professional Services (Line Item 2 on the FRS)**
 - Engineering Services Contracts - up to 90% of the approved contract amount can be requested on the FRS. The remaining 10% withheld amount can be requested upon approval of the RUS Form 506, ***Final Statement of Engineering Fees – Telecommunications.***
 - Architectural Services Contracts - up to 90% of the approved contract amount can be requested on the FRS. The remaining 10% withheld amount can be requested upon approval of the RUS Form 284, ***Final Statement of Cost for Architectural Services.***
 - All Other Professional Services Contracts - up to 90% of the approved contract amount can be requested on the FRS. The remaining 10% withheld amount can be requested upon approval of the closeout documents.
 - In-house Engineering Proposal – requested amount must be supported by detailed breakdown of the tasks completed by each employee and the respective hours. Time sheets will be required to verify the tasks and hours.

Approved Purposes

- **Support Assets (Line Item 3 on the FRS)**
 - Includes construction vehicles, construction equipment, testing equipment, portable generators, etc.
 - Must be included in the approved budget
 - Must be used in the construction of the ReConnect project
 - Requested amount must be supported by invoice(s)
 - Requested amount cannot exceed the amount in the approved budget

Approved Purposes

- **General (Line Item 4 on the FRS)**

- **Pre-application Expenses**

- Pre-application expenses must be requested on FRS No. 1 and can be funded with either grant or loan funds. If pre-application expenses are not requested on FRS No. 1, they will become ineligible
 - Amount requested cannot exceed the amount in the approved budget
 - Amount requested must be supported by invoices or other documentation such as timesheets that clearly describe the services performed in relation to the ReConnect application, and the date(s) when the services were performed
 - Services must be performed between October 25, 2021 (Reconnect 3 FOA publication date) and the date when the application is submitted which should be on or before the deadline of March 9, 2022
 - Up to 3% of award amount can be used for pre-application expenses associated with satisfying the environmental review requirements. These expenses can be incurred after the application submission date but prior to the “Release of Funds Date”

- **Land Purchase**

- Amount requested must be supported by a purchase contract and final settlement statement
 - Amount requested cannot exceed the amount in the approved budget

Small-scale Construction Reimbursement

- Small-scale Construction work orders are requested on the FRS as “**Approved Work Orders**”
RUS Form 771a, ***Summary of Work Orders***, must be submitted to request reimbursement of Small-scale Construction work orders
- Small-scale Construction maximum limits:
 - Network & Access Equipment limit - \$100,000; no limit on installation costs associated with equipment purchased under RUS Form 395, ***Equipment Contract***
 - Outside Plant limit - \$1,000,000
 - Buildings - \$100,000 for unattended (pre-fabricated) buildings; no limit on building improvements
 - Tower Construction – No limit

Small-scale Construction Reimbursement

- RUS Form 771a, ***Summary of Work Orders***
 - Only completed work orders for the ReConnect project must be listed on the RUS Form 771a
 - Work orders can be completed using RUS Forms 773, 515, or 395 contracts and/or in-house staff
 - Each work order must include costs for both Labor and Materials; if not, an explanation needs to be provided
 - RUS Form 771a must be completed properly and signed by an authorized representative of the Awardee. A licensed engineer (consultant) or a staff engineer, approved by RUS, must also sign the form.
 - RUS Form 771a, along with supporting documentation (next slide), must be submitted to the RUS General Field Representative for review

Approved Work Orders – RUS Form 771a

RUS 771a Summary Number 1 Work Order Report

Work orders included on this RUS 771a are as follows:

- DC-01:** This work order was for the purchase and installation of fiber termination panels, fiber tip cables, fiber splitter blocks, fiber guide, cable racking, grounding hardware and other miscellaneous installation materials in the ABC Central Office. The materials were purchased by ABC Telephone Company and the installation work was performed by QRS Network Solutions under a RUS 773 contract. The total amount of the QRS Network Solutions contract is \$12,480. The material purchased under this work order cost \$83,259.00 for a total Net Advances Required of \$95,739.00. The completion date for this project was November 30, 2018.

