

Universal Service Administrative Co.

2016 Annual Report

Mission

The Universal Service Administrative Company (USAC) is dedicated to achieving universal service. This important principle suggests that everyone in the United States deserves accessible, affordable, and pervasive telephone and high-speed connectivity.

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www.usac.org

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The Universal Service Administrative Company (USAC) is an independent, not-for-profit corporation designated by the Federal Communications Commission (FCC) as the administrator of the Universal Service Fund.

Letter From the Chairman



“USAC’s efforts in 2016 focused on delivering on an ambitious set of modernization orders from the FCC. The USAC Board of Directors

fully supports this direction and believes in the positive impact this will have on USAC’s ultimate goal to fulfill the FCC’s universal service mission.”

In 2016, the Board supported USAC’s vision to build a better strategic foundation for the operation of the Universal Service Fund. As the FCC released new modernization orders, we were confident in USAC’s ability to execute them, based on their strategy and approach. Now, at the end of 2016, we look back at USAC’s achievements.

The National Lifeline Eligibility Verifier and the High Cost Universal Broadband (HUBB) portal are both large scale projects that require targeted feedback, collaboration, and coordination with the FCC and program stakeholders to be successful. USAC and the board have received positive feedback from users on USAC’s approach to these projects. Specifically, stakeholders have commended USAC on the level of stakeholder input into the design which resulted in the HUBB portal’s simple, intuitive design for a new and complex process.

These teams have managed through a rapidly changing environment due to their continued focus on ensuring programs are operated with integrity, supporting stakeholder success through better understanding of stakeholder challenges and needs. The USAC team has also recognized key areas for improvement, many of which are addressed in this report in program sections.

The USAC Board of Directors and I commend Chris and the USAC team for their continued work to fulfill the mission and ambition of universal service. USAC managed an unprecedented volume and scope of work in 2016. We look forward to all that will be accomplished in 2017 on behalf of USAC stakeholders.

Sincerely,

Dr. Brian L. Talbott
Chairman of the Board

Letter From the CEO



“In 2016, we continued our focus on several key strategic areas: protect the integrity of Universal Service Fund programs, streamline and

optimize program operations, support stakeholders through better online tools, and employ data to improve operational effectiveness.”

These initiatives became all the more important with the FCC’s new and ongoing modernization orders for Lifeline, High Cost, and Schools and Libraries. While Rural Health Care didn’t have a formal modernization order from the FCC, 2016 was a transformative year as we implemented changes to accommodate a growth in demand for funds. The ground work we laid to prepare for these program shifts was a stabilizing force in a year of enormous change, and has helped us execute a volume of work unparalleled at USAC.

The program updates in the following pages explain our progress against the modernization orders and how our strategic initiatives in program integrity, stakeholder experience, operational effectiveness, and data have supported our work to operate the fund and execute the modernization orders. Our 2016 updates review each program’s focus areas, and how USAC is working to maximize the impact of each fund dollar. We recognize that 2016 was a challenging year for many stakeholders and we are making proactive adjustments to ensure the 2017 filing process goes more smoothly.

Our goal is to support the FCC in bridging the divide between those who have access to the networks they need to participate in the 21st century economy, and those that don’t have the benefit of those networks. By continuing to hone our implementation of the FCC’s ambitious vision, we will make progress towards closing that digital divide.

Sincerely,

Chris Henderson
Chief Executive Officer

Fund Operations

Fund Operations

In 2016, USAC continued to develop new ways of doing business and building the capabilities necessary to address the FCC modernization mandates. We also strengthened our administration of the Universal Service Fund (USF) to support the advancement of connectivity and help close the digital divide.

More specifically, we have further enhanced program integrity by applying data-driven approaches to increase our audit efficiency and reduce the potential for fraud, waste, and abuse. We also engaged stakeholders across the USF programs to inform the design of new processes, systems, and solutions that will simplify participation and improve program compliance. To support these efforts, as well as our overall effectiveness, we applied greater commitment and focus on performance measurement and move into 2017 with more visibility into our operational performance and stakeholders experience than ever.

Program Integrity

USAC continuously identifies opportunities to improve program integrity and compliance. Our goal is to prevent and reduce non-compliance, and help ensure that universal service funds go to the right people in the right amounts for the right purposes. For example, we are focused on reducing common audit findings by learning from recurring issues and identifying opportunities to improve program compliance.

We also implemented a focused, risk-based audit approach and streamlined audit processes to improve our ability to identify issues and reduce the burdens on low risk program participants and service providers. Through this risk-based approach, we are able to reduce the audit burden placed on USF participants and focus our efforts in areas that are more complex and where entities experience difficulty with compliance.

Stakeholder Experience

We recognize that enabling stakeholder success is core to USAC's operations. If program participants cannot successfully receive and contribute funds, then universal service will not achieve its mission. We spent this year incorporating stakeholder feedback into the design of new systems and processes. Through the application of a user-centered approach to design,

we have implemented opportunities to streamline processes and simplify the stakeholder experience, which benefit both the integrity of the programs and reduce the burden of participation for stakeholders.

Operational Effectiveness

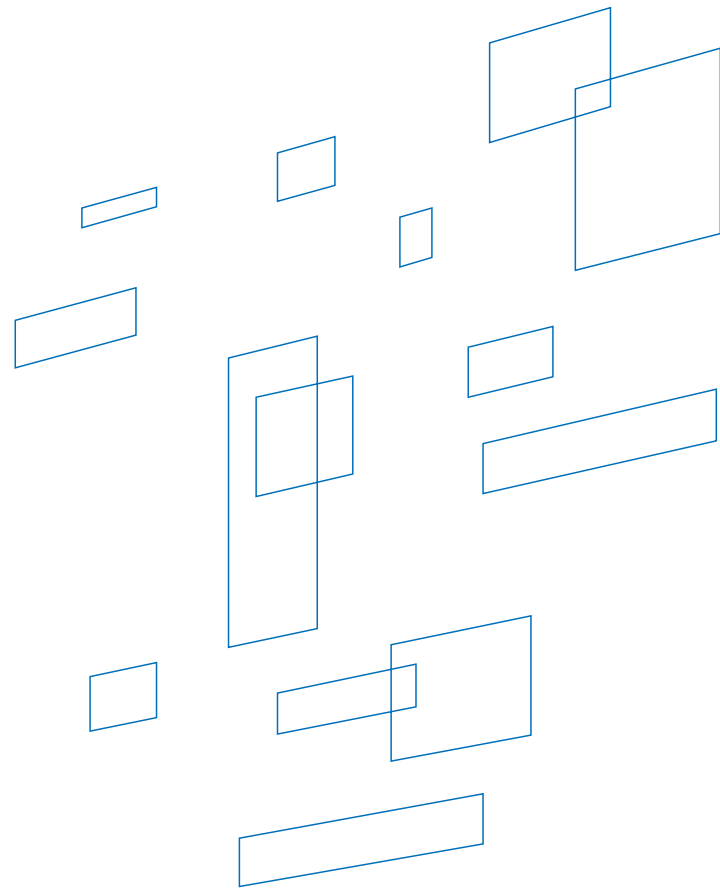
We are focused on successful implementation of the modernization orders as described within the program sections, while also measuring progress towards the broader universal service goal of advancing broadband connectivity. In this regard, we have established program performance and operational measures to monitor USAC's ongoing success and ensure effective administration in support of the broader universal service outcomes. We have started to use the performance measures to look at the universal service programs holistically and identify opportunities to improve efficiency.

The data that we collect from stakeholders provides significant opportunities to not only measure our effectiveness, but also improve transparency. In 2017, we are aiming to publish data to the public in meaningful ways. For example, through the implementation of the FCC's HUBB portal in High Cost, we will provide real-time validation of deployment data submitted by carriers. The HUBB portal will ultimately serve as a tool for the public to find information about the state of broadband at the national, regional, and local levels, and even look up local broadband availability by technology, speed, and carrier.

Looking Ahead

2016 was a time of significant change for USAC. We strengthened our capabilities, renewed our commitments, and aligned our strategy to successfully execute on USF program modernization. We look forward to building on this progress and delivering with excellence the FCC's vision for closing the digital divide as it continues to evolve.

Universal Service Programs



FCC modernization orders beginning in 2011 radically reformed the High Cost Program to increase fiscal responsibility, drive broadband expansion, and improve transparency and accountability with the new Connect America Fund. In 2016, implementation of modernization initiatives was a top priority for High Cost, even as USAC continued to disburse support for multiple legacy programs.

Evolving the High Cost Program

USAC worked closely with the FCC, carriers, and other stakeholders to navigate the transition from legacy, cost-based support mechanisms that maintain voice service, to modernized, incentive-based funding models that also finance the build-out and ongoing delivery of broadband.

This included an evolution beyond just forms-based reporting requirements and compliance audits, to an online portal that tracks carrier progress in meeting deployment milestones and serves as a platform for verification of broadband build-out.

A major focus for USAC in 2016 was implementation of the Rate-of-Return Reform Order. The order allows small rural carriers to receive a set amount of monthly funding over 10 years under a new cost model, or remain on modified legacy systems that support stand-alone broadband. Both options require carriers to bring broadband to a defined number of locations. USAC was in regular contact with the FCC, carriers, and other stakeholders in 2016 to provide critical details about support calculations and deployment obligations.

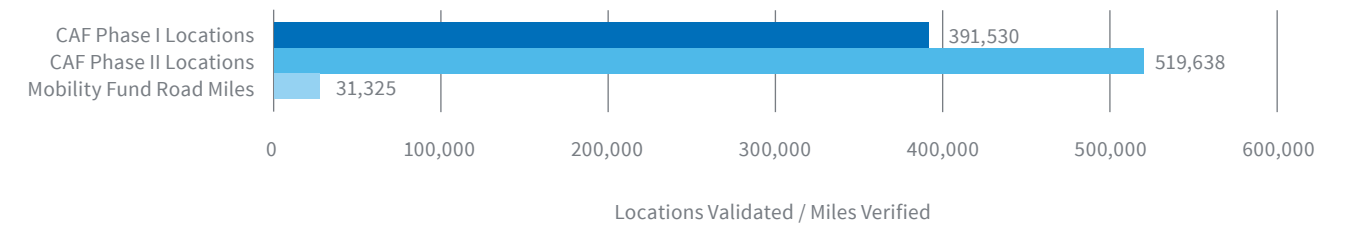
Mapping Broadband

Another 2016 priority was the construction of the new online portal—called the High Cost Universal Broadband or HUBB portal—to collect geolocated data showing where Connect America participants are building out fixed broadband by latitude and longitude. The portal is designed to provide real-time, systems-based validation of carrier deployment data and facilitate verification of build-out for compliance purposes. It will ultimately be the foundation for a public map showing the impact of Connect America funding on broadband expansion throughout rural America.

USAC conducted extensive stakeholder outreach in 2016 to inform the design and development of the HUBB portal, engaging with dozens of carriers, consultants, and trade associations. USAC also published a best practices guide to help carriers understand how to collect geographic coordinates, and launched a data validator tool to let carriers check the accuracy of their deployment data before officially submitting it to the portal.

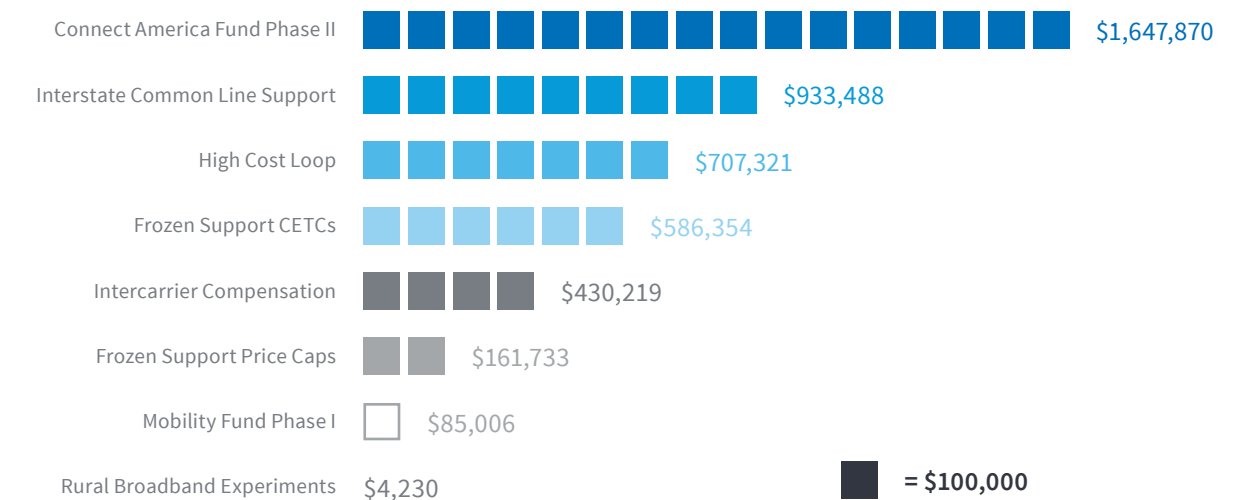
Even prior to the development of the portal, USAC dedicated substantial resources to monitoring carrier compliance with broadband deployment obligations. Last year, the High Cost Program collected and began manually validating deployment data filed through FCC Form 481 for nearly one million Price Cap locations funded with Connect America support.

Connect America Fund Network Buildout, 2016 Locations Validated & Road Miles Verified



Note: USAC performed 100% of CAF Phase I & II initial validations of the locations and verified 142% of Mobility Fund miles (excess miles due to early carrier completion of network build-out) targeted for completion in 2016.

Approved Support by Component, 2016



The FCC modernized the Lifeline Program in 2016 to strengthen program integrity, promote competition in the Lifeline marketplace, and increase customer access to affordable broadband. While the impact of the Lifeline Modernization Order will be more evident in 2017, USAC spent the past year laying the foundation for the changes to be effective.

The inclusion of broadband in Lifeline was one of the most important program changes in 2016. Customers began subscribing to broadband services when the new rules became effective on December 2, 2016. In the first month broadband was available, service providers reported that nearly one quarter of all Lifeline customers received a broadband product (either stand alone or in a bundle). USAC will report on further outcomes regarding the addition of broadband in 2017.

Creating the National Verifier

The Modernization Order directed USAC to create a National Lifeline Eligibility Verifier (National Verifier). The National Verifier is a critical step in strengthening controls against waste, fraud, and abuse in the program. The National Verifier will determine subscriber eligibility, conduct annual recertification, and maintain a new Lifeline Eligibility Database. The current plan is to initially launch the National Verifier in 2017 in at least five states.

Establishing the National Verifier will strengthen program integrity and will also establish a consistent, streamlined verification process for applicants.

Working with Stakeholders

USAC designed and drafted the National Verifier plan with the oversight of FCC staff and input from external stakeholders, and USAC will continue to work with stakeholders throughout its build and implementation. When launched, the National Verifier will be informed by extensive feedback from state agencies, consumer groups, and carriers, ensuring we have a product that will benefit a wide range of users.

The Modernization Order created an opportunity for USAC to work closely with stakeholders, particularly state regulators, service providers, and consumer groups to manage the implementation of Lifeline-supported broadband and other changes established in the Order.

Strengthening Program Outcomes

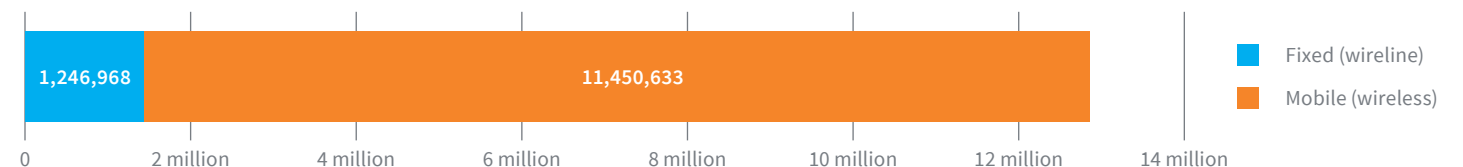
In addition to support for broadband and the National Verifier, the Order established several changes to increase service provider participation, improve the quality of Lifeline services, and strengthen the program's integrity:

- Streamlined eligibility requirements and added the Veterans Pension and Survivors Benefit as qualifying programs
- Established minimum service standards for Lifeline-supported voice and broadband services
- Established a rolling recertification process
- Decreased the time period for consumers to demonstrate continued use of free Lifeline-supported services

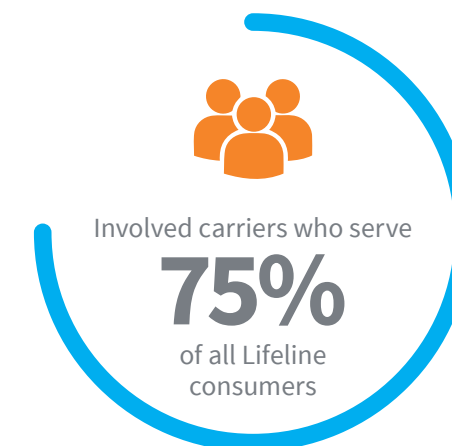
- Incentivized service providers to offer competitive, high-quality Lifeline-supported services through the benefit port freeze provisions
- Directed USAC and the FCC to conduct a program evaluation of the modernized Lifeline Program
- Directed USAC to increase transparency in the program by making more Lifeline Program information available publicly on its website

USAC made changes to Lifeline's IT systems and internal processes to align with the reforms and worked closely with the state agencies and service providers affected by the changes. We strengthened our commitment to stakeholders through extensive communications around the program changes under the Order.

