HURLBERT CPA
regulatory audit services

ComSouth Telecommunications, Inc.

Agreed-Upon Procedures Applied to the Universal Access Fund Application for the period ending 6/30/2023

May 4, 2024

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Independent Accountant's Report on Applying Agreed-Upon Procedures

COMSOUTH TELECOMMUNICATIONS, INC.

To the Georgia Public Service Commission:

We have performed the procedures enumerated below on the application for funding from the Georgia Universal Access Fund provided to us by management of ComSouth Telecommunications, Inc. (or the "Company"). The responsible party ComSouth Telecommunications, Inc. is responsible for the application.

The engaging party, Georgia Public Service Commission ("GPSC") has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of assessing the application's reasonableness prior to funds being distributed to ComSouth Telecommunications, Inc. as of June 30, 2023. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures are listed below with associated findings listed on the following pages.

AUP	Agreed-Upon Procedure
1	Obtain UAF company pre-filed information and schedules filed with the GPSC
2	Issue specific Contractor data requests to the UAF Companies and schedule field work
3	Audit the Company's UAF model (printed version as well as spreadsheet testing)
4	Trace amounts on the Applicant's Form M back to Company prepared schedules matching their General Ledger
5	Trace Form M data to the UAF Model column entitled Balance Per Books
6	Trace amounts in the "subject to separations" adjustment column of the UAF Model to Net Operating Income (NOI) and Rate of Return (ROR) on rate base calculations
7	Trace amounts in the "non-regulated" adjustment column of UAF Model to supporting journal entries of cost study. Selected supporting work papers are reviewed for reasonableness, accuracy, and conformance.
8	Test the FCC Part 36 study and review allocation/traffic factors
9	Test and recalculate the Revenue Requirement Section on the UAF Model
10	Review each invoice over $250 and select those invoices that appear unreasonable
11	Review corporate allocations and the Company's Cost Allocation Manual

12 Verify fixed asset amounts in the Company's Continuing Property Record and identify those assets that are inappropriately included in rate base in the UAF application. If applicant is a recipient of Federal or state Broadband Grants, determine whether the grants were to be used as revenue, expense offsets, or for capital acquisitions. To the extent such grants are/were used for capital acquisition, review books to ensure that such purchased assets are excluded from the rate base for UAF purposes

13 Verify the amounts of Federal universal service fund support reported in the UAF Application. Review UAF Applicant work

14 Verify that any long-term debt interest costs treated as AFUDC (Allowance for Funds Used During Construction) were treated either as current year income or as a reduction to interest rates

15 Verify that any Patronage Dividends credited (not necessarily received in cash) from long term lenders are treated as a reduction to the cost of debt

16 Review the outside auditor's report on the financial statements and report any adverse findings or qualified opinions

17 Review and test the requested amount for Executive Compensation and Corporate Operations Expense and compared the amount shown in the UAF application to the GPSC caps

18 Review depreciation rates used for the UAF application and compare to the rates adopted by the GPSC

19 Review cost allocation manual, verify that it is being used, test a sample of allocations and report when the manual was last updated

20 Incorporate revised factors or methods adopted by GPSC, such as cost of equity, into the UAF model

21 Prepare exhibits of financial results and support mechanisms. Analyze as to why increases/decreases occurred

22 Identify Construction Work in Progress and Retirement amounts for the test year

23 Identify the Company's affiliates and non-regulated services

24 Identify the total costs charged to the regulated company by the affiliate or parent company. Quantified costs by FCC USOA Account and determined the per access line amount over the past 3 years. If the costs appear unreasonable, propose adjustments or informed GPSC staff and recommend an affiliated transactions engagement be performed

25 For ACAM UAF companies only, obtain the Company spreadsheet depicting calculated amounts, review Company prepared adjustments, trace adjustments in the UAF application model to the spreadsheet and identify impact of the adjustment

26 Test and review the Approved Cost of Equity and Cost of Capital Rates of Tier II local exchange carriers for the purpose of evaluating applications for reimbursement from the UAF. The rate of return on rate base will be limited to the lesser of 8.0% or the level computed based on a 9.25% return on equity, using the applicant's actual cost of debt and the applicant's actual debt/equity structure. Verify that the above calculation was used in the respective UAF Model

27 Finalize work papers and prepare final report

28 Prepare testimony if requested.

We were engaged by the GPSC to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct and examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on the application. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of ComSouth Telecommunications, Inc. and to meet our other ethical responsibilities, in accordance with relevant ethical requirements related to our agreed-upon procedures engagement. This report is intended solely for the information and use of the Georgia Public Service Commission and ComSouth Telecommunications, Inc. and is not intended to be, and should not be, used by anyone other than these specified parties.

