



**United States Department of Agriculture
Rural Development**

JUN 13 2008

TO: Selected State Directors*

SUBJECT: Close-Out Checklist for Empowerment Zone and Enterprise
Communities (EZ/ECs)

Please share the attached Close-Out Checklist with the Empowerment and/or Enterprise
Community in your State.

A handwritten signature in black ink that reads "LeAnn M. Oliver". The signature is written in a cursive, flowing style.

LeANN M. OLIVER
Deputy Administrator
Cooperative Programs

Attachment

*Selected State Directors: Alaska, Arizona, California, Florida, Georgia, Hawaii, Illinois,
Indiana, Kansas, Kentucky, Maine, Michigan, Montana, North Dakota, New Mexico, Oklahoma,
South Carolina, South Dakota, Tennessee, Texas, West Virginia, Wisconsin

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Empowerment Zone and Enterprise Communities CLOSE-OUT CHECKLIST

This purpose of this checklist is to provide information on close-out procedures for current Empowerment Zones and Enterprise Communities (EZ/EC) grants. Round II and III of the EZ/EC Program is drawing to a close. EZ/EC grants are to be closed out no later than 180 calendar after the end of the performance period. The first 90 days are allotted for grantees to provide documentation to the Department of Agriculture Rural Development Cooperative Programs (CP), and the remaining 90 days are allotted for CP to complete the review and close-out process.

The Round II Enterprise Community **designation period** will expire on December 31, 2008, and is non-negotiable, barring an act of Congress. Round I, II, and III Empowerment Zone designations were extended until December 31, 2009. The designation period refers to the Federal designations and subsequent benefits: EZ/EC earmarked funds, tax credits, and incentives for rural Empowerment Zones.

All Round II **grant project periods**, for both EZs and ECs, are set to expire on December 24, 2008.

EZ/ECs are responsible for submitting, within 90 calendar days after the date of completion of the award, all financial, performance, and other reports as required by the terms and conditions of the award.

EZ/EC Background Summary

The EZ/EC Program is a Federal, State, and local government partnership created during 1994 for stimulating comprehensive renewal, particularly economic growth and social development in distressed areas across the Nation. The program is designed to empower people and communities by inspiring Americans to work together to develop a strategic plan designed to create jobs and opportunities in our most impoverished urban and rural areas. It seeks to motivate long-term change in the designated localities and demonstrate a positive and productive working partnership among multiple layers of Government.

Since 1998, the EZ/EC Program has been open to States and local governments, Indian tribal governments, regional planning agencies, non-profit organizations, community-based organizations, or other locally-based organizations on behalf of rural areas nominated for designation. Areas designated as an EZ/EC were awarded grants to assist with community and economic development projects.

The urban portion of the program is administered through the United States Department of Housing and Urban Development. The rural portion of the program is administered through Cooperative Programs within the Rural Development mission area of the Department of Agriculture.

On December 24, 1998, 25 economically distressed rural communities were designated as Round II EZ/EC, making them eligible to receive what has amounted to more than \$130 million in direct Federal grants, millions more in tax-exempt bonding authority, and earmarked funding within the Department of Agriculture Rural Development mission area.

The EZ/EC Program offered additional potential to link communities to their broader regional economies, as they were able to designate up to 2,000 acres of underutilized "developable sites," property outside the formal area that can receive EZ/EC benefits, and used for job creation for residents.

CLOSE OUT FOR EZ/EC Program

A complete closeout package for a EZ/EC should consists of:

Document	Applicable Guidance	Timeline – additional information
1) Closeout Transmittal Letter from EZ/EC grant recipient	No specific format required. Letter must state that grant is complete and requirements have been met as specified in the MOA and Grant agreement.	90 calendar days after the end of expiration of the designation or grant extension. See information at: http://www.ezec.gov/About/ruralregs.html http://www.rurdev.usda.gov/ocd .
2) Final Performance Report	Online annual performance report required per benchmark instruction manual.	See Benchmark Management System Instruction Manual at https://bms.sc.egov.usda.gov/ . Due 90 days after the performance period ends. Access to the benchmark system is not guaranteed for EZ/ECs beyond December 31, 2015. For more information, see #7.
3) Final Financial Status Report	Standard Form 269	See form posted on Rural Development Web site at http://www.rurdev.usda.gov/rbs/coops/sf269.pdf . All amounts reported on the final SF-269 as unliquidated obligations must be remitted back to USDA Cooperative Programs either via check from the EZ/EC, State or local government, or pass-through entity, or if funds have not been drawn, funds will be deobligated via negative grant award through USDA Cooperative Programs.

