



Welch & Company LLP
Lévesque Marchand, Chartered Accountants

**Billing and Collection Agent Report
For period ending February 28, 2006**

To NANC

March 14, 2006

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**NANPA FUND
STATEMENT OF FINANCIAL POSITION
February 28, 2006**

Assets

Cash Balance in bank account	\$	70,089
Dreyfus Government Cash Management Fund		5,877,000
Receivable from US Carriers	50,963	
Receivable from Canada	5,863	
Receivable from Caribbean countries	3,045	
Receivables forwarded to FCC for collection (Over 90 days)	93,919	
Allowance for uncollectible accounts	<u>(111,500)</u>	42,290
Interest receivable		<u>17,754</u>
Total assets		6,007,133
Less: Accrued liabilities (see below for makeup)		<u>1,831,251</u>
Fund balance	\$	<u>4,175,882</u>

Makeup of Accrued Liabilities (see following page for additional details)

Welch and Company LLP	38,578	
NEUSTAR Pooling 1K Block Pooling Expenses	1,071,094	
NEUSTAR Admin Expenses	480,005	
Data Collection Agent - USAC	71,363	
Data Collection Agent - NECA	211	
Carrier audits	140,000	
Fund audit	<u>30,000</u>	
	\$	<u>1,831,251</u>

Other items of note

In February 2006, the Dreyfus Government Cash Management Fund earned a rate of return of 3.95%.

**NANPA FUND
FORECASTED STATEMENT OF CHANGES IN FUND BALANCE
OCTOBER 2005 TO FEBRUARY 2007**

		<u>Actual</u>												
		<u>Feb-06</u>	<u>Mar-06</u>	<u>Apr-06</u>	<u>May-06</u>	<u>Jun-06</u>	<u>Jul-06</u>	<u>Aug-06</u>	<u>Sep-06</u>	<u>Oct-06</u>	<u>Nov-06</u>	<u>Dec-06</u>	<u>Jan-07</u>	<u>Feb-07</u>
Revenue														
International Contributions														
Canada	(1)	29,316	5,863	5,863	5,863	5,863	5,791	5,791	5,791	5,791	5,791	5,791	5,791	5,791
Caribbean countries	(1)	-	-	-	-	-	13,743	-	-	-	-	-	-	-
Total International Contributions		29,316	5,863	5,863	5,863	5,863	19,534	5,791	5,791	5,791	5,791	5,791	5,791	5,791
Domestic Contributions - US carriers	(1)	276,951	51,409	51,409	51,409	51,409	3,089,597	130,000	130,000	130,000	130,000	130,000	130,000	130,000
Interest income	(2)	101,465	18,000	18,000	17,000	16,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000
Total revenue		<u>407,732</u>	<u>75,272</u>	<u>75,272</u>	<u>74,272</u>	<u>73,272</u>	<u>3,124,131</u>	<u>150,791</u>	<u>150,791</u>	<u>150,791</u>	<u>150,791</u>	<u>150,791</u>	<u>150,791</u>	<u>150,791</u>
Expenses														
NANPA Administration	(3), (7)	597,827	143,514	120,140	120,140	120,140	118,456	118,456	118,456	118,456	118,456	118,456	118,456	118,456
1K Block Pooling Administration	(3), (6)	1,797,065	375,170	357,031	357,031	324,405	291,778	291,778	291,778	291,778	291,778	291,778	291,778	291,778
pANI	(10)	-	-	-	-	-	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500
Carrier Audits	(8)	-	-	-	-	210,000	-	-	-	-	-	-	-	-
Billing and Collection														
Welch & Company LLP	(3)	99,500	19,900	19,900	19,900	19,900	19,900	19,900	19,900	19,900	19,900	19,900	19,900	19,900
Data Collection Agent	(4)	26,047	5,416	5,416	5,416	5,416	5,416	5,416	5,416	5,416	5,416	5,416	5,416	5,416
Annual Operations Audit	(5)	-	-	-	-	45,000	-	-	-	-	-	-	-	-
Bad debt expense (recovery)	(9)	(14,710)	-	-	-	-	-	-	-	-	-	-	-	-
Total expenses		<u>2,505,729</u>	<u>544,000</u>	<u>502,487</u>	<u>502,487</u>	<u>724,861</u>	<u>448,050</u>	<u>448,050</u>	<u>448,050</u>	<u>448,050</u>	<u>448,050</u>	<u>448,050</u>	<u>448,050</u>	<u>448,050</u>
Net revenue (expenses)		<u>(2,097,997)</u>	<u>(468,728)</u>	<u>(427,215)</u>	<u>(428,215)</u>	<u>(651,589)</u>	<u>2,676,081</u>	<u>(297,259)</u>	<u>(297,259)</u>	<u>(297,259)</u>	<u>(297,259)</u>	<u>(297,259)</u>	<u>(297,259)</u>	<u>(297,259)</u>
Opening fund balance		<u>6,273,879</u>	<u>4,175,882</u>	<u>3,707,154</u>	<u>3,279,939</u>	<u>2,851,724</u>	<u>2,200,135</u>	<u>4,876,216</u>	<u>4,578,957</u>	<u>4,281,698</u>	<u>3,984,439</u>	<u>3,687,180</u>	<u>3,389,921</u>	<u>3,092,662</u>
Closing fund balance		<u>4,175,882</u>	<u>3,707,154</u>	<u>3,279,939</u>	<u>2,851,724</u>	<u>2,200,135</u>	<u>4,876,216</u>	<u>4,578,957</u>	<u>4,281,698</u>	<u>3,984,439</u>	<u>3,687,180</u>	<u>3,389,921</u>	<u>3,092,662</u>	<u>2,795,403</u>
Fund balance makeup:														
Contingency		1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,001
Surplus		3,175,882	2,707,154	2,279,939	1,851,724	1,200,135	3,876,216	3,578,957	3,281,698	2,984,439	2,687,180	2,389,921	2,092,662	1,795,402
		<u>4,175,882</u>	<u>3,707,154</u>	<u>3,279,939</u>	<u>2,851,724</u>	<u>2,200,135</u>	<u>4,876,216</u>	<u>4,578,957</u>	<u>4,281,698</u>	<u>3,984,439</u>	<u>3,687,180</u>	<u>3,389,921</u>	<u>3,092,662</u>	<u>2,795,403</u>

