

Quarterly Public Sector Webcast

Topic 1: Common financial statement preparation challenges

Topic 2: State of broadband and national telecommunications and information

Thursday, December 14, 2023



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Agenda

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Topic 2: State of broadband and national telecommunications and information	50

COMMON FINANCIAL STATEMENT PREPARATION CHALLENGES

December 2023



Your presenters



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Agenda

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Objectives

By the end of this course, you will be able to:

- Identify steps for preparing capital asset records and disclosures
- Assess common financial statement preparation challenges that impact governments



CAPITAL ASSETS

Definition of capital assets

GASB No. 34, paragraph 19 (GASB Cod. sec. 1400.103), provides a very broad definition of *capital assets* as “tangible or intangible assets that are used in operations and that have initial *useful lives extending beyond a single reporting period.*”



Debits and credits – Acquisition of capital assets



Governmental funds

- Current financial resources measurement
 - Debit to capital expenditures
 - Credit varies based on how asset was acquired (cash, financed, donation, etc.)
 - GASB 34 conversion entries needed for government-wide statements



Proprietary and trust funds

- Economic resources measurement focus
 - Debit to applicable asset class
 - Credit varies based on how asset was acquired (cash, financed, contribution, etc.)

Debits and credits – Sale/disposal of capital assets



Governmental funds

- Current financial resources measurement
 - Discarded, lost or destroyed – no entry to governmental fund financial statements
 - Sale of capital assets - Debit cash and other financing source
 - GASB 34 conversion entries needed for government-wide statements

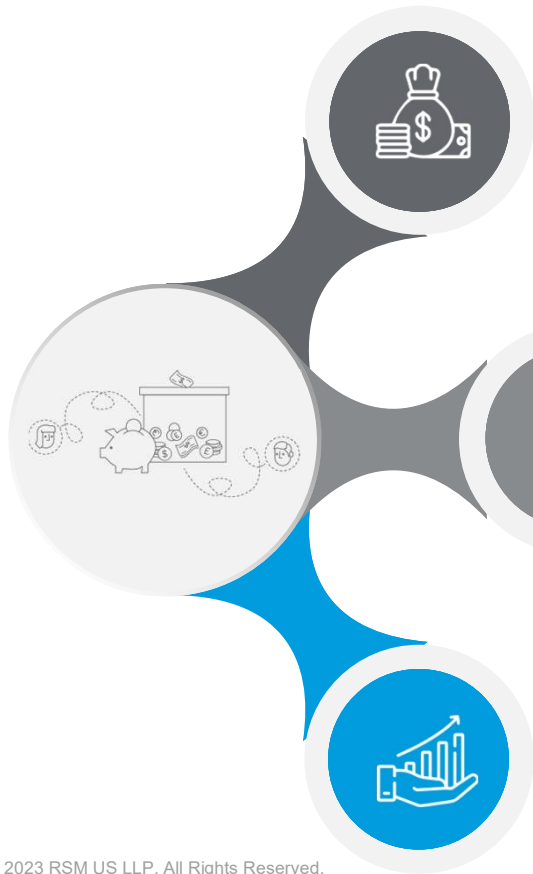


Proprietary and trust funds

- Economic resources measurement focus
 - Record entry to remove related cost and accumulated depreciation from the statement of net position and corresponding gain or loss on statement of revenues, expenses, and changes in net position

GASB No. 89

Accounting for interest cost incurred before the end of a construction period



Interest cost incurred during construction is no longer capitalized in business-type activities or enterprise funds.

These interest costs are recognized as expense in period cost is incurred.

Statement is effective for reporting periods beginning after December 15, 2020.

GASB implementation guide No. 2021-1

Question 5.1

Should a government's capitalization policy be applied only to individual assets or can it be applied to a group of assets acquired together? Consider a government that has established a capitalization threshold of \$5,000 for equipment. If the government purchases 100 computers costing \$1,500 each, should the computers be capitalized?

Answer

Governments should capitalize assets whose individual acquisition costs are less than the threshold for an individual asset if those assets in the aggregate are significant.

The amended guidance is effective for reporting periods beginning after June 15, 2023. The amendments should be applied retroactively by restating the financial statements for all prior periods presented. If restatement for prior periods isn't practicable, the cumulative effect of applying the amended guidance should be reported as a restatement of beginning net position for the earliest period restated. Early application is encouraged.

Maintaining depreciable capital assets



- Revisit your capital asset policy.
- Maintain a subsidiary ledger in your ERP or other database.
- If a third party is utilized to maintain listing, communicate additions and disposals timely.
- Train staff annually.
- Establish monthly or quarterly cadence to track capital-related projects throughout the year.
- Have a roadmap or checklist that department heads can utilize to differentiate between capital assets vs. repair and maintenance.
- Revisit depreciation policy for current year additions and disposals (half-year vs monthly).
- Document methodology for allocation of depreciation expense and gain/loss.

Maintaining non-depreciable capital assets

Land

- Have a mechanism to track all land purchases, donations, or other acquisitions



Construction in progress

- Maintain listing of each project that summarizes every invoice (payment application)
- Keep copy of contractor applications as of your year-end
- Request your contractors to provide payment applications as of your fiscal year end
- Do not forget to record retainage payable at year end
- Do not forget to record current amount due in accounts payable



Preparing for your audit

- Discuss capital asset activity with department heads.
- Review capital outlay and repairs and maintenance expenditures to identify additions.
- Review gains related to capital asset disposal activity.
- Consider accounts payable and retainage.
- Generate capital asset depreciation reports.
- Prepare roll forward workpapers.



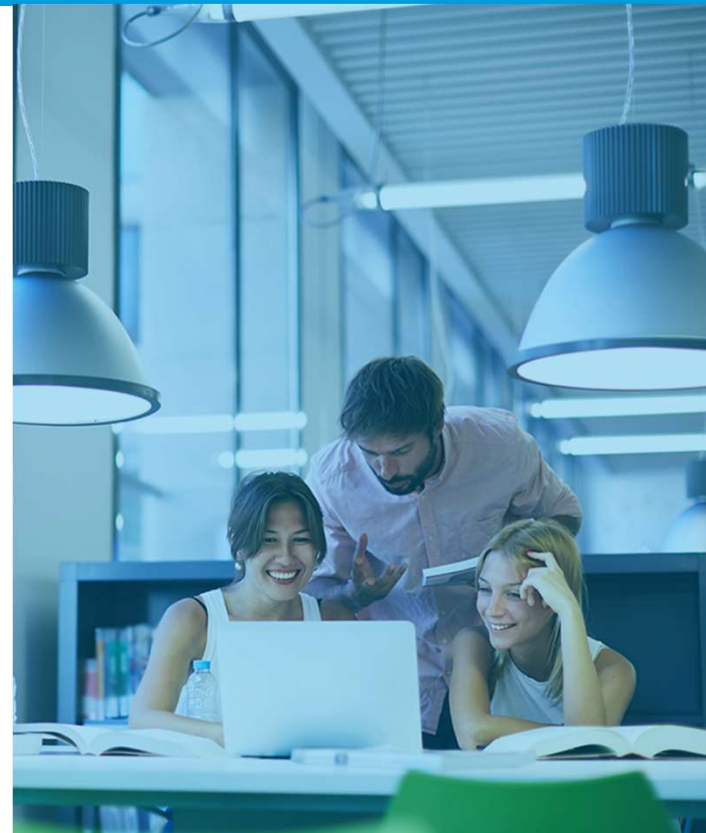
What is on the horizon

- **GASB exposure draft – Disclosure and classification of certain capital assets**
- Proposes separate disclosure of certain capital assets:
 - Capital assets held for sale, by major class of asset
 - Lease assets reported in accordance with GASB Statement 87 *Leases*, by major class of underlying asset
 - Subscription assets reported in accordance with GASB Statement 96 *Subscription-based information technology arrangements*
 - Intangible assets other than lease assets and subscription assets, by major class of asset
- Establishes criteria to determine whether a capital asset should be classified as held for sale