Each work order description should include:

- 1) A brief description of work performed
- 2) Location where work was performed (include adequate details for service area and environmental review verification)
- 3) Method of construction (773 contract and/or in-house labor)
- 4) Date the work was completed
- 5) Explanation(s) of costs listed in Column (g) of the Form 771a

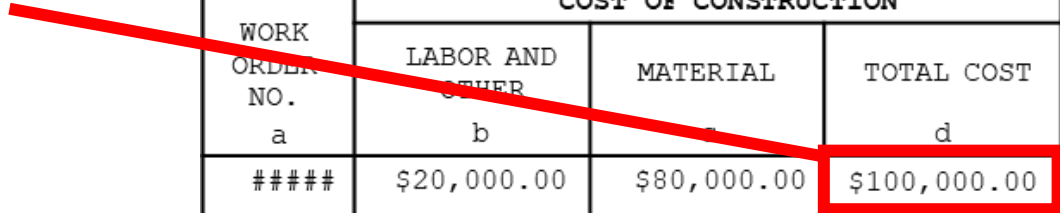
U.S. DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE SUMMARY OF WORK ORDERS (Inspection By Licensed Engineer Or Borrower's Staff Engineer)				SYSTEM DESIGNATION DC 1700-A61			
INSTRUCTIONS-Prepare 4 copies. Original & 1 copy to be forwarded to the RUS Field Engineer after the construction has been inspected and certified. For detailed instructions, see RUS Bulletin 382-2, Appendix B.				SUMMARY NUMBER 1			
APPROVAL IS REQUESTED FOR THE ENCUMBRANCE OF LOAN FUNDS AS SHOWN IN COLUMN "h" FOR COMPLETE CONSTRUCTION OF SYSTEM IMPROVEMENTS AND EXTENSIONS FOR PURCHASES OF STATION APPARATUS AND EXEMPT MATERIALS.							
WORK ORDER NO.	COST OF CONSTRUCTION			LESS ADVANCES NOT REQUIRED			NET ADVANCES REQUIRED
	LABOR AND OTHER	MATERIAL	TOTAL COST	REUSABLE MATERIALS SALVAGED	STATION APPARATUS & EXEMPT MAT'L	OTHER (Explain)	
a	b	c	d	e	f	g	h
DC-01	\$12,480.00	\$83,259.00	\$95,739.00				\$95,739.00
TOTAL	\$12,480.00	\$83,259.00	\$95,739.00	\$0.00	\$0.00	\$0.00	\$95,739.00
CERTIFICATION I certify that, (1) the total costs and net requirements for the construction included above are the actual costs and net requirements for loan funds reflected in the permanent records of this organization, (2) construction, if any, which did not conform to the ACD or SLP approved by RUS has received RUS approval, (3) construction of extensions, if any, to serve subscribers in areas not included in existing loans, has been approved by RUS, (4) all the required acceptance tests have been made on the construction and the results were satisfactory (5) any corrections required on the portions of construction that were field-inspected have been made on all the construction included in the summary, and (6) the requirements of the "Buy American" provision have been complied with where any foreign made materials or equipment were used in the construction. I further certify regulatory body and other approvals required for this construction have been obtained and that there have been no previous requests for approval of the net advance required for the construction covered hereby.							
01-25-2019 DATE				<u>John Doe</u> President/General Manager AUTHORIZED SIGNATURE AND TITLE ABC Telephone Coop. NAME OF BORROWER			
INSPECTION - CERTIFICATION I hereby certify that sufficient inspection has been made of the construction reported by this summary to give me reasonable assurance that the construction complies with applicable specifications and standards and meets appropriate code requirements as to strength and safety. This certification is in accordance with acceptable engineering practice.							
XYZ Engineering Company NAME OF INSPECTION FIRM				Jane Smith INSPECTION PERFORMED BY			
01-14-2019 DATE				<u>Jane Smith</u> SIGNATURE OF LICENSED ENGINEER			
				1234567891 LICENSE NUMBER			
ACCOUNTING VERIFICATION (RUS USE ONLY)				SIGNATURE OF BORROWER'S STAFF ENGINEER			

Approved Work Orders – RUS Form 771a (Cont.)