Document	Applicable Guidance	Timeline – additional information
<p>4) Disposition of Equipment and Property</p>	<p>If grantee is a state or local government 7 C.F.R., 3016.32(e) and 7 C.F.R. 3016.33 may apply.</p> <p>If the grantee is a Non-Profit Organization, other applicable regulations are 7 C.F.R. SS 3019.34(g), 7 C.F.R 3019.35, and 7 C.F.R 3019.71.</p>	<p>7 C.F.R. 3016.32(e): When original or replacement equipment acquired under a grant or subgrant is no longer needed for the original project or program for other activities currently or previously supported by a Federal agency, disposition should be made as follows: (1) Equipment with a current per-unit fair market value of less than \$5,000 may be retained, sold, or otherwise disposed of with no further obligation to the Agency (USDA). (2) Equipment with a current unit fair market value in excess of \$5,000 may be retained or sold, and the awarding agency shall have a right to an amount calculated by multiplying the current market value or proceeds from sale by the awarding Agency's share of equipment.</p> <p>7 C.F.R. 3016.33(b) describes the disposition of supplies and states that if there is a residual inventory of unused supplies exceeding \$5,000 in total aggregate fair market value upon termination or completion of the award, and the supplies are not needed in any other Federal program, the grantee should compensate the awarding Agency for its share.</p> <p>7 C.F.R. 3019.34(g) states that when the recipient no longer needs the equipment, the equipment may be used for other activities in accordance with these standards: if equipment has a per unit fair market value of \$5,000 or more, the recipient may retain the equipment for other uses, provided that compensation is made to the original Federal awarding Agency or its successor. If the recipient has no use of the equipment, the recipient shall obtain disposition instructions from the Federal awarding Agency.</p> <p>7 C.F.R. 3019.35 outlines regulations on supplies and other expendable property and states that (a) if there is a residual inventory of unused supplies exceeding \$5,000 in total aggregate value upon termination or completion of the project or program and the supplies are not needed for any other Federally sponsored project or program, the recipient shall retain the supplies for use on non-Federal sponsored activities or sell them but in either case shall compensate the</p>

Document	Applicable Guidance	Timeline – additional information
		<p>Federal Government for its share.</p> <p>7 C.F.R. 3019.71 outlines grant closeout procedures for non-profit organizations.</p> <p>If 7 C.F.R. 3016 and 7 C.F.R. 3019 are not applicable, it is necessary to apply 7 C.F.R. 3015. Also 7 C.F.R. 3015.164 outlines statutory exemptions for equipment and supplies. (In some situations, “Federal statutes permit title to equipment or supplies that are acquired with grant funds to vest in the recipient without further obligation to the Federal Government”.) USDA/Rural Development is aware of no basis for your EZ/EC to be covered by the exceptions in 3015.164.</p>
<p>5) Annual Audit Report</p>	<p>7 C.F.R. Part 3052, 7 C.F.R. 3052.200</p> <p>7 C.F.R. 3052.200 (a) and (b)</p>	<p>In fiscal years ending after December 31, 2003, an annual audit report must be prepared in accordance with 7 C.F.R. 3052(a) and (b). Grantees that expend \$500,000 or more in a year in Federal awards shall have a single or program-specific audit conducted for that year. 7 C.F.R. 3052.200(b) states that grantees that expend \$500,000 or more in a year in Federal awards shall have a single audit conducted in accordance with 3052.200 except when they elect to have a program specific.</p> <p>For audits prior to December 31, 2003 ref. 7 C.F.R. 3052.200 which states that non-Federal entities that expend \$300,000 or more in a year in Federal awards shall have a single audit conducted in accordance with 3052.200 except when they elect to have a program-specific audit.</p>
<p>6) Internal Procedures</p>	<p>Cooperative Programs Review</p>	<p>Upon receipt of the closeout information, CP will review the documentation to determine if the EZ/EC has submitted a complete and acceptable closeout package as outlined above and in paragraph 4.h of the grant agreement. If the closeout package is unacceptable, CP may return the documents to the grantee with an explanation of what must be done to make the package acceptable; request additional information or resolve the problems through telephone conversations.</p>

Document	Applicable Guidance	Timeline – additional information
7) Extension of the Final Report Due Dates	If the EZ/EC is a State or local government 7 C.F.R. 3016.50 and 3016.50(b) outline the applicable procedures; 7 C.F.R. 3016.50(b)	Within 90 days after the expiration or termination of the grant, the grantee must submit all financial, performance, and other reports required as a condition of the grant. Upon request by the EZ/EC, CP may extend this timeframe.
	If the EZ/EC is a non-profit organization, 7 C.F.R. 3019.71(a) outlines the applicable procedures.	EZ/ECs must submit, within 90 calendar days after the date of completion of the award, all financial, performance, and other reports as required by the terms and conditions of the award. The Federal awarding Agency may approve extensions when requested by the recipient.
8) Records	7 C.F.R 25.606 Financial and Management Records	The EZ/EC must retain financial records, supporting documents, statistical records, and all other records pertinent to the grant for a period of at least 3 years after the end of the designation period, except that the records shall be retained beyond the 3-year period if audit findings have not been resolved or if directed by USDA/Rural Development. Records may be retained and submitted in electronic form.