Vic Hurlbert, CPA
Hurlbert CPA LLC
Liberty, Missouri
May 4, 2024

Current Request for UAF Disbursements – Summary of Findings

ComSouth Telecommunications, Inc.'s final revenue deficiency is $2,197,504. We propose no adjustments.

Table 1
ComSouth Telecommunications, Inc.

Georgia UAF Summary	Amounts
Original Company Requested Amount from Georgia Universal Access Fund	$2,197,504
Total Adjustments	$0
Revised Deficiency for the Company	$2,197,504
Final Amount Recommended by Staff	$2,197,504

As presented in Table 1, we propose ComSouth Telecommunications, Inc. receive a UAF disbursement of $2,197,504 based upon the test year for the twelve months ending June 30, 2023.

Profile of ComSouth Telecommunications, Inc.

ComSouth Telecommunications, Inc. is a regulated telephone company with business and maintenance offices located in Hawkinsville, Georgia. The Company serves approximately 1,672 access lines in Hawkinsville, GA area. An organizational chart is provided in Exhibit No. 1. The Development of the Test Year Rate Base and Net Operating Income as submitted by the Company in support of its request is provided in Exhibit No. 2. The Company's calculation of the claimed revenue deficiency is presented in Exhibit No. 3.

Agreed Upon Procedures

Procedure 1: Obtained UAF company pre-filed information and schedules filed with the GPSC.

Conclusion – We reviewed pre-filed files downloaded from the GPSC web site. We found no exceptions as a result of the procedures.

Procedure 2: Issued specific Contractor data requests to the UAF Companies and scheduled field work.

Conclusion – Data requests were sent to the Company and the Company responded to all data requests.

Procedure 3: Audited the Company's UAF model (printed version as well as spreadsheet testing).

Conclusion – There were no discrepancies noted.

Procedure 4: Traced amounts on the Applicant's Form M back to Company prepared schedules matching their General Ledger.

Conclusion – There were no discrepancies noted.

Procedure 5: Traced Form M data to the UAF Model column entitled Balance Per Books

Finding - REDACTED

Procedure 6: Traced amounts in the "subject to separations" adjustment column of the UAF Model to Net Operating Income (NOI) and Rate of Return (ROR) on rate base calculations.

Conclusion – There were no discrepancies noted.

Procedure 7: Traced amounts in the "non-regulated" adjustment column of UAF Model to supporting journal entries of cost study. Selected supporting work papers are reviewed for reasonableness, accuracy, and conformance.

Conclusion – There were no discrepancies noted.

Procedure 8 Tested the FCC Part 36 study and review allocation/traffic factors.

Conclusion – The factors appeared reasonable.

Procedure 9: Tested and recalculate the Revenue Requirement Section on the UAF Model.

Conclusion – There were no discrepancies noted.

Procedure 10: Reviewed each invoice over $250 and select those invoices that appear unreasonable.

Conclusion – Of the selected corporate account invoices, we found no invoices that were unreasonable.

Procedure 11: Reviewed corporate allocations and the Company's Cost Allocation Manual

Conclusion – The Company did employ a current cost allocation manual and the allocations tested were accurate.

Procedure 12 Verified fixed asset amounts in the Company's Continuing Property Record and identify those assets that are inappropriately included in rate base in the UAF application. If applicant is a recipient of Federal or state Broadband Grants, determined whether the grants were to be used as revenue, expense offsets, or for capital acquisitions. To the extent such grants are/were used for capital acquisition, review books to ensure that such purchased assets are excluded from the rate base for UAF purposes.

Conclusion – There were no discrepancies noted. There were no Broadband Grants.

Procedure 13 Verified the amounts of Federal universal service fund support reported in the UAF Application. Review UAF Applicant work.

Conclusion – There were no discrepancies noted.

Procedure 14: Verified that any long-term debt interest costs treated as AFUDC (Allowance for Funds Used During Construction) were treated either as current year income or as a reduction to interest rates.

Conclusion – Not applicable.

Procedure 15: Verified that any Patronage Dividends credited (not necessarily received in cash) from long term lenders are treated as a reduction to the cost of debt.

Conclusion – Not applicable.

Procedure 16: Reviewed the outside auditor's report on the financial statements and report any adverse findings or qualified opinions.