Illustration

- **Capital assets not being depreciated**
 - Land
 - Construction in progress
 - Total capital assets not being depreciated
- **Capital assets being depreciated**
 - Buildings and improvements
 - Equipment
 - Held for sale (by major class - buildings, equipment, etc.)
 - Intangible assets
 - Software
 - Subscription assets
 - Other right-to-use assets
 - Lease assets (by major class - buildings, equipment, etc.)
 - Total capital assets being depreciated
- **Less accumulated depreciation for (use same classifications as above)**



Planned effective date and guidance

- Comments due January 5, 2024
- Proposed to become effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter
- Proposed retroactive application to first period presented, if practicable
 - If not practicable, must disclose reason why
- Proposed as change in accounting principal in accordance with GASB Statement No. 100 *Accounting Changes and Error Corrections*





Net investment in capital assets

Net investment in capital asset calculation



Calculation is as follows:

- (+) Capital assets, net of accumulated depreciation
- (+) Deferred outflows related to capital assets or to debt used to acquire/construct capital assets (loss on debt refunding)
- (-) Debt issued to acquire/construct capital assets
 - Excludes unspent bond proceeds
- (-) Retainage payable and construction-related accounts payable
- (-) Deferred inflows of resources related to debt issued to acquire/construct capital assets (gain on debt refunding)

Capital assets

01

Capital assets should include all capital assets of the reporting unit, including:

- a. Intangible capital assets
- b. Capital assets acquired through grants
- c. Capital assets acquired through donations
- d. GASB 87 *Leases* – Right to use assets (upon implementation)
- e. GASB 96 *SBITA* – Subscription based intangible assets (upon implementation)

02

Capital assets are reported NET of related debt reflected within the reporting unit.

03

Capital assets are reported NET of accumulated depreciation.

Related debt – Part 1

- 01 Only capital related debt and liabilities associated with the construction, acquisition, or improvement of capital assets in the same reporting unit.
- 02 Only the principal balance of outstanding capital related debt reduces the capital assets. Interest is not factored into this calculation.
- 03 If capital related debt is refunded, the new debt takes on the capital nature of the prior bonds.
- 04 Deferred outflows or inflows associated with the refunding are included.
- 05 Unamortized premiums and discounts are included.

Related debt – Part 2

- 01 Accounts payable to contractors or vendors are included.
- 02 Retainage payable to contractors are included.
- 03 Accrued interest on capital liabilities is EXCLUDED.
- 04 Accreted interest on capital appreciation bonds is EXCLUDED.
- 05 Unspent bond proceeds are EXCLUDED.

Recap of common mistakes



Omission of some capital assets	Improper presentation of unspent bond proceeds	Including liabilities that are not related to a reporting unit's own reported capital assets
Including other noncapital liabilities	Including accreted interest	Omission of deferred inflows / outflows of resources associated with refunded capital debt

Next steps on your NICA calculation

01

Capital assets –

- Maintain capital assets throughout the year (not just at year-end).
- Contractor applications – Don't forget to pick up any accounts payable and retainage at year-end .
- Only include construction projects that are debiting capital assets (maintenance projects are excluded).

02

Capital related debt

- Perform exercise of capital and non-capital outstanding liabilities issue by issue and make sure only capital related liabilities are reflected.
- Make sure unamortized premiums/discounts and deferred inflows/outflows are properly reflected.

03

Issue new bonds?

- Make sure you can point to what the unspent bond proceeds are.



Cash and investment disclosures

What's the risk?

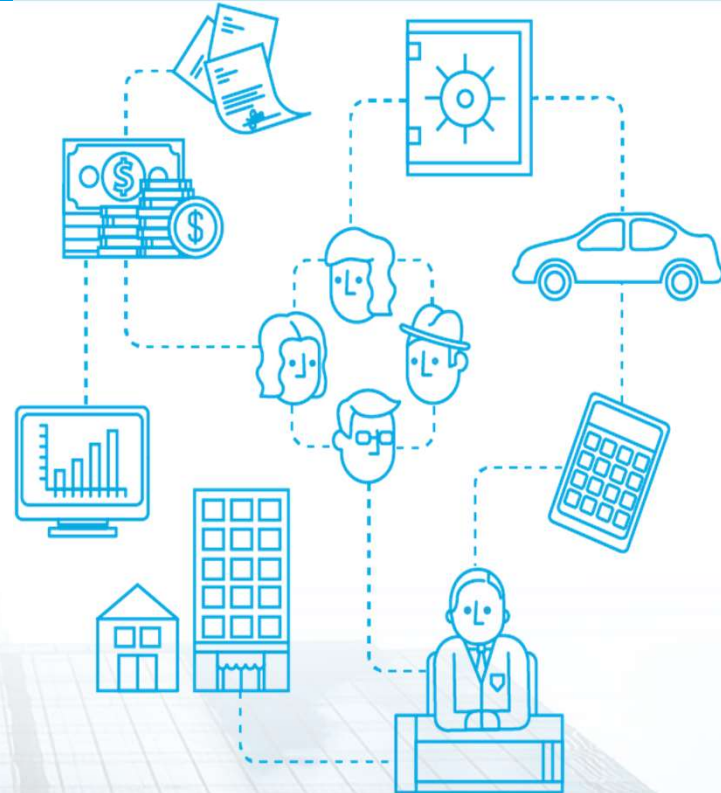
Cash and investment disclosures



- In addition to amounts, disclosures are about risks
 - Custodial credit risk
 - Concentration of credit risk
 - Interest rate risk
 - Foreign currency risk
- Intent is to disclose the government's risk to its cash and investments

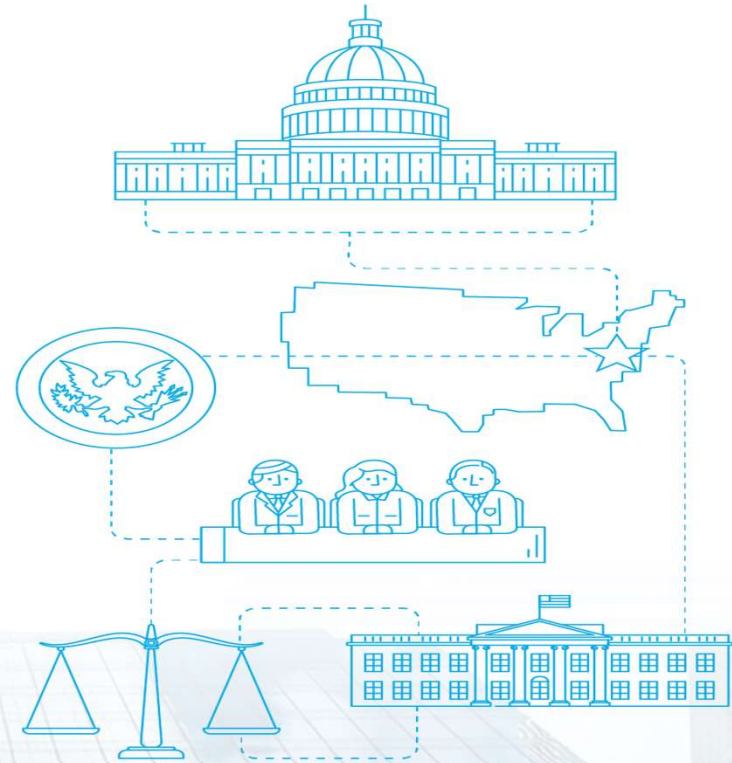
Custodial credit risk

- How safe is the money if the bank fails
- Safeguards
 - Collateralization
 - Private insurance



