

TELEPHONE & DATA SYSTEMS INC /DE/
 Form 10-Q
 November 01, 2013

UNITED STATES																	
SECURITIES AND EXCHANGE COMMISSION																	
Washington, D.C. 20549																	
FORM 10-Q																	
(Mark One)																	
<input checked="" type="checkbox"/>	QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934																
For the quarterly period ended September 30, 2013																	
OR																	
TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934																	
For the transition period from _____ to _____																	
Commission file number 001-14157																	
TELEPHONE AND DATA SYSTEMS, INC.																	
(Exact name of Registrant as specified in its charter)																	
Delaware									36-2669023								
(State or other jurisdiction of incorporation or organization)									(IRS Employer Identification No.)								
<u>30 North LaSalle Street, Suite 4000, Chicago, Illinois 60602</u>																	
(Address of principal executive offices) (Zip code)																	
Registrant's telephone number, including area code: (312) 630-1900																	
Indicate by check mark																Yes	No
• whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.																x	

<p>• whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).</p>														x	
<p>• whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.</p>															
Large accelerated filer		x	Accelerated filer			Non-accelerated filer			Smaller reporting company						
<p>• whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).</p>															x

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class										Outstanding at September 30, 2013							
Common Shares, \$0.01 par value										101,334,304 Shares							
Series A Common Shares, \$0.01 par value										7,156,880 Shares							

Telephone and Data Systems, Inc.				
Quarterly Report on Form 10-Q				
For the Quarterly Period Ended September 30, 2013				
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Item 1. Financial Statements										
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<u>Consolidated Statement of Operations</u>										
(Unaudited)										
	Three Months Ended					Nine Months Ended				
	September 30,					September 30,				
(Dollars and shares in thousands, except per share amounts)	2013		2012		2013		2012			
Operating revenues	\$	1,180,980	\$	1,370,108	\$	3,717,719	\$	3,999,068		
Operating expenses										
Cost of services and products (excluding Depreciation, amortization and accretion expense reported below)		481,285		600,459		1,556,908		1,637,340		
Selling, general and administrative		476,864		506,217		1,434,487		1,516,220		
Depreciation, amortization and accretion		255,295		196,219		751,575		592,162		
Loss on impairment of assets		-		-		-		515		
Loss on asset disposals, net		2,155		11,642		16,090		16,716		
(Gain) loss on sale of business and other exit costs, net		(1,534)		65		(297,637)		(4,109)		
Total operating expenses		1,214,065		1,314,602		3,461,423		3,758,844		
Operating income (loss)		(33,085)		55,506		256,296		240,224		
Investment and other income (expense)										
Equity in earnings of unconsolidated entities		37,609		25,015		100,303		73,796		
Interest and dividend income		2,507		2,359		6,685		6,894		
Gain (loss) on investments		-		-		14,518		(3,728)		

	Interest expense		(24,961)		(20,497)		(73,208)		(68,100)
	Other, net		145		217		(206)		196
	Total investment and other income (expense)		15,300		7,094		48,092		9,058
	Income (loss) before income taxes		(17,785)		62,600		304,388		249,282
	Income tax expense (benefit)		(6,731)		22,442		130,056		85,619
	Net income (loss)		(11,054)		40,158		174,332		163,663
	Less: Net income (loss) attributable to noncontrolling interests, net of tax		(1,542)		11,041		26,348		39,955
	Net income (loss) attributable to TDS shareholders		(9,512)		29,117		147,984		123,708
	TDS Preferred dividend requirement		(12)		(12)		(37)		(37)
	Net income (loss) available to common shareholders	\$	(9,524)	\$	29,105	\$	147,947	\$	123,671
	Basic weighted average shares outstanding		108,571		108,819		108,405		108,735
	Basic earnings (loss) per share attributable to TDS shareholders	\$	(0.09)	\$	0.27	\$	1.36	\$	1.14
	Diluted weighted average shares outstanding		108,571		109,246		108,993		109,018
	Diluted earnings (loss) per share attributable to TDS shareholders	\$	(0.09)	\$	0.26	\$	1.35	\$	1.13
	Dividends per share to TDS shareholders	\$	0.1275	\$	0.1225	\$	0.3825	\$	0.3675
The accompanying notes are an integral part of these consolidated financial statements.									

