



HIGH COST SUPPORT

Colleen Freeland
Director – Federal Support Programs

Agenda

- High Cost Loop Support
- Safety Net Additive Support
- Interstate Common Line Support
- Local Switching Support
- NECA Statements
- OIG Audits



USF High Cost Loop Overview



Overview

- FCC Part 36 rules require all incumbent local exchange carriers to submit certain investment and expense data to NECA annually
 - Data must be submitted by July 31st
 - Rural carriers may update data quarterly on a voluntary basis
 - September 30, December 30 and/or March 30
- Cost data is at the regulated Part 32 account level
 - Investment
 - Expenses
 - Taxes
 - Categorized COE and CWF investments
 - Reserves
 - Loop counts



Overview

- NECA required to:
 - Develop Study Area Loop Cost and Expense Adjustment Amounts
 - Calculate average schedule company data based on statistical formula
 - Report results of Data Collection to FCC and USAC by October 1st each year
 - NECA provides USAC with latest view of quarterly update results
 - NECA files quarterly Non-rural wire center loop count data
 - Report 5 Year Historical Trend in Loops, Loop Cost and Expense Adjustment Amounts



Overview

- Account detail reporting
 - NECA provides the FCC with line item detail from the annual USF data submission
 - This data can be found on the FCC's website at <http://www.fcc.gov/wcb/iatd/neca.html>
 - Any interested party can use this information to validate NECA's calculations or review data for individual companies over time.

NECA's USF HCL System

- On-line access for data entry, front-end edit and range variance identification and analysis, and maintains confidentiality of EC information
 - Companies permitted to submit hard copies
 - Data entered into system by NECA staff
- Provides accurate reports of input and calculated information for analysis by NECA staff and the appropriate EC.
- Assures accurate calculation of the annual USF expense adjustment based on all submitted collection data.

USF High Cost Loop Data Collection

- NECA employs extensive validation tools:
 - Data edits and analysis
 - Reconciliation to financial statements
 - Certification by Company Official
 - Account level detail reporting to FCC and USAC
- Company data is also subject to examination by
 - Internal and/or external auditors
 - State regulators
 - USAC and FCC

USF High Cost Loop Data Collection

- NECA performs edits to detect anomalous data inputs
 - Series of hard and soft edits to test data integrity
 - Dollar and percent change tests are performed on
 - Cost per Loop
 - Estimated Expense Adjustment
 - Impact on National Average Cost per Loop
 - Range failure occurs when both dollar and percent change thresholds are exceeded
 - Business reasons required for range variances failures
- If further changes are entered, the entire transaction will be subject to the same edit tests

USF High Cost Loop Data Collection

- Reconciliation to financial statements
 - NECA procedures require that data submitted by each company be reconciled
 - Tier 1 LECs — ARMIS or Underlying financial reports
 - Non-Tier 1 LECs — Unseparated financial information supporting cost study
 - Differences are resolved by obtaining a response from the company which either corrects or explains the variance.

USF High Cost Loop Data Collection

- Cost Study reviews
 - NECA reviews company cost studies as part of tariff responsibilities
 - Findings are used to update USF results where necessary
- Certification by Company Official
 - FCC Rules require that a company officer or employee responsible for the overall submission sign the certification statement
 - Knowingly false submissions are subject to penalty under federal statute
 - Required for each data submission

Expense Adjustment Calculation

- NECA uses an algorithm to develop individual study area cost per loop
 - Developed by an industry task force
 - Conforms to FCC rules
 - Filed annually with the FCC and USAC
- NECA computes average schedule company HCL amounts based on an FCC approved statistical formula
- Study areas with cost per loop greater than 115% of the national average cost per loop is eligible to receive high cost loop support

Expense Adjustment Calculation

- Support is calculated differently depending on the number of loops within study areas served by rural carriers
- For study areas with 200,000 or fewer working loops, support is calculated as follows:
 - 65% of costs between 115% and 150% of the NACPL
 - 75% of costs in excess of 150% of the NACPL
- For study areas with more than 200,000 working loops, support is calculated as follows:
 - 10% of costs between 115% and 160% of the NACPL
 - 30% of costs between 160% and 200% of the NACPL
 - 60% of costs between 200% and 250% of the NACPL
 - 75% of costs in excess of 250% of the NACPL

Expense Adjustment Calculation

- Expense Adjustment for each study area:
 - Calculated by the USF System based on \$240.00 frozen NACPL
 - Summed and compared to the USF cap
- Limit on growth in HCL fund size
 - Based on the “Rural Growth Factor”
 - Annual % change in rural lines, PLUS
 - Percent change in gross domestic product chain price index (GDP-CPI)
 - RGF applied to prior year rural high cost loop funding to determine maximum fund size for following year

Expense Adjustment Calculation

- Iterative process used to calculate a higher NACPL to keep total expense adjustment within the cap.
- “Ratchets down” each study area’s Expense Adjustment until the total Expense Adjustment is under the cap