Concentration of credit risk

- Is the government overly reliant on one borrower?
- Having all of your eggs in one basket



Interest rate risk

- Inverse relationship between price and interest rates.
- Rates go up, prices go down.
- Conversely, rates going down cause prices to go up.
- If government has a long-term investment portfolio, the debt securities can lose value if rates go up.
- Risk is mitigated if government can hold long term, but risk losing additional interest earnings.



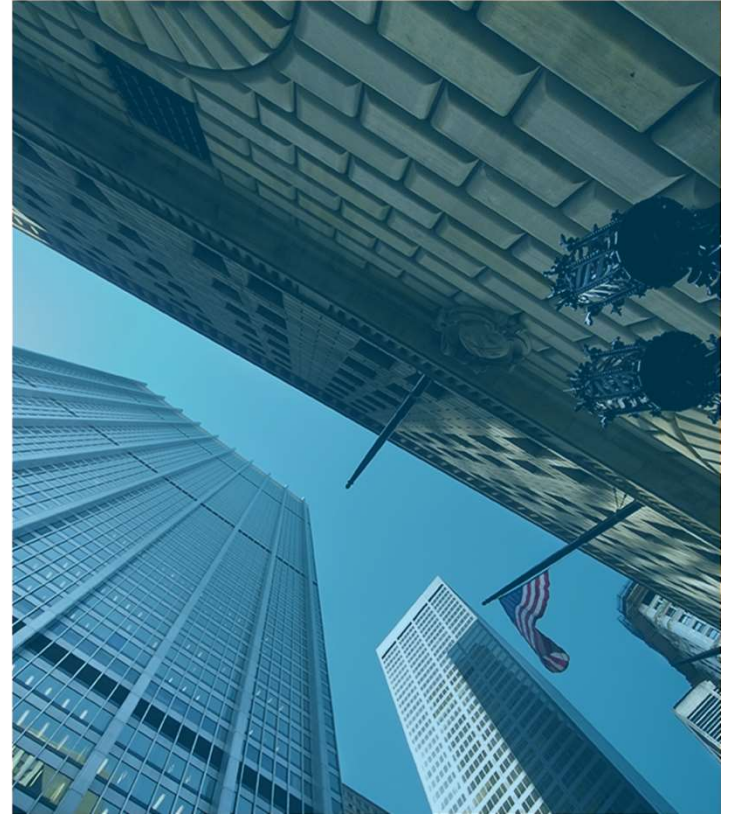
Foreign currency risk

- Like interest rate risk, if the government is involved in foreign currency transactions, change in exchange rate can mean government is paying more or receiving less than what the original contract was for.
- Not really common.

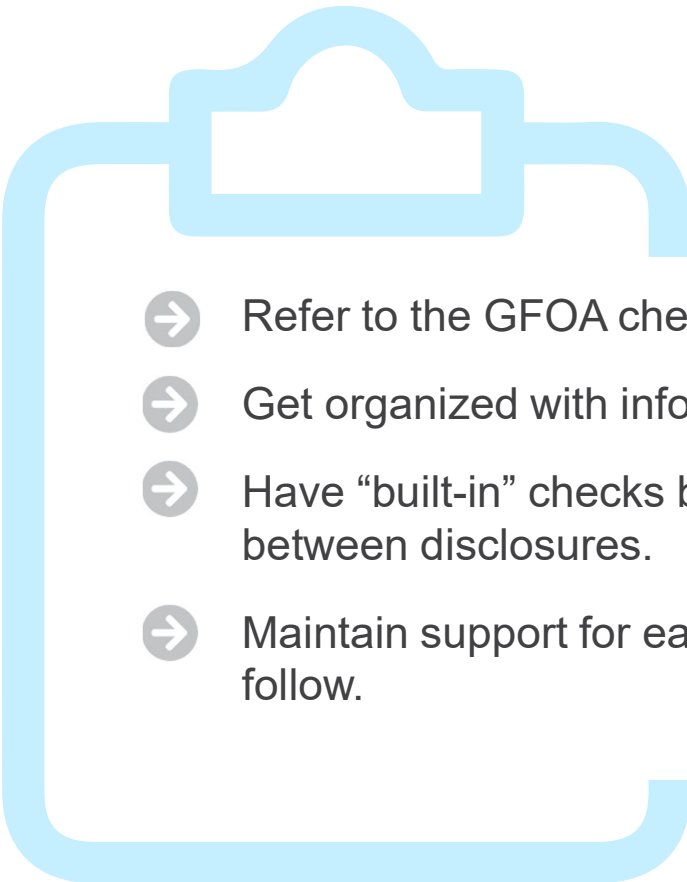


Fair value

- Disclosures are about which investments are presented at fair value and which aren't and why
- Also included is fair value reporting level:
 - Three levels – One, two and three
 - One is where there is an active market in the security.
 - Methods of determining two and three must be disclosed.
 - This additionally gives an indication of the liquidity of the investment.
 - One – no problem
 - Two – probably not a problem, if sale is needed
 - Three – good luck!



Best practices and tips

- 
- Refer to the GFOA checklist of required content.
 - Get organized with information gathering.
 - Have “built-in” checks between schedules to make sure consistency between disclosures.
 - Maintain support for each disclosure so reviewer behind you can follow.



Noncurrent liabilities

Debt

How to overcome challenges

- Have mechanism to identify type of debt (bonds, loans, leases, etc.) and source of debt (direct borrowing or private placement).
- Revisit to make sure balances are consistent between government-wide statements, fund financial statements and various debt disclosures.
- Can debt schedules be simplified?
- Make the connection to statistical schedules.



Pension and OPEB arrangements

How to overcome challenges

- Plan ahead – know when you need a new valuation and communicate accordingly.
- Have a playbook of the pension and OPEB plans, when valuations are available, the website or actuary (if single employer plan) the information comes from, and the key personnel that have access to the information.
- Write down parameters used when generating reports for contributions (and subsequent contributions, if applicable).
- Revisit to make sure balances are consistent between government-wide statements, fund financial statements, and required supplementary information.



