HURLBERT CPA
regulatory audit services

Ringgold Telephone Company

Agreed-Upon Procedures Applied to the Universal Access Fund Application for the period ending 6/30/2024

May 5, 2025

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Independent Accountant's Report on Applying Agreed-Upon Procedures

RINGGOLD TELEPHONE COMPANY

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 Ringgold Telephone Company (or the "Company"). The responsible party Ringgold Telephone Company 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 Ringgold Telephone Company as of June 30, 2024. 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 Ringgold Telephone Company 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 Ringgold Telephone Company 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 5, 2025

Current Request for UAF Disbursements – Summary of Findings

Ringgold Telephone Company's final revenue deficiency is $3,153,995 .

Table 1
Ringgold Telephone Company

Georgia UAF Summary	Amounts
Original Company Requested Amount from Georgia Universal Access Fund	$3,153,995
Total Adjustments	$0
Final Amount Recommended by Staff	$3,153,995

As presented in Table 1, we propose Ringgold Telephone Company receive a UAF disbursement of $3,153,995 based upon the test year for the twelve months ending June 30, 2024.

Profile of Ringgold Telephone Company

Ringgold Telephone Company is a regulated telephone company with business and maintenance offices located in Ringgold, Georgia. The Company serves approximately 8,473 access lines in north Georgia.

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. There were no discrepancies noted.

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

Conclusion – There were no discrepancies noted.

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 – Ringgold made adjustments reducing expense accounts. Therefore, no further reduction is proposed.

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

Conclusion – There were no discrepancies noted.

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.

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 2024 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 USF Corporate Cap required an adjustment of **REDACTED** and the reduction was included in the Ringgold UAF Model.

Conclusion – There were no discrepancies noted.

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

Conclusion – The Company's depreciation rates matched or were less than the rates prescribed by the GPSC.

Regulated Depreciation Expense was **REDACTED** in the UAF application. Per the UAF model, Total Plant in Service was $58,079,065. 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	$58,079,065

Composite Rate	4.92%

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 accurate.

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 **REDACTED**. Because the Company's WACC did exceed the GPSC's 8% cap, the allowed return on rate base was the **REDACTED**.

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

Financial Results 2018 – 2024

Description	2018	2019	2020	2021	2022	2023	2024
Net telecom plant	REDACTED	REDACTED	REDACTED	REDACTED	REDACTED	REDACTED	REDACTED
Operating Revenues	REDACTED	REDACTED	REDACTED	REDACTED	REDACTED	REDACTED	REDACTED
Operating Expenses	REDACTED	REDACTED	REDACTED	REDACTED	REDACTED	REDACTED	REDACTED
Net operating revenues	REDACTED	REDACTED	REDACTED	REDACTED	REDACTED	REDACTED	REDACTED
Access lines	8,029	8,143	8,123	8,468	8,610	8,460	8,442

Conclusion – Net plant decreased due to retirements and depreciation expense. Revenues increased and expenses increased causing net income to decrease.

Receipt of Federal Universal Service Support 2018 – 2024

Support	2018	2019	2020	2021	2022	2023	2024
HCLS	$171,042	$488,430	$661,592	$668,927	$549,635	$387,546	$393,504
ICLS	1,726,698	1,911,402	1,928,572	1,800,384	1,685,856	1,823,351	1,817,245
LSS	0	0	0	0	0	0	0
SNA	0	0	0	0	0	0	0
SVS	0	0	0	0	0	0	0
CAF	969,528	861,060	821,088	750,018	690,853	0	0
Lifeline	2,359	1,763	2,409	1,923	1,904	-1,187	4,528

Total	$2,869,627	$3,262,655	$3,413,661	$3,221,252	$2,928,248	$2,209,710	$2,215,277

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 6/30/2024 of **REDACTED** and **REDACTED**, respectively.

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

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

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

Finding - Total costs charged to the regulated company by affiliates was **REDACTED** for the year ending 6/30/2024. The amount is consistent with the prior year. The costs do not appear unreasonable and therefore, no affiliate audit is recommended.

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 appear unreasonable, propose adjustments or informed GPSC staff and recommend an affiliated transactions engagement be performed.