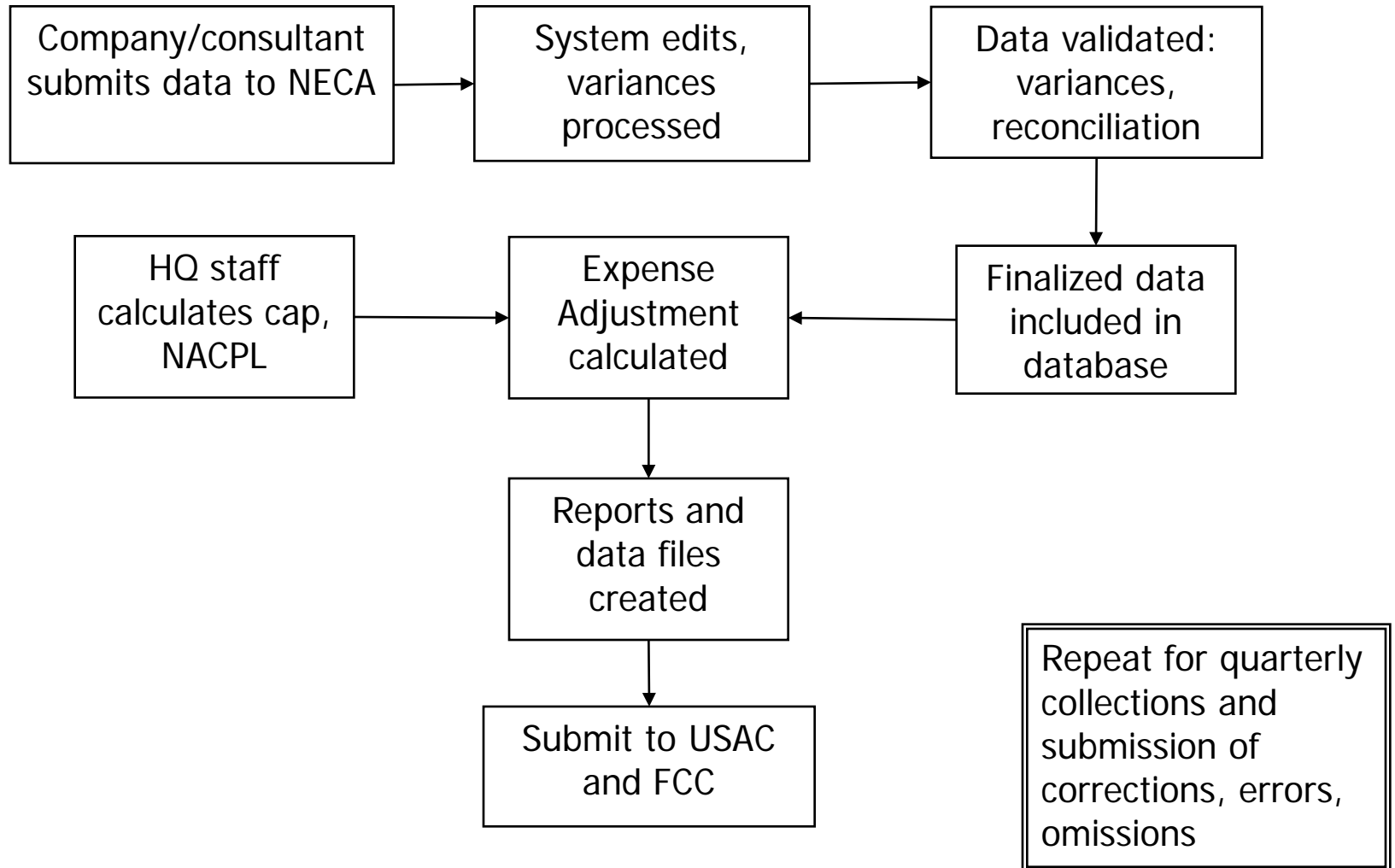
Safety Net and Safety Valve Support

- Support calculated by USAC using HCL data submitted by NECA
 - Cost companies: no additional data provided
 - Average schedule companies: NECA provides TPIS for qualifying companies

Disbursement of HCL, SNA, SVS

- Companies submit Form 498 to USAC for funds disbursement and can designate recipient:
 - Self
 - NECA
 - Other
- If company elects NECA:
 - USAC provides support by fund to NECA at end of each month
 - NECA remits HCL, SNA and SVS to companies

HCL Flow





***Interstate Common Line
Support***

Interstate Common Line Support

- NECA collects and files data on behalf of Common Line (CL) pool members
 - Projection data filed with USAC no later than March 31st for coming test period (July 1 thru June 30)
 - Corrections to previous projection data filed with USAC no later than June 30th
 - True-up data filed with USAC no later than December 31st for prior calendar year

ICLS – Projection Data (Form 508)

- Projection data sent to EC for review and certification prior to filing with USAC
 - Reflects detailed information for:
 - Common Line revenue requirement
 - Common Line revenues

Cost Company Projection Detail

- Common Line Revenue Requirement and Revenue data is based on NECA's Annual Tariff Filing
 - NECA collects data in support of Annual Tariff Filing process
 - Projected cost data at tariff review plan level of detail
 - Projected line count data