Subscription based information technology arrangements (SBITA)

What we learned

- Concepts are not new.
- Disclosures are comparable to GASB 87 *Leases*.
- Implementation has been challenging:
 - Potential agreements are significant.
 - Agreements are vague on certain clauses.
 - Term
 - Renewals
 - Cancellation
 - Implementation costs
 - Cooperative buying agreements
 - SBITAs embedded in other agreements and vice versa



SBITAs (continued)

Prepayment considerations

- Prepayments are included in the subscription asset.
- If fully prepaid (e.g. there are no future subscription payments), the subscription liability is zero.
- If partially prepaid, the subscription asset represents the PV of future subscription payments (subscription liability) plus the prepayment. Subscription asset would also include certain capitalizable costs less any incentives received.



SBITAs (cont.)

How to overcome challenges

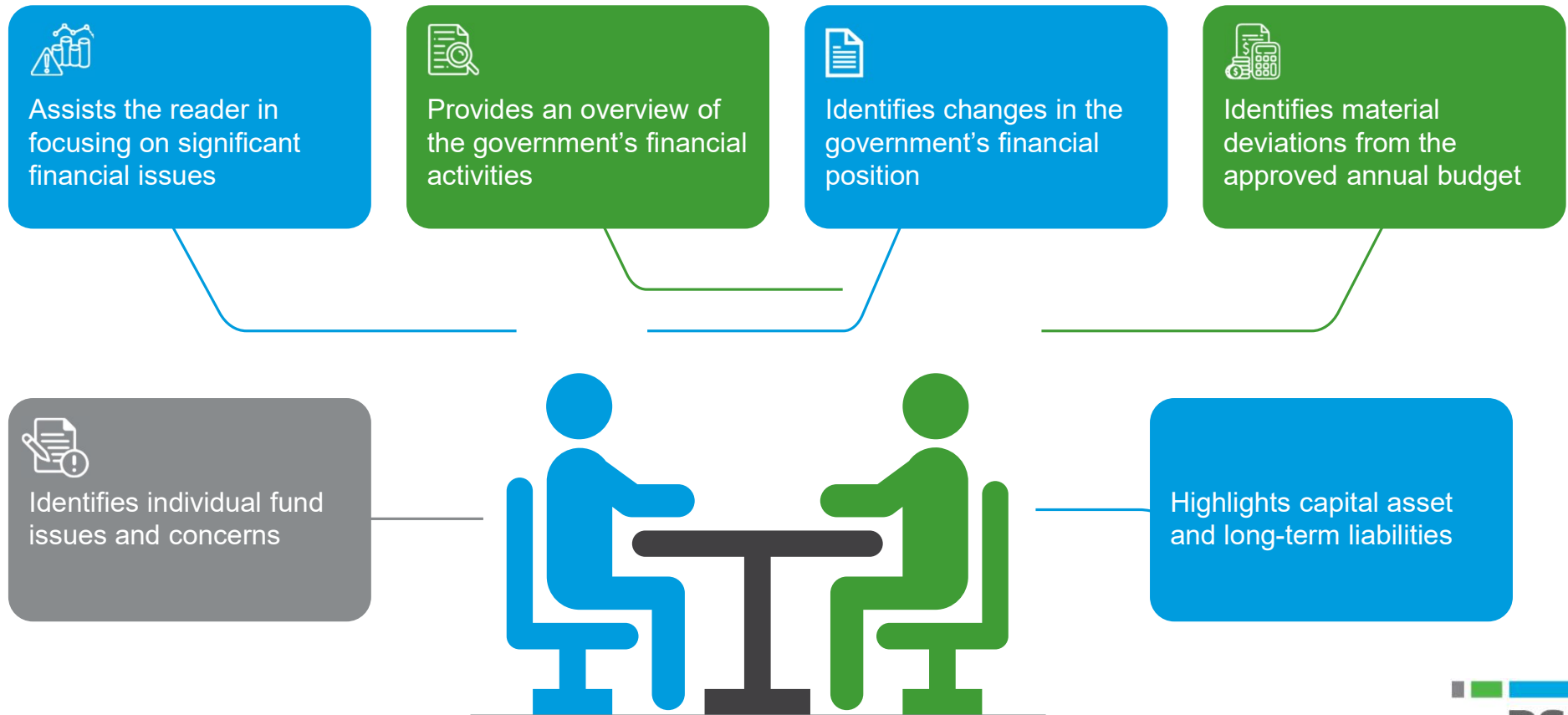
- Have a plan to track your SBITAs. If you are not sure, include it on the list for further evaluation.
- Don't wait.
- Make sure you have an agreement:
 - Term
 - Cost during the term
 - Renewal
 - Cost during the renewal term
 - Cancellation
 - Breakout of costs between software and non-software



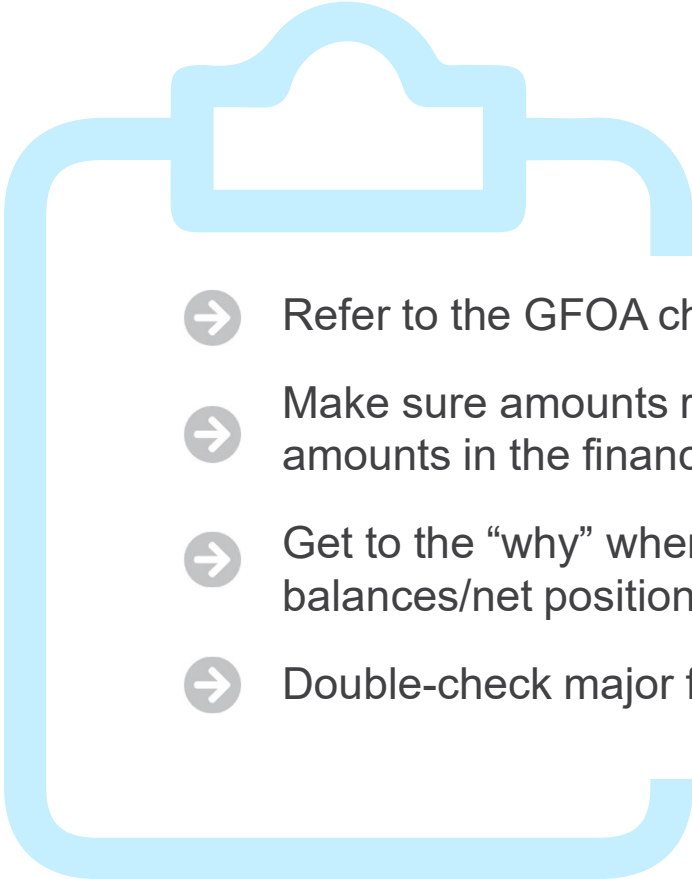


Management discussion and analysis

Management's discussion and analysis (MD&A)



MD&A best practices and tips

- 
- Refer to the GFOA checklist of required content.
 - Make sure amounts reported in the MD&A agree with related amounts in the financial statements.
 - Get to the “why” when explaining changes in net position and fund balances/net position and differences in budgetary variances.
 - Double-check major fund explanations.

What is on the horizon

GASB exposure draft – Financial reporting model improvements



Proposes information to be limited to related topics discussed in five sections:

- Introduction
- Financial summary
- Detailed analyses
- Significant capital assets and long-term debt activity
- Currently known facts



Under the exposure draft, MD&A will continue the following:

- MD&A provides objective and easily readable analyses
- MD&A avoids unnecessary duplication
- MD&A distinguishes between primary government and discretely presented component units



In summary

Best practices for preparing your financial statements

- Refer to the GFOA checklist of required content.
- Develop a plan for completion and communicate with team members. Write it down.
- Maintain a catalogue of year-end closing entries and GASB 34 entries.
- Document who prepared and the source of information on each document.
- Don't start too late.
- Communicate and collaborate throughout process.