2016 Monthly Average Number of Lifeline Subscribers by Carrier Type



We worked closely with stakeholders to create the National Verifier plan:



Throughout 2016, the Rural Health Care (RHC) Program team implemented numerous operational and programmatic measures focused on increasing program efficiency, addressing program growth, and improving stakeholder experience.

Increased Program Efficiency

Internal improvements helped to drive productivity and stakeholder satisfaction. For example, USAC cross-trained RHC Program staff, which broke down previous silos in how the Healthcare Connect Fund (HCF) and Telecommunications (Telecom) Programs operated. This cross-training of staff resulted in decreased processing time for applications for HCF and Telecom Program support. With staff equipped to process both HCF and Telecom Program application forms, the team was in a position to more efficiently handle and process a larger volume of applications in less time.

The results of this operational measure were evident:

- Improved Telecom Program’s rate of funding approval in Funding Year (FY) 2015 to 96% in less than 60 days (up from 8% in 60 days in FY2013)
- Increased HCF dollars committed by the end of FY2015 by 46%

Program Growth

This operational improvement provided USAC with the ability to successfully handle an increased number of applicants participating in the RHC Program.

As the program’s demand grew, the potential for hitting the \$400 million funding cap became a reality that had not occurred in prior years. Therefore, in August 2016, the FCC implemented filing window periods to address the increase in funding requests and ensure that all applicants had equal access to funds. Due to the cross-training of USAC staff from earlier in 2016, the RHC Program team adapted quickly to the new filing window periods and supported applicants by proactively providing written guidance about the filing window periods.

Legislation passed in 2016 introducing Skilled Nursing Facilities broadened the program to an entirely new applicant pool. As these facilities apply during FY2017 (July 1, 2017- June 30, 2018), the RHC Program will potentially extend health care access to thousands of new participants.

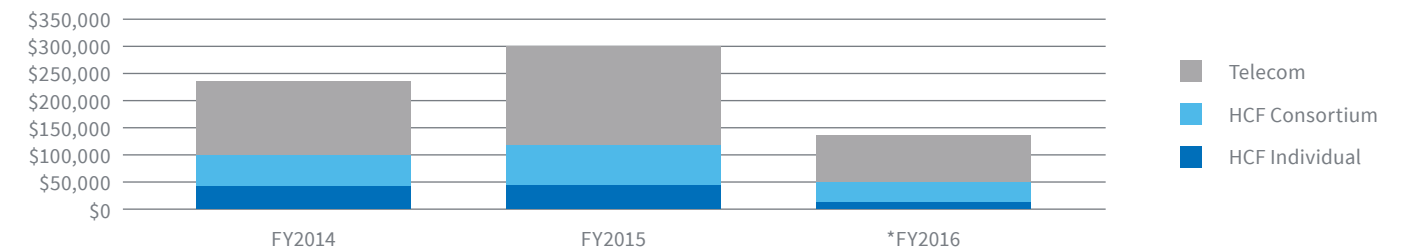
Improving the Stakeholder Experience

The Office of Management and Budget approval for the FCC Forms used by health care providers to apply for RHC Program funds expired in 2016, and the RHC Program team, working with FCC staff, took this opportunity to make improvements to the FCC Forms. USAC identified data fields where similar information was captured in different ways

across the HCF and Telecom Programs, and simplified language to establish a more consistent experience for applicants and service providers participating in both programs. In addition, the team identified user experience enhancements in My Portal for future development.

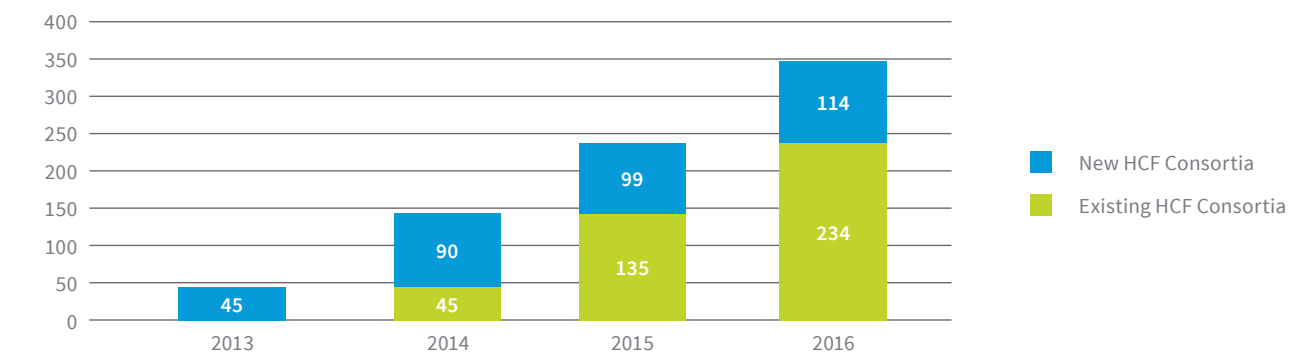
Focusing on stakeholder needs as we administer the RHC Program and communicate with applicants and service providers will make the user experience more efficient and successful. By increasing the number of successful applications, this ultimately means RHC Program funds have the potential to make a greater impact in the communities that need access the most.

Dollars Committed by Fund (In Thousands)



*Commitments for calendar year 2016 do not include funding requests submitted in the Second Filing Window Period (between September 1, 2016 and November 30, 2016).

Growth in HCF Consortia



The Schools and Libraries (E-rate) Program went through an extensive modernization process aimed at increasing affordable access to broadband and introducing operational changes to streamline the process for applicants and providers. For USAC, this meant major shifts both programmatically and operationally.

Maximizing Funds

Beginning in Funding Year (FY) 2015, the FCC increased the funding cap for E-rate and established Category Two (C2) budgets for the equipment needed to provide broadband connections inside school and library buildings. The structure of C2 budgets empower schools and libraries to have more control and flexibility over their individual budgets and allocate funds appropriately over a five year period of time.

USAC introduced several systems within the program to help applicants make the most efficient use of their funds. Applicants will be able to use the enhanced C2 budget tool, planned for the spring of 2017, to make informed decisions about their spending and plan their funding over time. There has also been an increased focus on open data to create additional visibility and opportunities for collaboration. Ultimately, this information will help applicants compare and contrast service costs. The goal of this increased transparency is to promote cost effectiveness and allow applicants to make service and funding decisions with confidence.

FY2016 was the first year of accepting applications for expanded fiber funding, including applicant-owned networks. USAC is working to establish a smooth and efficient process for applicants and expects to see an increase in successful applications and stakeholder experience during the FY2017 application year.

Dedication to Stakeholders

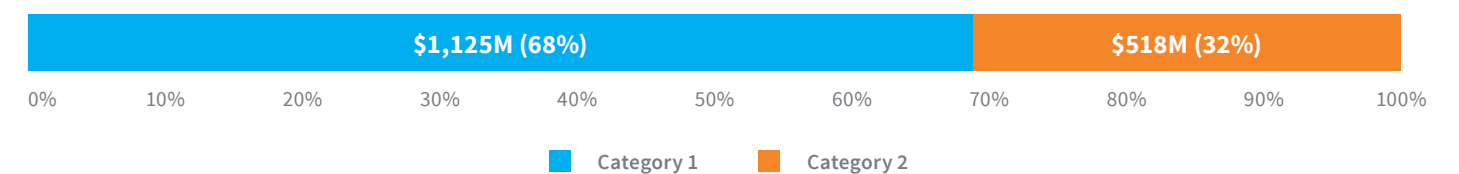
USAC continues to roll out the E-rate Productivity Center (EPC) system. We recognize that FY2016 was a challenging year for applicants and providers as a result of ongoing system issues. To mitigate that, in addition to our commitment to continual improvement to the filing system, we are strengthening our focus on stakeholder success by increasing communications to enhance transparency about challenges and getting more regular system feedback from stakeholders.

USAC built out the leadership of the program, and these leaders are focused daily on improving efficiency, operations, and enabling the success of stakeholders. In 2017, USAC will use qualitative analysis and quantitative data to identify barriers to applicant success and will work with stakeholders to drive ongoing improvements.

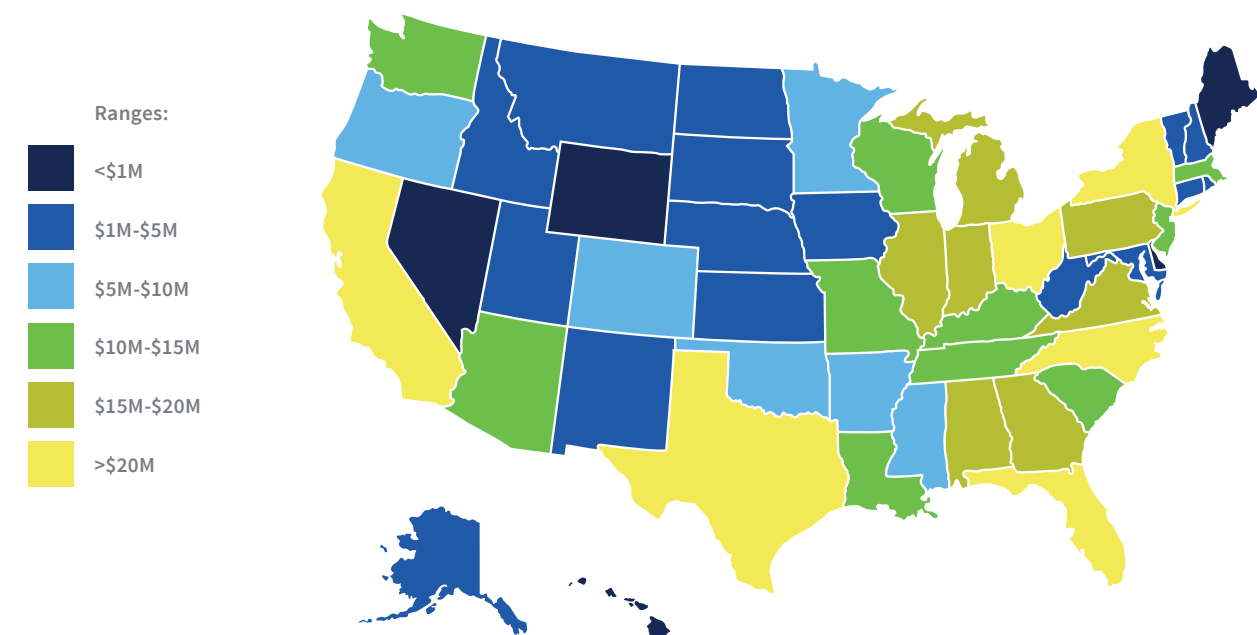
Looking Ahead

We continue to make improvements to our end-to-end process and build EPC into a more streamlined system. The creation of an external user testing group and a suite of public facing application tools were all important steps to ensuring the application system functions successfully for users. We are dedicated to continuing to make improvements to enhance the EPC system and the program as a whole.

Dollars Committed by Category of Service in FY2016 (as of December 31, 2016)



Category 2 Committed Funds in FY2016 (as of December 31, 2016)



Financials

Management's Discussion & Analysis

Mission and Structure

USAC is dedicated to achieving universal service. This important principle suggests that everyone in the United States deserves accessible, affordable, and pervasive high-speed connectivity.

Despite pervasive connectivity in most urban areas in the U.S., millions of people across the country have no access to broadband services needed to work, learn, heal, and communicate. The funds USAC administers exist to fill these gaps in access.

As an independent not-for-profit designated by the FCC in 1997, USAC administers the Universal Service Fund (USF), almost \$10 billion available annually to the companies and institutions that make universal service possible.

USAC collects and distributes funds, works to protect the integrity of the four universal service programs—High Cost,

Lifeline, Rural Health Care, and Schools and Libraries—promotes compliance among program participants, and provides information about universal service to Congress, the FCC, program audiences, and the general public.

In all these tasks, USAC strives to provide efficient, responsible stewardship of the programs, a key national asset in making important connectivity services available to consumers, health care providers, schools, and libraries throughout the United States.

Performance Measures

USAC is required to report quarterly to the FCC on performance measures pursuant to a Memorandum of Understanding. This information pertains to USAC's administration of the programs and the USF.

FUND ADMINISTRATION	1st QTR	2nd QTR	3rd QTR	4th QTR
USF CONTRIBUTOR STATISTICS				
Number of USF contributors	3,162	3,149	3,146	3,146
Total contributions to the USF (in thousands)	\$2,315,345	\$2,188,556	\$2,205,378	\$2,091,333
Total delinquencies or past due payments (in thousands)	\$171,784	\$163,498	\$163,175	\$166,754
AVERAGE TIME TO PROCESS PAYMENTS (IN DAYS)				
High Cost Program	8	9	7	9
Lifeline Program	29	29	29	29
Rural Health Care Program (Funding Year 2015)	5	5	5	6
Schools and Libraries Program (Funding Year 2015)	6	7	5	6
USAC COMPLAINT STATISTICS				
Complaints about USAC	27	18	8	11
Average number of business days to resolve complaints	5.5	6.7	6.4	7.3

HIGH COST PROGRAM	1st QTR	2nd QTR	3rd QTR	4th QTR
Total amount disbursed (in thousands)	\$1,157,751	\$1,134,324	\$1,066,719	\$1,115,966
Number of requests for support payments	1,694	1,877	1,721	1,610

LIFELINE PROGRAM	1st QTR	2nd QTR	3rd QTR	4th QTR
Total amount disbursed (in thousands)	\$383,168	\$385,579	\$386,744	\$381,917
Number of program beneficiaries (ETCs)	2,112	2,101	2,085	2,079

RURAL HEALTH CARE PROGRAM*	1st QTR	2nd QTR	3rd QTR	4th QTR
APPLICATION TYPES (ALL NUMBERS CUMULATIVE FOR FUNDING YEAR)				
Funding Year 2016				
Telecom	328	841	2,945	6,410
Internet	0	0	0	0
Funding Year 2015				
Telecom	4,500	7,472	7,481	7,481
Internet	5	5	5	5
APPLICATION OUTCOMES (ALL NUMBERS CUMULATIVE FOR FUNDING YEAR)				
Funding Year 2016				
Submitted	328	841	2,945	6,410
Granted	N/A	683	2,061	5,718
Rejected	1	12	17	135
Funding Year 2015				
Submitted	4,500	7,472	7,481	7,481
Granted	4,251	6,031	7,243	7,250
Rejected	68	132	190	185

*Does not include Healthcare Connect Fund Program or Pilot Program data.

RURAL HEALTH CARE PROGRAM* (CONT.)	1st QTR	2nd QTR	3rd QTR	4th QTR
INVOICES FUNDING YEAR 2015 (ALL NUMBERS CUMULATIVE FOR FUNDING YEAR)				
Invoices received	630	1,114	1,918	2,119
Invoices paid	596	1,064	1,866	2,105
Invoices rejected	2	2	2	2
APPEALS				
Current appeals (new appeals received in each quarter)	9	7	8	18
Average calendar days to resolve appeals	119	78	30	19

*Does not include Healthcare Connect Fund Program or Pilot Program data.

SCHOOLS AND LIBRARIES PROGRAM	1st QTR	2nd QTR	3rd QTR	4th QTR
APPLICATION OUTCOMES (ALL NUMBERS CUMULATIVE FOR FUNDING YEAR)				
Funding Year 2016				
Submitted	N/A	N/A	46,018	46,058
Granted	N/A	N/A	26,986	38,775
Rejected	N/A	N/A	641	1,083
Funding Year 2015				
Submitted	48,812	48,815	48,816	48,816
Granted	45,031	45,363	45,366	45,283
Rejected	992	1,093	1,092	1,108
INVOICES FUNDING YEAR 2015 (ALL NUMBERS CUMULATIVE FOR FUNDING YEAR)				
Invoices received	224,280	361,994	471,923	549,300
Invoices paid	196,989	325,865	415,241	488,441
Invoices rejected	14,996	22,727	29,978	39,813
APPEALS				
Current appeals (new appeals received in each quarter)	553	509	239	709
Average calendar days to resolve appeals	79	65	73	60

Systems, Controls, and Legal Compliance

USAC has a formal internal controls structure and review process consistent with U.S. Office of Management and Budget (OMB) Circular A-123 guidance, "Management's Responsibility for Enterprise Risk Management and Internal Control," including Appendix A, "Internal Control Over Reporting (ICOR)."