Cost Company Projection Detail

FOR EC REVIEW		
Study Area Code	123456	
Study Area Name	ABC TELEPHONE CO.	
Settlement Type	Cost	
7/01/07 - 6/30/08 Test Period Calculations#	For Information Only - Not to be provided to USAC	Data NECA Intends to Provide to USAC on 3/30/07
Common Line Revenue Requirement		
1 2007/2008 Common Line Revenue Requirement	\$578,841	
2 2007/2008 Universal Service Contributions	\$52,000	
3 Subtotal (Line 1 - Line 2)	\$526,841	
4 Pool Administration Expense Factor	0.016426	
5 2007/2008 Common Line Revenue Requirement (Line 3 + (Line 3 * Line 4))		\$535,495
End User Subscriber Line Charge (SLC) Revenue		
6 2007/2008 Forecasted Residential/Single-Line Business Lines	4,206	
7 Residential/Single-Line Business Rate	\$6.60	
8 2007/2008 Residential/Single-Line Revenue (Line 6 * Line 7) * 12	\$328,068	
9 2007/2008 Forecasted Multi-Line Business Lines	957	
10 Multi-Line Business Rate	\$8.66	
11 2007/2008 Multi-Line Revenue (Line 9 * Line 10) * 12	\$98,303	
12 2007/2008 Estimated SLC Uncollectibles	\$0	
13 2007/2008 SLC Revenue (Line 8 + Line 11 - Line 12)		\$426,371
End User ISDN Port Revenue		
14 2007/2008 Forecasted Number of ISDN BRI Arrangements	0	
15 Rate	\$2.23	
16 Subtotal (Line 14 * Line 15) * 12	\$0	
17 2007/2008 Forecasted Number of ISDN PRI Arrangements	0	
18 Rate	\$23.51	
19 Subtotal (Line 17 * Line 18) * 12	\$0	
20 2007/2008 Forecasted Number of DS1 Channel Service Arrangements	0	
21 Rate	\$23.51	
22 Subtotal (Line 20 * Line 21) * 12	\$0	
23 2007/2008 End User ISDN Port Revenue (Line 16 + Line 19 + Line 22)		\$0
Special Access Surcharge Revenue		
24 2007/2008 Forecasted Special Access Surchargeable Channels	0	
25 Rate	\$25.00	
26 2007/2008 Special Access Surcharge Revenue (Line 24 * Line 25) * 12		\$0
27 2007/2008 Long Term Support*		\$0
28 2007/2008 Interstate Common Line Support** (Line 5 - Line 13 - Line 23 - Line 26 - Line 27)		\$109,124
Notes:		
# 2007/2008 Test Period is defined as: a) forecasted revenue requirement = average of calendar years 2007 and 2008. b) forecasted demand = average of demand quantities for months included in the test period.		
* FCC Rule 54.303 - Effective 7/1/2004, no carrier shall receive Long Term Support.		
** Provided for informational purposes only - to be calculated by USAC		
Equivalency of current form to FCC Form 509:		
Line 5 = Line 9 (Form 509); Line 13 = Line 10 (Form 509); Line 26 = Line 11 (Form 509); Line 23 = Line 12 (Form 509); Line 27 = Line 13 (Form 509). Line 14 of Form 509 (Carrier Common Line Charge Revenue) does not apply.		

3/16/2007

ICLS Data Filed with USAC

Data Provided to USAC for ICLS Purposes on 3/30/2007

Study Area Code
Study Area Name
Settlement Type

123456
ABC TELEPHONE CO.
Cost

7/01/07 - 6/30/08 Test Period Data

1	Common Line Revenue Requirement	\$535,495
2	End User Subscriber Line Charge (SLC) Revenue	\$426,371
3	End User ISDN Port Revenue	\$0
4	Special Access Surcharge Revenue	\$0
5	Long Term Support (LTS)	\$0
6	Interstate Common Line Support (ICLS)**	\$109,124

**Provided for informational purposes only - to be calculated by USAC.

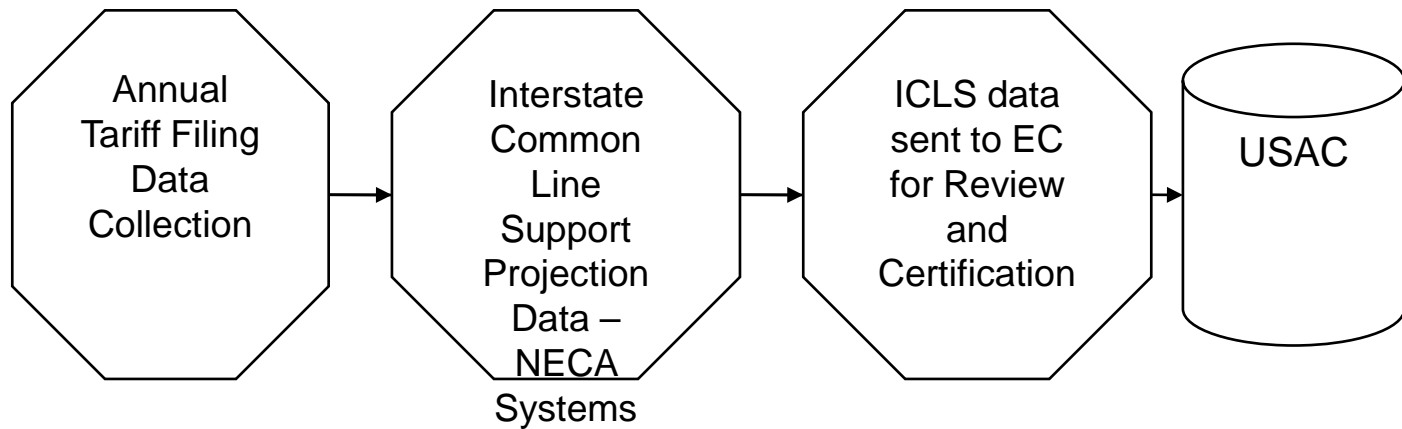
Notes:

Equivalency of current form to FCC Form 508:

Line 1 = Line 9 (Form 508); Line 2 = Line 10 (Form 508); Line 3 = Line 12 (Form 508);
Line 4 = Line 11 (Form 508); Line 5 = Line 13 (Form 508).