Broadband Equity Access and Deployment Program (BEAD): State of Broadband and National telecommunications and Information Administration (NTIA)

Your presenters



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BEAD Program





What is broadband?

The term broadband refers to high-speed and high-bandwidth communication infrastructure that commonly relates to high-speed internet services.



How many miles in broadband?

CORE INTERNET BACKBONE

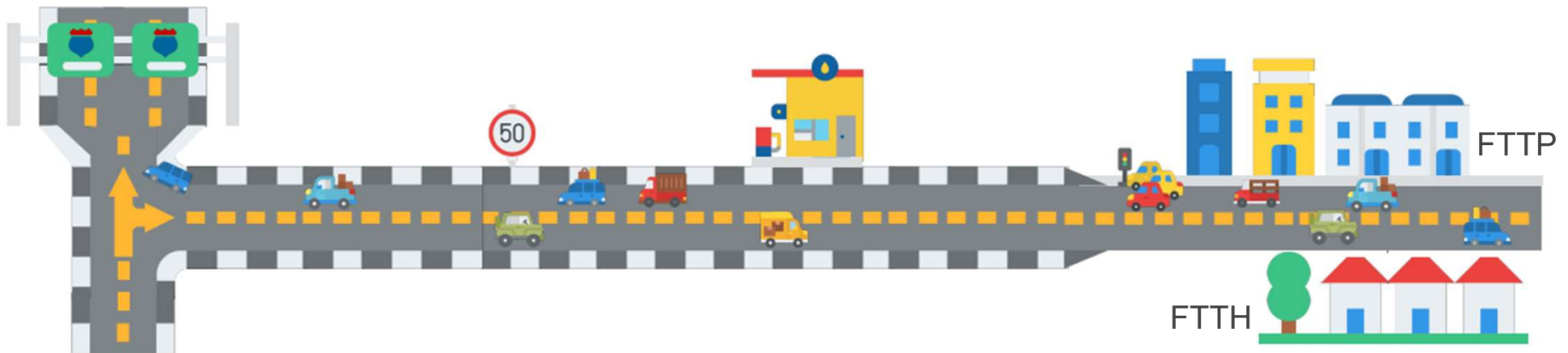
- ✓ “Interstate highways” of broadband
- ✓ Transmit data across the country (and around the world)

MIDDLE MILE

- ✓ “State highways” of broadband
- ✓ Transmit data within a state or region and link end users to the core Internet

LAST MILE

- ✓ “City streets” of broadband
- ✓ Transmit data from the middle mile to and from end users



- Fiber-to-the-home (FTTH) broadband connections refer to fiber optic cable connections for individual residences
- Fiber-to-the-premises (FTTP) is the installation of optical fiber direct to individual buildings such as multi-dwelling units and businesses to provide high-speed broadband access

Timeline rewind



2019 and prior

- USDA ReConnect/FCC Focus primarily on rural America for the unserved
- RDOF

Coronavirus Aid Relief and Economic Security Act (CARES Act)

- Coronavirus Relief Fund — \$150 Billion in a year
 - Necessary to the pandemic — Some state used for broadband
- Governor's Emergency Education Relief Fund — \$3 Billion in a year
 - Providing off-campus access to reliable, high-speed internet for students and teachers through the purchase of internet-connected devices/equipment, mobile hotspots, wireless service plans, or installation of Community Wi-Fi Hotspots, especially in underserved communities

American Rescue Plan Act (ARPA)


- Coronavirus State and Local Fiscal Recovery Funds — \$350 Billion over 2 years
 - Can be spent on a variety of things with no approval from UST
- Capital Projects Fund - \$10 Billion in a year
 - Can be spent on a on broadband and digital equity, or other projects directly enable work, education, and health monitoring
 - Application needs approval from UST

Infrastructure Investment and Jobs Act (IIJA)

- NTIA received \$65.9 Billion
 - Solely for broadband and equity

U.S. broadband grant programs by award size



NTIA BIL Broadband Funding Programs			
			
BROADBAND EQUITY, ACCESS, AND DEPLOYMENT	DIGITAL EQUITY	TRIBAL BROADBAND CONNECTIVITY PROGRAM	MIDDLE MILE
\$42.45B	\$2.75B	+\$2.00B	\$1.00B
Broadband Equity, Access & Deployment Program	Digital Equity Act	Enabling Tribal Broadband Infrastructure	Enabling Middle Mile Broadband Infrastructure
A program to get all Americans online by funding partnerships between states or territories, communities, and stakeholders to build infrastructure where we need it and increase adoption of high-speed Internet.	Three programs that provide funding to promote digital inclusion and advance equity for all. They aim to ensure that all communities can access and use affordable, reliable high-speed Internet to meet their needs and improve their lives.	A program for tribal governments to bring high-speed Internet to tribal lands. It also supports telehealth, distance learning, affordability, and digital inclusion initiatives.	A program to expand middle mile infrastructure, to reduce the cost of connecting unserved and underserved areas.

Investing in high-speed internet infrastructure and access, affordability, and digital literacy will achieve **digital equity**.

Digital equity act programs

Digital Equity Act Programs¹

Program objective | Support the closure of the digital divide & promote equity and digital inclusion, so that "individuals and communities have the information technology capacity that is needed for full participation in the society and economy of the United States."²

Program priorities | Prioritizes covered populations:

- Individuals living in households earning at or below 150% of the poverty line
- Veterans
- Aging individuals
- Incarcerated individuals
- Individuals with a language barrier
- Individuals with disabilities
- Individuals who are members of a racial or ethnic minority group
- Individuals who primarily reside in a rural areas

Eligible entities | State Planning Grant Program: Any U.S. State, the District of Columbia & Puerto Rico. State Governors must appoint an 'administering entity,' which can be one, or a partnership of:

The State, political subdivision, agency, or instrumentality of State; An Indian Tribe, Alaska Native entity or Native Hawaiian organization located in the State; A foundation, corporation, institution, association, or coalition that is a not-for-profit, not a school, and is providing services in the State; A community anchor institution (not a school) located in the State; A local educational agency that is located in the State; An entity located in the State that carries out a workforce development program; An agency of the State that is responsible for administering or supervising adult education and literacy activities in the State; A public or multi-family housing authority that is located in the State

\$2.75B

3
programs created

BEAD program

Broadband Equity, Access & Deployment Program (BEAD)

\$42.45B

Program objective | To close the availability gap, as Congress finds that "access to affordable, reliable, high-speed broadband is essential to full participation in modern life in the United States."²

Program priorities

- 1 Unserved locations (No access to 25/3 Mbps³)
- 2 Underserved locations (No access to 100/20 Mbps³)
- 3 Community anchor institutions (Without gigabit connections)

**State &
Territory
formula
program⁴**

Eligible entities must also prioritize persistent poverty / high-poverty areas, speed of proposed network, build time and demonstrated records on compliance with federal labor & employment laws. Eligible entities will also be required to offer a low-cost plan to all their subscribers. The details and rules around the low-cost plans will be part of each State's plan, which will have to be approved by NTIA.