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0572-0059. The time required to complete this information is estimated to average 30 minutes per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

U.S. DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE SUMMARY OF WORK ORDERS (Inspection By Licensed Engineer Or Borrower's Staff Engineer)				SYSTEM DESIGNATION			
INSTRUCTIONS-Prepare 4 copies. Original & 1 copy to be forwarded to the RUS Field Engineer after the construction has been inspected and certified. For detailed instructions, see RUS Bulletin 382-2, Appendix B.				SUMMARY NUMBER			
APPROVAL IS REQUESTED FOR THE ENCUMBRANCE OF LOAN FUNDS AS SHOWN IN COLUMN 'h' FOR COMPLETE CONSTRUCTION OF SYSTEM IMPROVEMENTS AND EXTENSIONS FOR PURCHASES OF STATION APPARATUS AND EXEMPT MATERIALS.							
WORK ORDER NO. a	COST OF CONSTRUCTION			LESS ADVANCES NOT REQUIRED			NET ADVANCES REQUIRED h
	LABOR AND OTHER b	MATERIAL c	TOTAL COST d	REUSABLE MATERIALS SALVAGED e	STATION APPARATUS & EXEMPT MAT'L f	OTHER (Explain) g	
####	\$20,000.00	\$80,000.00	\$100,000.00				
###	\$20,000.00	\$79,999.00	\$99,999.00				

Maximum limit for OSP construction = \$1,000,000



Financial Requirement Statement (RUS Form 481)

USDA-RUS FINANCIAL REQUIREMENT STATEMENT		FORM APPROVED OMB NO. 0572-0023				
DATE RECEIVED		DESIGNATION DC1700-A61	STATEMENT NUMBER 3	DATE PREPARED May 31, 2022		
RUS USE ONLY		LEGAL NAME AND CORRESPONDENCE ADDRESS ABC Telephone Company 123 Main Street Washington, DC 20542				
APPROVED PURPOSES (Use Supplemental Sheets as necessary)	AMOUNT ENCUMBERED		TOTAL ADVANCES TO DATE (3)	ADVANCES NOW REQUESTED (4)	RUS USE ONLY ADVANCES CURRENTLY APPROVED (5)	TOTAL DISBURSEMENTS & CREDITS AS OF 31-MAY-22 (6)
	RUS USE ONLY WITHHELD ON CONTRACT (1)	TOTAL APPROVED FOR ADVANCE (2)				
1. Construction						
a. Outside Plant Ct. A-1X	50,000	950,000	551,000	400,000		544,250
b. Outside Plant Ct. A-1X (OFM)		10,000		10,000		
c. Equipment A-2	1,000	9,000	2,000	7,000		2,000
d. Equipment Ct. A-4 (F)		45,000	45,000			45,000
e.						
f.						
g.						
2. Professional Services						
a. Eng Ct. A-3E	3,000	27,000	27,000			33,750
b.						
3. Support Assets						
a.						
b.						
4. General						
a. Pre-application Expenses		10,000	10,000			10,000
b.						
5. Operating Funds						
6. Debt Retirement						
7. Acquisitions						
a.						
b.						
8. Closed Budget - Audited						
9. Subtotals-All Funds	54,000	1,051,000	635,000	417,000		635,000
10. Sale of Property						
11. Other						
a. Required Non-Award Funds (Match)		(625,000)	(625,000)			(625,000)
b.						
c.						
12. Sub-Total (Supplemental Sheet)						
a. Net Totals	54,000	426,000	10,000	417,000		10,000
13. RUS LOAN 14. RUS GRANT 15. OTHER 16. TOTAL	Total Amount Approved	Total Amount Under Note/Agreement	Total Amount Previously Advanced	Total Amount Advanced on this FRS	17. Cash Bal. Per General Ledger	
	2,500,000	2,500,000	10,000		18. Advance Not Deposited FRS	
					19. Other Adjustments (Specify)	
	2,500,000	2,500,000	10,000		20. Total Item 12, Col 6+17,18&19	10,000
				21. Funds Not Released		
UNENCUMBERED FUNDS (This Space For RUS Use Only)						
Network & Access Equipment		Professional Services				
Outside Plant		Support Assets				
Land & Buildings		General & Contingency				
Towers		Funds Not Deposited (CR)				
Customer Premises Equipment		Total Unencumbered Funds				
<p>CERTIFICATION</p> <p>On behalf of the designated Awardee, I request that the amount set forth as "Advances Now Requested" (Item 12a, Col. 4 above) be advanced under the provisions of the applicable legal agreement. I certify that the amount so requested is for a purpose or purposes for which funds have been approved for advance or for which approval is requested herewith; that the amount advanced will be deposited in a bank, which is a member of the FDIC; as directed by the applicable legal agreement; that the loan, grant, matching and/or other funds required to be deposited in such bank account will be disbursed only for these purposes and not to exceed the amounts approved for each purpose in Column (2) "Total Approved for Advance" of the financial requirement statements; that the cash advance shown herein is the advance of the bank account of the general ledger as of 31-May-22; and that the disbursements reported in Column (6) were made in the amounts stated for each purpose, and in accordance with the provisions of the applicable legal agreement.</p>						
SIGNATURE John Doe		TITLE (Authorized Representative of the Awardee) CEO				

