



United States Department of Agriculture  
Rural Development  
Smithfield Area Office

**DRAFT**

The Honorable Howard Moore  
Town of Black Creek  
PO Box 8  
Black Creek, NC 27813

Dear Mayor Moore,

This letter establishes conditions which must be understood and agreed to by you before further consideration may be given to the application.

This letter is **not to be considered as grant approval** or as a representation as to the availability of funds. The docket may be completed on the basis of a grant not to exceed **\$41,839**.

Any changes in project costs, sources of funds, scope of services or any other significant changes in the project or applicant must be reported to and approved by Rural Development by written amendment to this letter. Any changes not approved by Rural Development shall be cause for discontinuing processing of the application.

Please complete and return the attached RD Form 1942-46, "Letter of Intent to Meet Conditions," if you desire that further consideration be given your application.

If the conditions set forth in this letter are not met within twelve (12) months from the date hereof, Rural Development reserves the right to discontinue the processing of the application.

**GRANT REQUIREMENTS**

The Grantee understands the requirements for receipt of funds under the Community Facilities Grant program. The grantee assures and certifies that it is in compliance with all applicable laws, regulations, Executive Orders, and other applicable requirements, including those set forth in Form RD 3570-3, 7 CFR parts 3015, 3016, or 3019 as subsequently modified, and the letter of conditions. The following conditions may apply if CFG funds were used to purchase equipment or obtain or improve real property:

The grantee understands that any property acquired or improved with Federal grant funds may have use and disposition conditions which apply to the property as provided by 7 CFR parts 3015, 3016, or 3019 in effect at this time and as may be subsequently modified.

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The grantee understands that any sale or transfer of property is subject to the interest of the United States Government in the market value in proportion to its participation in the project as provided by 7 CFR parts 3015, 3016, or 3019 in effect at this time and as may be subsequently modified.

#### **PROCUREMENT, BIDDING, AND CONSTRUCTION**

Procurement and bidding must be accomplished in accordance with the requirements of RD Instruction 1942-A, 1942.18(k). Final plans, specifications, and contract documents will be prepared in a manner that meets all state requirements as well as those of Rural Development. All construction should also meet the requirements of the American Disabilities Act (ADA). The construction plan should include a method of inspection that is acceptable to Rural Development. Rural Development's approval and concurrence must be obtained for all contracts, agreements, and plans and specifications.

#### **OPERATING BUDGET**

The applicant must formally adopt Form RD 442-7, "Operating Budget" at a properly called meeting of the governing body. The budget must provide sufficient revenue to meet the requirements of operations and maintenance and debt service. Adoption of these documents should be made a part of the official minutes of the above meeting. A certified copy of the said minutes should be attached to the resolution and be provided to Rural Development.

#### **APPLICANT CONTRIBUTION/OTHER FUNDS**

Prior to or at grant closing the applicant will provide **\$77,701** from its own resources and/or any difference in funding needed between the Rural Development grant and the cost of the purchase of real property, construction costs, any required legal, architectural and engineering expenses, and/or closing cost.

The funds contributed by the Applicant will be the first funds disbursed. The Rural Development grant funds will be disbursed after all construction improvements have been completed. After providing for all authorized costs, any remaining project funds will be considered Rural Development grant funds and refunded to Rural Development.

#### **ACCOUNTING, AUDITS, AND REPORTS**

The Applicant's accounting systems, audits and management reports will be established and maintained as required by North Carolina General Statutes, RD Instructions 1942-A, Section 1942.17(q), and OMB Circular A-133. The audit will be prepared in accordance with OMB Circular A-133 with a copy furnished to Rural Development.

#### **INSURANCE AND BONDING**

Insurance and bonding should be obtained as required by NC General Statutes and Rural Development Instructions 1942-A, Subsection 1942.17(j)(3). Evidence of required coverage must be provided to Rural Development prior to closing. Evidence that coverage is being maintained must be provided annually thereafter.

Position Fidelity Bond: The Applicant will provide fidelity bond coverage for the positions of officials entrusted with the receipt and disbursement of its funds and the custody of valuable property. The amount of the bond will normally approximate the total annual debt service requirements for the Rural Development loan(s).

Corporate Liability and Property Damage Insurance: The Applicant will provide public liability, and property damage insurance in an amount to adequately protect the applicant from civil action arising from the function of the applicant relative to the project.

Real Property Insurance: The applicant will provide fire and extended coverage in an amount equal to the replacement value of the building and improvements.

Workman's Compensation Insurance: The applicant will provide adequate Workman's Compensation Insurance if applicable.

#### **ORGANIZATION**

The applicant must provide certification concerning its organization, in accordance with Rural Development Instructions 1942-A, Subsection 1942.17(k).

#### **APPLICANT CERTIFICATIONS**

Form AD-1047, Certification Regarding Debarment, Suspension, and other Responsibility Matters - Primary Covered Transactions, must be executed by the applicant prior to grant approval.

Form AD-1048, Certification Regarding Debarment, Suspension, Ineligibility and Voluntary Exclusion - Lower Tier covered transactions must be executed by the Contractor(s), supplier(s), and/or dealers prior to any purchase that exceeds \$25,000.00.

Form AD-1049, Certification for a Drug Free Workplace, must be executed by the applicant prior to grant approval.

#### **OTHER CONDITIONS**

All applicable items set out in Form 1942-13, "Processing Checklist (Community Facilities)(Public Body)" apply to this project and become a part of the Letter of Conditions.

All requirements of the following must be met:

- a. Compliance with special laws and regulations.
- b. State Pollution Control or Environmental Protection Agency Standards.
- c. Consistency with other development plans.
- d. Civil Rights Act of 1964.
- e. Title IX of the Education Amendment of 1972.
- f. Section 504 of the Rehabilitation Act of 1973.
- g. Age Discrimination Act of 1975.
- h. Compliance with OMB Circular A-133 Audit Requirements.

Sincerely,

Rhonda H. Toppings  
Area Loan Specialist