Eligible entities | All 50 U.S. States and certain U.S. Territories (including the District of Columbia, Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, and the Commonwealth of the Northern Mariana Islands)

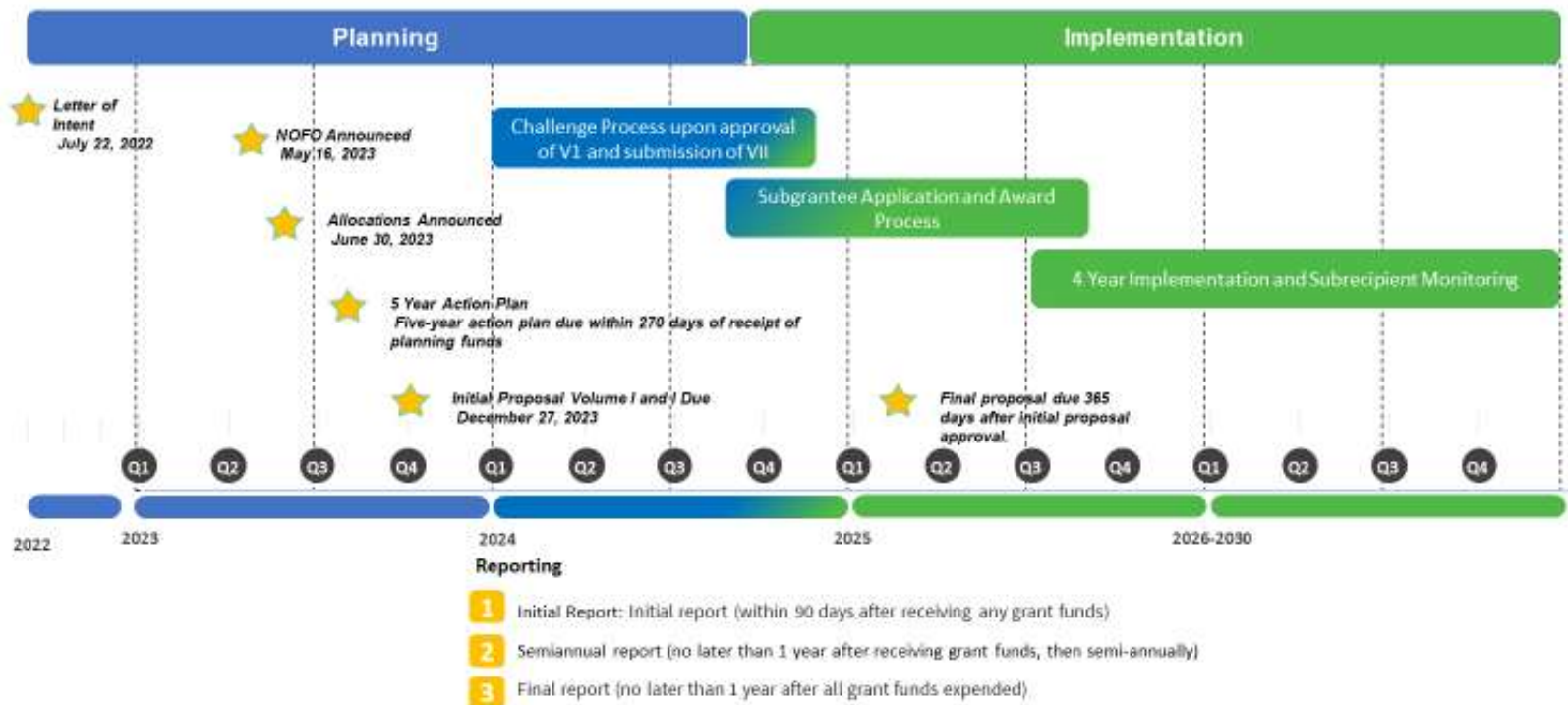
Infrastructure investment & jobs act (IIJA)

- Also called the Bipartisan Infrastructure Law
- The Broadband, Equity, Access and Deployment (BEAD) Program created by the IIJA is administered by the National Telecommunications and Information Administration (NTIA) within the US Department of Commerce
- For BEAD, IIJA allows and NTIA encourages eligible entities to leverage ARPA's Coronavirus State and Local Fiscal Recovery Funds (CSLFRF) to meet 25% match and other BEAD Broadband project funding needs
- States and tribes and other eligible entities are allowed to spend **2% of grant funds for administrative purposes**
- States and other eligible entities are **upgrading or replacing their grant management software**, hiring or contracting for additional program administration staff, to accommodate record increases in program funding, subgrants, and increased grant monitoring and compliance requirements

Initial process

Timeline

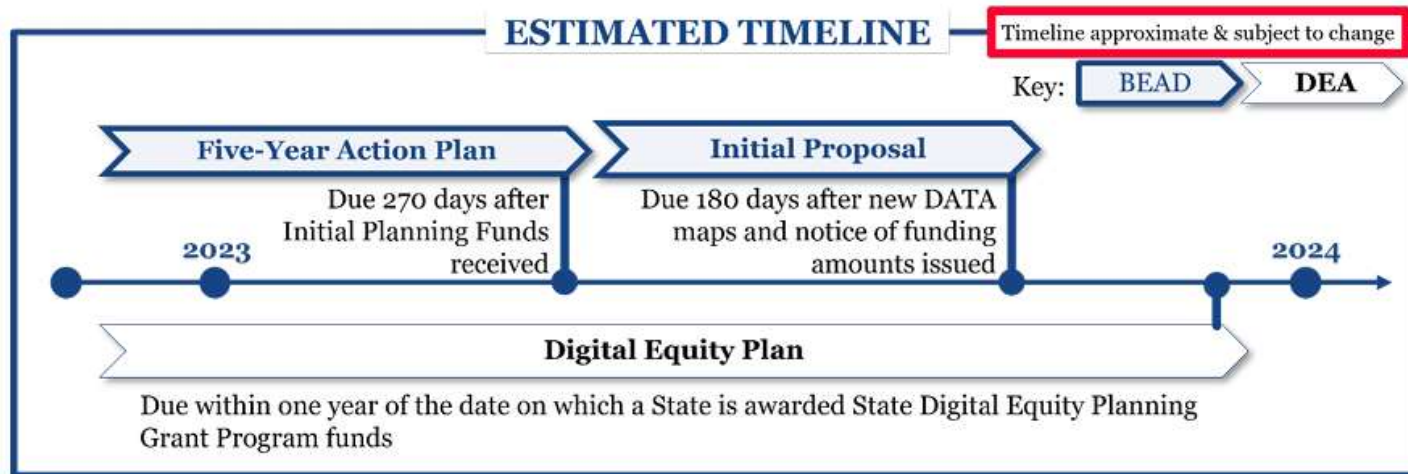
Broadband Equity, Access, and Deployment Requirement Timeline



Planning

Five year action plan

Establishes the participant's goals and priorities and serves as a comprehensive needs assessment that will inform its initial proposal



Planning (cont.)