In 2016, USAC established the Compliance and Risk group, which is housed in the Office of General Counsel. The Compliance and Risk group continues to enhance USAC's overall internal controls framework with a documentation and assessment program, including maintaining up-to-date policies and procedures. In addition, the Compliance and Risk group will implement Enterprise Risk Management, as required by the revised OMB Circular A-123 (released on July 15, 2016). This group works to meet USAC's objectives of creating a viable enterprise risk management system by

FINANCIAL INFORMATION (IN THOUSANDS)		
ITEM	2016 ¹	2015
Number of Employees at Year End	484	411
Personnel Costs	\$59,621	\$53,479
Overall General and Administrative Expenses	\$56,057	\$46,426
Contract Expenses	\$47,430	\$39,098

USAC ADMINISTRATIVE EXPENSES (IN THOUSANDS)			
YEAR	USAC ADMINISTRATIVE EXPENSES	TOTAL DEDUCTIONS	EXPENSE RATE ²
2012	\$110,880	\$8,855,009	1.25%
2013	\$106,869	\$8,514,767	1.26%
2014	\$118,797	\$7,892,725	1.51%
2015	\$143,970	\$8,483,722	1.70%
2016 ¹	\$171,663	\$8,887,590	1.93%

¹ 2016 figures based on unaudited financial statement in this annual report.

² Expense rate percentage shows USAC administrative expenses divided by total deductions.

executing risk assessments and developing risk profiles with USAC's Corporate Assurance team. USAC also contracts with an independent audit firm to perform an annual audit of its financial statements, as well as, agreed upon procedures in compliance with the requirements in 47 CFR Part 54.

Financial Information

The accompanying USAC unaudited financial statements and tables are the responsibility of USAC management and reflect all necessary adjustments and reclassifications that are necessary for fair presentation of the period presented. The results for the year ended December 31, 2016, are not considered final until the 2016 financial statement audit is completed by our independent auditors. These unaudited financial statements and tables should be used in conjunction with the audited financial statements and the notes thereto for the years ended December 31, 2015, and 2014, included herein. This table presents selected data about USAC's staffing and operations for 2016 and 2015.

2016 USAC CONTRACTORS RECEIVING PAYMENTS GREATER THAN \$1 MILLION		
CONTRACTOR / VENDOR	TYPE OF GOODS / SERVICE	PROCUREMENT METHOD
Solix	RHC-SL Operational Support Services	Competitive
Appian Corporation	Appian Operations, Maintenance, & Cloud Services	Competitive
Incentive Technology Group, LLC	EPC Consulting and IT implementation Services	Non-Competitive
NTCA	Employee Benefits	Competitive
Rand Construction Corp	OMC Move	Competitive
KPMG LLP	BCAPx Audit Services	Competitive
Cigna	Employee Benefits	Competitive
Oracle America	IT Software Solution	Non-Competitive
Cotton & Company, LLP	BCAPx Audit Services	Competitive
Grant Thornton	BCAPx Audit Services and IAD Co-Sourcing Audit Services	Competitive
APFS, LLC (Hirestrategy)	IT Staff Augmentation Services	Competitive
IDEO LP	Stakeholder Engagement Consulting Services	Competitive
The Bialek Corporation of Maryland	OMC Move	Competitive
PricewaterhouseCoopers LLP	Audit Services	Competitive
Boston Consulting Group	National Verifier Consulting Services	Competitive
Ampcus Inc.	IT Staff Augmentation Services	Competitive
ManpowerGroup Public Sector Inc.	IT Staff Augmentation Services	Competitive
2000 L Owner LLC	USAC Lease	Competitive
LexisNexis Risk Solutions	Lifeline Third Party Identity Verification Services	Competitive
Moss Adams LLP	BCAPx Audit Services	Competitive
Bank Of America	Banking and Investment Management Services	Competitive
Clearpath Solutions Group LLC	Various IT systems, hardware and software solutions	Competitive
Iron Bow Technologies	Various IT systems, hardware and software solutions	Competitive
CN Ventures Inc.	HC Mobility Fund	Competitive
Equinix, Inc.	Information Technology Services	Competitive

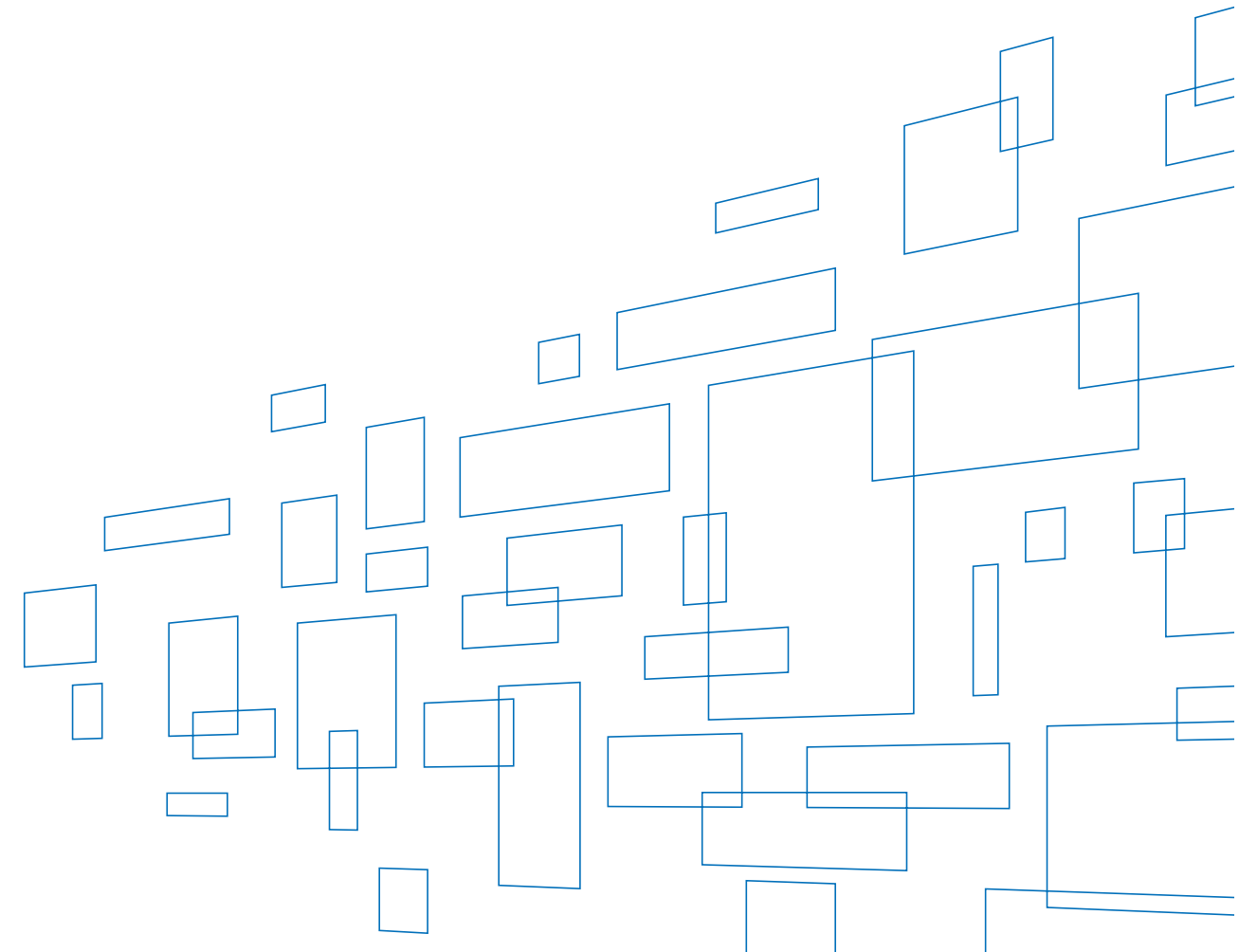
DOLLAR RANGE: **+\$5 million** | \$2 million - \$5 million | **\$1 million - \$2 million**

Statement of Financial Information of USAC

AS OF DECEMBER 31, 2016 (UNAUDITED – IN THOUSANDS)	2016
ASSETS	
Current Assets	
Cash	\$7,398
Receivable from the Federal USF	5,626
Prepaid expenses and other current assets	12,085
Assets held for the Federal USF	4,622,543
TOTAL CURRENT ASSETS	4,647,652
Fixed Assets, net, held for Federal USF	31,109
Other Assets	824
Assets held for the Federal USF	4,059,030
TOTAL	\$8,738,615
LIABILITIES AND UNRESTRICTED NET ASSETS	
Current Liabilities	
Accounts payable and accrued liabilities	\$16,603
Advance from the Federal USF	13,024
Deferred revenue	14,097
Liabilities related to assets held for the Federal USF	4,622,543
TOTAL CURRENT LIABILITIES	4,666,267
Deferred rent and other liabilities	13,318
Liabilities related to assets held for the Federal USF	4,059,030
Commitments and contingencies	0
TOTAL	\$8,738,615
Net Assets	0

Statement of Operations and Change in Unrestricted Net Assets

FOR THE YEAR ENDED DECEMBER 31, 2016 (UNAUDITED – IN THOUSANDS)	2016
REVENUE	\$171,663
Operating Expenses	
Contractual expenses	47,430
Personnel and related expense	59,621
General and administrative	56,057
Depreciation, amortization and gain/loss on retirements	8,555
TOTAL OPERATING EXPENSES	171,663
Change In Net Assets	0
NET ASSETS – Beginning of year	0
NET ASSETS – End of year	\$0



Statement of Cash Flows of USAC

FOR THE YEAR ENDED DECEMBER 31, 2016 (UNAUDITED – IN THOUSANDS)	2016
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from the Federal USF and other parties	\$184,952
Cash paid for operating expenses and employees	(155,865)
Interest received	8
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$29,095
CASH FLOWS FROM INVESTING ACTIVITIES	
Capital expenditures	(\$29,896)
INCREASE (DECREASE) IN CASH	(801)
CASH, Beginning of year	8,198
CASH, End of year	\$7,397
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	
Change in net assets	\$0
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:	
Depreciation and amortization	8,307
Loss on retirement/valuation adjustment of fixed assets	247
Changes in operating assets and liabilities:	
(Increase) in prepaid expense and other assets	(4,182)
Decrease in assets held for the Federal USF	61,147
(Increase) in receivable from the Federal USF	(799)
Increase in accounts payable and accrued liabilities	3,146
Increase in deferred revenue	14,097
Increase in deferred rent	8,279
(Decrease) in liabilities related to assets held for the Federal USF	(61,147)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$29,095
Supplemental disclosure of non-cash information:	
Capital expenditures included in accounts payable/accrued expenses	\$1,691

Combining Supplemental Schedules of Assets and Liabilities Applicable to the Federal USF

AS OF DECEMBER 31, 2016	SCHOOLS AND LIBRARIES	HIGH COST	LIFELINE	RURAL HEALTH CARE	COMMON ASSETS	TOTAL USF
ASSETS						
Cash and cash equivalents	(\$1,041,006)	\$2,216,210	\$65,833	\$443,489	\$0	\$1,684,526
Investments	6,249,790	0	0	0	0	6,249,790
Receivables	134,424	37,424	35,748	578	881,873	1,090,047
Allowance for doubtful accounts	(130,543)	(36,710)	(14,149)	(570)	(175,317)	(357,289)
Interest receivable	0	0	0	0	14,499	14,499
ASSETS HELD FOR THE FEDERAL USF	5,212,665	2,216,924	87,432	443,497	721,055	8,681,573
Receivable from USAC	3,569	6,983	2,290	182	0	13,024
TOTAL	\$5,216,234	\$2,223,907	\$89,722	\$443,679	\$721,055	\$8,694,597
LIABILITIES						
Payable to service providers	(\$2,200)	(\$164,092)	(\$2,721)	(\$434)	\$0	(\$169,447)
Accrued liabilities	(6,575)	(250,520)	(131,388)	(2,479)	0	(390,963)
TOTAL	(\$8,775)	(\$414,612)	(\$134,109)	(\$2,913)	\$0	(\$560,410)

Note: This schedule represents assets and liabilities of the Federal USF at December 31, 2016 for each of the support programs.

Combining Supplemental Schedules of Changes in Net Assets Applicable to the Federal USF

FOR THE YEAR ENDED DECEMBER 31, 2016 (UNAUDITED – IN THOUSANDS)

	SCHOOLS AND LIBRARIES	HIGH COST	LIFELINE	RURAL HEALTH CARE	TOTAL
ADDITIONS					
Amounts billed to contributors	\$2,288,240	\$4,565,723	\$1,588,987	\$372,914	\$8,815,865
Non exchange revenue bad debt	(9,188)	(17,430)	(5,720)	(1,282)	(33,620)
Interest income	36,326	15,424	721	2,616	55,087
TOTAL ADDITIONS	\$2,315,378	\$4,563,717	\$1,583,988	\$374,248	\$8,837,332
DEDUCTIONS					
Amount paid and due to service providers	\$2,366,513	\$4,483,960	\$1,497,419	\$299,347	\$8,647,239
Bad debt expenses	7,597	27,431	4,462	(499)	38,991
Operating expenses	101,677	37,328	20,038	10,532	169,575
Unrealized/realized gain or loss	21,785	0	0	0	21,785
TOTAL DEDUCTIONS	2,497,572	4,548,719	1,521,919	309,380	8,877,590
Changes In Net Assets	(\$182,194)	\$14,998	\$62,069	\$64,868	(\$40,258)

Note: This schedule reflects the changes in net assets of the Federal USF for the year ended December 31, 2016 for each of the support programs.

Combining Supplemental Schedules of Cash Flows Applicable to the Federal USF

FOR THE YEAR ENDED DECEMBER 31, 2016 (UNAUDITED – IN THOUSANDS)

	SCHOOLS AND LIBRARIES	HIGH COST	LIFELINE	RURAL HEALTH CARE	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from contributors	\$2,363,767	\$4,558,599	\$1,550,911	\$351,929	\$8,825,206
Interest Received (Paid)	(2,000)	(1,443)	(256)	(87)	(3,787)
Cash paid to service providers	(2,399,693)	(4,498,739)	(1,534,085)	(299,363)	(8,731,880)
Cash paid for administrative costs	(90,727)	(59,574)	(27,368)	(11,504)	(189,173)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(\$128,653)	(\$1,157)	(\$10,798)	\$40,975	(\$99,634)
CASH FLOWS FROM INVESTING ACTIVITIES					
Redemption of investments	\$12,067,568	\$0	\$0	\$0	\$12,067,568
Purchase of investments	(11,436,834)	0	0	0	(11,436,834)
NET CASH PROVIDED BY INVESTING ACTIVITIES	630,734	0	0	0	630,734
Increase (Decrease) in Cash Equivalents	\$502,081	(\$1,157)	(\$10,798)	\$40,975	\$531,100
CASH AND CASH EQUIVALENTS					
Beginning of year	(\$1,543,087)	\$2,217,367	\$76,631	\$402,515	\$1,153,426
END OF YEAR	(\$1,041,006)	\$2,216,210	\$65,833	\$443,489	\$1,684,526
RECONCILIATION OF CHANGES IN NET ASSETS PROVIDED BY (USED IN) CASH FROM OPERATING ACTIVITIES					
Change in net assets	(\$182,194)	\$14,998	\$62,069	\$64,868	(\$40,258)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:					
Bad debt expense	7,597	27,431	4,462	(499)	38,991
Unrealized/realized (Gain) or Loss	21,785	0	0	0	21,785
Amortized Discount	20	0	0	0	20
Changes in operating assets and liabilities:					
Decrease (increase) in interest receivable	43,605	12,670	946	1,980	59,201
Decrease (increase) in accounts receivable	(1,875)	(105)	(20,622)	0	(22,602)
Decrease (increase) in receivable from USAC	0	0	0	0	0
Increase (decrease) in liabilities	(24,620)	(88,899)	(69,005)	(25,690)	(208,214)
Increase (decrease) in Admin Payable	7,029	32,748	11,352	314	51,443
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(\$128,653)	(\$1,157)	(\$10,798)	\$40,975	(\$99,634)

Note: This schedule represents the cash flows of the Federal USF for the year ended December 31, 2016 for each of the support programs.