Assumptions:

- (1) The US carrier contributions for the period from July 2005 to June 2006 is based upon actual billings in June 2005.
The International carrier revenue is based on actual for 2005/06.
The contributions for US carriers for July 2006 - February 2007 are based on option 1 of the 2006/07 funding budget. The monthly contributions are estimates.
The International contributions is based on proposed actual for 2006/07.
- (2) Interest income projections are estimates
- (3) The expenses for the NANPA Administration and Welch & Company LLP are based on contracts in force.
The expenses for Pooling Administration is based on contracts in force until June 2006. July 2006 to February 2007 expenses are based on the last year of the expired contract.
- (4) The expense for the Data Collection Agent is based on estimate of costs by USAC for the 2006 calendar year.
- (5) \$30,000 has been accrued for the 2004/05 fiscal year for the annual operations audit that will be conducted once the FCC determines the scope of the audit. The cost of this audit has not been negotiated. Amount recorded is based on prior year. The amount shown in June 2006 is for the 2005/06 audit.
- (6) The March forecasted amount includes the forecasted monthly billing of \$357,031 plus the cost of submitted change orders of \$18,139
- (7) The March forecasted amount includes the forecasted monthly billing of \$120,140 plus the cost of approved change orders of \$23,374.
- (8) The budget allowed \$700,000 for 16 carrier audits. FCC indicated that only 3 were completed at a cost of approximately \$140,000 at September 30, 2005 and there additional audits completed since then for a cost of \$210,000 for a total cost of \$350,000.
- (9) The allowance covers all accounts considered potentially uncollectible at February 28, 2006. This will be covered by the contingency allowance.
There was a large recovery of a debt by the FCC in November which accounts for the recovery of bad debts.
- (10) The cost for pANI has been provided for as per the 2006/07 budget. The RFP for this has not yet been issued.

