



0000126025

# COVER SHEET

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## ONA CORPORATION COMMISSION DOCKET CONTROL CENTER

RECEIVED  
AZ CORP. COMMISSION

CASE/COMPANY NAME:

DOCKET NO.

ARIZONA UNIVERSAL SERVICE FUND

R-000009720187

D/B/A or RESPONDENT:

### NATURE OF ACTION OR DESCRIPTION OF DOCUMENT

Please mark the item that describes the nature of the case/filing

#### 01 UTILITIES - NEW APPLICATIONS

- |                          |                                  |                                     |                                                   |
|--------------------------|----------------------------------|-------------------------------------|---------------------------------------------------|
| <input type="checkbox"/> | NEW CC&N                         | <input type="checkbox"/>            | MAIN EXTENSION                                    |
| <input type="checkbox"/> | RATLS                            | <input type="checkbox"/>            | CONTRACT/AGREEMENTS                               |
| <input type="checkbox"/> | INTERIM RATES                    | <input type="checkbox"/>            | COMPLAINT (Formal)                                |
| <input type="checkbox"/> | CANCELLATION OF CC&N             | <input type="checkbox"/>            | RULE VARIANCE/WAIVER REQUEST                      |
| <input type="checkbox"/> | DELETION OF CC&N ( TERRITORY)    | <input type="checkbox"/>            | SITING COMMITTEE CASE                             |
| <input type="checkbox"/> | EXTENSION OF CC&N ( TERRITORY)   | <input type="checkbox"/>            | SMALL WATER COMPANY -SURCHARGE (Senate Bill 1252) |
| <input type="checkbox"/> | TARIFF - NEW (NEXT OPEN MEETING) | <input type="checkbox"/>            | SALE OF ASSETS & TRANSFER OF OWNERSHIP            |
| <input type="checkbox"/> | REQUEST FOR ARBITRATION          | <input type="checkbox"/>            | SALE OF ASSETS & CANCELLATION OF CC&N             |
| <input type="checkbox"/> | (Telecommunication Act)          | <input type="checkbox"/>            | FUEL ADJUSTER/PGA                                 |
| <input type="checkbox"/> | FULLY OR PARTIALLY ARBITRATED    | <input type="checkbox"/>            | MERGER                                            |
| <input type="checkbox"/> | INTERCONNECTION AGREEMENT        | <input type="checkbox"/>            | FINANCING                                         |
| <input type="checkbox"/> | (Telecom. Act.)                  | <input checked="" type="checkbox"/> | MISCELLANEOUS                                     |
| <input type="checkbox"/> | VOLUNTARY INTERCONNECTION        |                                     | Specify                                           |
| <input type="checkbox"/> | AGREEMENT (Telecom. Act)         |                                     |                                                   |

1997 FUND ADJUST REPORT  
PER DECISION NO. 60169 DTD  
4-1897

#### 02 UTILITIES - REVISIONS/AMENDMENTS TO PENDING OR APPROVED MATTERS

- |                          |             |                                     |              |
|--------------------------|-------------|-------------------------------------|--------------|
| <input type="checkbox"/> | APPLICATION | <input checked="" type="checkbox"/> | TARIFF       |
| <input type="checkbox"/> | COMPANY     | <input type="checkbox"/>            | PROMOTIONAL  |
| <input type="checkbox"/> | DOCKET NO.  | <input type="checkbox"/>            | DECISION NO. |
| <input type="checkbox"/> |             | <input type="checkbox"/>            | DOCKET NO.   |
| <input type="checkbox"/> |             | <input type="checkbox"/>            | COMPLIANCE   |
| <input type="checkbox"/> |             | <input type="checkbox"/>            | DECISION NO. |
| <input type="checkbox"/> |             | <input type="checkbox"/>            | DOCKET NO.   |