Independent Auditor's Report

To the Board of Directors of Universal Service Administrative Company:

We have audited the accompanying financial statements of Universal Service Administrative Company (the Company), which comprise the statement of financial position as of December 31, 2015, and the related statements of operations and change in net assets, and cash flows for the year then ended.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company at December 31, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The additional combining supplemental schedules of net assets applicable to the Federal USF, of changes in net assets applicable to the Federal USF, and of cash flows applicable to the Federal USF are presented for the purposes of additional analysis and are not a required part of the financial statements. These schedules are the responsibility of the Company's management. Such schedules have not been subjected to the auditing procedures applied in our audits of the basis financial statements and, accordingly, we express no opinion on them.

The financial statements of the Company as of December 31, 2014 and for the year then ended were audited by other auditors whose report, dated June 11, 2015, expressed an unmodified opinion on those statements.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 16, 2016 on our consideration of the Company's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters for the year ended December 31, 2015. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Company's internal control over financial reporting and compliance.



PRICEWATERHOUSECOOPERS LLP

June 16, 2016



PricewaterhouseCoopers LLP

1800 Tysons Boulevard
McLean, VA 22102-4261

Statements of Financial Position

AS OF DECEMBER 31, 2015 AND 2014 (IN THOUSANDS)		
ASSETS	2015	2014
Current Assets		
Cash	\$8,198	\$4,144
Receivable from the Federal USF	4,827	8,872
Prepaid expenses and other current assets	8,474	3,333
Assets held for the Federal USF (Note 3)	6,584,451	2,877,532
TOTAL CURRENT ASSETS	6,605,950	2,893,881
Fixed Assets, net, held for Federal USF (Note 4)	12,710	7,943
Other Assets	254	516
Assets held for the Federal USF (Note 3)	2,158,269	5,595,973
TOTAL ASSETS	\$8,777,183	\$8,498,313
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued liabilities	\$16,400	\$6,382
Advance from the Federal USF	13,024	13,024
Deferred revenue	-	1,516
Liabilities related to assets held for the Federal USF	6,584,451	2,877,532
TOTAL CURRENT LIABILITIES	6,613,875	2,898,454
Deferred Rent and other liabilities	5,039	3,886
Liabilities related to assets held for the Federal USF	2,158,269	5,595,973
Commitments and contingencies (Note 7)	-	-
TOTAL LIABILITIES	8,777,183	8,498,313
Net Assets		
Unrestricted Net Assets	-	-
TOTAL NET ASSETS	-	-
TOTAL LIABILITIES AND NET ASSETS	\$8,777,183	\$8,498,313

Note: The accompanying notes are an integral part of these financial statements.

Statements of Operations and Change in Net Assets

FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014 (IN THOUSANDS)	2015	2014
REVENUE	\$143,970	\$118,797
Operating Expenses		
Contractual expenses	39,098	36,485
Personnel and related expenses	53,479	47,703
General and administrative	46,426	30,608
Depreciation, amortization and gain/loss on retirements	4,967	4,001
TOTAL OPERATING EXPENSES	\$143,970	\$118,797
CHANGE IN NET ASSETS	-	-
NET ASSETS – Beginning of year	-	-
NET ASSETS – End of year	\$-	\$-

Note: The accompanying notes are an integral part of these financial statements.

Statements of Cash Flows

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 (IN THOUSANDS)	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from the Federal USF and other parties	\$142,077	\$117,533
Cash paid for operating expenses and employees	(132,925)	(114,006)
Cash received from interest	2	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	9,154	3,527
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(5,100)	(5,278)
Increase (Decrease) In Cash	4,054	(1,751)
CASH, Beginning of year	4,144	5,895
CASH, End of year	\$8,198	\$4,144
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Change in net assets	\$-	\$-
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	4,361	3,998
Loss on retirement of fixed assets	606	3
Changes in operating assets and liabilities:		
(Increase) in prepaid expense and other assets	(4,879)	(1,508)
(Increase) in assets held for the Federal USF	(269,215)	(778,688)
Decrease (Increase) in receivable from the Federal USF	4,045	(1,741)
Increase in accounts payable and accrued liabilities	5,384	2,402
(Decrease) Increase in deferred revenue	(1,516)	478
Increase (Decrease) in deferred rent	1,153	(105)
Increase in liabilities related to assets held for the Federal USF	269,215	778,688
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$9,154	\$3,527
Supplemental disclosure of non-cash information:		
Capital expenditures included in accounts payable	\$4,634	\$-

Note: The accompanying notes are an integral part of these financial statements.

Notes to Financial Statements As of and for the Years Ended December 31, 2015 and 2014

1. Organization and Basis of Presentation

Organization

The Universal Service Administrative Company (“USAC” or the “Company”) was incorporated, effective September 17, 1997, as a not-for-profit, independent, wholly-owned subsidiary of the National Exchange Carrier Association, Inc. (“NECA”), and appointed by the Federal Communications Commission (“FCC”) to administer the Universal Service Fund (“USF”) and the universal service support mechanisms. USAC’s Board of Directors consists of independent directors representing a cross-section of stakeholders in the USF and the universal support mechanisms. Pursuant to 47 C.F.R. § 54.703(a), USAC’s Board of Directors is separate from NECA’s Board of Directors and NECA is prohibited from participating in USAC’s functions.

The FCC, in its Report and Order in CC Docket Nos. 96-45 and 97-21 (“Universal Service Order”) released May 8, 1997 and November 20, 1998, respectively, determined that USAC should serve as the permanent administrator of the High Cost, Low Income, Rural Health Care, and Schools and Libraries Universal Service Support Mechanisms, collectively referred to herein as the “Programs,” established pursuant to Section 254 of the Communications Act of 1934, as amended.

USAC, as the administrator of the USF, performs billing, collection, and disbursement functions. It also collects information regarding contributing entities’ and end-user telecommunications revenues, and submits projections of demand, administrative expenses for the Programs, and quarterly universal service contribution data to the FCC.

The functions of USAC as the administrator of the USF also include, but are not limited to, development of applications and associated instructions as needed for the Programs, administering the application process consistent with applicable FCC rules and related operational infrastructure

for such processes, performing outreach and public education functions, performing audits of contributing telecommunications carriers reporting information to USAC as required under 47 C.F.R. Part 54, Subpart H, performing audits of telecommunications carriers receiving High Cost and/or Low Income Program benefits, and schools, libraries, and rural health care providers and beneficiaries receiving program benefits, and development and implementation of other functions unique to the Programs.

Funds collected by USAC from telecommunications carriers required to contribute to the USF pursuant to 47 U.S.C. § 254 and 47 C.F.R. § 54.706 are restricted as to their intended use related to the Programs described above. The cash and other financial assets USAC holds and administers for the benefit of the USF are reported at fair value in the Statements of Financial Position as assets held for the Federal USF, with an equal amount recorded as liabilities related to assets held for the Federal USF. Activities related to the USF are not presented in USAC’s Statements of Operations and Change in Net Assets and Statements of Cash Flows.

NECA, a related party to USAC, performs data collection functions for the High Cost Program pursuant to FCC rules and bills USAC for the associated costs. NECA is compensated by USAC in accordance with NECA’s Cost Accounting and Procedures Manual. For the years ended December 31, 2015 and 2014, the expense recognized for services rendered by NECA was \$510,707 and \$465,580, respectively. These expenses are included in contractual expenses in the accompanying Statements of Operations and Change in Net Assets. At December 31, 2015 and 2014, amounts due to NECA were \$121,287 and \$97,822, respectively.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting, in conformity with the accounting principles generally accepted in the United States of America (GAAP). Net assets are those assets not subject to restrictions. Due to the nature of its operations, USAC has no permanently restricted or temporarily restricted net assets. The accompanying supplemental schedules are unaudited and not presented in accordance with GAAP. Such supplemental schedules are presented for purposes of additional analysis of the financial statements and are not required as a part of the basic financial statements.

Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, Leases (Topic 842), which requires lessees to recognize right-of-use assets and lease liabilities on the balance sheet. ASU 2016-02 will be effective for the company beginning on January 1, 2019. Early adoption is permitted. The company is currently evaluating the impact of adopting this standard on its financial statements.

2. Significant Accounting Policies

Use of Estimates

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

Fixed Assets

Fixed assets consist of office furniture, office equipment, computer hardware, computer software and leasehold improvements. These assets are carried at cost, net of

accumulated depreciation and amortization. If an asset acquired has a cost exceeding \$3,500 and a useful life exceeding one year, it is capitalized. Bulk purchases made in a single transaction are capitalized when a quantity of similar items individually cost \$500 or more and less than \$3,500 and where the total acquisition cost is greater than \$18,000. Capitalizable bulk purchase items include furniture and fixtures and exclude personal computers. Depreciation of furniture and equipment is calculated on a straight-line basis over the seven-year estimated useful lives of those assets. Depreciation and amortization of hardware and software are calculated on a straight-line basis over the three to five-year estimated lives of those assets. Amortization of leasehold improvements is calculated on a straight-line basis over the shorter of the remaining period of the respective leases or estimated useful lives of the improvements. Maintenance and repairs are expensed to operations as incurred.

Projects in progress consist primarily of development costs of internal use software. USAC capitalizes costs of software developed or obtained for internal use once the preliminary project stage has been completed, management commits to funding the project and it is probable that the project will be completed and the software will be used to perform the function intended.

Receivable from the Federal USF

USAC bills the USF on the basis of net cash disbursements.

Advance from the Federal USF

Represents cash advanced by the USF that allows USAC to make operating disbursements without placing USAC in a negative cash position.

Deferred Revenue

Represents the portion of revenues billed and/or collected through the Receivable from the Federal USF process where the corresponding expense is being recognized on the accrual basis and lags behind the disbursement used to bill revenue. Deferred revenue is typically generated by capital or prepaid disbursements in excess of year end accruals. In 2015, year

end accruals exceeded the capital and prepaid disbursements resulting in an asset of \$4.4 million, which is included in prepaid expenses and other current assets on the Statement of Financial Position.

Revenue

USAC, as the administrator of the USF, recognizes revenue when services are rendered. Revenues are equal to the cost of providing administrative support to the USF and the Programs, and to other FCC fund administrators. Such costs are paid by USF and by the other FCC fund administrators to USAC. These transactions are considered exchange transactions in accordance with the AICPA's Audit and Accounting Guide for Not-for-Profit Entities. The other FCC fund administrators provide administrative support for the Telecommunications Relay Services ("TRS"), North American Numbering Plan ("NANP"), and Local Number Portability ("LNP") programs. USAC invoices these administrators for direct and indirect charges it incurs each month for the data collection and management functions on their behalf.

Concentration of Credit Risk

Financial instruments that potentially subject USAC, as the administrator of the USF, to concentration of credit risk consist principally of cash, cash equivalents, short-term and long-term investments, and receivables from contributors. USAC, as the administrator of the USF, places its cash, cash equivalents, and short-term and long-term investments with high quality credit institutions. USAC maintains its cash and cash equivalents with financial institutions which are federally insured under the Federal Depository Insurance Corporation Act ("FDIC"). The total deposits at these institutions are generally in excess of federally insured amounts. Deposits in excess of federally insured amounts are fully collateralized. Collateral assets consist of Category 1 (Obligations issued and fully insured or guaranteed by the United States Government or a United States Government agency) and Category 2 assets (Obligations of United States Government-Sponsored Enterprises (GSEs) and Government-Sponsored Corporations (GSCs) as defined in 31 CFR 203. USAC has not experienced

any losses on its cash and cash equivalents. In the normal course, USAC also has invested cash held for the benefit of the USF in U.S. Treasury securities, which are classified under Assets held for the Federal USF.

3. Activities Related to the Federal USF

As described in Note 1, the cash and other financial assets of the USF, which USAC administers and acts as an intermediary for, are reported at fair value in the Statements of Financial Position as assets held for the Federal USF, with an equal amount recorded as liabilities related to assets held for the Federal USF. The summary of assets applicable to the USF included below provides additional detail with respect to these amounts.

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 (IN THOUSANDS)		
ASSETS	2015	2014
Current Assets		
Cash and cash equivalents	\$1,153,426	\$435,709
Investments	4,684,288	1,676,069
Accounts receivable	1,152,653	1,238,644
Allowance for doubtful accounts	(418,560)	(486,785)
Interest receivable	12,644	13,895
TOTAL CURRENT ASSETS HELD FOR THE FEDERAL USF	6,584,451	2,877,532
Fixed Assets	12,710	7,943
Investments	2,158,269	5,595,973
TOTAL ASSETS HELD FOR FEDERAL USF	\$8,755,430	\$8,481,448

Cash and Cash Equivalents

USAC, as the administrator of the USF, considers all highly liquid securities with an original maturity of three months or less as of the financial statement date to be cash equivalents.

Short-Term Investments

USAC, as the administrator of the USF, considers all securities purchased with an original maturity of greater than three months and a current maturity of less than or equal to one year to be short-term investments. Short-term investments consist solely of United States Treasury securities with readily determinable fair values. USAC, as the administrator of the USF, accounts for its investments in accordance with investment accounting standards for not-for-profit organizations. At December 31, 2015 and 2014, there were \$4.68 billion and \$1.68 billion in short-term investments, respectively.

Long-Term Investments

USAC, as the administrator of the USF, considers all securities purchased with a current maturity of greater than one year to

be long-term investments. These investments are accounted for in accordance with fair value measurement accounting standards. Long-term investments consist primarily of United States Treasury debt securities with readily determinable fair values, none of which have maturities greater than three years. At December 31, 2015 and 2014, there were \$2.16 billion and \$5.60 billion in longterm investments, respectively.

Accounts Receivable and Allowance for Doubtful Accounts

USAC, as the administrator of the USF, recognizes accounts receivable arising from amounts billed to contributors and the recovery of funds from service providers and beneficiaries, which remain unpaid. Accounts receivable are recorded at invoiced amounts and generally do not bear interest. Based on the Debt Collection Improvement Act (“DCIA”), all receivables over 90-days delinquent are transferred to the United States Treasury for collection, except for receivables where the debtor has appealed the validity of the amount owed or the debtor has sought protection under Chapter 7 or 11 of the United States Bankruptcy Code. The DCIA

receivable balances transferred to the Treasury remain as USF receivables. All receipts of DCIA transferred receivables are held by USAC for the benefit of the USF and, if collected by the FCC, are transferred to USAC for the benefit of the USF. Gross receivables are reduced to net realizable value by the allowance for doubtful accounts, which reflects the Company’s estimate of exposure to risk of nonpayment of billed balances, determined principally on the basis of its

collection experience. The allowance includes reserves for amounts on appeal, identified bankruptcies, identified inactive contributors, delinquent amounts that are referred to the United States Treasury for collection, and other items. Management periodically reviews such estimates and management’s assessment of recoverability may change based on actual results. Accounts receivable write-offs are periodically submitted by USAC to the FCC for approval.

4. Fixed Assets

Fixed Assets as of December 31, 2015 and 2014 are as follows:

DECEMBER 31 (IN THOUSANDS)		
FIXED ASSETS	2015	2014
Office furniture	\$2,800	\$2,441
Office equipment	177	203
Computer hardware	9,844	7,644
Computer software	30,819	28,262
Leasehold improvements	292	1,886
Projects in progress	4,400	-
TOTAL FIXED ASSETS	48,332	40,436
Less accumulated depreciation and amortization	(35,622)	(32,493)
NET FIXED ASSETS	\$12,710	\$7,943

Note: Depreciation and amortization expense was \$4,361 and \$3,998 for the years ended December 31, 2015 and 2014, respectively.

5. Fair Value of Financial Instruments

Fair value measurement accounting standards establish a common definition for fair value to be applied to accounting principles generally accepted in the United States requiring use of fair value. These standards establish a framework for measuring fair value and expand disclosures about such fair value measurements. These standards also clarify that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such,

fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering assumptions, fair value measurement accounting standards establish a three-tier fair value hierarchy which prioritizes the inputs used in measuring fair value.

5. Fair Value of Financial Instruments (Cont.)

Fair value measurement accounting standards require that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

Level 1

Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the USF has the ability to access;

Level 2

Inputs, other than quoted prices in active markets for similar assets or liabilities, that are observable either directly or indirectly; and

Level 3

Unobservable inputs for which there is little or no market data, requiring the reporting entity to develop its own assumptions (i.e., separate accounts tailored and managed by a portfolio manager).