Reconciliation of Forecast to Budget

Forecasted fund balance at June 30/06 - contingency	1,000,000
Additional revenue due to higher contribution base than estimated on initial billing	133,073
Interest earned over estimate	126,780
Additional billings April 2005 - February 2006	(70,537)
Late filing fees for Form 499A	75,500
Carrier audit for 2004/05 not expended	560,000
Carrier audit for 2005/06 not expended	490,000
Bad debts	(84,334)
Data Collection fees (2004/05) not expended	42,843
NANPA administration (2004/05) not expended	11,571
1K Block Pooling (2003/04)	(66,622)
1k Block Pooling (2005/06) submitted change orders not in budget	(18,139)
Anticipated fund balance at June 30/06	<u>2,200,135</u>

**NANPA FUND
CURRENT AND FORECASTED LIABILITIES**

	Current							
	Feb-06	Mar-06	Apr-06	May-06	Jun-06	Jul-06	Aug-06	Sep-06
NEUSTAR - NANPA Administration contract	480,005	143,514	120,140	120,140	120,140	118,456	118,456	118,456
- Payment authorized by the FCC on February 1/06, received by Welch February 2, 2006								
November 2005	120,998							
- Authorization by the FCC has not been received for payment								
August 2005	119,585							
December - estimate	120,140							
January 2006 - estimate	120,140							
February 2006 - estimate	120,140							
	<u>\$ 480,005</u>							
NEUSTAR - Block Pooling contract	1,071,094	375,170	357,031	357,031	324,405	291,778	291,778	291,778
- Payment authorized by the FCC on February 1/06, received by Welch February 2, 2006								
November 2005	210,317							
Change orders 38 & 39	29,100							
- Authorization by the FCC has not been received for payment								
December 2005 - estimate	357,031							
January 2006 - estimate	357,031							
February 2006 - estimate	357,032							
	-							
	<u>\$ 1,071,094</u>							
Welch & Company LLP - Billing & Collection Agent	38,578	19,900	19,900	19,900	19,900	19,900	19,900	19,900
- Payment authorized by the FCC on February 1/06, received by Welch February 2, 2006								
November 2005	18,898							
December 2005	19,900							
- Authorization by the FCC has not been received for payment								
January 2006	18,678							
Feb-06	19,900							
	<u>38,578</u>							
NECA - Data Collection Agent	211	-	-	-	-	-	-	-
- Authorization by the FCC has not been received for payment								
December 2004	80							
January 2005	131							
	<u>211</u>							
USAC - Data Collection Agent	71,363	5,416	5,416	5,416	5,416	5,416	5,416	5,416
- Authorization by the FCC has not been received for payment								
January 2005	4,406							
February 2005	4,399							
March 2005	5,292							
April 2005	6,824							
May 2005	5,608							
June 2005	4,897							
July 2005	4,846							
August 2005	4,444							
September 2005	4,449							
October 2005	5,065							
November 2005	5,008							
December 2005	5,862							
January 2006	4,846							
February 2005 - estimate	5,417							
	<u>\$ 71,363</u>							
Clifton Gunderson LLP - Carrier audits	140,000	-	-	-	210,000.00			-
- Authorization by the FCC has not been received for payment	<u>\$ 140,000</u>							
-3 audits are completed								
External auditor- Annual operations audit	30,000		-	-	45,000			-
- Represents an accrual for audit fees for the 2004/05 fiscal year of NANPA. Auditor has not been determined	<u>\$ 30,000</u>							
pANI Contract - vendor yet to be determined	\$ -	0				12,500	12,500	12,500
Total	<u>1,831,251</u>	<u>544,000</u>	<u>502,487</u>	<u>502,487</u>	<u>724,861</u>	<u>448,050</u>	<u>448,050</u>	<u>448,050</u>

NANP FUND BUDGET AND CONTRIBUTION FACTOR FOR JULY 2006 TO JUNE 2007

To: Billing & Collection Working Group

The budget has been prepared to determine the funding requirements and the contribution factor for the upcoming funding year. We have determined that the total projected cost for the NANP Fund is \$6,926,608 (including a \$1,000,000 contingency provision). Rationale for this level of expenditure is included under the heading Basis for Projected Disbursements. We provided three scenarios for funding by the US carriers utilizing some or all of the projected surplus and the associated contribution factors for discussion by NANC.