Conclusion – In comparing Ringgold to all other UAF applicants, the Company had the highest Amortization Expense of Tangibles cost per access line.

Procedure 25 For ACAM UAF companies only, obtained 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 – Not applicable.

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 Prepare testimony if requested.

Exhibit Nos. 1 – 3

1. Ringgold Telephone Company Organization Chart
2. Ringgold Telephone Company UAF Net Operating Income and Rate of Return on Rate Base Calculation
3. Ringgold Telephone Company UAF Cost of Capital Structure and Return on Equity Calculation

Exhibit 1

Organization Chart

REDACTED

RINGGOLD TELEPHONE COMPANY
RATE OF RETURN DEVELOPMENT
YEAR ENDING 06/30/24

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	$4,256,986		$4,256,986
Access Charges	Net Operating Income, Ln 2, 3	$4,778,048	$4,351,599	$426,448
LD Messages	Net Operating Income, Ln 5	$0		$0
Billing & Collection	Net Operating Income, Ln 6, 7	$0	$0	$0
Other Miscellaneous Revenue	Net Operating Income, Ln 8	$155,075		$155,075
Less: Uncollectibles	Net Operating Income, Ln 11	$14,313	$0	$14,313
Total Regulated Operating Revenue	**Ln 1+Ln 2+Ln 3+Ln 4+Ln 5-Ln 6**	$9,175,795	$4,351,599	$4,824,196
OPERATING EXPENSES				
Plant Specific	Net Operating Income, Ln 20	$2,768,410	$909,954	$1,858,456
Plant Non-Specific	Net Operating Income, Ln 21,22,23	$1,366,407	$613,141	$753,266
Depreciation & Amortization	Net Operating Income, Ln 29	$2,986,388	$1,066,899	$1,919,489
Customer Operations	Net Operating Income, Ln 33	$1,429,726	$450,590	$979,136
Corporate Operations	Net Operating Income, Ln 36	$2,270,430	$792,453	$1,477,977
Total Operating Expenses	**Ln 8+Ln 9+Ln 10+Ln 11+Ln 12**	$10,821,361	$3,833,037	$6,988,324
OPERATING TAXES				
Federal Income Tax -Booked	Net Operating Income, Ln 38,39,40	($149,809)	($266,665)	$116,856
Adjustment to Booked FIT	If Taxes are Imputed, Ln 16-Ln 14	($370,059)	$304,782	($674,841)
Imputed FIT @ %	(Ln 7-Ln 13-Ln24-Ln21-(Op Inc Ln48))* Rate + Amortization of Excess ADFIT	($519,869)	$38,117	($557,985)
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	($161,946)	($99,790)	($62,156)
Adjustment to Booked SIT	If Taxes are Imputed, Ln 21-Ln 19	$57,549	$126,178	($68,629)
Imputed SIT @ %	(Ln 7-Ln 14-Ln24-(Op Inc. Ln48))* Rate	($104,397)	$26,388	($130,784)
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	$170,029	$59,649	$110,381
Total Booked Operating Taxes	Ln 14+Ln 15+Ln 19+Ln 20+ Ln 24	($454,236)	$124,153	($578,389)
Total Imputed Operating Taxes	Ln 14+Ln 15+Ln 19+Ln 20+ Ln 24	($454,236)	$124,153	($578,389)
NET OPERATING INCOME				
Net Operating Income (NOI)	**Ln 7 - Ln 13 - Ln 25**	**($1,191,330)**	**$394,409**	**($1,585,739)**
N.O.I. Adjustment	**Net Operating Income, Ln 56,57**	**$0**	**$0**	**$0**
Adjusted Net Operating Income (NOI)	**Ln 27 + Ln 28**	**($1,191,330)**	**$394,409**	**($1,585,739)**
RATE OF RETURN ON RATE BASE CALCULATION		**As of End of Period**		
RATE BASE				
Land & Support	Rate Base Development, Ln 3	$6,784,164	$2,220,016	$4,564,148
Central Office Equipment	Rate Base Development, Ln 14	$11,599,727	$6,691,233	$4,908,494
Information Origigination & Terminal Equipment	Rate Base Development, Ln 20	$0	$0	$0
Cable & Wire Facilities	Rate Base Development, Ln 31	$39,695,174	$10,160,020	$29,535,154
Other Investment	Rate Base Development, Ln 34, 35	$0	$0	$0
Total Plant in Service	Ln 30 - Ln 34	$58,079,065	$19,071,269	$39,007,796
Accumulated Depreciation	Rate Base Development, Ln 46	$50,472,277	$16,837,451	$33,634,826
Net Plant in Service	Ln 35 - Ln 36	$7,606,788	$2,233,818	$5,372,970
Plant Held for Future Use	Rate Base Development, Ln 47	$0	$0	$0
Plant Under Construction	Rate Base Development, Ln 48	$2,025,897	$662,944	$1,362,952
RTB Class B Stock	Rate Base Development, Ln 49	$0	$0	$0
Prepayments	Rate Base Development, Ln 50	$3,165,473	$1,035,854	$2,129,620
Materials & Supplies	Rate Base Development, Ln 51	$1,824,742	$467,045	$1,357,697
Cash Working Capital	Cash Working Capital Development, Ln 3	$347,646	$111,408	$236,238
Deferred Income taxes	Rate Base Development, Ln 54	$979,209	$279,291	$699,918
Customer Deposits	Rate Base Development, Ln 55	$3,155	$1,032	$2,123
Rate Base	**Ln 37 + Ln 38-43, - Ln 44 - Ln 45**	**$13,988,183**	**$4,230,746**	**$9,757,437**
Rate of Return on Rate Base	**Ln 29 / Ln 46**	**-8.51669%**	**9.32246%**	**-16.25160%**