4/13/2007

Interstate Common Line Support Projection



ICLS – True Up Data (Form 509)

- True-up data sent to EC for review and certification prior to filing with USAC
 - Reflects detailed information for:
 - Common Line revenue requirement
 - Common Line revenues

Cost Company True-up Detail

FOR EC REVIEW		
Study Area Code	123456	
Study Area Name	ABC TELEPHONE CO.	
Settlement Type	Cost	
2005 ANNUAL AMOUNTS	For Information Only - Not to be provided to USAC	Data NECA Intends to Provide to USAC on 12/29/06
<u>COMMON LINE REVENUE REQUIREMENT (from cost study)</u>		
1 2005 Common Line Revenue Requirement	\$1,231,488	
2 2005 Universal Service Contributions	\$43,355	
3 Subtotal (Line 1 - Line 2)	\$1,188,133	
4 Pool Administration Expense Factor	0.013544	
5 2005 Common Line Revenue Requirement (Line 3 + (Line 3 * Line 4))		\$1,204,225
<u>COMMON LINE REVENUES (from pool settlements)</u>		
<u>End User Subscriber Line Charge (SLC) Revenue</u>		
6 2005 Residential/Single-Line Business Revenues	\$341,669	
7 2005 Multi-Line Revenue	\$89,774	
8 2005 SLC Uncollectibles	\$0	
9 2005 SLC Revenue (Line 6 + Line 7 - Line 8)		\$431,443
10 2005 End User ISDN Port Revenue		\$0
11 2005 Special Access Surcharge Revenue		\$0
12 2005 LONG TERM SUPPORT (from pool settlements)		\$0
13 2005 INTERSTATE COMMON LINE SUPPORT** (Line 5 - Line 9 - Line 10 - Line 11 - Line 12)		\$772,782
Notes:		
**Provided for informational purposes only - to be calculated by USAC Pool settlement data is based upon November 2006 view of calendar year 2005.		
Equivalency of current form to FCC Form 509: Line 5 = Line 9 (Form 509); Line 9 = Line 10 (Form 509); Line 11 = Line 11 (Form 509); Line 10 = Line 12 (Form 509); Line 12 = Line 13 (Form 509). Line 14 of Form 509 (Carrier Common Line Charge Revenue) does not apply.		

12/05/2006

Cost Company Trueup Detail

- Common Line Revenue Requirement is based on cost study data processed through NECA's allocator
- Revenue data is based on data reported to NECA's settlement system

ICLS Data Filed with USAC

- Once company has reviewed and certified data, as authorized agent NECA will file data with USAC on company's behalf
- Within 15 days of filing, NECA provides company with copy of data that was filed on their behalf

ICLS Data Filed with USAC

FINAL DATA

FOR 2005 INTERSTATE COMMON LINE SUPPORT TRUE-UP

Study Area Code	123456
Study Area Name	ABC TELEPHONE CO.
Settlement Type	Cost

Data NECA Provided to USAC for ICLS Purposes on December 29, 2006

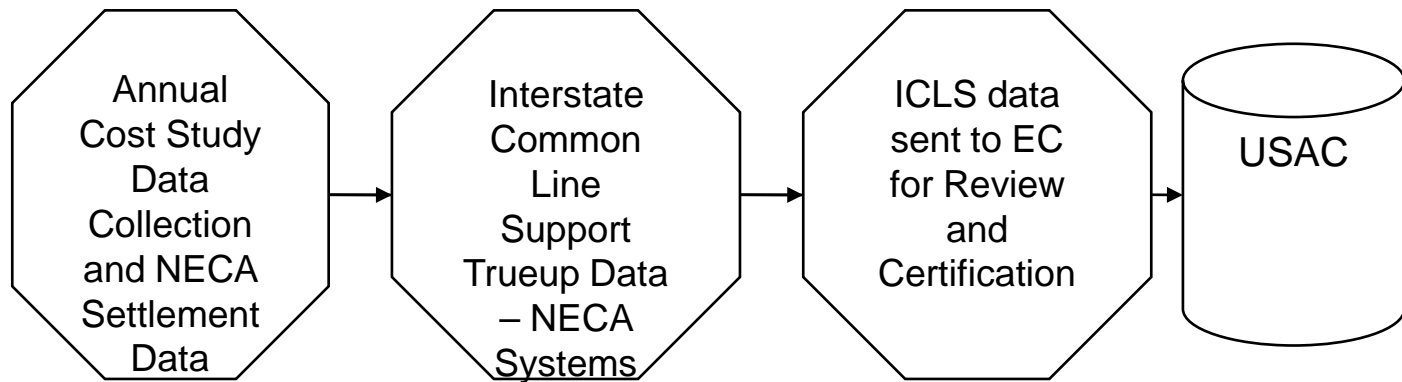
2005 Annual Amounts

1	Common Line Revenue Requirement	\$1,204,225
2	End User Subscriber Line Charge (SLC) Revenue	\$431,443
3	End User ISDN Port Revenue	\$0
4	Special Access Surcharge Revenue	\$0
5	Long Term Support (LTS)	\$0
2005 Interstate Common Line Support (ICLS)*		\$772,782

* Provided for information purposes only. To be calculated by USAC.