The deadline to file an extension request for the EZ/EC Grant Extension is July 11, 2008. For more information on this process, please see the **EZEC Grant Extension Process Memorandum** or contact your Desk Officer, Sharon Colbert, at 202-260-5952 or Suzette Agans at 202-401-1922.

Additional Information and Resources to Guide Close-Out:

IRS Compliance Guide for 501(c)3 Tax-Exempt Organizations; IRS Publication 4221 and 557; OMB Circular A-122 (Cost Principles for Non-Profit Organizations); OMB Circular A-110; Circular A-133 (Audit Requirements for non-Profit Organizations); and USDA Regulation 25.400 (Post Designation Requirements for Submission of Annual Reports and 2-Year Work Plans).

ROUND 2 AND 3 EZEC PROGRAM FUNDING:

FY 2008 - Grants for 20 ECs and 7EZs = \$ 8.1 million
FY 2007 - Grants for 20 ECs and 7EZs = \$11.8 million
FY 2006 - Grants for 20 ECs and 7 EZs = \$11.2 million
FY 2005 - Grants for 20 ECs and 7 EZs = \$12.4 million
FY 2004 - Grants for 20 ECs and 7 EZs = \$12.6 million
FY 2003 - Grants for 20 ECs and 5 EZs = \$14.8 million
FY 2002 - Grants for 20 ECs and 5 EZs = \$14.9 million
FY 2001 - Grants for 20 ECs and 5 EZs = \$14.9 million
FY 2000 - Grants for 20 ECs and 5 EZs = \$15.0 million
FY 1999 - Grants for 20 ECs and 5 EZs = \$15.0 million

LIST OF RURAL EMPOWERMENT ZONES/ENTERPRISE COMMUNITIES

Round I Empowerment Zones (Designation 12/24/1994 through 12/31/2009)

1. Kentucky Highlands Empowerment Zone (KY)
2. Mid Delta Empowerment Zone (MS)
3. Rio Grande Valley Empowerment Zone (TX)

Round II Empowerment Zones (Designation 12/24/98 through 12/31/2008 and extension by Congress to 12/31/2009) note: the **Grant ends on 12/24/2008** per PL 106-554 which extended the Round II EZs additional year; and created a Round III to 12/31/2009¹.

1. Desert Communities Empowerment Zone (CA)
2. Southwest Georgia United Empowerment Zone (GA)
3. Southernmost Illinois Delta Empowerment Zone (IL)
4. Griggs-Steele Empowerment Zone (ND)
5. Metlakatla Indian Enterprise Community (AK)

¹ CP frequently refers to all EZs as extended to 12/31/09; this is for ease of communication. CP recognizes that the Round III EZs did not receive an extension to 12/31/2009, but that their designation and grant period expires on 12/31/2009.

Round III Empowerment Zones (Designation 1/11/02 through 12/31/2009)

1. Aroostook County EZ (ME)
2. FUTURO EZ (TX)

Enterprise Communities (Designation and grant expires 12/24/2008)

1. Metlakatla Indian Community Enterprise Community (AK)
2. Four Corners Enterprise Community (AZ, NM, UT)
3. Central California Enterprise Community (CA)
4. Empowerment Alliance of Southwest Florida Enterprise Community (FL)
5. Molokai Enterprise Community (HI)
6. Town of Austin Enterprise Community (IN)
7. Wichita County Enterprise Community (KS)
8. Bowling Green Enterprise Community (KY)
9. City of Lewiston Enterprise Community (ME)
10. Clare County Enterprise Community (MI)
11. Fort Peck Assiniboine and Sioux Tribe Enterprise Community (MT)
12. City of Deming Enterprise Community (NM)
13. Tri-County Indian Nations Enterprise Community (OK)
14. Fayette Enterprise Community (PA)
15. Allendale ALIVE Enterprise Community (SC)
16. Clinch-Powell Enterprise Community (TN)
17. FUTURO Enterprise Community (TX)
18. Five Star Enterprise Community (WA)
19. Northwoods NiiJii Enterprise Community (WI)
20. Upper Kanawha Valley Enterprise Community (WV)