The following table summarizes the valuation of the investments according to the fair value measurement classifications as of December 31, 2015:

(IN THOUSANDS)	US TREASURIES
ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL 1)	\$6,842,557
OBSERVABLE INPUTS (LEVEL 2)	\$-
UNOBSERVABLE INPUTS (LEVEL 3)	\$-
TOTAL	\$6,842,557

The following table summarizes the valuation of the investments according to the fair value measurement classifications as of December 31, 2014:

(IN THOUSANDS)	US TREASURIES
ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL 1)	\$7,272,042
OBSERVABLE INPUTS (LEVEL 2)	\$-
UNOBSERVABLE INPUTS (LEVEL 3)	\$-
TOTAL	\$7,272,042

6. Income Taxes

USAC is a not-for-profit corporation subject to income taxes, including those that arise from the permanent and temporary differences between financial and tax accounting related to meals and entertainment expense, compensated absences and depreciation. Income taxes for 2015 and 2014 are not material and are included as a component of general and administrative expenses.

7. Commitments and Contingencies

Fixed Contract Commitments

Solix Agreement

Solix, Inc. provides to USAC contracted program operations services for the Schools and Libraries Program. The existing agreement with Solix expires on June 30, 2016. On May 4, 2016, USAC entered into a contract extension with Solix for a period of eighteen months ending December 31, 2017. The future contractual payments associated with the existing agreement and contract extension total \$37.9 million in 2016 and \$38.0 million in 2017.

Appian Agreement

In 2015, USAC signed an agreement with Appian Corporation for the development, integration and operation of a Cloud Based System and for professional consulting services for its Schools and Libraries Program. Under the agreement, future required payments total \$20.7 million in 2016 and \$1.7 million in 2017.

Lease Commitments

USAC leases its current office space under an operating lease agreement expiring on November 30, 2020. In December 2015, USAC came to an agreement with its current landlord that allows for termination of the lease with 10 day notice and for the landlord to pay USAC up to \$3.9 million (\$2.9 million guaranteed) for damages as long as USAC moves out of its current space by February 2017. In January 2016 USAC entered into a 13 year lease for new office space. The lease commences the earlier of occupancy (estimated to be June 30, 2016) or October 1, 2016 and includes a full abatement of rent and operating costs for the first 22 months of the lease term. Based on USAC's ability to terminate its current lease with 10 days notice, the future minimum lease payments schedule below includes only the future minimum payments of the lease entered into in January of 2016.

At December 31, 2015, the future minimal rental payments and operating cost payments under this lease are as follows:

(IN THOUSANDS)	
YEAR	COST
2016	\$-
2017	-
2018	2,864
2019	6,944
2020	7,055
2021 and beyond	60,102
TOTAL	\$76,965

Note: Rent expenses under operating leases were \$3.5 million and \$3.6 million for the years ended December 31, 2015 and 2014, respectively.

Legal Disputes

The Company is involved in various legal proceedings and claims incidental to the normal conduct of its business. The Company reports matters herein where the value of a claim asserted by or against the Company exceeds \$450,000 or more for an individual matter, or for matters relating to the same plaintiff or defendant that in the aggregate amount to \$450,000 or more. Last year, the company reported a complaint that was filed by a former employee on July 7, 2014 alleging discrimination based on gender and perceived disability under the D.C. Human Rights Act in D.C. Superior Court. Plaintiff sought damages in excess of \$1,000,000 or an amount to be proved at trial. This matter was settled and dismissed with prejudice on May 28, 2015. The Company is not a party to any other lawsuit or proceeding that, in the opinion of management, is reasonably possible to have a material adverse effect on its financial position, results of operations or cash flows.

Retirement Plans

USAC has a 401(k) Retirement Savings Plan covering all USAC employees. The plan is both contributory and noncontributory and all contributions are subject to certain limitations as prescribed by the plan document and government regulations. Employees are immediately vested in the employer contribution, which is funded on a current basis. Employer contributions charged to operations were \$4.2 million and \$3.7 million through December 31, 2015 and 2014, respectively.

Subsequent Events

USAC has performed an evaluation of subsequent events through June 16, 2016, which is the date the financial statements were available to be issued.

Combining Supplemental Schedules of Assets and Liabilities Applicable to the Federal USF

AS OF DECEMBER 31, 2015 (UNAUDITED - IN THOUSANDS)							2015
	SCHOOLS AND LIBRARIES	HIGH COST	HIGH COST BROADBAND	LIFELINE	RURAL HEALTH CARE	SHARED COSTS	TOTAL USF
ASSETS							
Cash and cash equivalents	(\$1,543,087)	\$205,599	\$2,011,768	\$76,631	\$402,515	\$0	\$1,153,426
Investments	6,842,557	0	0	0	0	0	6,842,557
Receivables	226,491	9,888	0	14,368	1,093	900,813	1,152,653
Allowance for doubtful accounts	(224,486)	(9,279)	0	(13,391)	(1,085)	(170,319)	(418,560)
Interest receivable	0	0	0	0	0	12,644	12,644
ASSETS HELD FOR THE FEDERAL USF	5,301,475	206,208	2,011,768	77,608	402,523	743,138	8,742,720
Receivable from USAC	3,569	6,983	0	2,290	182	0	13,024
TOTAL	5,305,044	213,191	2,011,768	79,898	402,705	743,138	8,755,744
LIABILITIES							
Payable to service providers	(24,476)	(134,163)	0	(4,198)	(72)	0	(162,909)
Accrued liabilities	(8,928)	(255,247)	0	(139,639)	(1,093)	0	(404,907)
TOTAL	(\$33,404)	(\$389,410)	\$0	(\$143,837)	(\$1,165)	\$0	(\$567,816)

AS OF DECEMBER 31, 2014 (UNAUDITED - IN THOUSANDS)							2014
	SCHOOLS AND LIBRARIES	HIGH COST	HIGH COST BROADBAND	LIFELINE	RURAL HEALTH CARE	SHARED COSTS	TOTAL USF
ASSETS							
Cash and cash equivalents	(\$2,239,930)	\$218,610	\$1,948,415	\$105,450	\$403,164	\$0	\$435,709
Investments	7,272,042	0	0	0	0	0	7,272,042
Receivables	230,513	9,611	0	13,514	1,054	983,952	1,238,644
Allowance for doubtful accounts	(224,584)	(2,854)	0	(13,391)	(829)	(245,127)	(486,785)
Interest receivable	0	0	0	0	0	13,895	13,895
ASSETS HELD FOR THE FEDERAL USF	5,038,041	225,367	1,948,415	105,573	403,389	752,720	8,473,505
Receivable from USAC	3,569	6,983	0	2,290	182	0	13,024
TOTAL	5,041,610	232,350	1,948,415	107,863	403,571	752,720	8,486,529
LIABILITIES							
Payable to service providers	(14,750)	(1,991)	0	(22,675)	(364)	0	(39,780)
Accrued liabilities	(10,823)	(323,245)	0	(145,598)	(887)	0	(480,553)
TOTAL	(\$25,573)	(\$325,236)	\$0	(\$168,273)	(\$1,251)	\$0	(\$520,333)

Note: This schedule reflects the changes in net assets of the Federal USF for the years ended December 31, 2015 and 2014 for each of the support programs.

Combining Supplemental Schedules of Changes in Net Assets Applicable to the Federal USF

FOR THE YEAR ENDED DECEMBER 31, 2015 (UNAUDITED - IN THOUSANDS)						2015
	SCHOOLS AND LIBRARIES	HIGH COST	LIFELINE	RURAL HEALTH CARE	TOTAL USF	
ADDITIONS						
Amounts billed to contributors	\$2,422,220	\$4,503,983	\$1,481,315	\$270,661	\$8,678,179	
Non exchange revenue bad debt	(215)	(687)	(759)	16	(1,645)	
Interest income	25,178	10,875	668	1,893	38,614	
TOTAL ADDITIONS	2,447,183	4,514,171	1,481,224	272,570	8,715,148	
DEDUCTIONS						
Amount paid and due to service providers	2,082,424	4,500,127	1,485,575	277,329	8,345,455	
Bad debt expenses	(303)	6,425	(2,876)	257	3,503	
Operating expenses	83,698	26,826	16,016	11,191	137,731	
Unrealized/realized gain or loss	(2,949)	(15)	(1)	(2)	(2,967)	
TOTAL DEDUCTIONS	2,162,870	4,533,363	1,498,714	288,775	8,483,722	
Changes in net assets	\$284,313	(\$19,192)	(\$17,490)	(\$16,205)	\$231,426	

FOR THE YEAR ENDED DECEMBER 31, 2014 (UNAUDITED - IN THOUSANDS)						2014
	SCHOOLS AND LIBRARIES	HIGH COST	LIFELINE	RURAL HEALTH CARE	TOTAL USF	
ADDITIONS						
Amounts billed to contributors	\$2,379,826	\$4,533,465	\$1,676,035	\$242,203	\$8,831,529	
Non exchange revenue bad debt	(324)	(561)	(124)	(27)	(1,036)	
Interest income	19,407	6,118	533	1,352	27,410	
TOTAL ADDITIONS	2,398,909	4,539,022	1,676,444	243,528	8,857,903	
DEDUCTIONS						
Amount paid and due to service providers	2,268,924	3,672,201	1,632,488	192,232	7,765,845	
Bad debt expenses	7,430	(369)	904	274	8,239	
Operating expenses	66,172	21,808	18,820	12,313	119,113	
Unrealized/realized gain or loss	(472)	0	0	0	(472)	
TOTAL DEDUCTIONS	2,342,054	3,693,640	1,652,212	204,819	7,892,725	
Changes in net assets	\$56,855	\$845,382	\$24,232	\$38,709	\$965,178	

Note: This schedule reflects the changes in net assets of the Federal USF for the years ended December 31, 2015 and 2014 for each of the support programs.

Combining Supplemental Schedules of Cash Flows Applicable to the Federal USF

FOR THE YEAR ENDED DECEMBER 31, 2015 (UNAUDITED – IN THOUSANDS)					2015
	SCHOOLS AND LIBRARIES	HIGH COST	LIFELINE	RURAL HEALTH CARE	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from contributors	\$2,404,736	\$4,502,425	\$1,497,318	\$286,627	\$8,691,106
Interest paid	43,891	11,987	660	1,871	\$58,409
Cash paid to service providers	(2,074,593)	(4,435,952)	(1,510,010)	(277,417)	(\$8,297,972)
Cash paid for administrative costs	(87,730)	(28,118)	(16,788)	(11,730)	(144,366)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	286,304	50,342	(28,820)	(649)	307,177
CASH FLOWS FROM INVESTING ACTIVITIES					
Redemption of investments	8,896,536	0	0	0	8,896,536
Purchase of investments	(8,485,996)	0	0	0	(8,485,996)
NET CASH USED IN INVESTING ACTIVITIES	410,540	0	0	0	410,540
Increase (Decrease) in Cash Equivalents	696,844	50,342	(28,820)	(649)	717,717
CASH AND CASH EQUIVALENTS					
Beginning of year	(2,239,930)	2,167,025	105,450	403,164	435,709
END OF YEAR	(\$1,543,086)	\$2,217,367	\$76,630	\$402,515	\$1,153,426
RECONCILIATION OF CHANGES IN NET ASSETS PROVIDED BY (USED IN) CASH FROM OPERATING ACTIVITIES					
Change in net assets	\$284,313	(\$19,192)	(\$17,490)	(\$16,205)	\$231,426
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:					
Bad debt expense	(88)	7,112	(2,117)	241	5,148
Amortized discount or premium	15,610	0	0	0	15,610
Unrealized/realized gain or loss	2,949	15	1	2	2,967
Changes in operating assets and liabilities:					
Decrease (increase) in interest receivable	(26,766)	(4,713)	16,280	16,450	1,251
Decrease (increase) in accounts receivable	3,990	6,261	36	(848)	9,439
Decrease (increase) in receivable from USAC	0	0	0	0	0
Increase (decrease) in liabilities	6,296	60,859	(25,530)	(289)	41,336
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$286,304	\$50,342	(\$28,820)	(\$649)	\$307,177

Note: This schedule represents the cash flows of the Federal USF for the year ended December 31, 2015 for each of the support programs.

Combining Supplemental Schedules of Cash Flows Applicable to the Federal USF

FOR THE YEAR ENDED DECEMBER 31, 2014 (UNAUDITED – IN THOUSANDS)					2014
	SCHOOLS AND LIBRARIES	HIGH COST	LIFELINE	RURAL HEALTH CARE	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from contributors	\$2,371,163	\$4,537,384	\$1,679,142	\$254,995	\$8,842,684
Interest paid	36,041	4,620	23	1,271	41,955
Cash paid to service providers	(2,287,004)	(3,808,137)	(1,670,490)	(193,189)	(7,958,820)
Cash paid for administrative costs	(66,172)	(21,807)	(18,819)	(12,313)	(119,111)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	54,028	712,060	(10,144)	50,764	806,708
CASH FLOWS FROM INVESTING ACTIVITIES					
Redemption of investments	1,094,690	0	0	0	1,094,690
Purchase of investments	(2,165,301)	0	0	0	(2,165,301)
NET CASH USED IN INVESTING ACTIVITIES	(1,070,611)	0	0	0	(1,070,611)
Increase (Decrease) in Cash Equivalents	(1,016,583)	712,060	(10,144)	50,764	(263,903)
CASH AND CASH EQUIVALENTS					
Beginning of year	(1,223,347)	1,454,965	115,594	352,400	699,612
END OF YEAR	(\$2,239,930)	\$2,167,025	\$105,450	\$403,164	\$435,709
RECONCILIATION OF CHANGES IN NET ASSETS PROVIDED BY (USED IN) CASH FROM OPERATING ACTIVITIES					
Change in net assets	\$56,855	\$845,382	\$24,232	\$38,709	\$965,178
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:					
Bad debt expense	7,754	192	1,028	301	9,275
Amortized discount or premium	44,232	0	0	0	44,232
Unrealized/realized gain or loss	(472)	0	0	0	(472)
Changes in operating assets and liabilities:					
Decrease (increase) in interest receivable	(797)	(1,498)	(510)	(80)	(2,885)
Decrease (increase) in accounts receivable	(11,361)	(6,768)	(2,993)	(712)	(21,834)
Decrease (increase) in receivable from USAC	0	0	0	0	0
Increase (decrease) in liabilities	(42,183)	(125,248)	(31,901)	12,546	(186,786)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$54,028	\$712,060	(\$10,144)	\$50,764	\$806,708

Note: This schedule represents the cash flows of the Federal USF for the year ended December 31, 2014 for each of the support programs.

Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Directors of Universal Service Administrative Company:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of Universal Service Administrative Company (the Company), which comprise the statement of financial position as of December 31, 2015, and the related statements of operations and change in net assets, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 16, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Company’s internal control over financial reporting (“internal control”) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Company’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

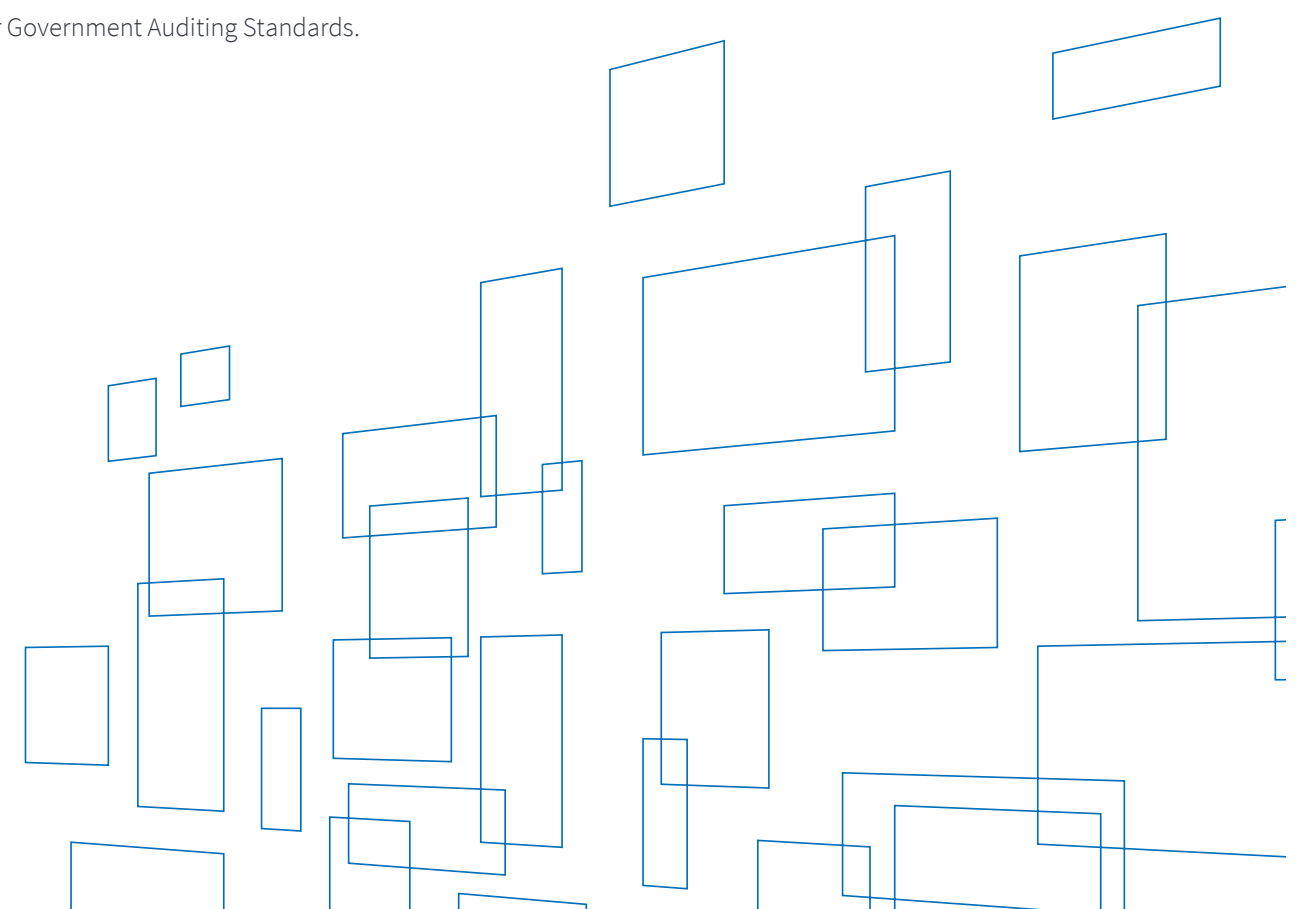
As part of obtaining reasonable assurance about whether the Company’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



PricewaterhouseCoopers LLP
June 16, 2016



2016 Statistics

2016 Universal Service Program Statistics

The following pages contain data from the four universal service programs administered by USAC. To better understand the data, please note the difference between authorized support and funding commitments as well as funding year versus calendar year.

Funding Year

For the Rural Health Care and Schools and Libraries programs, a funding year runs from July 1 to June 30 of the following year.

Calendar Year

The High Cost and Lifeline programs disburse funds on a calendar year basis. Data in these tables are for calendar year 2016.

Authorized Support

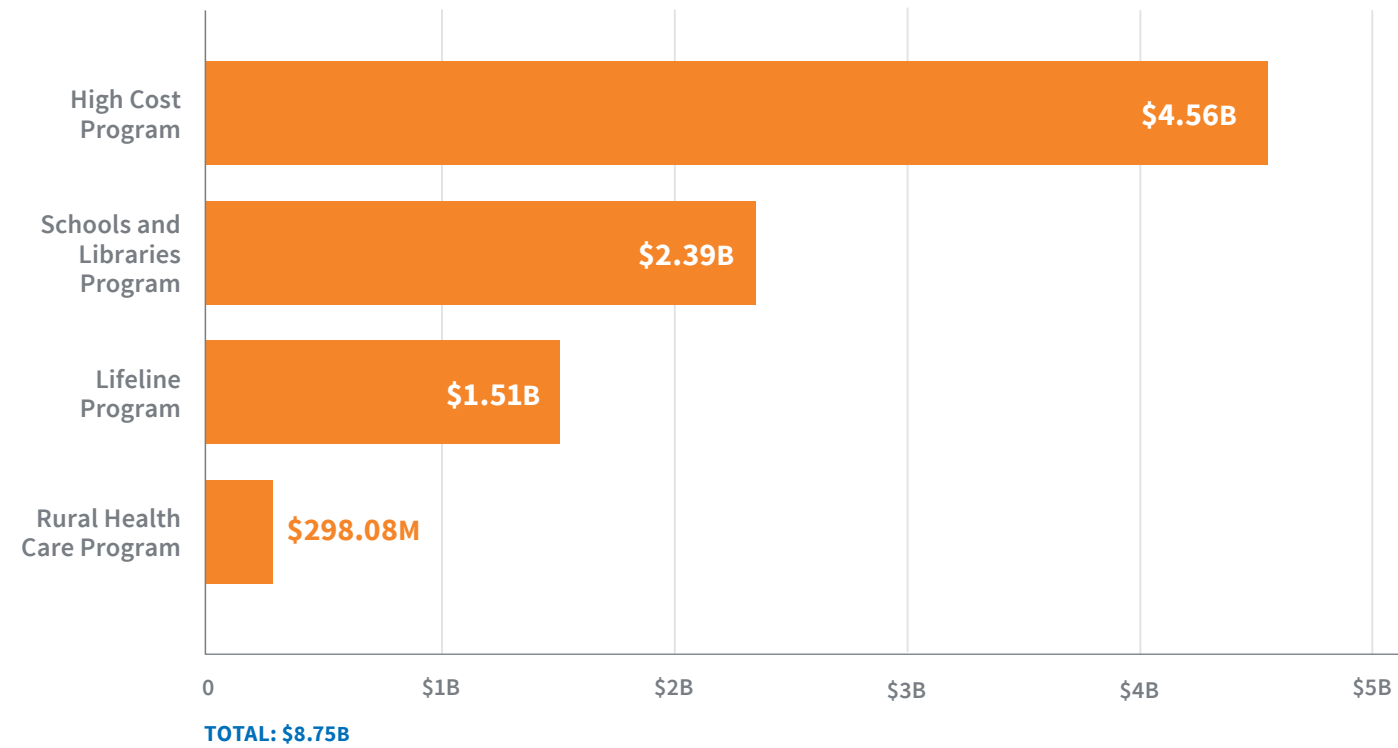
Authorized support represents funding that has been approved for disbursement for January through December 2016. It does not include recoveries from audits, appeals, or other enforcement actions during that timeframe.

Funding Commitments

Funding commitments are not disbursements. Funding commitments are issued by the Rural Health Care and Schools and Libraries programs via commitment letters that approve what will be funded through support for a particular funding year.

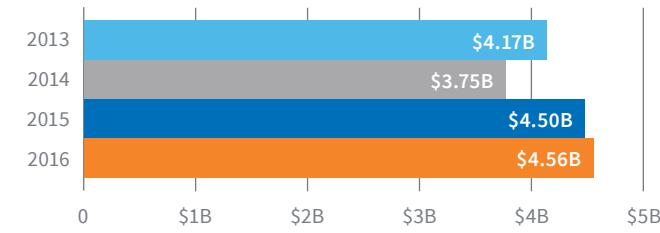
Commitments made in calendar year 2016 may be for applications filed during previous funding years and/or the current funding year.

2016 Authorized Support by Program (Unaudited)

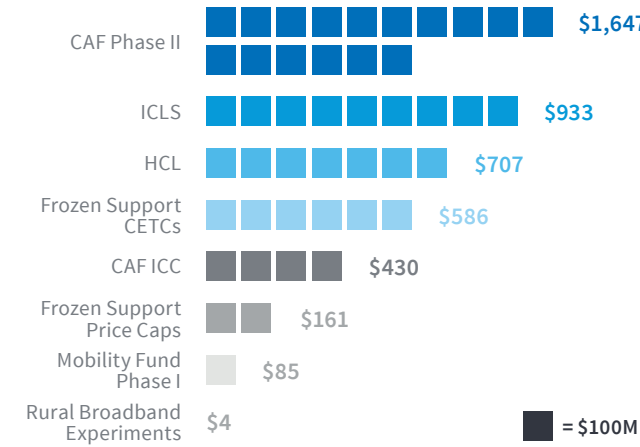


High Cost Program

Authorized Support by Year

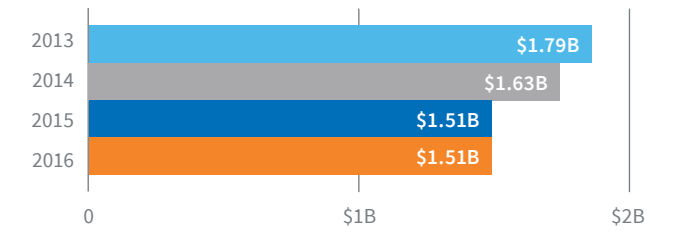


2016 Authorized Support by Component

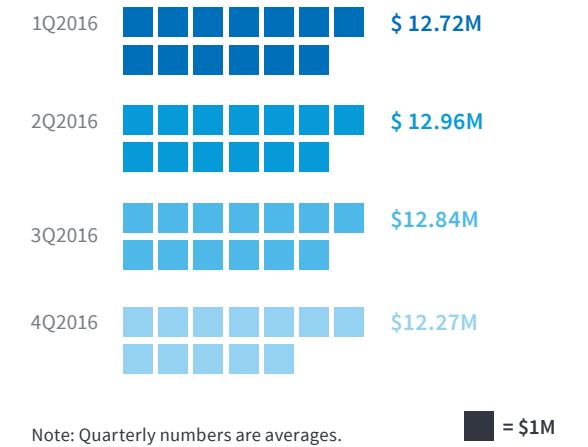


Lifeline Program

Authorized Support by Year

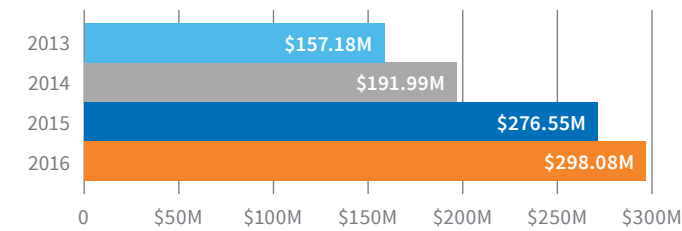


Subscribers Supported

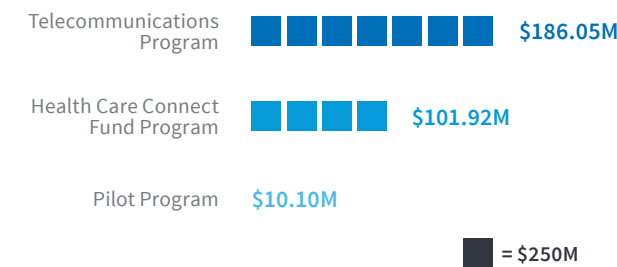


Rural Health Care Program

Authorized Support by Calendar Year

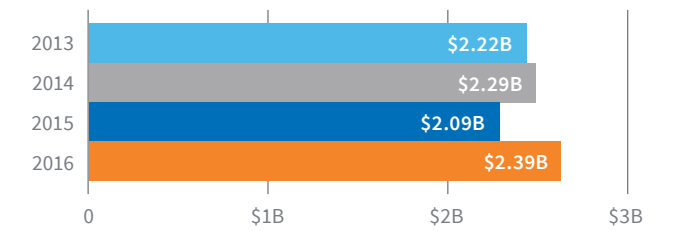


2016 Authorized Support by Program

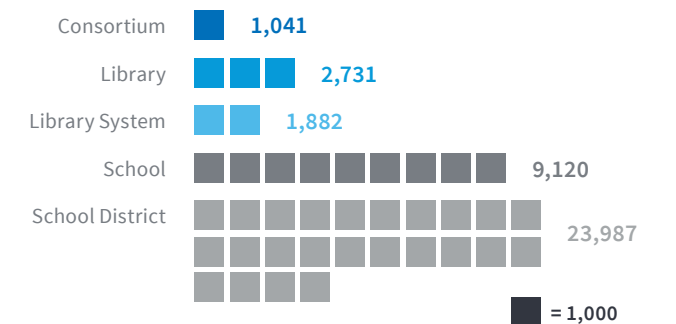


Schools and Libraries Program

Authorized Support by Calendar Year



Applications Funded, Funding Year 2016



HIGH COST PROGRAM Authorized Support by Component, 2016 (Unaudited | In Thousands)

CONNECT AMERICA FUND

STATE	FROZEN SUPPORT CETCS	FROZEN SUPPORT PRICE CAPS	INTERCARRIER COMPENSATION	CONNECT AMERICA FUND PHASE II	RURAL BROADBAND EXPERIMENTS	MOBILITY FUND PHASE I	HIGH COST LOOP	INTERSTATE COMMON LINE SUPPORT	AUTHORIZED SUPPORT ¹ 2016	TOTAL SUPPORT ² 1998-2016	STATE
Alabama	\$5,039	\$0	\$11,466	\$45,883	\$0	\$6,279	\$9,211	\$14,954	\$92,831	\$1,832,691	Alabama
Alaska	105,291	14,763	11,822	4,931	0	1,527	18,167	25,187	181,687	2,683,716	Alaska
American Samoa	1,619	0	405	0	0	0	0	1,169	3,193	45,135	American Samoa
Arizona	5,266	0	6,361	23,534	0	979	21,340	15,572	73,052	1,238,354	Arizona
Arkansas	2,951	0	9,556	64,575	0	0	18,539	16,753	112,374	2,047,406	Arkansas
California	38	0	3,358	121,656	0	0	22,503	21,661	169,216	1,799,234	California
Colorado	6,048	782	2,177	33,716	0	401	11,088	8,726	62,938	1,329,102	Colorado
Connecticut	0	0	0	454	0	0	0	0	454	19,832	Connecticut
Delaware	0	228	0	0	0	0	0	0	228	7,544	Delaware
District of Columbia	0	0	0	0	0	0	0	0	0	0	District of Columbia
Florida	3,143	12,210	6,578	33,432	0	0	2,120	3,839	61,322	1,270,205	Florida
Georgia	242	0	15,225	52,602	0	0	16,668	28,999	113,737	2,068,997	Georgia
Guam	5,405	0	233	0	0	0	0	5,868	11,506	198,177	Guam
Hawaii	3,873	0	0	4,424	0	0	0	0	8,297	521,752	Hawaii
Idaho	3,221	0	6,122	15,982	29	0	7,652	10,123	43,130	893,718	Idaho
Illinois	8,628	0	10,657	50,192	334	2,314	17,102	21,417	110,645	1,202,983	Illinois
Indiana	58	0	6,744	51,128	3	0	26,648	27,561	112,143	1,229,412	Indiana
Iowa	30,320	0	19,063	53,825	587	1,065	28,559	44,451	177,870	1,909,652	Iowa
Kansas	20,447	495	9,370	35,444	62	0	58,614	43,564	167,995	2,879,343	Kansas
Kentucky	16,240	0	24,452	54,574	0	2,280	22,234	29,327	149,106	1,647,164	Kentucky
Louisiana	24,826	0	2,265	44,596	0	1,911	6,993	11,036	91,628	2,015,194	Louisiana
Maine	6,661	0	3,307	13,289	0	944	564	6,132	30,898	550,834	Maine
Maryland	0	2,303	236	0	0	0	0	1,078	3,617	64,929	Maryland
Massachusetts	0	1,467	680	0	0	0	0	231	2,378	72,802	Massachusetts
Michigan	4,408	0	6,366	60,513	78	0	3,430	10,452	85,248	974,050	Michigan
Minnesota	1,353	0	19,290	88,767	1,430	0	22,149	42,106	175,095	1,929,095	Minnesota
Mississippi	87,546	5,800	6,270	68,327	0	980	4,235	7,059	180,217	3,713,943	Mississippi
Missouri	10,065	0	14,446	91,522	0	0	23,565	25,179	164,778	1,847,232	Missouri
Montana	5,206	0	7,633	16,310	0	2,837	36,197	32,661	100,844	1,418,245	Montana
Nebraska	10,814	0	12,741	23,216	262	86	20,106	22,576	89,800	1,286,163	Nebraska
Nevada	1,243	0	2,554	5,008	0	11,187	3,719	5,214	28,924	462,439	Nevada
New Hampshire	131	0	3,247	4,377	0	0	102	5,434	13,291	188,344	New Hampshire
New Jersey	0	0	393	450	0	0	0	241	1,083	34,764	New Jersey
New Mexico	2,979	4,575	6,250	15,369	0	4,224	29,199	19,660	82,257	1,169,218	New Mexico
New York	1,464	6,013	8,123	23,012	0	0	1,225	10,549	50,385	910,846	New York
North Carolina	1,789	33	14,677	29,147	0	10,313	4,675	24,101	84,734	1,334,698	North Carolina
North Dakota	25,907	0	12,760	5,657	371	921	27,990	39,939	113,544	1,369,324	North Dakota
Northern Mariana Islands	581	0	0	2,627	0	195	0	0	3,403	44,085	Northern Mariana Islands
Ohio	0	0	10,201	58,862	0	0	4,527	10,223	83,814	755,441	Ohio
Oklahoma	25,920	0	18,940	9,941	383	5,347	32,552	37,574	130,657	2,182,321	Oklahoma
Oregon	11,354	0	9,801	23,794	166	4	15,042	17,016	77,177	1,308,962	Oregon
Pennsylvania	23	13,537	10,436	41,346	0	0	281	7,236	72,860	1,080,581	Pennsylvania
Puerto Rico	79,183	36,054	0	0	0	0	0	0	115,237	2,643,374	Puerto Rico
Rhode Island	0	30	0	0	0	0	0	0	30	672	Rhode Island
South Carolina	1,579	0	19,390	17,832	0	0	21,732	48,224	108,756	1,603,004	South Carolina
South Dakota	1,813	0	13,548	9,117	202	0	34,625	34,906	94,211	1,235,604	South Dakota
Tennessee	668	0	9,622	33,633	0	1,458	10,503	34,303	90,188	1,077,287	Tennessee
Texas	9,163	0	15,406	114,367	299	11,410	77,430	65,948	294,023	4,182,298	Texas
Utah	88	0	5,813	4,442	0	11	5,296	14,345	29,995	402,723	Utah
Vermont	0	0	4,850	8,789	0	110	402	6,258	20,410	445,521	Vermont
Virgin Islands	67	16,361	0	0	0	0	0	0	16,428	407,818	Virgin Islands
Virginia	1,493	34,180	18,123	16,589	24	7,120	310	10,427	88,267	1,302,181	Virginia
Washington	18,482	0	7,143	37,111	0	3,301	5,575	9,386	80,998	1,503,069	Washington
West Virginia	8,679	0	2,233	38,068	0	6,182	1,539	3,402	60,103	1,170,194	West Virginia
Wisconsin	19,219	0	15,674	95,439	0	1,621	23,333	40,669	195,954	2,274,760	Wisconsin
Wyoming	5,818	12,901	4,210	0	0	0	9,583	10,752	43,264	864,474	Wyoming
TOTAL	\$586,354	\$161,733	\$430,219	\$1,647,870	\$4,230	\$85,006	\$707,321	\$933,488	\$4,556,220	\$68,650,907	TOTAL

Note: Numbers may not add due to rounding.