1/12/07

Interstate Common Line Support Trueup



Interstate Common Line Support

- ICLS is calculated by USAC in accordance with FCC Part 54.901 rules
 - Common Line Revenue Requirement
minus
 - End User Subscriber Line Charge (SLC) Revenue
 - End User ISDN Port Revenue
 - Special Access Surcharge Revenue
 - Long Term Support (LTS)



Local Switching Support

Local Switching Support

- NECA collects and files data on behalf of Traffic Sensitive (TS) pool members
 - Projection data filed with USAC no later than October 1st for coming calendar year
 - True-up data filed no later than December 31st for prior calendar year

Local Switching Support Projection Data

- Based upon data collected for NECA's Annual Tariff Filing
- NECA prepares data for company to review and certify prior to filing on companies behalf with USAC

Cost Company Projection Detail Report

FINAL DATA
DATA NECA PROVIDED TO USAC ON 10/1/2007
FOR 2008 LOCAL SWITCHING SUPPORT PROJECTION

Study Area Code: 123456
 Study Area Name: ABC TELEPHONE CO.

Tax Status (Y = Taxable, N = NonTaxable)

WORKING LOOPS & DIAL EQUIPMENT MINUTE FACTOR

Category 1.3 Loops: Enter the count of Category 1.3 Loops excluding Category 1.3 TWX (Teletypewriter Exchange Service) loops.

1996 Interstate Unweighted Dial Equipment Minute (DEM) Factor used in 1996 Cost Study (n nnnnn)

1996 DEM Weighting Factor (n.n)

	Y
	2008 Data
	5,420
	0.209901
	3.0
	2008 Total Account

2008 Local Switching
 PROVIDED FOR INFORMATION PURPOSES ONLY.
 TO BE CALCULATED BY USAC

INVESTMENT, PLANT OPERATIONS EXPENSE AND TAXES

Account 2001 - Telecommunication Plant in Service	28,751,633	
Account 2210 - Central Office Switching Equipment	4,884,917	
Account 2210 Cat. 3 - COE Category 3 (local switching)	3,952,854	\$3,952,854
Account 2220 - Operator System Equipment	0	
Account 2230 - Central Office Transmission Equipment	4,823,698	
Total Central Office Equipment	9,708,615	
Account 2310 - Information Origination/Termination	0	
Account 2410 - Cable and Wire Facilities	14,027,472	
Account 2110 - General Support Facilities	4,813,870	\$901,673
Account 2680 - Amortizable Tangible Assets	201,676	\$33,586
Account 2690 - Intangibles	0	\$0
Account 2002 - Property Held for Future Telecommunications Use	0	\$0
Account 2003 - Telecommunications Plant Under Construction	242,539	\$33,345
Account 2005 - Telecommunications Plant Adjustment	0	\$0
Account 1402 - Investments in non-Affiliated Companies (Rural Telephone Bank Stock)	0	\$0
Account 1220 - Materials and Supplies	482,914	\$66,392
Cash Working Capital	195,972	\$26,043
Account 3100 - Accumulated Depreciation-Switching	4,830,466	\$3,908,794
Account 3100 - Accumulated Depreciation-Support Assets	3,521,804	\$484,188
Account 4100 - Net Deferred Operating Income Taxes	577,656	\$79,418
Account 4340 - Net Noncurrent Operating Income Taxes	0	\$0
Account 3400 - Accumulated Amortization - Tangible	58,174	\$7,998
Account 3500 - Accumulated Amortization - Intangible	0	\$0
Account 3600 - Accumulated Amortization - Other	0	\$0
Account 6110 - Network Support Expense	508,164	\$59,864

10/16/2007

Average Schedule Projection Detail Report

FOR EC REVIEW

**DATA NECA INTENDS TO PROVIDE TO USAC
FOR 2008 LOCAL SWITCHING SUPPORT PROJECTION**

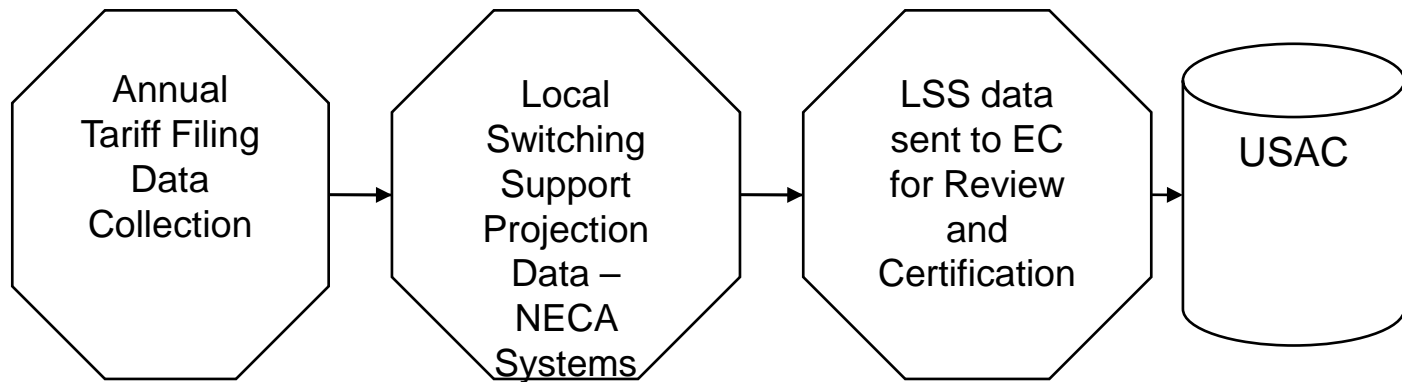
Study Area Code	<u>456789</u>
Study Area Name	<u>XYZ TELEPHONE CO.</u>
Settlement Type	<u>Average Schedule</u>