Conclusion – The Company's outside auditor's 2023 report provided an unqualified opinion.

Procedure 17: Reviewed and tested the requested amount for Executive Compensation and Corporate Operations Expense and compared the amount shown in the UAF application to the GPSC caps.

Finding – The Company was not above the GPSC Executive Compensation Expense Cap but did exceed the Corporate Operations Cap requiring an adjustment of $-833,648 in the UAF application.

Procedure 18: Reviewed depreciation rates used for the UAF application and compared to the rates adopted by the GPSC.

Finding – Most of the Company's depreciation rates matched or were less than the rates prescribed by the GPSC. Composite depreciation rate equals depreciation per year divided by total historical cost. The composite rate is shown below.

Depreciation Expense	REDACTED
Total Plant in Service	REDACTED
Composite Rate	REDACTED

Procedure 19: Reviewed cost allocation manual, verify that it is being used, test a sample of allocations and report when the manual was last updated.

Conclusion – The Company did employ a current cost allocation manual and the allocations tested were reasonable.

Procedure 20: Incorporated revised factors or methods adopted by GPSC, such as cost of equity, into the UAF model.

Conclusion - The current cost of equity approved by the GPSC is 9.25%. Using the Company's actual debt/equity ratio and actual cost of debt, the Company's weighted average cost of capital ("WACC") is 9.24827%. Because the Company's WACC did exceed the GPSC's 8% cap, the allowed return on rate base was the 8%.

Procedure 21: Prepared exhibits of financial results and support mechanisms. Analyzed as to why increases/decreases occurred.

Conclusion – Plant additions increased while revenues increased and expenses increased causing Net operating margin to also decrease.

Financial Results: 2021-2023

Description	**2021**	**2022**	**2023**
Net telecom plant	REDACTED	REDACTED	REDACTED
Operating Revenues	REDACTED	REDACTED	REDACTED
Operating Expenses	REDACTED	REDACTED	REDACTED
Net operating margins	REDACTED	REDACTED	REDACTED
Total access lines	REDACTED	REDACTED	REDACTED

Receipt of Federal Universal Service Support 2021-2023

Description	**2021**	**2022**	**2023**
High-Cost Loop Support ("HCLS")	$0	$0	$0
Interstate Common Line Support ("ICLS")	0	0	0
Local Switching Support ("LSS")	0	0	0
Safety Net Additive Support ("SNA")	0	0	0
Safety Valve Support ("SVS")	0	0	0
Lifeline & Link-up programs	0	0	0
ACAM	1,079,706	1,079,706	1,079,706
Total	$1,079,706	$1,079,706	$1,079,706

Procedure 22: Identified Construction Work in Progress and Retirement amounts for the test year.

Conclusion – The Company had Construction Work in Progress and Plant Retirements at 6/30/2023 of REDACTED and REDACTED, respectively.

Procedure 23 Identified the Company's affiliates and non-regulated services.

Conclusion – Affiliated and non-regulated services were reviewed and found reasonable.

REDACTED

Procedure 24 Identified the total costs charged to the regulated company by the affiliate or parent company.

Cost per Access Line

Quantified costs by FCC USOA Account and determined the per access line amount over the past 3 years. If the costs appeared unreasonable, proposed adjustments or informed GPSC staff and recommended an affiliated transactions engagement be performed.

ComSouth Telecommunications, Inc. had the highest average line cost in Marketing Expense Account 6610 per access line among all UAF companies.

Procedure 25 For ACAM UAF companies only, obtain the Company spreadsheet depicting calculated amounts, Reviewed Company prepared adjustments, trace adjustments in the UAF application model to the spreadsheet and identify impact of the adjustment.

Conclusion – ComSouth Telecommunications, Inc. received ACAM revenues in the amount of $1,079,706. There were no discrepancies noted.

Procedure 26 Tested and Reviewed the Approved Cost of Equity and Cost of Capital Rates of Tier II local exchange carriers for the purpose of evaluating applications for reimbursement from the UAF. The rate of return on rate base will be limited to the lesser of 8.0% or the level computed based on a 9.25% return on equity, using the applicant's actual cost of debt and the applicant's actual debt/equity structure. Verify that the above calculation was used in the respective UAF Model.

Conclusion – There were no discrepancies noted.

Procedure 27 Finalized work papers and prepare final report.

Procedure 28 Prepared testimony if requested.