Initial proposal

Document	Contents
Volume I of the Initial Proposal	<ul style="list-style-type: none"> Existing Broadband Funding (Requirement 3) – <i>may be satisfied by completion of the Five-Year Action Plan</i> Unserved and Underserved Locations (Requirement 5) Community Anchor Institutions (CAIs) (Requirement 6) Challenge Process (Requirement 7)
Volume II of the Initial Proposal	<ul style="list-style-type: none"> Objectives (Requirement 1) – <i>may be satisfied by completion of the Five-Year Action Plan</i> Local, Tribal, and Regional Broadband Planning Coordination (Requirement 2) – <i>may be satisfied by completion of the Five-Year Action Plan</i> Local Coordination (Requirement 4) Deployment Subgrantee Selection (Requirement 8) Non-deployment Subgrantee Selection (Requirement 9) Eligible Entity Implementation Activities (Requirement 10) Labor Standards and Protections (Requirement 11) Workforce Readiness (Requirement 12) Minority Business Enterprises (MBEs)/ Women’s Business Enterprises (WBEs)/ Labor Surplus Firms Inclusion (Requirement 13) Cost and Barrier Reduction (Requirement 14) Climate Assessment (Requirement 15) Low-Cost Broadband Service Option (Requirement 16) Middle-Class Affordability Plan¹ Use of 20 Percent of Funding (Requirement 17) Eligible Entity Regulatory Approach (Requirement 18) Certification of Compliance with BEAD Requirements (Requirement 19)
Initial Proposal Funding Request	<ul style="list-style-type: none"> Project Plan/Narrative Consolidated Budget Form

Planning (cont.)

Challenge process

Eligible Entities must describe in detail how they propose to administer the challenge process within their jurisdiction. While Eligible Entities may determine their preferred approach, the challenge process for each location must include the following four phases:



Publication of eligible locations: The Eligible Entity publishes the set of locations eligible for BEAD funding, which consists of the locations resulting from the activities outlined in Sections 5 and 6 (i.e., the full universe of locations potentially eligible for BEAD funding minus those removed in the modifications to location classifications process), as well as locations considered served. The status of these locations can be challenged.



Challenge: A representative of one of the permissible challengers submits a challenge to the Eligible Entity, using an online portal maintained by the Eligible Entity (“challenge portal”). These challenges must be visible to the service provider whose service availability is being contested. The location enters the “challenged” state. Each Eligible Entity must define a minimum level of evidence that must be presented before a challenge will be recognized as valid and subject to rebuttal.



Rebuttal: For challenges related to location eligibility, only the challenged service provider may rebut the reclassification of a location or area with evidence. If a provider claims gigabit service availability for a CAI or a unit of local government disputes the CAI status of a location, the CAI may rebut. All types of challengers may rebut planned service (P) and enforceable commitment (E) challenges. A rebuttal causes the location or locations to enter the “disputed” state. If a challenge that meets the minimum level of evidence is not rebutted within the rebuttal period, the challenge is considered sustained. A provider may also agree with the challenge and thus transition the location to the “sustained” state.



Final determination: If the challenge for a location is in the “disputed” state, the Eligible Entity makes the final determination of the classification of the location, either declaring the challenge “sustained” or “rejected.”

Planning (cont.)

Final Proposal

The Final Proposal is due to NTIA no later than **one year after approval of the Initial Proposal.**

After the Eligible Entity has selected subgrantees and otherwise executed its approved Initial Proposal, it will submit to NTIA a Final Proposal describing how it complied with that Initial Proposal and the results of its processes. NTIA will award the remaining funds allocated to the Eligible Entity upon approval of the Eligible Entity's Final Proposal, and Eligible Entities will initiate their subgrants for the remaining 80 percent of funding and any portion of the original 20 percent that the Eligible Entity has not yet awarded as a subgrant. Prior to submission to NTIA the Final Proposal must be made available for public comment.

Takeaways from states

Montana and funding shortfall

- Big state, little money

Use of hybrid/alternative technology

- Fiber can't go everywhere

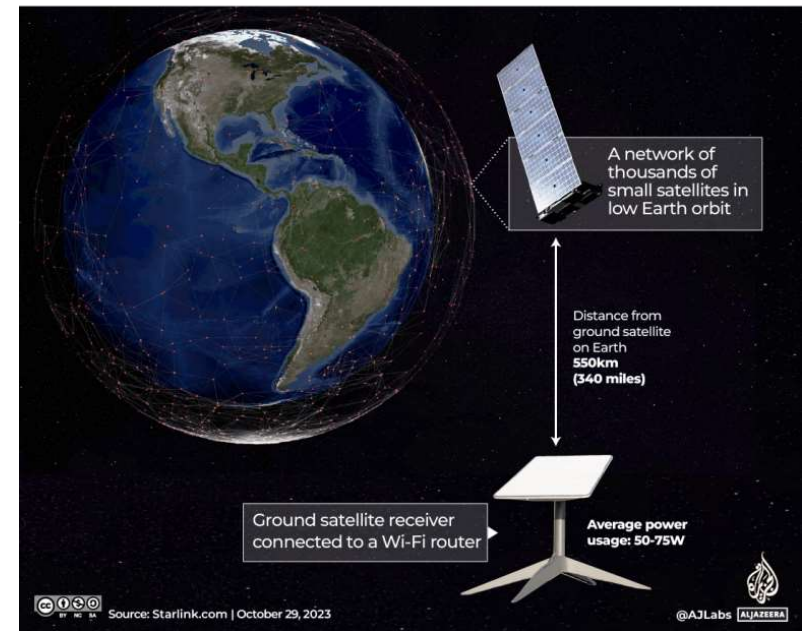
Simultaneous Broadband Grant Programs with BEAD implementation

- SLFRF, CPF, RDOF, oh my!

TECHNOLOGY

How does Starlink work?

Starlink, developed by SpaceX, is the world's largest satellite constellation that delivers high-speed internet to remote regions through small satellite receivers.



2 CFR 200 – Subpart B

The following portions of this Part	Are applicable to the following types of Federal Awards and Fixed-Price Contracts	Are NOT applicable to the following types of Federal Awards and Fixed-Price Contracts and Subcontracts
Subpart A – Acronyms and Definitions	<ul style="list-style-type: none"> All 	
Subpart B – General Provisions except for Statute 200.111 English Language, 200.112 Conflict of Interest, 200.113 Mandatory Disclosures	<ul style="list-style-type: none"> All 	
Statute 200.111 English Language, 200.112 Conflict of Interest, 200.113 Mandatory Disclosures	<ul style="list-style-type: none"> Grant Agreements and cooperative agreements 	<ul style="list-style-type: none"> Agreements for loans, loan guarantees, interest subsidies and insurance. Procurement contracts awarded by Federal Agencies under the Federal Acquisition Regulation and subcontracts under those contracts.
Subparts C-D, except for statute 200.203: Requirement to provide public notice of Federal financial assistance programs, 200.303 Internal Controls, 200.331-333 Subrecipient Monitoring and Management	<ul style="list-style-type: none"> Grant Agreements and cooperative agreements 	<ul style="list-style-type: none"> Agreements for loans, loan guarantees, interest subsidies and insurance. Procurement contracts awarded by Federal Agencies under the Federal Acquisition Regulation and subcontracts under those contracts
Statute 200.203 Requirement to provide public notice of Federal financial assistance programs	<ul style="list-style-type: none"> Grant Agreements and cooperative agreements Agreements for loans, loan guarantees, interest subsidies and insurance 	<ul style="list-style-type: none"> Procurement contracts awarded by Federal Agencies under the Federal Acquisition Regulation and subcontracts under those contracts.