Demand Data ^{1,2}		For Information Only - Not to be provided to USAC	Data NECA Intends to Provide to USAC On 9/28/07
1	2007 Current Access Lines ³	6,399	
2	Growth Factor	0.96595	
3	2008 Projected Access Lines (Line 1 * Line 2)		6,181
Access Minutes			
4	July 2006	1,267,421	
5	August 2006	1,159,518	
6	September 2006	1,048,258	
7	October 2006	1,067,504	
8	November 2006	1,074,100	
9	December 2006	1,144,596	
10	January 2007	1,129,461	
11	February 2007	1,031,387	
12	March 2007	1,107,821	
13	April 2007	1,050,328	
14	May 2007	1,046,800	
15	June 2007	1,049,261	
16	2007 Current Annual Access Minutes 4 (Sum of Line 4 through Line 15)	13,176,455	
17	Growth Factor	0.96220	
18	2008 Projected Annual Access Minutes (Line 16 * Line 17)		12,678,385
19	2007 Current Exchanges ⁵	3	
20	Growth Factor	1.0	
21	2008 Projected Exchanges (Line 19 * Line 20)		3
22	2008 Estimated Annual Local Switching Support ^{6,7}	303,624	

Notes:
¹ Exchanges acquired since 2001 are not included in shown demand figures.
² Growth rates used are those underlying NECA's December 21, 2006 Average Schedule Tariff Filing.
³ Current access lines based on August 2007 view of June 2007 settlements.
⁴ Current annual access minutes based on August 2007 view of July 2006 through June 2007 settlements.
⁵ Current exchanges based on August 2007 view of June 2007 settlements.
⁶ Provided for information purposes only, to be calculated by USAC.
⁷ Support for exchanges acquired since 2001 will be calculated by USAC.

9/07/2007

Local Switching Support Projection



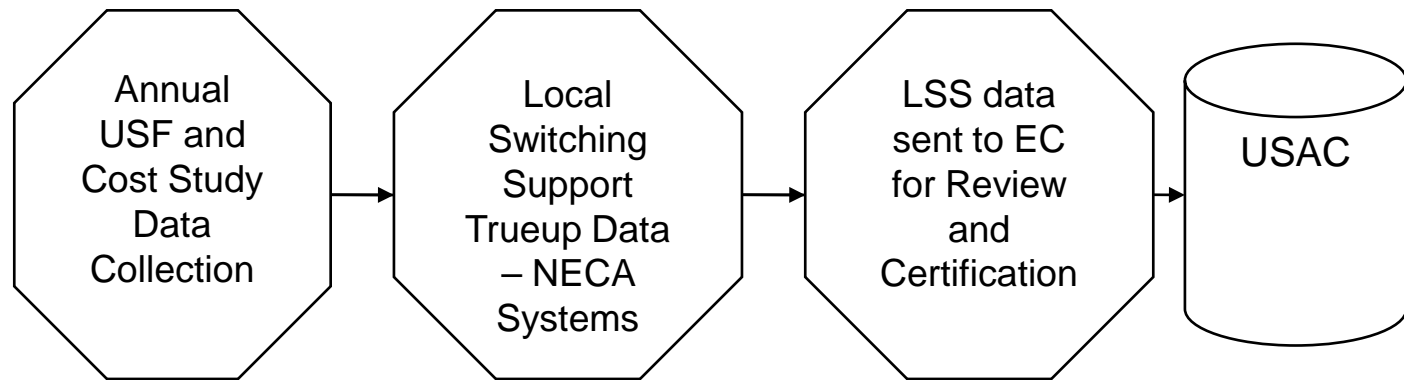
Local Switching Support Cost Company True up Data

- Based upon data collected for USF and cost study
- NECA prepares data for company to review and certify prior to filing on companies behalf with USAC

Local Switching Support Average Schedule Company True up Data

- Based upon data collected from NECA settlement data submissions
 - November view of prior calendar year
- NECA prepares data for company to review and certify prior to filing on companies behalf with USAC

Local Switching Support Trueup



Local Switching Support

- LSS is calculated by USAC in accordance with FCC Part 54.301 rules
 - Cost Company
 - Unseparated Local Switching Support
 - multiplied by
 - Support Factor
 - Average Schedule Company
 - Lines, Exchanges and Minutes are used in the Average Schedule Local Switching Support formula



Shedding Light on NECA Statements

Low Income

Red Light

Net Negative

INVOICE

True Up

LSS

HCL

498

Disbursement



Estimates

Actual

SNA

ICLS



And That Means What.....

- FCC Form 498: SPIN and contact information form filed with USAC
 - Obtain SPIN
 - Declare disbursement election
 - To company via NECA or
 - Directly to company

And That Means What..... (cont'd)

- **Net Negative:** When the sum of all High Cost **OR** when the sum of all Low Income support, at the SPIN level, nets to a negative value
 - A single SPIN can include multiple Study Area Codes
- **Red Light Rule:** Implemented when an entity has delinquent debt owed to the FCC or its reporting components.

Disbursement Statement



Company Code:
Statement No.:
Date:

Page: 1 of 1
00000999
PS0509999
May 5, 2008

ABC Telephone Company
Attn: Dawn Petty
P.O. BOX 555
Roundup, MT 99999-0000

Disbursement Notification

THIS IS NOT A NECA BILL

This notification is to advise you of the current month's disbursement which is being made to your company by NECA.

