

TSTCI 2011 Finance/Marketing/Commercial Conference

# FINANCE ROUNDTABLE

# Leases

- Once the accounting standards update is adopted, how will leases be treated for regulatory purposes?
- Will NECA recognize right-of-use assets or allow for cost study adjustments?
- Bottom line – is the benefit of an operating lease a thing of the past?

# Corporate Expenses

- Many companies are over the cap
- Classify expenses to non-corporate accounts whenever possible within the Part 32 framework
- Labor
- Information management

# Debt

- With rates so low, now may be the time to refinance or pay off high interest rate debt
- Beware of prepayment penalties and financial covenants
- Some local banks may be able to accommodate and can be more flexible
- Look for prepayment deposit option
- RUS Cushion of Credit

# Cost Cutting Measures

- Overtime
- Benefits – Start another tier for new hires
- GPS on trucks
- Park vehicles at night
- Efficiency review – from operations to front office
- Outsourcing

# Independent Contractor vs Employee

- Crackdown by IRS, TWC and DOL
- IC must offer services on open market
- IC has the risk of profit or loss, provides own supplies and equipment, and determines method of payment
- Should have written contract
- IC should submit invoices

# IC vs Employee (cont)

- ⦿ Temporary is not the same as IC
- ⦿ May be considered an employee even if hired through temp agency
- ⦿ Retired employees hired as IC to do the same work would have near zero chance of meeting IC test. Could be considered participating in fraud

# IC vs Employee (cont)

## ⦿ Penalties

- 100% of back taxes plus penalty and interest
  - This includes employee's taxes if they did not pay
- Fines for not sending W-2 or 1099
- Fines for willful misclassification
- Fines for delinquency or fraud
- Fed and State unemployment tax

# IC vs Employee (cont)

- Even if issue 1099 and IC pays income tax, company has exposure with DOL
  - Benefits
    - Providing comparable benefits
    - Possible could be held responsible for health care if there is a health issue and the IC has no coverage
  - On the job injury

# Broadband Loan/Grant Compliance Audit

- Separate compliance audit requirement to see that funds are being properly expended
- Year end varies depending on date of award

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