Arizona Corporation Commission

DOCKETED

APR 08 1999

DOCKETED BY MW

#### SECURITIES or MISCELLANEOUS FILINGS

- |                                     |                                 |                          |                                                          |
|-------------------------------------|---------------------------------|--------------------------|----------------------------------------------------------|
| <input type="checkbox"/>            | 04 AFFIDAVIT                    | <input type="checkbox"/> | 29 STIPULATION                                           |
| <input type="checkbox"/>            | 12 EXCEPTIONS                   | <input type="checkbox"/> | 38 NOTICE OF INTENT                                      |
| <input type="checkbox"/>            | 18 REQUEST FOR INTERVENTION     | <input type="checkbox"/> | (Only notification of future action/no action necessary) |
| <input type="checkbox"/>            | 48 REQUEST FOR HEARING          | <input type="checkbox"/> | 43 PETITION                                              |
| <input type="checkbox"/>            | 24 OPPOSITION                   | <input type="checkbox"/> | 46 NOTICE OF LIMITED APPEARANCE                          |
| <input checked="" type="checkbox"/> | 50 COMPLIANCE ITEM FOR APPROVAL | <input type="checkbox"/> | OTHER                                                    |
| <input type="checkbox"/>            | 32 TESTIMONY                    | <input type="checkbox"/> | 39 Specify                                               |
| <input type="checkbox"/>            | 47 COMMENTS                     |                          |                                                          |

04-0899  
Date

KEITH F. ROGERS UTIL AR  
Print Name of Applicant/Company/Contact person/Respondent/Atty.  
602-542-0863  
Phone

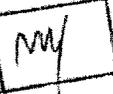
PLEASE SEE NOTICE ON REVERSE SIDE



**WITHUM, SMITH & BROWN**

A Professional Corporation  
Certified Public Accountants & Consultants

Arizona Corporation Commission  
**DOCKETED**  
APR 08 1999

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**ARIZONA UNIVERSAL  
SERVICE FUND**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 1997**

**ARIZONA UNIVERSAL SERVICE FUND  
NOTES TO FINANCIAL STATEMENTS**

**Note 1 - Summary of Significant Accounting Policies (Cont'd):**

**C. Cash and Cash Equivalents**

Funds are invested with Fidelity Investments in highly liquid money market funds. Investments in these money market funds are considered to be cash equivalents.

**D. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expense during the reporting period. Actual results could differ from those estimates.

**E. Income Taxes**

The Organization is a non-profit organization exempt from federal income taxes.

**Note 2 - NECA Contract:**

As stated in the Contract, NECA is reimbursed under a fixed amount each fiscal year plus any allowable variable costs, as defined. Such variable costs include any trips to Phoenix, Arizona in excess of two-person-trips during the initial fiscal year, auditing of carriers off-site from NECA, and other reasonable and necessary expenses incurred by NECA in performance of services, including payments to an independent accountant for an annual audit, extraordinary legal work provided by external counsel and taxes, application fees, licensing fees, and similar expenses. During the period May 1, 1997 through December 31, 1997 there were no variable expenses, the fixed amount totaled \$66,222.

NECA's duties include the following: monitoring AUSF payments, billing all telecommunication service providers any surcharges, preparing necessary forms for reporting AUSF collections and disbursements, maintaining monthly records, coordinating the collections and disbursement of AUSF monies, distributing the annual report to the commission, and assisting the independent auditor with the audit of the AUSF.

The contract provides for reimbursable fixed costs of \$40,067 for Fiscal 1998 and \$41,269 for Fiscal 1999.

**Note 3 - Concentration of Credit Risk:**

The Organization maintains a portion of its cash and cash equivalents in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. The Organization places its money market accounts in high quality institutions. Therefore, the Organization believes it is not exposed to any significant credit risk on its cash and cash equivalents.

**ARIZONA UNIVERSAL SERVICE FUND  
NOTES TO FINANCIAL STATEMENTS**

**Note 1 - Summary of Significant Accounting Policies:**

Significant accounting policies utilized by Arizona Universal Service Fund in the preparation of the accompanying financial statements are summarized below:

**A. Nature of Organization**

In 1996, the Arizona Corporation Commission adopted rules (A.A.C. R14-2-1201 et seq.) establishing the Arizona Universal Service Fund (the "AUSF" or "Fund"). This Fund, which was established to ensure the continued availability of basic telephone service at reasonable rates, is an assessment on all telecommunication service providers that interconnect with the public switched network in Arizona. The USF Charge is collected by telecommunications service carriers and paid, via a monthly remittance advice, to the National Exchange Carrier Association, Inc. ("NECA"), which in February 1997, was selected by the Arizona Corporation Commission (the "ACC") to act as Fiscal Agent of the Fund. Per the Contract for Services as Fiscal Agent (The "Contract") signed in February 1997, NECA will act as Fiscal Agent for the period January 1, 1997 through December 31, 1999. For the period May 1, 1997 through December 31, 1997 the only carrier authorized to receive support by the Arizona Corporate Commission is Citizens Telecommunications Company of the White Mountain, Inc.