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Telephone and Data Systems, Inc.												
<u>Consolidated Statement of Comprehensive Income</u>												
(Unaudited)												
					Three Months Ended							
					September 30,							
					Nine Months Ended							
					September 30,							
(Dollars in thousands)					2013		2012		2013		2012	
Net income (loss)					\$	(11,054)	\$	40,158	\$	174,332	\$	163,663
Net change in accumulated other comprehensive income (loss)												
	Change in net unrealized gain (loss) on equity investments					-		-		51		49
	Change in foreign currency translation adjustment					(34)		-		(19)		-
	Change related to retirement plan											
	Amounts included in net periodic benefit cost for the period											
	Amortization of prior service cost					(900)		(934)		(2,703)		(2,802)
	Amortization of unrecognized net loss					602		623		1,806		1,869
						(298)		(311)		(897)		(933)
	Change in deferred income taxes					114		462		341		1,395
	Change related to retirement plan, net of tax					(184)		151		(556)		462
	Net change in accumulated other comprehensive income (loss)					(218)		151		(524)		511
Comprehensive income (loss)						(11,272)		40,309		173,808		164,174
	Less: Comprehensive income (loss) attributable to noncontrolling interest					(1,542)		11,041		26,348		39,955
Comprehensive income (loss) attributable					\$	(9,730)	\$	29,268	\$	147,460	\$	124,219

to

TDS shareholders

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

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Telephone and Data Systems, Inc.						
Consolidated Statement of Cash Flows						
(Unaudited)						
				Nine Months Ended		
				September 30,		
(Dollars in thousands)				2013		2012
Cash flows from operating activities						
	Net income			\$	174,332	\$ 163,663
	Add (deduct) adjustments to reconcile net income to net cash flows from operating activities					
			Depreciation, amortization and accretion	751,575		592,162
			Bad debts expense	56,693		56,597
			Stock-based compensation expense	21,867		31,724
			Deferred income taxes, net	(30,748)		52,169
			Equity in earnings of unconsolidated entities	(100,303)		(73,796)
			Distributions from unconsolidated entities	51,879		45,558
			Loss on impairment of assets	-		515
			Loss on asset disposals, net	16,090		16,716
			(Gain) loss on sale of business and other exit costs, net	(297,637)		(4,109)
			(Gain) loss on investments	(14,518)		3,728
			Noncash interest expense	1,498		2,555
			Other operating activities	575		1,650
	Changes in assets and liabilities from operations					
			Accounts receivable	(216,700)		(69,478)
			Inventory	11,114		(70,918)
			Accounts payable	33,312		(37,728)
			Customer deposits and deferred revenues	21,883		28,323
			Accrued taxes	41,838		107,502
			Accrued interest	9,451		9,488
			Other assets and liabilities	(94,301)		(95,785)
				437,900		760,536
Cash flows from investing activities						
	Cash used for additions to property, plant and equipment			(631,370)		(730,897)
	Cash paid for acquisitions and licenses			(280,383)		(97,523)
	Cash received from divestitures			484,300		50,182
	Cash paid for investments			-		(45,000)

	Cash received for investments		80,000			143,444
	Other investing activities		13,860			(13,121)
			(333,593)			(692,915)
Cash flows from financing activities						
	Repayment of long-term debt		(1,196)			(2,435)
	Issuance of long-term debt		-			358
	TDS Common Shares and Special Common Shares reissued for benefit plans, net of tax payments		7,537			(23)
	U.S. Cellular Common Shares reissued for benefit plans, net of tax payments		2,840			(2,299)
	Repurchase of TDS Common Shares		(5,813)			-
	Repurchase of U.S. Cellular Common Shares		(18,544)			-
	Dividends paid to TDS shareholders		(41,430)			(39,930)
	U.S. Cellular dividends paid to noncontrolling public shareholders		(75,235)			-
	Payment of debt issuance costs		(23)			-
	Distributions to noncontrolling interests		(3,447)			(1,491)
	Other financing activities		1,612			4,208
			(133,699)			(41,612)
Net increase (decrease) in cash and cash equivalents			(29,392)			26,009
Cash and cash equivalents						
	Beginning of period		740,481			563,275
	End of period		\$ 711,089		\$	589,284
The accompanying notes are an integral part of these consolidated financial statements.						