¹ Authorized Support includes all funding approved for disbursement for the months of January-December 2016, including funding approved but not yet disbursed (due to the Red Light Rule). It does not include recoveries from audits, appeals, or other enforcement actions. Authorized Support over the \$4.5 billion cap is attributable to CAF mechanisms and is paid through the CAF reserve account.

² Total Support includes all funding approved for disbursement and is reflective of recoveries from audits, appeals, or other enforcement actions, as of December 31, 2016.

HIGH COST PROGRAM Authorized Support by Carrier Type, 2016 (Unaudited | In Thousands)

STATE	INCUMBENT CARRIERS			AUTHORIZED SUPPORT ¹ 2016
	COMPETITIVE CARRIERS	PRICE CAP/RATE OF RETURN AFFILIATES	RATE OF RETURN	
Alabama	\$11,318	\$46,251	\$35,263	\$92,831
Alaska	106,817	19,694	55,175	181,687
American Samoa	1,619	0	1,574	3,193
Arizona	6,245	23,534	43,274	73,052
Arkansas	2,951	65,514	43,909	112,374
California	38	121,834	47,344	169,216
Colorado	6,449	34,538	21,950	62,938
Connecticut	0	454	0	454
Delaware	0	228	0	228
District of Columbia	0	0	0	0
Florida	3,143	48,467	9,711	61,322
Georgia	242	55,696	57,799	113,737
Guam	5,405	0	6,101	11,506
Hawaii	3,873	4,424	0	8,297
Idaho	3,250	15,982	23,897	43,130
Illinois	11,277	51,089	48,279	110,645
Indiana	61	51,128	60,953	112,143
Iowa	31,972	55,726	90,173	177,870
Kansas	20,509	35,949	111,538	167,995
Kentucky	18,519	58,984	71,603	149,106
Louisiana	26,737	44,596	20,295	91,628
Maine	7,605	13,315	9,979	30,898
Maryland	0	2,303	1,314	3,617
Massachusetts	0	1,467	911	2,378
Michigan	4,486	60,513	20,249	85,248
Minnesota	2,783	90,607	81,705	175,095
Mississippi	88,526	74,345	17,346	180,217
Missouri	10,065	92,665	62,047	164,778
Montana	8,043	16,310	76,491	100,844
Nebraska	11,162	23,920	54,718	89,800
Nevada	12,430	5,008	11,486	28,924
New Hampshire	131	4,377	8,783	13,291
New Jersey	0	450	633	1,083
New Mexico	7,203	20,276	54,777	82,257
New York	1,464	30,583	18,338	50,385
North Carolina	12,102	32,312	40,320	84,734
North Dakota	27,198	5,657	80,689	113,544
Northern Mariana Islands	776	2,627	0	3,403
Ohio	0	61,465	22,348	83,814
Oklahoma	31,650	10,825	88,182	130,657
Oregon	11,524	23,794	41,859	77,177
Pennsylvania	23	58,961	13,875	72,860
Puerto Rico	79,183	36,054	0	115,237
Rhode Island	0	30	0	30
South Carolina	1,579	18,108	89,069	108,756
South Dakota	2,015	9,117	83,079	94,211
Tennessee	2,126	33,633	54,428	90,188
Texas	20,872	116,847	156,304	294,023
Utah	99	4,442	25,454	29,995
Vermont	110	8,789	11,510	20,410
Virgin Islands	67	16,361	0	16,428
Virginia	8,637	51,035	28,595	88,267
Washington	21,783	38,113	21,101	80,998
West Virginia	14,861	38,068	7,174	60,103
Wisconsin	20,840	95,439	79,675	195,954
Wyoming	5,818	12,901	24,545	43,264
TOTAL	\$675,589	\$1,844,807	\$2,035,823	\$4,556,220

Note: Numbers may not add due to rounding.

¹ Authorized Support includes all funding approved for disbursement for the months of January-December 2016, including funding approved but not yet disbursed (due to the Red Light Rule). It does not include recoveries from audits, appeals, or other enforcement actions. Authorized Support over the \$4.5 billion cap is attributable to CAF mechanisms and is paid through the CAF reserve account.

LIFELINE PROGRAM Authorized Support by Component, 2016 (Unaudited | In Thousands)

STATE	LIFELINE	TRIBAL LINK UP	TOTAL AUTHORIZED SUPPORT ¹ 2016	TOTAL SUPPORT ² 1998-2016
Alabama	\$19,771	\$0	\$19,771	\$273,120
Alaska	10,503	13	10,516	228,019
American Samoa	16	0	16	1,069
Arizona	45,606	249	45,855	440,840
Arkansas	11,011	0	11,011	193,556
California	232,264	0	232,264	4,590,579
Colorado	9,660	0	9,660	80,388
Connecticut	13,034	0	13,034	143,418
Delaware	4,137	0	4,137	27,347
District of Columbia	5,083	0	5,083	42,128
Florida	92,596	0	92,596	960,599
Georgia	50,457	0	50,457	621,897
Guam	155	0	155	5,108
Hawaii	2,752	0	2,752	24,226
Idaho	1,492	0	1,492	52,784
Illinois	48,257	0	48,257	546,135
Indiana	23,716	0	23,716	180,716
Iowa	7,087	0	7,087	88,851
Kansas	6,602	0	6,602	79,637
Kentucky	28,600	0	28,600	231,357
Louisiana	26,579	0	26,579	406,162
Maine	4,207	0	4,207	153,740
Maryland	23,190	0	23,190	249,507
Massachusetts	23,484	0	23,484	388,633
Michigan	60,422	0	60,422	626,834
Minnesota	11,782	0	11,782	132,206
Mississippi	16,711	0	16,711	191,363
Missouri	15,304	0	15,304	206,629
Montana	1,431	12	1,443	45,934
Nebraska	902	0	902	31,455
Nevada	12,646	0	12,646	122,792
New Hampshire	1,882	0	1,882	21,657
New Jersey	27,841	0	27,841	335,607
New Mexico	20,163	153	20,315	213,707
New York	101,642	0	101,642	1,421,950
North Carolina	37,160	0	37,160	511,490
North Dakota	1,914	10	1,923	44,843
Northern Mariana Islands	243	0	243	2,556
Ohio	61,336	0	61,336	841,029
Oklahoma	86,755	31	86,786	1,298,876
Oregon	7,087	0	7,087	109,062
Pennsylvania	57,430	0	57,430	520,536
Puerto Rico	65,594	0	65,594	476,835
Rhode Island	5,795	0	5,795	91,955
South Carolina	23,194	0	23,194	210,488
South Dakota	1,088	7	1,095	53,606
Tennessee	34,010	0	34,010	381,901
Texas	93,794	0	93,794	1,346,575
Utah	3,544	9	3,553	62,147
Vermont	1,438	0	1,438	47,755
Virgin Islands	344	0	344	2,199
Virginia	19,633	0	19,633	206,640
Washington	18,599	0	18,599	310,028
West Virginia	10,345	0	10,345	83,634
Wisconsin	20,204	1	20,205	230,032
Wyoming	86	0	86	8,248
TOTAL	\$1,510,581	\$485	\$1,511,066	\$20,200,383

Note: Numbers may not add due to rounding.

¹ Authorized Support includes all funding approved for disbursement for the months of January-December 2016, including funding approved but not yet disbursed (due to the Red Light Rule). It does not include recoveries from audits, appeals, or other enforcement actions.

² Total Support includes all funding approved for disbursement and is reflective of recoveries from audits, appeals, or other enforcement actions, as of December 31, 2016.

LIFELINE PROGRAM Authorized Support by Carrier Type, 2016 (Unaudited | In Thousands)

STATE	ILEC VS. CETC		SERVICE CATEGORY		TOTAL AUTHORIZED SUPPORT ¹ 2016
	INCUMBENT CARRIERS	COMPETITIVE CARRIERS	WIREFLINE	WIRELESS	
Alabama	\$924	\$18,847	\$1,396	\$18,375	\$19,771
Alaska	1,338	9,178	1,471	9,045	10,516
American Samoa	0	16	0	16	16
Arizona	1,641	44,214	1,712	44,143	45,855
Arkansas	540	10,471	555	10,456	11,011
California	57,459	174,805	62,552	169,712	232,264
Colorado	496	9,164	496	9,164	9,660
Connecticut	325	12,709	360	12,674	13,034
Delaware	35	4,102	35	4,102	4,137
District of Columbia	93	4,990	93	4,990	5,083
Florida	3,126	89,470	3,258	89,338	92,596
Georgia	1,344	49,113	1,403	49,054	50,457
Guam	138	18	138	18	155
Hawaii	255	2,498	255	2,498	2,752
Idaho	430	1,062	432	1,061	1,492
Illinois	1,059	47,197	1,076	47,180	48,257
Indiana	535	23,182	535	23,181	23,716
Iowa	672	6,415	759	6,328	7,087
Kansas	601	6,001	734	5,868	6,602
Kentucky	1,819	26,781	1,961	26,639	28,600
Louisiana	394	26,185	481	26,097	26,579
Maine	1,028	3,179	1,028	3,179	4,207
Maryland	238	22,952	238	22,952	23,190
Massachusetts	1,884	21,600	1,884	21,600	23,484
Michigan	965	59,458	984	59,438	60,423
Minnesota	1,698	10,085	1,799	9,983	11,782
Mississippi	508	16,203	588	16,123	16,711
Missouri	1,345	13,959	1,372	13,932	15,304
Montana	1,153	290	1,157	286	1,443
Nebraska	559	342	772	130	902
Nevada	516	12,130	554	12,092	12,646
New Hampshire	145	1,737	145	1,737	1,882
New Jersey	2,559	25,283	2,559	25,283	27,841
New Mexico	2,055	18,260	2,124	18,191	20,315
New York	8,700	92,942	10,253	91,389	101,642
North Carolina	1,863	35,298	1,926	35,234	37,160
North Dakota	894	1,029	940	983	1,923
Northern Mariana Islands	243	0	243	0	243
Ohio	2,807	58,528	2,853	58,483	61,336
Oklahoma	3,902	82,884	10,790	75,996	86,786
Oregon	1,933	5,154	2,004	5,083	7,087
Pennsylvania	2,465	54,964	2,531	54,899	57,430
Puerto Rico	3,318	62,277	3,318	62,277	65,594
Rhode Island	293	5,502	601	5,195	5,795
South Carolina	1,040	22,154	1,122	22,072	23,194
South Dakota	557	538	648	447	1,095
Tennessee	1,266	32,744	1,410	32,600	34,010
Texas	8,691	85,103	8,909	84,885	93,794
Utah	547	3,006	547	3,006	3,553
Vermont	1,185	253	1,185	253	1,438
Virgin Islands	32	313	32	313	344
Virginia	454	19,178	481	19,151	19,633
Washington	2,553	16,045	2,557	16,042	18,599
West Virginia	271	10,074	271	10,074	10,345
Wisconsin	1,309	18,897	1,334	18,871	20,205
Wyoming	50	36	56	30	86
TOTAL	\$132,250	\$1,378,816	\$148,916	\$1,362,149	\$1,511,066

Note: Numbers may not add due to rounding.

¹ Authorized Support includes all funding approved for disbursement for the months of January-December 2016, including funding approved but not yet disbursed (due to the Red Light Rule). It does not include recoveries from audits, appeals, or other enforcement actions.

RURAL HEALTH CARE PROGRAM Commitments, 2016 (Unaudited | In Thousands)

STATE	CALENDAR YEAR 2016			TOTAL COMMITMENTS 1998-2016
	TELECOMMUNICATIONS PROGRAM	HEALTHCARE CONNECT FUND PROGRAM	TOTAL COMMITMENTS 2016	
Alabama	\$1,748	\$507	\$2,255	\$14,331
Alaska	84,460	360	84,820	648,649
American Samoa	0	0	0	1,512
Arizona	4,258	936	5,194	35,732
Arkansas	2,249	3,430	5,679	36,292
California	3,615	13,252	16,867	105,860
Colorado	379	4,625	5,003	28,839
Connecticut	0	866	866	920
Delaware	0	0	0	1
District of Columbia	0	0	0	18
Florida	575	1,988	2,563	11,547
Georgia	7,328	3,664	10,993	48,581
Guam	0	93	93	996
Hawaii	0	17	17	7,111
Idaho	1,326	803	2,130	8,178
Illinois	1,071	2,979	4,050	45,031
Indiana	91	14,591	14,682	43,566
Iowa	240	3,991	4,231	34,788
Kansas	925	1,195	2,120	12,420
Kentucky	1,931	3,011	4,943	24,633
Louisiana	2,619	1,111	3,730	24,847
Maine	19	3,268	3,287	16,879
Maryland	0	115	115	568
Massachusetts	2	69	71	2,270
Michigan	822	3,222	4,044	46,779
Minnesota	1,718	2,466	4,184	42,602
Mississippi	8,979	1,084	10,062	30,141
Missouri	3,784	2,736	6,520	23,810
Montana	797	381	1,177	27,004
Nebraska	1,234	2,586	3,819	42,363
Nevada	642	119	761	2,961
New Hampshire	0	193	193	7,166
New Jersey	0	0	0	0
New Mexico	1,190	4,352	5,542	31,325
New York	117	5,270	5,387	27,447
North Carolina	900	4,145	5,045	35,187
North Dakota	948	775	1,723	17,406
Northern Mariana Islands	0	0	0	94
Ohio	424	2,177	2,601	38,842
Oklahoma	4,161	2,760	6,922	39,254
Oregon	277	3,866	4,143	35,433
Pennsylvania	69	4,008	4,077	16,250
Puerto Rico	0	0	0	45
Rhode Island	0	0	0	0
South Carolina	431	6,082	6,513	21,326
South Dakota	112	1,253	1,365	18,784
Tennessee	3,507	2,060	5,567	22,206
Texas	14,233	20,955	35,188	99,263
Utah	320	2,476	2,796	20,083
Vermont	0	176	176	7,304
Virgin Islands	0	0	0	852
Virginia	4,722	1,056	5,778	30,141
Washington	500	680	1,180	5,102
West Virginia	699	819	1,518	12,395
Wisconsin	5,474	4,273	9,748	83,020
Wyoming	91	135	226	4,585
TOTAL	\$168,990	\$140,973	\$309,962	\$1,942,738

Note: Numbers may not add due to rounding.