Total funds requested for each approved purpose on the FRS should be within the **“Total Approved for Advance”** amount (Column 2) unless an amendment/closeout has been approved by RUS since the last FRS or an amendment/closeout is submitted with the current submission of the FRS

- Columns 1 and 2 can be completed by the Awardee but will be updated by RUS
- Columns 3, 4 and 6 should be completed by the Awardee
- Column 5 will be completed by RUS
- Column 6 should NOT exceed Column 3
- Line Item 17: Construction Fund Account (PDA)
- Column 3, Line Item 12 must equal to Line Item 20 (Column 6, Line Item 12, + Line Item 17 + Line Item 18 + Line Item 19)

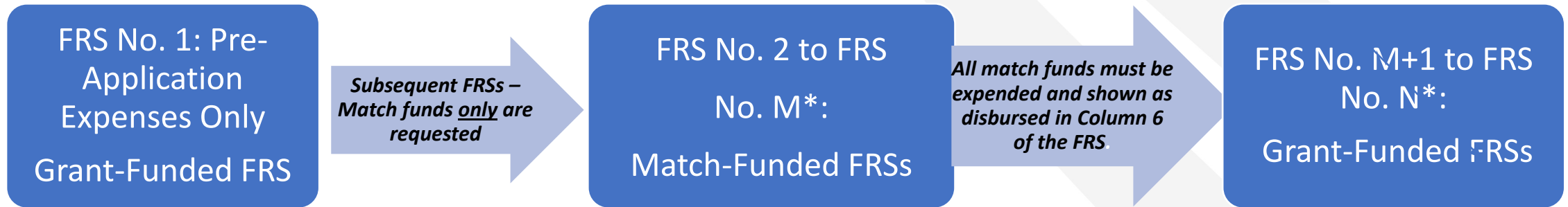
Financial Requirement Statement (RUS Form 481)

Example – FRS showing line-items with Improper Amounts

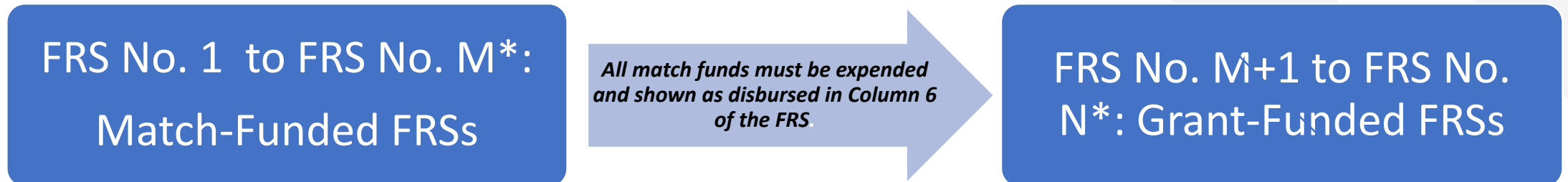
Approved Purposes	Withheld Amount (RUS Use) (1)	Total Approved for Advance (2)	Total Advances to Date (3)	Advances Now Requested (4)	Advances Currently Approved (RUS Use) (5)	Total Disbursements & Credits As of Feb '20 (6)
OSP Ct. A-1X	5,000	95,000	30,000	70,000		30,000
OSP Ct. A-1X (OFM)		10,000	0	10,000		
SE Ct. A-2	1,000	9,000	2,000	7,000		2,000
ENG Ct. A-3E	3,000	27,000	27,000			33,750
COE Ct. A-4 (F)		45,000	45,000			45,000