Direct questions to your NECA Regional Industry Relations Office

Total Amount Due NECA From Last Bill	0.00	
Past Due Amount		0.00
Current Net Balance For Apr 2008 Data Month (AS3000/EC3050)	67,467.00	CR
**Adjustment Net Balance (AS/EC 2053-DW)	8,782.00	
* High Cost Loop Fund (USAC)	541.00	CR
* Safety Net Additive (USAC)	3,329.00	CR
* Lifeline (USAC)	51.00	CR
Current Net Balance	62,606.00	CR
Total Amount Due Exchange Carrier	62,606.00	CR

You Will Receive Above Payment By May 30, 2008
THIS IS NOT A BILL -DO NOT REMIT PAYMENT

- * NECA estimates of Universal Service payments reflected on this statement are derived from prior month payments plus any known changes available to NECA. True-ups to these estimates will be provided in a second statement from NECA after actual payment information is available from USAC.
- ** This statement may reflect adjustments to Local Switching Support (LSS) and/or Interstate Common Line Support (ICLS), included in your total net balance, for data periods outside the current open 24-month pool window. These adjustments have been applied to data months outside the current window in order to re-calculate settlement results for those periods. For pooling companies, this single amount represents the net effect of adjustments to all prior data months. The adjustment effects are shown on the newly created AS2053-DW (Average Schedule Company) or EC2053-DW (Cost Company) report. For nonpooling companies, the single amount(s) are for all adjusted months identified by support fund.



High Cost Loop Supplemental Statement

High Cost Loop Support Amount DETAIL

Page: 1 of 1

NECA
80 South Jefferson Road
Whippany, NJ 07981

Company Code: 000000999
Statement No.: P 90509999
Date: May 7, 2008

999999 ABC Telephone Company

Prior Month High Cost Loop Amount	\$1,089.00 CR
High Cost Loop Amount as reflected on Current Statement	\$541.00 CR

New Monthly High Cost Loop Amount	\$952.00 CR
2008 Adjustments	<u>\$411.00</u>
Total	\$541.00 CR

	NACPL	
	<u>Prior</u>	<u>Current</u>
2006	\$324.42	\$324.42
2007	\$344.26	\$344.12
2008	\$361.23	\$363.32

Direct questions to your NECA Regional Industry Relations Office

Revised Disbursement Statement



REVISED

Page: 1 of 1
00000999
PS0509999
May 29, 2008

Company Code:
Statement No.:
Date:

Disbursement Notification

ABC Telephone Company
Attn: Dawn Petty
P.O. BOX 555
Roundup, MT 99999-0000

THIS IS NOT A NECA BILL

This notification is to advise you of the current month's disbursement which is being made to your company by NECA.

Direct questions to your NECA Regional Industry Relations Office

Total Balance From May 2008 Statement	62,606.00	CR
Adjustments Applied to NECA Estimates of Universal Service Payments:*		
Safety Net Additive (USAC)	548.00	CR
Lifeline (USAC)	22.00	
Current Net Balance		63,132.00 CR
Total Amount Due Exchange Carrier		63,132.00 CR

You Will Receive Above Payment By May 30, 2008
THIS IS NOT A BILL -DO NOT REMIT PAYMENT

* NECA estimates of Universal Service payments reflected on this statement are derived from prior month payments plus any known changes available to NECA. True-ups to these estimates will be provided in a second statement from NECA after actual payment information is available from USAC.



USAC High Cost Disbursement Data

USAC

SPIN=Service Provider ID Number; HCL=High Cost Loop; HCM=High Cost Model; IAS=Interstate Access Support; ICLS=Interstate Common Line Support; LSS=Local Switching Support; LTS=Long Term Support; SNA=Safety Net Additive Support; SVS=Safety Valve Support.

Month = Data Month

High Cost Disbursement Data (Spin = ALL , Sac = 999999 , San = ALL , Year = ALL , Month = ALL , State = ALL)

This disbursement tool contains data from Jan 2003 through Apr 2008.

State	Spin	Study Area Code	Study Area Name	HCL	HCM	IAS	ICLS	LSS	LTS	SNA	SVS	Year	Month
MT	143009999	999999	ABC Telephone Co.	\$541	\$0	\$0	\$11,297	\$71,120	\$0	\$3,877	\$0	2008	Apr
MT	143009999	999999	ABC Telephone Co.	\$1,089	\$0	\$0	\$11,297	\$26,276	\$0	\$3,329	\$0	2008	Mar
MT	143009999	999999	ABC Telephone Co.	\$1,089	\$0	\$0	\$11,297	\$26,276	\$0	\$3,320	\$0	2008	Feb
MT	143009999	999999	ABC Telephone Co.	\$1,089	\$0	\$0	\$11,297	\$26,276	\$0	\$3,338	\$0	2008	Jan

USAC Low Income Disbursement Data

Mo/Year = Process Month

State	SPIN	Study Area	Name	Lifeline	Linkup	TLS	TOTAL	Mo/Year
[-] MT	143009999	999999	ABC TELEPHONE COMPANY	\$29.00	\$0.00	\$0.00	\$29.00	May/2008
	Entered	Applies	Type	Lifeline	Linkup	TLS	TOTAL	
	Apr-08	Mar-08	True-Up	(\$11.00)	\$0.00	\$0.00	(\$11.00)	
	Apr-08	Apr-08	Projection	\$40.00	\$0.00	\$0.00	\$40.00	
[-] MT	143009999	999999	ABC TELEPHONE COMPANY	\$51.00	\$0.00	\$0.00	\$51.00	Apr/2008
	Entered	Applies	Type	Lifeline	Linkup	TLS	TOTAL	
	Mar-08	Feb-08	True-Up	\$0.00	\$0.00	\$0.00	\$0.00	
	Mar-08	Mar-08	Projection	\$51.00	\$0.00	\$0.00	\$51.00	
[+] MT	143009999	999999	ABC TELEPHONE COMPANY	\$51.00	\$0.00	\$0.00	\$51.00	Mar/2008
[+] MT	143009999	999999	ABC TELEPHONE COMPANY	\$51.00	\$0.00	\$0.00	\$51.00	Feb/2008
[+] MT	143009999	999999	ABC TELEPHONE COMPANY	\$51.00	\$0.00	\$0.00	\$51.00	Jan/2008