RINGGOLD TELEPHONE COMPANY
RATE OF RETURN DEVELOPMENT
YEAR ENDING 06/30/24

COST OF CAPITAL STRUCTURE & RETURN ON EQUITY CALCULATION

WITH COBANK PATRONAGE DIVIDEND EXCLUSION

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	**Per Line 2.C Below**	$3,408,903	**15.49860%**	**0.00000%**	**0.00000%**
Other	Rate Base, Ln 53	$3,155	0.01434%	7.00000%	0.00100%
Equity	Rate Base, Ln 64	$18,582,850	84.48706%	-10.08165%	-8.51769%
Total Capital		$21,994,907	100.00000%		-8.51669%

ADJUSTMENT TO LTD FOR COBANK PARTICIPATION

Long-Term Debt	**Rate Base, Ln 59**	**$3,408,903**	
Adjustment for CoBank Partic.	Per Net Income Dev	**$0**	***Populated only if "C" at Net Income Development***
LTD for Cost of Capital		**$3,408,903**	

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	$3,408,903	15.49860%	0.00000%	0.00000%
Other	Rate Base, Ln 53	$3,155	0.01434%	7.00000%	0.00100%
Equity	Rate Base, Ln 64	$18,582,850	84.48706%	-19.23679%	-16.25260%
Total Capital		$21,994,907	100.00000%		-16.25160%

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	$3,408,903	15.49860%	0.00000%	0.00000%
Other	Rate Base, Ln 53	$3,155	0.01434%	7.00000%	0.00100%
Equity	Rate Base, Ln 64	$18,582,850	84.48706%	9.25000%	7.81505%
Total Capital		$21,994,907	100.00000%		7.81606%

REVENUE REQUIREMENT CALCULATION

Rate Base (Adjusted Rate Base)	Earnings Report, Ln 46		$9,757,437
Allowed Rate of Return on Rate Base	Per GA PSC	Not Capped	7.81606%
Net Operating Income Requirement	Line 1 x Ln 2		$762,647
Net Operating Income Available (Imputed Adjusted NOI)	Earnings Report, Ln 29		($1,585,739)
Operating Income Excess (Deficiency)	Ln 4 - Ln 3		($2,348,386)
Income Expansion Factor	1-SIT-FIT+FITxSIT		74.458%
Revenue Excess (Deficiency)	Ln 5 / Ln 6		**($3,153,995)**