Exhibit Nos. 1 – 3

1. ComSouth Telecommunications, Inc. Organization Chart
2. ComSouth Telecommunications, Inc. UAF Net Operating Income and Rate of Return on Rate Base Calculation
3. ComSouth Telecommunications, Inc. UAF Cost of Capital Structure and Return on Equity Calculation

Exhibit 1

Organization Chart

REDACTED

COMSOUTH TELECOMMUNICATIONS, INC.
RATE OF RETURN DEVELOPMENT
YEAR ENDING 06/30/23

NET OPERATING INCOME AND RATE OF RETURN ON RATE BASE CALCULATION

NET OPERATING INCOME DEVELOPMENT	**Source**	**(1) Subject To Separations**	**(2) Total Interstate**	**(3) Total Intrastate**	
OPERATING REVENUES					
Local Service	Net Operating Income, Ln 1	$843,847		$843,847	
Access Charges	Net Operating Income, Ln 2, 3	$1,862,054	$1,562,721	$299,333	
LD Messages	Net Operating Income, Ln 5	$32,959		$32,959	
Billing & Collection	Net Operating Income, Ln 6, 7	$0	$0	$0	
Other Miscellaneous Revenue	Net Operating Income, Ln 8	$238,295		$238,295	
Less: Uncollectibles	Net Operating Income, Ln 11	$0	$0	$0	
Total Regulated Operating Revenue	**Ln 1+Ln 2+Ln 3+Ln 4+Ln 5-Ln 6**	$2,977,155	$1,562,721	$1,414,434	
OPERATING EXPENSES					
Plant Specific	Net Operating Income, Ln 20	$1,305,909	$623,384	$682,525	
Plant Non-Specific	Net Operating Income, Ln 21,22,23	$631,396	$339,534	$291,862	
Depreciation & Amortization	Net Operating Income, Ln 29	$909,577	$530,763	$378,814	
Customer Operations	Net Operating Income, Ln 33	$1,067,647	$249,655	$817,992	
Corporate Operations	Net Operating Income, Ln 36	$1,360,702	$524,334	$836,368	YES
Total Operating Expenses	**Ln 8+Ln 9+Ln 10+Ln 11+Ln 12**	$5,275,232	$2,267,670	$3,007,562	($833,648)
OPERATING TAXES					
Federal Income Tax -Booked	Net Operating Income, Ln 38,39,40	$0	$0	$0	
Adjustment to Booked FIT	If Taxes are Imputed, Ln 16-Ln 14	($455,945)	($140,080)	($315,866)	
Imputed FIT @ %	(Ln 7-Ln 14-Ln24-Ln21-(Op Inc Ln48))* Rate	($455,945)	($140,080)	($315,866)	
Adjustment to Imputed FIT	If Taxes are per book, Ln 14-Ln 16	$0	$0	$0	
Booked - Imputed FIT (Net of Adj)		$0	$0	$0	
State Income Tax -Booked	Net Operating Income, Ln 41,42	$0	$0	$0	
Adjustment to Booked SIT	If Taxes are Imputed, Ln 21-Ln 19	($132,459)	($40,695)	($91,763)	
Imputed SIT @ %	(Ln 7-Ln 14-Ln24-(Op Inc. Ln48))* Rate	($132,459)	($40,695)	($91,763)	
Adjustment to Imputed SIT	If Taxes are per book, Ln 14-Ln 16	$0	$0	$0	
Booked - Imputed SIT (Net of Adj)		$0	$0	$0	
Other Taxes	Net Operating Income, Ln 43,44,45	$5,550	$2,793	$2,757	
Total Booked Operating Taxes	Ln 14+Ln 15+Ln 19+Ln 20+ Ln 24	($582,854)	($177,982)	($404,872)	
Total Imputed Operating Taxes	Ln 14+Ln 15+Ln 19+Ln 20+ Ln 24	($582,854)	($177,982)	($404,872)	
NET OPERATING INCOME					
Net Operating Income (NOI)	**Ln 7 - Ln 13 - Ln 25**	**($1,715,223)**	**($526,967)**	**($1,188,256)**	
N.O.I. Adjustment	**Net Operating Income, Ln 56,57**	**$0**	**$0**	**$0**	
Adjusted Net Operating Income (NOI)	**Ln 27 + Ln 28**	**($1,715,223)**	**($526,967)**	**($1,188,256)**	
RATE OF RETURN ON RATE BASE CALCULATION		**As of End of Period**			
RATE BASE					
Land & Support	Rate Base Development, Ln 3	$2,639,498	$1,419,395	$1,220,103	
Central Office Equipment	Rate Base Development, Ln 14	$3,807,055	$2,968,353	$838,702	
Info. Orig. & Term. Equip.	Rate Base Development, Ln 20	$0	$0	$0	
Cable & Wire Facilities	Rate Base Development, Ln 31	$6,415,760	$2,528,862	$3,886,898	
Other Investment	Rate Base Development, Ln 34, 35	$62,290	$33,496	$28,794	
Total Plant in Service	Ln 30 - Ln 34	$12,924,604	$6,950,106	$5,974,498	
Accumulated Depreciation	Rate Base Development, Ln 46	$1,745,346	$980,336	$765,009	
Net Plant in Service	Ln 35 - Ln 36	$11,179,258	$5,969,770	$5,209,488	
Plant Held for Future Use	Rate Base Development, Ln 47	$0	$0	$0	
Plant Under Construction	Rate Base Development, Ln 48	$442,486	$237,948	$204,538	
RTB Class B Stock	Rate Base Development, Ln 49	$0	$0	$0	
Prepayments	Rate Base Development, Ln 50	$105,612	$56,793	$48,819	
Materials & Supplies	Rate Base Development, Ln 51	$0	$0	$0	
Cash Working Capital	Cash Working Capital Develop Ln 3	$213,884	$71,495	$142,389	
Deferred Income taxes	Rate Base Development, Ln 54	$0	$0	$0	
Customer Deposits	Rate Base Development, Ln 55	$12,664	$6,810	$5,854	
Rate Base	**Ln 37 + Ln 38-43, - Ln 44 - Ln 45**	**$11,928,575**	**$6,329,195**	**$5,599,380**	
Rate of Return on Rate Base	**Ln 29 / Ln 46**	**-14.37911%**	**-8.32597%**	**-21.22120%**	