The initial period of the Fund is from May 1, 1997 through December 31, 1997. Per Decision No. 60169, the ACC ordered that the USF Charge for the initial period would be \$0.025386 per access line, \$0.25386 per interconnecting trunk, and 0.2958% of intrastate toll revenue. Upon issuance of Decision No. 60547 in December 1997 by the ACC, Fiscal 1998 (January 1, 1998 through December 31, 1998) assessments were decreased to \$0.01345 per access line, \$0.13450 per interconnecting trunk and 0.1881% of intrastate toll revenue.

**B. Basis of Presentation**

The Organization's financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards SFAS No. 117, "Financial Statements for Not-for-Profit Organizations." SFAS No. 117 establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into three net asset categories according to externally imposed restrictions. For period May 1, 1997 through December 31, 1997, the Organization had accounting transactions in one of the net asset categories, as follows:

Unrestricted net assets - Net assets that are not subject to donor imposed restrictions.

**ARIZONA UNIVERSAL SERVICE FUND**  
**STATEMENT OF CASH FLOWS**  
**FOR THE PERIOD MAY 1, 1997 THROUGH DECEMBER 31, 1997**

Increase in Net Assets	
Adjustments to reconcile change in net assets to net cash provided by operating Activities:	\$ 73,444
Accounts receivable	(45,850)
Accounts payable	<u>10,060</u>
Net Cash Provided by Operating Activities	37,654
Increase in Cash and Cash Equivalents	37,654
Cash and Cash Equivalents at Beginning of Period	<u>—</u>
Cash and Cash Equivalents at End of Period	<u>\$ 37,654</u>

The Notes to Financial Statements are an integral part of this statement.

**ARIZONA UNIVERSAL SERVICE FUND  
STATEMENT OF ACTIVITIES  
FOR THE PERIOD MAY 1, 1997 THROUGH DECEMBER 31, 1997**

Unrestricted Revenues:	
Revenue received from carriers	\$ 762,356
Interest income	<u>1,590</u>
Total Revenue	763,946
Expenses:	
Program Services:	
Carrier support	606,130
Provision for doubtful accounts	8,090
Supporting Services:	
NECA administrative fee	66,222
Audit fee	<u>10,060</u>
Total Supporting Services	<u>76,282</u>
Total Expenses	<u>690,502</u>
Increase in Unrestricted Net Assets	73,444
Net Assets - May 1, 1997	<u>—</u>
Net Assets - December 31, 1997	<u>\$ 73,444</u>

The Notes to Financial Statements are an integral part of this statement.

ARIZONA UNIVERSAL SERVICE FUND  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 1997

ASSETS

Current Assets:	
Cash and cash equivalents	\$ 37,654
Accounts receivable (net of allowance for uncollectable accounts of \$8,090)	<u>45,850</u>
Total Assets	<u>\$ 83,504</u>

LIABILITIES AND NET ASSETS

Current Liabilities:	
Accounts payable and accrued expenses	\$ 10,060
Net Assets - Unrestricted	<u>73,444</u>
Total Liabilities and Net Assets	<u>\$ 83,504</u>

The Notes to Financial Statements are an integral part of this statement.



## **WITHUM, SMITH & BROWN**

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### **INDEPENDENT AUDITORS' REPORT**

To the Arizona Corporation Commission  
Utilities Division,  
Arizona Universal Service Fund:

We have audited the accompanying statement of financial position of Arizona Universal Service Fund as of December 31, 1997, and the related statements of activities and cash flows for the period May 1, 1997 through December 31, 1997. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Arizona Universal Service Fund as of December 31, 1997, and the results of its activities and its cash flows for the period May 1, 1997 through December 31, 1997 in conformity with generally accepted accounting principles.

November 28, 1998

ARIZONA UNIVERSAL SERVICE FUND  
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DECEMBER 31, 1997

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