Subpart B – Must or may, it is all general provisions

The following portions of this Part	Are applicable to the following types of Federal Awards and Fixed-Price Contracts	Are NOT applicable to the following types of Federal Awards and Fixed-Price Contracts and Subcontracts
Statute 200.303 Internal Controls, 200.331-333 Subrecipient Monitoring and Management	<ul style="list-style-type: none"> All 	
Subpart E Cost Principles	<ul style="list-style-type: none"> Grant Agreements and cooperative agreements, except those providing food commodities All procurement contracts under the Federal Acquisition Regulations except those that are not negotiated. 	<ul style="list-style-type: none"> Grant Agreements and cooperative agreements providing food commodities. Fixed amount awards. Agreements for loans, loan guarantees, interest subsidies and insurance. Federal awards to hospitals
Subpart F Audit Requirements	<ul style="list-style-type: none"> Grant Agreements and cooperative agreements Contracts and subcontracts, except for fixed price contracts and subcontracts, awarded under the Federal Acquisition Regulation Agreements for loans, loans guarantees, interest subsidies and insurance and other forms of Federal Financial Assistance as defined by the Single Audit Act Amendment of 1996 	<ul style="list-style-type: none"> Fixed-price contracts and subcontracts awarded under the Federal Acquisition Regulation

Subpart C – the meat and potatoes

- **§ 200.200 Purpose.** Sections 200.201 through 200.216 prescribe instructions and other pre-award matters to be used by Federal awarding agencies in the program planning, announcement, application and award processes.
 - Notice that pass-through entity is not mentioned
- 2 CFR 200.201(a) ***Federal award instrument.*** The Federal awarding agency or ***pass-through entity*** must decide on the appropriate instrument for the Federal award (*i.e.*, grant agreement, cooperative agreement, or contract) in accordance with the Federal Grant and Cooperative Agreement Act ([31 U.S.C. 6301–08](#)).

Subpart C – the meat and potatoes (cont.)

[§ 200.202 Program planning and design.](#)

The Federal awarding agency must design a program and create an Assistance Listing before announcing the Notice of Funding Opportunity. The program must be designed with clear goals and objectives that facilitate the delivery of meaningful results consistent with the Federal authorizing legislation of the program. Program performance shall be measured based on the goals and objectives developed during program planning and design. See [§ 200.301](#) for more information on performance measurement. Performance measures may differ depending on the type of program. The program must align with the strategic goals and objectives within the Federal awarding agency's performance plan and should support the Federal awarding agency's performance measurement, management, and reporting as required by Part 6 of OMB Circular A-11 (Preparation, Submission, and Execution of the Budget). The program must also be designed to align with the Program Management Improvement Accountability Act ([Pub. L. 114-264](#)).



Subpart C – Appendix I

- Appendix I has the full text of the required NOFO's needs that the federal awarding agency must follow
- Use it as plug and play for your own grants



Subpart D – I've sub-granted my funds to another entity, NOW WHAT

§ 200.332 contains the requirements (i.e., **MUST**) for pass-through entities, including:

- Clearly identifying subawards with the information listed under § 200.332(a).
- Evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward (i.e., **perform a risk assessment**)
- Consider imposing specific subaward conditions upon a subrecipient, if appropriate
- Monitor the activities of the subrecipient to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward (i.e., **perform subrecipient monitoring**)
- Verify that subrecipients are audited as required by [Subpart F](#)

Policy and program requirements



Participating Internet Service Providers (ISP's) must enroll in a low-income subsidy program, such as the FCC's **Affordable Connectivity Program** to provide affordability to low-income customers.



National Environment Protection Act (NEPA) applies to these funds, though a project may still be subject to NEPA if it is jointly funded by ARPA and a NEPA-required program.



Davis-Bacon Act requirements for prevailing wage rates may apply to these funds.



Build America Buy American (BABA) provision applies to BEAD funds along with the prohibition on certain telecommunications companies and their products does apply.



States and other eligible entities are upgrading or replacing their grant management software, hiring or contracting for additional program administration staff, to accommodate record increases in program funding, subgrants, and increased grant monitoring and compliance requirements.

Project completion certification

Climate resilience

In their application submissions, Applicants must demonstrate they have sufficiently accounted for current and future weather and climate risks as outlined in NOFO Section III.K. This means applicants are required to conduct and document an assessment that includes evaluating climate-related risks to broadband networks for a 20-year period. Explain how their project will mitigate, and where possible, avoid the known and identifiable risks of current and future projected weather and climate conditions. Detailed information for this requirement can be found at <https://broadbandusa.ntia.doc.gov/events/latest-events/nepa-historical-preservation-and-climate-resiliency>.

ISP cyber security

A subgrantee is required to have a cybersecurity risk management plan. The plan will be submitted to the Eligible Entity prior to the allocation of funds. If the subgrantee makes any substantive changes to the plan, a new version will be submitted to the Eligible Entity within 30 days. The Eligible Entity must provide a subgrantee's plan to NTIA upon NTIA's request.

Cyber supply risk management

A subgrantee is required to have a supply chain risk management plan. The plan is based upon the key practices discussed in the NIST publication NISTIR 8276, Key Practices in Cyber Supply Chain Risk Management: Observations from Industry and related SCRM guidance from NIST, including NIST 800-161, Cybersecurity Supply Chain Risk Management Practices for Systems and Organizations and specifies the supply chain risk management controls being implemented.



Letter of credit

- The letter of credit requirement in the \$42.5 billion Broadband Equity, Access and Deployment program requires providers receiving grants to expand infrastructure to obtain a letter of credit from a bank for 25% of the project cost; or, secure a Performance Bond in lieu of the Letter of Credit for the percentage of project cost defined by each state.



Letter of credit additional considerations



Use of credit unions

LOC is waived where the subgrantee otherwise meets the LOC requirement using any United States credit union that:

- Is insured by the National Credit Union Administration; Six and
- Has a credit union safety rating issued by Weiss of B- or better



Performance bonds

Prior to entering into any subgrantee agreement, each prospective subgrantee obtains a performance bond, acceptable in all respects to the Eligible Entity and in a value of no less than 100% of the subaward amount.



Reduction of LOC/performance bonds upon milestone completion

Based on the buildout complete percentage, a subgrantee may obtain a new letter of credit / renew its existing letter of credit by the following:

- 40% buildout complete, no less than 20% of the award amount
- 60% buildout complete, no less than 15% of the award amount
- 80% buildout complete, no less than 10% of the award amount
- 100% buildout complete, a subgrantee may terminate its letter of credit

Letter of credit additional considerations (cont.)



Option for alternative initial LOC or performance bond percentage

The requirement that the initial letter of credit be for 25% of the subaward amount, or in the case where a subgrantee chooses to utilize a performance bond consistent with section 2.2 above, allow the initial amount of the performance bond to be lower than 100% of the subaward amount, where:

- Funding is issued on a reimbursable basis
- Reimbursement is for periods of no more than six months
- The subgrantee commits to maintain a letter of credit or performance bond in the amount of 10% of the subaward until it has demonstrated to satisfaction of the Eligible Entity that it has completed the buildout of 100% of locations to be served by the project or until the period of performance of the subaward has ended, whichever occurs first

Final considerations



Topics



BEAD Project Completions
(2025 – 2028)



Final Project Close-Out



Auditable through 2035(?)

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