Invoice Statement



Company Code: 000000999
 Statement No.: PS0509999
 Date: May 5, 2008

XYZ Telephone Company
 Attn: Dawn Petty
 P.O. BOX 555
 Roundup, MT 99999-0000

Amount of Payment: _____

Wire or ACH Payment To:

Mellon Bank Pittsburgh
 ABA #043000261
 NECA Account #199-9830

Direct questions to your NECA Regional Industry Relations Office

Total Amount Due NECA From Last Bill	0.00	
Past Due Amount		0.00
Current Net Balance For Apr 2008 Data Month (AS3000/EC3050)	50,868.00	CR
* High Cost Loop Fund (USAC)	286,591.00	
* Safety Net Additive (USAC)	3,329.00	CR
* Lifeline (USAC)	3,005.00	CR
Current Net Balance		229,389.00
Total Amount Due NECA	229,389.00	

Payment Due By May 27, 2008

* NECA estimates of Universal Service payments reflected on this statement are derived from prior month payments plus any known changes available to NECA. True-ups to these estimates will be provided in a second statement from NECA after actual payment information is available from USAC.



Carryover Statement



Page: 1 of 1
00000999
PS0509999
June 4, 2008

Company Code:
Statement No.:
Date:

XYZ Telephone Company
Attn: Dawn Petty
P.O. BOX 555
Roundup, MT 99999-0000

Disbursement Notification

THIS IS NOT A NECA BILL

This notification is to advise you of the current month's disbursement which is being made to your company by NECA.

Direct questions to your NECA Regional Industry Relations Office

Total Balance From May 2008 Statement	229,389.00	
May 20, 2008 Payment Applied	229,389.00	CR
Past Due Amount		0.00
Current Net Balance For May 2008 Data Month (AS3000/EC3050)	57,218.00	CR
Safety Net Additive (USAC April 2008)	400.00	
Lifeline (USAC April 2008)	4.00	
* High Cost Loop Fund (USAC)	15,393.00	CR
* Safety Net Additive (USAC)	2,929.00	CR
* Lifeline (USAC)	3,001.00	CR
Current Net Balance		78,137.00 CR
<hr/>		
Total Amount Due Exchange Carrier		78,137.00 CR
<hr/>		

You Will Receive Above Payment By June 30, 2008
THIS IS NOT A BILL -DO NOT REMIT PAYMENT

* NECA estimates of Universal Service payments reflected on this statement are derived from prior month payments plus any known changes available to NECA. True-ups to these estimates will be provided in a second statement from NECA after actual payment information is available from USAC.



Resources....

- USAC Finance Contact
 - 498 issues
 - USF payment issues
- Other Resources
 - Universal Service Support Funds Fact Sheets:
 - NECA.org > Tools > Universal Service Fund > Universal Service Support Fact Sheets
 - USAC Disbursement Data Search
 - HC: <http://www.usac.org/hc/tools/disbursements/default.aspx>
 - LI: <http://www.usac.org/li/tools/disbursements/default.aspx>



OIG Audits

Overview

- Why?
 - Improper Payment Information Act of 2002
 - FCC oversight responsibility
 - Approximately \$7.5B of annual Universal Service Support
 - FCC financial statement requirements

Companies selected for Audit

- Both Large and Small LECs
 - Cost and Average Schedule
 - Public and Private
 - Cooperatives
 - Price Cap and Rate of Return
 - CLECs
 - Wireless Carriers

What to Expect?

- Data Requests
 - Review and substantiation of USF, ICLS, LSS, others
- EC visits – External Audit firms and OIG staff
- NECA Assistance

Examples of Data to be Reviewed

- Audited financial statements and trial balances
- LSS Projection/True-up data forms and supporting documentation
- ICLS Projection/True-up data forms and supporting documentation
- Part 64 allocation data with corresponding studies/methodologies
- Continuing Property Records (CPRs)
- Line Count Data and supporting documentation

Examples of Potential Audit Findings

- Lack of documentation
 - Inadequate record retention
 - Evidence of advertising
- Lack of internal controls
 - Inadequate policies and/or procedures
- Continuing Property Records not current

NECA Assistance

- Assist member companies in preparing data to respond to data request by auditors and/or USAC
- Assist in preparing
 - Interstate Common Line Support (ICLS) data
 - Form 508
 - Form 509
 - Line Count Data (Form 507)
 - Local Switching Support (LSS) data
 - High Cost Loop data reports

NECA Assistance

- Upon member company request, participate on conference call with member company and outside audit firm
 - Address questions that audit firm may have
 - Explain how programs work and relevant data

NECA Assistance

- Support member companies by continuing dialogue with OIG/USAC
 - Address issues and/or concerns
 - Participate on conference call with USAC and/or audit firms
 - Provide copies of filing made with FCC to USAC

Questions?