Funding Sequence For 100% Grant Awards

Sequence for awards with approved Pre-Application Expenses:



Sequence for awards without approved Pre-Application Expenses:

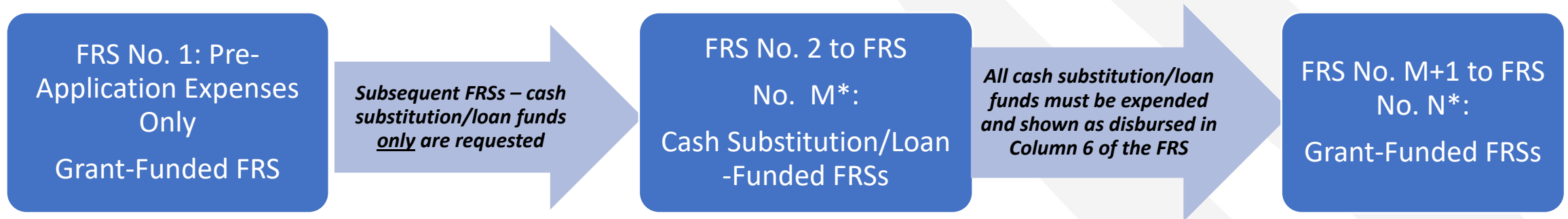


* *M is the last FRS for matching funds*

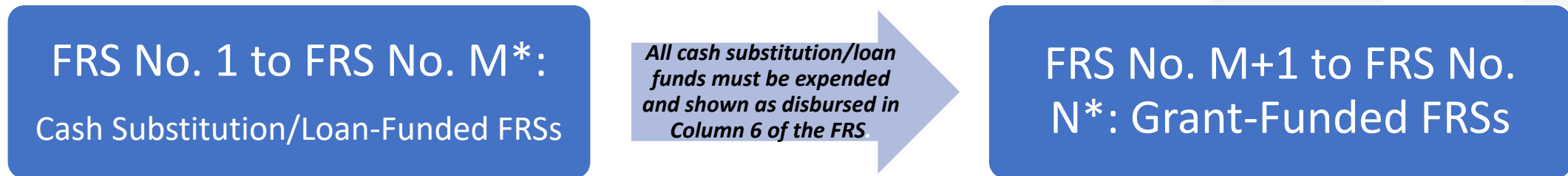
* *N is the last FRS for grant funds*

Funding Sequence For 50% Loan/Cash Substitution & 50% Grant Awards

Sequence for awards with approved Pre-Application Expenses:



Sequence for awards without approved Pre-Application Expenses:



** M is the last FRS for cash substitution/loan funds*

** N is the last FRS for grant funds*

Funding Sequence For 100% Loan Awards or 100% Grant Awards with No Match Requirement

Sequence for awards with approved Pre-Application Expenses:



Sequence for awards without approved Pre-Application Expenses:



****N is last FRS for loan or grant funds***

Tips for Timely Processing of FRSs

- FRSs are reviewed on a first-come, first-serve basis
- Ensure all executed documents and certifications are signed by authorized officials
- Maintain compliance with all reporting requirements in award documents
- Understand ReConnect Program rules and requirements that may be unique to your ReConnect project
- Establish a working relationship with your RUS General Field Representatives (GFR)
- Submit complete documentation
- Minor oversights can cause major delays
- Be realistic with review & approval timeframes



Available Resources

ReConnect website: <https://www.usda.gov/reconnect>

RUS Forms: <https://www.rd.usda.gov/resources/forms/rus-forms>

- Telecommunications Forms:
 - RUS Form 481, **Financial Requirement Statement**
 - PDF version of RUS Form 481
 - Fillable Excel version of RUS Form 481
 - RUS Form 771a, **Summary of Work Orders**
 - PDF version of RUS Form 771a
 - Instructions for RUS Form 771a

General Field Representatives (GFRs): <https://www.rd.usda.gov/contact-us/telecom-gfr/all>

**Portfolio Management & Risk Assessment Division –
Telecommunications Program : (202) 720-1025**







United States
Department of
Agriculture

Rural Development