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Telephone and Data Systems, Inc.				
<u>Consolidated Balance Sheet — Assets</u>				
<u>(Unaudited)</u>				
(Dollars in thousands)		September 30,		December 31,
		2013		2012
Current assets				
	Cash and cash equivalents	\$	711,089	\$ 740,481
	Short-term investments		45,162	115,700
	Accounts receivable			
	Due from customers and agents, less allowances of \$35,691 and \$28,152, respectively		509,785	409,720
	Other, less allowances of \$2,529 and \$5,263, respectively		177,026	164,608
	Inventory		149,489	160,692
	Net deferred income tax asset		62,479	43,411
	Prepaid expenses		94,989	86,385
	Income taxes receivable		1,909	9,625
	Other current assets		36,011	32,815
			1,787,939	1,763,437
Assets held for sale				
			78,413	163,242
Investments				
	Licenses		1,420,541	1,480,039
	Goodwill		821,155	797,194
	Franchise rights		123,668	-
	Other intangible assets, net of accumulated amortization of \$107,182 and \$143,613, respectively		59,841	58,522
	Investments in unconsolidated entities		345,411	179,921
	Long-term investments		40,099	50,305
	Other investments		689	824
			2,811,404	2,566,805
Property, plant and equipment				
	In service and under construction		11,039,077	10,808,499
	Less: Accumulated depreciation		7,157,242	6,811,233
			3,881,835	3,997,266

Other assets and deferred charges					140,109			133,150
Total assets				\$	8,699,700		\$	8,623,900
The accompanying notes are an integral part of these consolidated financial statements.								

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Telephone and Data Systems, Inc.				
<u>Consolidated Balance Sheet — Liabilities and Equity</u>				
<u>(Unaudited)</u>				
			September 30,	December 31,
(Dollars and shares in thousands)			2013	2012
Current liabilities				
	Current portion of long-term debt		\$ 1,806	\$ 1,233
	Accounts payable		398,867	377,291
	Customer deposits and deferred revenues		244,526	222,345
	Accrued interest		15,799	6,565
	Accrued taxes		107,183	48,237
	Accrued compensation		97,266	134,932
	Other current liabilities		142,851	134,005
			1,008,298	924,608
Liabilities held for sale				
			471	19,594
Deferred liabilities and credits				
	Net deferred income tax liability		851,396	862,580
	Other deferred liabilities and credits		445,596	438,727
Long-term debt				
			1,721,085	1,721,571
Commitments and contingencies				
			-	-
Noncontrolling interests with redemption features				
			540	493
Equity				
	TDS shareholders' equity			
	Series A Common and Common Shares			
	Authorized 290,000 shares (25,000 Series A Common and 265,000 Common Shares)			
	Issued 132,702 shares (7,157 Series A Common and 125,545 Common Shares) and 132,672 shares (7,160 Series A Common and 125,512 Common Shares), respectively			
	Outstanding 108,491 shares (7,157 Series A Common and 101,334 Common Shares) and 108,031 shares (7,160 Series A Common and			

		100,871 Common Shares), respectively					
		Par Value (\$.01 per share) of \$1,327 (\$72 Series A Common and \$1,255 Common Shares) and \$1,327 (\$72 Series A Common and \$1,255 Common Shares), respectively			1,327		1,327
		Capital in excess of par value			2,301,983		2,304,122
		Treasury shares at cost:					
		24,211 and 24,641 Common Shares, respectively			(727,577)		(750,099)
		Accumulated other comprehensive loss			(8,656)		(8,132)
		Retained earnings			2,555,765		2,464,318
		Total TDS shareholders' equity			4,122,842		4,011,536
		Preferred shares			825		825
		Noncontrolling interests			548,647		643,966
		Total equity			4,672,314		4,656,327
		Total liabilities and equity			\$ 8,699,700		\$ 8,623,900
The accompanying notes are an integral part of these consolidated financial statements.							

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Telephone and Data Systems, Inc.										
<u>Consolidated Statement of Changes in Equity</u>										
<u>(Unaudited)</u>										
TDS Shareholders										
	Series A Common (Dollars and in Common thousands)	Capital in Excess of Par Value	Treasury Common Shares	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total TDS Shareholders' Equity	Preferred Shares	Non controlling Interests	Total Equity	
December 31, 2012	\$ 1,327	\$ 2,304,122	\$ (750,099)	\$ (8,132)	\$ 2,464,318	\$ 4,011,536	\$ 825	\$ 643,966	\$ 4,656,327	
Add (Deduct)										
Net income attributable to TDS shareholders	-	-	-	-	147,984	147,984	-	-	147,984	
Net income attributable to noncontrolling interests classified as equity	-	-	-	-	-	-	-	26,301	26,301	
Net unrealized gain	-	-	-	51	-	51	-	-	51	

(loss) on equity investments														
Change in foreign currency translation adjustment	-	-	-	(19)	-	(19)	-	-	-	-	(19)			
Change related to retirement plan	-	-	-	(556)	-	(556)	-	-	-	-				
TDS Common and Series A Common Share dividends	-	-	-	-	(41,393)	(41,393)	-	-	-	-				
TDS Preferred dividend requirement	-	-	-	-	(37)	(37)	-	-	-	-				
U.S. Cellular dividends paid to noncontrolling public shareholders	-	-	-	-	-	-	-	-	-	(75,235)				
Repurchase of Common Shares	-	-	(5,813)	-	-	(5,813)	-	-	-	-				
	-	671	11,751	-	(5,964)	6,458	-	-	-	-				