US Carrier Contribution and Contribution Factor

The US carriers are required to contribute \$6,843,370 to the Fund by direct contributions and by reduction in the fund surplus. The International Participants (Canada and Caribbean countries) contribute the remaining \$83,238 of the projected costs. Below are three scenarios for consideration.

The first scenario uses up the entire fund surplus. The US carriers would be required to fund \$4,643,235 with a funding factor of 0.000020. This option leaves only the \$1,000,000 in the surplus account which is the contingency provision.

The second scenario reduces the surplus by \$1,093,370 and the total contribution by the US carriers would be \$5,750,000. The contribution factor would be 0.000025 as projected last year. There would be \$1,100,413 excess surplus that could be carried forward to subsidize contributions in the future.

The third scenario would not use any of the surplus of \$2,193,783. The surplus could be used in future years. The projected costs would be fully funded by contributions. This would result in a contribution factor of 0.000030

Revenue Contribution Base

The contribution factor was determined using an estimate of the 2005 US carrier revenue. An assumption was made that the industry revenue would remain constant from last year. Analysis was performed to determine if the contribution factor would change significantly if the revenue was higher by \$4.5 B (2% increase) and \$9 B (4% increase). It was determined that the factor would not change.

Basis for Projected Disbursements

The cost for the NeuStar contract for NANPA Administration has been provided for as per the existing contract in place. At the time the budget was prepared, NeuStar did not anticipate any additional costs over the contract value for any proposed change orders at the FCC that would impact upon the budget. Change orders to the contract may arise during the upcoming funding year, should there be any changes to the system.

The 1K Pooling contract expires on June 14, 2006. The RFP for the contract has not been released. The existing contractor and the FCC would not speculate on the future pricing. No other information is available to indicate any significant change in the contract pricing. For budget purposes, the same cost as last year is used.

pANI is a new cost to NANP. At the time this budget was prepared the RFP had not been released. The FCC cannot speculate on the cost because this is the first time this is being addressed. The amount allowed in the budget is an estimate based on discussions held at NANC meetings. It was expressed that pANI would not cost a significant amount.

The cost for the carrier audits have been provided for at the same amount as last year. The FCC is anticipating spending \$700,000 on carrier audits in the upcoming year. Last year the budget allowed for 16 carrier audits to be performed during the 2005/06 funding period. To date, the FCC has indicated that approximately \$350,000 has been spent on audits.

The cost for the Billing & Collection Agent (Welch & Company LLP) has been provided for as per the contract. Additional costs are not anticipated.

The cost for the Data Collection Agent has been provided for based on estimate provided by USAC. The projected cost is in line with the past year's cost. If additional work is required due to new FCC initiatives the cost could be higher. The Fund is charged 8% of the monthly cost that the Data Collection Agent incurs with respect to data collection.

The cost for the annual operation audit for the Fund has been estimated at a lower rate than last year.

A contingency provision of \$1,000,000 has been allowed for based on the decision made by NANC. Its purpose is to cover uncollectible debts, change orders and other potential cost overruns should the 1K Pooling and the pANI contract be awarded at a higher amount than provided in the budget.