RURAL HEALTH CARE PROGRAM Authorized Support,¹ 2016 (Unaudited | in thousands)

CALENDAR YEAR 2016

STATE	TELECOMMUNICATIONS PROGRAM	HEALTHCARE CONNECT FUND PROGRAM	PILOT PROGRAM	TOTAL AUTHORIZED SUPPORT 2016	TOTAL SUPPORT ² 1998-2016
Alabama	\$2,044	\$979	\$0	\$3,024	\$12,450
Alaska	100,602	256	0	100,858	601,422
American Samoa	0	0	0	0	1,422
Arizona	3,616	1,877	1,561	7,053	31,367
Arkansas	2,430	5,982	7	8,419	31,539
California	6,877	10,294	320	17,491	74,902
Colorado	325	4,544	0	4,869	23,242
Connecticut	0	289	0	289	334
Delaware	0	0	0	0	0
District of Columbia	0	0	0	0	0
Florida	658	3,794	14	4,466	9,162
Georgia	5,888	2,533	0	8,421	39,845
Guam	0	42	0	42	897
Hawaii	0	21	0	21	2,123
Idaho	1,158	857	0	2,015	6,826
Illinois	1,760	2,860	0	4,620	43,213
Indiana	644	2,820	933	4,397	24,709
Iowa	192	2,130	189	2,511	27,087
Kansas	1,119	2,661	0	3,780	12,233
Kentucky	2,000	2,986	25	5,011	19,202
Louisiana	2,046	842	0	2,887	7,680
Maine	34	552	455	1,041	13,738
Maryland	23	174	0	197	535
Massachusetts	17	474	0	491	2,027
Michigan	915	2,567	0	3,482	42,949
Minnesota	2,121	1,877	190	4,188	39,484
Mississippi	8,099	1,404	0	9,503	23,341
Missouri	3,220	2,280	0	5,500	18,239
Montana	905	867	194	1,965	26,286
Nebraska	1,284	2,171	0	3,455	40,251
Nevada	711	171	0	883	2,841
New Hampshire	16	226	309	551	7,058
New Jersey	0	0	0	0	0
New Mexico	1,219	1,977	1,908	5,104	21,960
New York	144	3,609	1,665	5,418	21,716
North Carolina	1,291	4,452	879	6,622	26,598
North Dakota	1,077	1,228	91	2,395	16,158
Northern Mariana Islands	0	0	0	0	65
Ohio	537	2,014	0	2,551	36,996
Oklahoma	5,410	5,351	0	10,762	34,209
Oregon	452	3,988	0	4,440	28,373
Pennsylvania	86	4,353	0	4,440	13,760
Puerto Rico	0	33	0	33	33
Rhode Island	0	0	0	0	0
South Carolina	255	1,890	0	2,146	13,865
South Dakota	295	1,307	0	1,602	17,657
Tennessee	4,321	699	0	5,021	12,093
Texas	9,244	2,944	0	12,188	53,474
Utah	286	401	659	1,346	16,899
Vermont	1	224	121	346	7,201
Virgin Islands	0	0	0	0	846
Virginia	5,182	2,230	576	7,987	23,588
Washington	408	1,042	0	1,450	4,140
West Virginia	658	738	0	1,395	10,147
Wisconsin	6,387	4,611	0	10,999	76,299
Wyoming	99	301	3	403	4,478
TOTAL	\$186,054	\$101,922	\$10,100	\$298,076	\$1,626,962

SCHOOLS AND LIBRARIES PROGRAM Commitments and Authorized Support, 2016 (Unaudited | in thousands)

COMMITMENTS

AUTHORIZED SUPPORT ¹

STATE	FUNDING YEAR 2016*	CALENDAR YEAR 2016	TOTAL COMMITMENTS 1998-2016	FUNDING YEAR 2016*	CALENDAR YEAR 2016	TOTAL SUPPORT ² 1998-2016
Alabama	\$30,095	\$37,973	\$766,156	\$3,743	\$51,552	\$624,303
Alaska	61,051	75,536	607,415	12,885	85,225	490,585
American Samoa	0	0	38,344	0	1,065	31,113
Arizona	45,061	58,885	1,140,688	2,961	58,566	834,240
Arkansas	21,458	35,899	471,981	2,206	41,477	324,074
California	190,680	279,846	6,546,903	9,012	293,804	4,737,822
Colorado	19,940	24,127	426,737	1,250	21,769	325,259
Connecticut	12,742	13,845	453,535	600	19,024	362,264
Delaware	3,617	3,645	44,642	342	5,425	33,594
District of Columbia	7,660	8,941	230,231	54	6,401	144,927
Florida	70,154	122,633	1,538,366	2,354	96,709	1,200,943
Georgia	54,282	79,009	1,496,164	5,607	88,799	1,202,244
Guam	849	849	28,262	2	679	20,396
Hawaii	6,119	15,760	109,797	0	8,424	55,149
Idaho	9,453	10,470	142,758	966	9,080	102,521
Illinois	61,172	74,595	1,943,817	2,220	80,778	1,440,428
Indiana	61,861	65,640	713,581	12,436	61,266	504,003
Iowa	12,505	16,664	258,001	1,749	15,606	192,457
Kansas	17,201	18,158	324,267	1,416	21,467	253,055
Kentucky	25,362	28,784	722,705	2,351	43,607	530,994
Louisiana	41,248	45,832	941,431	7,312	60,690	757,009
Maine	2,475	3,055	138,929	106	7,182	109,467
Maryland	10,226	20,334	416,152	562	21,659	320,120
Massachusetts	29,796	36,554	634,525	4,030	36,382	469,032
Michigan	37,473	50,947	1,086,407	1,993	51,332	813,281
Minnesota	21,866	27,199	512,886	834	31,750	396,767
Mississippi	24,097	26,144	646,103	1,275	33,234	486,439
Missouri	28,114	49,507	800,868	2,339	46,736	602,804
Montana	6,172	7,007	88,960	1,134	4,950	69,669
Nebraska	9,568	9,735	174,488	1,480	11,957	148,281
Nevada	4,498	8,857	131,006	123	10,674	90,864
New Hampshire	3,506	3,576	51,017	258	4,171	36,108
New Jersey	46,404	65,074	1,144,441	1,626	58,674	814,350
New Mexico	37,207	38,978	722,369	1,002	29,544	500,065
New York	58,709	103,088	3,750,434	2,742	90,111	3,027,186
North Carolina	64,981	67,681	1,161,516	5,857	91,434	940,080
North Dakota	1,740	1,740	76,532	66	2,837	61,187
Northern Mariana Islands	41	741	18,513	0	1,307	15,261
Ohio	66,446	78,455	1,442,050	5,887	77,423	1,099,642
Oklahoma	46,259	52,059	992,878	7,232	57,224	754,165
Oregon	29,878	33,269	308,524	452	18,975	222,729
Pennsylvania	47,368	49,865	1,416,459	4,504	58,842	1,135,936
Puerto Rico	10,186	14,447	517,394	3,343	43,160	317,942
Rhode Island	3,738	4,045	129,450	351	3,780	104,992
South Carolina	17,134	18,682	823,016	349	49,583	653,276
South Dakota	2,974	3,166	105,969	212	5,749	73,889
Tennessee	52,003	80,667	1,030,143	8,497	57,494	769,155
Texas	118,359	186,869	4,462,923	5,280	244,014	3,428,296
Utah	3,905	5,606	342,896	12	23,363	229,116
Vermont	4,809	4,812	49,837	532	4,090	33,305
Virgin Islands	413	3,841	88,639	45	2,992	77,027
Virginia	35,939	45,025	644,340	3,356	44,212	512,834
Washington	21,358	31,637	559,229	1,439	37,389	429,584
West Virginia	12,066	13,935	273,315	356	15,417	192,582
Wisconsin	29,919	45,215	591,922	1,836	31,178	440,635
Wyoming	1,461	8,320	72,341	157	6,528	53,506
TOTAL	\$1,643,596	\$2,217,225	\$44,352,250	\$138,733	\$2,386,757	\$33,596,953

Note: Numbers may not add due to rounding.

¹ Authorized Support includes all funding approved for disbursement for calendar year 2016, including funding approved but not yet disbursed (due to the Red Light Rule). It does not include recoveries from audits, appeals, or other enforcement actions.

² Total Support includes all funding approved for disbursement and is reflective of recoveries from audits, appeals, or other enforcement actions, as of December 31, 2016.

SCHOOLS AND LIBRARIES PROGRAM Commitments by Discount Band, Funding Year 2016* (Unaudited | in thousands)

DISCOUNT BAND	CATEGORY ONE		CATEGORY TWO			TOTAL	% OF TOTAL
	DATA TRANSMISSION AND INTERNET ACCESS	VOICE SERVICES	INTERNAL CONNECTIONS	MANAGED INTERNAL BROADBAND SERVICES	BASIC MAINTENANCE OF INTERNAL CONNECTIONS		
1-19%		\$4,667				\$4,667	0.28%
20-29%	\$1,118	12,481	\$165	\$33	\$4	13,802	0.84%
30-39%	0	12,391	0	0	0	12,391	0.75%
40-49%	38,833	67,027	29,070	514	828	136,272	8.29%
50-59%	48,699	89,150	41,559	689	922	181,018	11.01%
60-69%	82,040		69,166	973	1,285	153,463	9.34%
70-79%	61,733		38,621	1,432	1,210	102,994	6.27%
80-89%	318,855		305,316	11,182	15,417	650,769	39.59%
90%	388,219					388,219	23.62%
TOTAL	\$939,496	\$185,717	\$483,897	\$14,821	\$19,665	\$1,643,596	100.00%

* Funding Year data as of 12/31/2016. Funding Year 2016: July 1, 2016 - June 30, 2017.
Note: Numbers may not add due to rounding.

SCHOOLS AND LIBRARIES PROGRAM Commitments by Applicant Type, Funding Year 2016* (Unaudited)

APPLICANT TYPE	APPLICATIONS FUNDED	COMMITMENTS (IN THOUSANDS)	% OF APPLICATIONS	% OF TOTAL
Consortium	1,041	\$70,091	2.69%	4.26%
Library	2,731	14,673	7.05%	0.89%
Library System	1,882	58,374	4.86%	3.55%
School	9,120	115,280	23.53%	7.01%
School District	23,987	1,385,178	61.88%	84.28%
TOTAL	38,761	\$1,643,596	100.00%	100.00%

* Funding Year data as of 12/31/2016. Funding Year 2016: July 1, 2016 - June 30, 2017.
Note: Numbers may not add due to rounding.

SCHOOLS AND LIBRARIES PROGRAM Rollover from Unused Funds, as of November 30, 2016 (Unaudited | in thousands)

	FY2011	FY2012	FY2013	FY2014	FY2015
Amount Authorized and Collected	\$2,290,680	\$2,338,790	\$2,380,310	\$2,413,820	\$3,900,000
Rollovers from Previous Funding Years	850,000	1,050,000	450,000	200,000	1,575,050
TOTAL FUNDS AVAILABLE	\$3,140,680	\$3,388,790	\$2,830,310	\$2,613,820	\$5,475,050
Amounts Rolled Over Into Subsequent Funding Years	\$612,810	\$835,120	\$868,000	\$290,000	\$188,000
Additional Amounts Available for Future Rollover	35,000	40,000	30,000	342,420	300,000
TOTAL AMOUNTS NOT USED	\$647,810	\$875,120	\$898,000	\$632,420	\$488,000

Note: There are several reasons why applicants may not use the full amount of their commitment. Applicants may overestimate the cost of the services requested, change the scope of a project after a commitment has been issued by USAC, or turnover leads to lack of staff expertise in filing requirements.

UNIVERSAL SERVICE FUNDING Authorized Support by Program, 2016 | Unaudited (in thousands)

STATE	HIGH COST PROGRAM	LIFELINE PROGRAM	RURAL HEALTH CARE PROGRAM	SCHOOLS AND LIBRARIES PROGRAM	AUTHORIZED SUPPORT ¹ 2016	TOTAL SUPPORT ² 1998-2016
Alabama	\$92,831	\$19,771	\$3,024	\$51,552	\$167,178	\$2,742,564
Alaska	181,687	10,516	100,858	85,225	378,286	4,003,742
American Samoa	3,193	16	0	1,065	4,274	78,739
Arizona	73,052	45,855	7,053	58,566	184,526	2,544,801
Arkansas	112,374	11,011	8,419	41,477	173,281	2,596,575
California	169,216	232,264	17,491	293,804	712,775	11,202,537
Colorado	62,938	9,660	4,869	21,769	99,236	1,757,991
Connecticut	454	13,034	289	19,024	32,801	525,848
Delaware	228	4,137	0	5,425	9,790	68,485
District of Columbia	0	5,083	0	6,401	11,484	187,055
Florida	61,322	92,596	4,466	96,709	255,093	3,440,909
Georgia	113,737	50,457	8,421	88,799	261,414	3,932,983
Guam	11,506	155	42	679	12,382	224,578
Hawaii	8,297	2,752	21	8,424	19,494	603,250
Idaho	43,130	1,492	2,015	9,080	55,717	1,055,849
Illinois	110,645	48,257	4,620	80,778	244,300	3,232,759
Indiana	112,143	23,716	4,397	61,266	201,522	1,938,840
Iowa	177,870	7,087	2,511	15,606	203,074	2,218,047
Kansas	167,995	6,602	3,780	21,467	199,844	3,224,268
Kentucky	149,106	28,600	5,011	43,607	226,324	2,428,717
Louisiana	91,628	26,579	2,887	60,690	181,784	3,186,045
Maine	30,898	4,207	1,041	7,182	43,328	827,779
Maryland	3,617	23,190	197	21,659	48,663	635,091
Massachusetts	2,378	23,484	491	36,382	62,735	932,494
Michigan	85,248	60,423	3,482	51,332	200,485	2,457,114
Minnesota	175,095	11,782	4,188	31,750	222,815	2,497,552
Mississippi	180,217	16,711	9,503	33,234	239,665	4,415,086
Missouri	164,778	15,304	5,500	46,736	232,318	2,674,904
Montana	100,844	1,443	1,965	4,950	109,202	1,560,134
Nebraska	89,800	902	3,455	11,957	106,114	1,506,150
Nevada	28,924	12,646	883	10,674	53,127	678,936
New Hampshire	13,291	1,882	551	4,171	19,895	253,167
New Jersey	1,083	27,841	0	58,674	87,598	1,184,721
New Mexico	82,257	20,315	5,104	29,544	137,220	1,904,950
New York	50,385	101,642	5,418	90,111	247,556	5,381,698
North Carolina	84,734	37,160	6,622	91,434	219,950	2,812,866
North Dakota	113,544	1,923	2,395	2,837	120,699	1,491,512
Northern Mariana Islands	3,403	243	0	1,307	4,953	61,967
Ohio	83,814	61,336	2,551	77,423	225,124	2,733,108
Oklahoma	130,657	86,786	10,762	57,224	285,429	4,269,571
Oregon	77,177	7,087	4,440	18,975	107,679	1,669,126
Pennsylvania	72,860	57,430	4,440	58,842	193,572	2,750,813
Puerto Rico	115,237	65,594	33	43,160	224,024	3,438,184
Rhode Island	30	5,795	0	3,780	9,605	197,619
South Carolina	108,756	23,194	2,146	49,583	183,679	2,480,633
South Dakota	94,211	1,095	1,602	5,749	102,657	1,380,756
Tennessee	90,188	34,010	5,021	57,494	186,713	2,240,436
Texas	294,023	93,794	12,188	244,014	644,019	9,010,643
Utah	29,995	3,553	1,346	23,363	58,257	710,885
Vermont	20,410	1,438	346	4,090	26,284	533,782
Virgin Islands	16,428	344	0	2,992	19,764	487,890
Virginia	88,267	19,633	7,987	44,212	160,099	2,045,243
Washington	80,998	18,599	1,450	37,389	138,436	2,246,821
West Virginia	60,103	10,345	1,395	15,417	87,260	1,456,557
Wisconsin	195,954	20,205	10,999	31,178	258,336	3,021,726
Wyoming	43,264	86	403	6,528	50,281	930,706
TOTAL	\$4,556,220	\$1,511,066	\$298,076	\$2,386,757	\$8,752,119	\$124,075,205

Note: Numbers may not add due to rounding.

¹ Authorized Support includes all funding approved for disbursement for the months of January-December 2016, including funding approved but not yet disbursed (due to the Red Light Rule). It does not include recoveries from audits, appeals, or other enforcement actions.

² Total Support includes all funding approved for disbursement and is reflective of recoveries from audits, appeals, or other enforcement actions, as of December 31, 2016.

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¹Began service January 2016

²Service ended January 2016