COMSOUTH TELECOMMUNICATIONS, INC.
RATE OF RETURN DEVELOPMENT
YEAR ENDING 06/30/23

COST OF CAPITAL STRUCTURE & RETURN ON EQUITY CALCULATION

ACTUAL COST OF CAPITAL - TOTAL COMPANY

		Amount	% Total	Rate	Weighted Cost Rate
Short Term Debt	Rate Base, Ln 56	$0	0.00000%	0.00000%	0.00000%
Long Term Debt	Rate Base, Ln 59	$0	0.00000%	0.00000%	0.00000%
Other	Rate Base, Ln 53	$12,664	0.07680%	7.00000%	0.00538%
Equity	Rate Base, Ln 64	$16,477,863	99.92320%	-14.39554%	-14.38449%
Total Capital		$16,490,527	100.00000%		-14.37911%

ACTUAL COST OF CAPITAL - INTRASTATE ONLY

		Amount	% Total	Rate	Weighted Cost Rate
Short Term Debt	Rate Base, Ln 56	$0	0.00000%	0.00000%	0.00000%
Long Term Debt	Rate Base, Ln 59	$0	0.00000%	0.00000%	0.00000%
Other	Rate Base, Ln 53	$12,664	0.07680%	7.00000%	0.00538%
Equity	Rate Base, Ln 64	$16,477,863	99.92320%	-21.24289%	-21.22658%
Total Capital		$16,490,527	100.00000%		-21.22120%

ALLOWED CAPITAL STRUCTURE - INTRASTATE

		Amount	% Total	Rate	Weighted Cost Rate
Short Term Debt	Rate Base, Ln 56	$0	0.00000%	0.00000%	0.00000%
Long Term Debt	Rate Base, Ln 59	$0	0.00000%	0.00000%	0.00000%
Other	Rate Base, Ln 53	$12,664	0.07680%	7.00000%	0.00538%
Equity	Rate Base, Ln 64	$16,477,863	99.92320%	9.25000%	9.24290%
Total Capital		$16,490,527	100.00000%		9.24827%

REVENUE REQUIREMENT CALCULATION

Rate Base (Adjusted Rate Base)	Earnings Report, Ln 46		$5,599,380
Allowed Rate of Return on Rate Base	Per GA PSC	Capped	8.00000%
Net Operating Income Requirement	Line 1 x Ln 2		$447,950
Net Operating Income Available (Imputed Adjusted NOI)	Earnings Report, Ln 29		($1,188,256)
Operating Income Excess (Deficiency)	Ln 4 - Ln 3		($1,636,206)
Income Expansion Factor	1-SIT-FIT+FITxSIT		74.458%
Revenue Excess (Deficiency)	Ln 5 / Ln 6		($2,197,504)