Discussion Points

- Choice of option 1, 2, or 3

NANPA FUND BUDGET AND CONTRIBUTION FACTOR

July 2006 to June 2007

<u>Projected Disbursements</u>	<u>2006/07</u>	<u>2005/06</u>
NANPA Administration (note 1)		
NANPA Administration (69% per NeuStar)	\$ 980,812	\$ 992,232
NANPA CO Code Administration (31% per NeuStar)	440,655	445,785
Total NANPA Administration	<u>1,421,467</u>	<u>1,438,017</u>
Less NANPA Administration costs funded by International Participants		
Canada	69,495	70,358
Caribbean countries	13,743	13,692
Total Contributions by International Participants	<u>83,238</u>	<u>84,050</u>
Net total NANPA Administration Costs	1,338,229	1,353,967
1K Block Pooling Administration (note 2)	3,501,341	3,501,341
pANI Administration (note 3)	150,000	
Carrier Audits (note 4)	700,000	700,000
Billing & Collections Agent (note 1)	238,800	238,800
Data Collection Agent (note 5)	65,000	100,000
Annual Operations Audit (note 6)	30,000	45,000
Interest income (note 7)	<u>(180,000)</u>	<u>(120,000)</u>
Total projected disbursements for July 2006 to June 2007	5,843,370	5,819,108
Desired contingency provision (note 8)	<u>1,000,000</u>	<u>1,000,000</u>
Balance to be funded through reduction in surplus and US carrier contributions	<u>6,843,370</u>	6,819,108
Portion of projected surplus to be used		<u>(5,692,000)</u>
Net US Carrier Contribution requirement		\$ <u>1,127,108</u>
Contribution Factor	<u>see next page for options</u>	<u>0.0000052</u>

Assumptions:

- 1) The costs for NANPA Administration and the Billing & Collection Agent are provided for as per existing contracts in place.
- 2) The cost for the 1K Block Pooling Administration is provided for at the same amount as the previous year. The current contract expires on June 14/06. The RFP for the contract has not been released. Existing contractor and the FCC will not speculate on the future pricing. No other information is available to indicate significant difference in contract pricing over current pricing.
- 3) At the time this budget was being prepared, the FCC had not determined whether the pANI administration would be a separate contract or part of the 1K Block Pooling contract. The RFP has not been released. The amount allowed in the budget is an estimate based on discussions held at NANC meetings that this would not likely cost a significant amount.
- 4) The FCC has not indicated whether all the audits for 2005/06 will be completed. They have indicated that approximately \$350,000 has been spent on audits. The FCC has indicated that NANP should budget \$700,000 for the upcoming year.
- 5) The costs for the Data Collection agent are provided for based on estimate provided by USAC. This costs represents 8% allocation per non-USF fund.
- 6) This is an estimate of the cost of an external audit of the fund that is required by the regulations
- 7) This is an estimate of interest income that will be earned over the next funding year on the funds invested in the Dreyfus Cash Plus Money Market Fund.
- 8) A contingency allowance is provided for any additional costs that may occur during the year. This would include additional work by NeuStar that is not covered by the contracts, bad debt writeoffs, additional unbudgeted costs for the two contracts that have not been awarded.

Funding Options

	Option 1	Option 2	Option 3
Balance to be funded	6,843,370	6,843,370	6,843,370
Amount subsidized from prior year surplus	(2,200,135)	(1,093,370)	-
Net US Carrier Contribution requirement	4,643,235	5,750,000	6,843,370
 Contribution Factor	 0.000020	 0.000025	 0.000030
 Anticipated surplus at June 30/06 per Feb/06 NANC report	 2,200,135	 2,200,135	 2,200,135
Surplus used to subsidize carrier contributions	(2,200,135)	(1,093,370)	-
Surplus carried forward to 2006/07 funding year	-	1,106,765	2,200,135

Notes:

Option 1 - Subsidize funding requirement by using up all of the surplus fund balance

Option 2 - Subsidize funding requirement by reducing the surplus to extent that a contribution factor of 0.000025 is achieved

Option 3 - Fully funded by contributions, no subsidization from the surplus

The contribution base consisting of end user revenues for the past two years is as follows:

2004 actual	\$ 234,305,625,709
2005 actual	\$ 230,362,437,565
2006 estimate	\$ 230,000,000,000