Dividend reinvestment plan												
Incentive and compensation plans	-	532	16,584	-	(9,143)	7,973	-	-	7,973			
Adjustment in investment in subsidiaries for repurchases, issuances and other compensation plans	-	(2,399)	-	-	-	(2,399)	-	(4,462)	(6,861)			
Stock-based compensation awards	-	10,381	-	-	-	10,381	-	-	10,381			
Tax windfall (shortfall) from stock awards	-	(1,002)	-	-	-	(1,002)	-	-	(1,002)			
Distributions to noncontrolling interests	-	-	-	-	-	-	-	(3,447)	(3,447)			
Adjustment in investment in subsidiaries for noncontrolling interest	-	(10,322)	-	-	-	(10,322)	-	5,294	(5,028)			

purchases										
Deconsolidation of partnerships	-	-	-	-	-	-	-	(43,770)	(43,770)	
September 30, 2013	\$ 1,327	\$ 2,301,983	\$ (727,577)	\$ (8,656)	\$ 2,555,765	\$ 4,122,842	\$ 825	\$ 548,647	\$ 4,672,311	

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

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Telephone and Data Systems, Inc.										
<u>Consolidated Statement of Changes in Equity</u>										
<u>(Unaudited)</u>										
TDS Shareholders										
	Series A Common Shares	Capital in Excess of Par Value	Treasury Common Shares	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total TDS Shareholders' Equity	Preferred Shares	Non controlling Interests	Total Equity	
December 31, 2011	\$ 1,326	\$ 2,268,711	\$ (750,921)	\$ (8,854)	\$ 2,451,899	\$ 3,962,161	\$ 830	\$ 639,688	\$ 4,602,677	
Add (Deduct)										
Net income attributable to TDS shareholders	-	-	-	-	123,708	123,708	-	-	123,708	
Net income attributable to noncontrolling interests classified as equity	-	-	-	-	-	-	-	39,949	39,949	
Net unrealized gain	-	-	-	49	-	49	-	-	49	

(loss) on equity investments											
Change related to retirement plan	-	-	-	462	-	462	-	-	46		
TDS Common and Series A											
Common Share dividends	-	-	-	-	(39,893)	(39,893)	-	-	(39,893)		
TDS Preferred dividend requirement	-	-	-	-	(37)	(37)	-	-	(37)		
Repurchase of Preferred Shares	-	-	-	-	(16)	(16)	(4)	-	(20)		
Dividend reinvestment plan	-	862	10,066	-	(6,067)	4,861	-	-	4,861		
Incentive and compensation plans	-	444	1,295	-	(1,385)	354	-	-	354		
Adjust investment in subsidiaries for repurchases, issuances and	-	7,581	-	-	-	7,581	-	9,421	17,001		

other										
compensation plans										
Stock-based compensation awards	-	15,518	-	-	-	15,518	-	-	-	15,518
Tax windfall (shortfall) from stock awards	-	(108)	-	-	-	(108)	-	-	-	(108)
Distributions to noncontrolling interests	-	-	-	-	-	-	-	(1,491)		(1,491)
Other	-	-	-	-	-	-	-	57		57
September 30, 2012	\$ 1,326	\$ 2,293,008	\$ (739,560)	\$ (8,343)	\$ 2,528,209	\$ 4,074,640	\$ 826	\$ 687,624		\$ 4,763,091

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

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Telephone and Data Systems, Inc.

Notes to Consolidated Financial Statements

1. Basis of Presentation

The accounting policies of Telephone and Data Systems, Inc. (“TDS”) conform to accounting principles generally accepted in the United States of America (“GAAP”) as set forth in the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”). The consolidated financial statements include the accounts of TDS and its majority-owned subsidiaries, including TDS’ 84%-owned wireless telephone subsidiary, United States Cellular Corporation (“U.S. Cellular”) and TDS’ wholly-owned subsidiary, TDS Telecommunications Corporation (“TDS Telecom”). In addition, the consolidated financial statements include certain entities in which TDS has a variable interest that require consolidation under GAAP. All material intercompany accounts and transactions have been eliminated.

The consolidated financial statements included herein have been prepared by TDS, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”). Certain information and disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. However, TDS believes that the disclosures included herein are adequate to make the information presented not misleading. These consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto included in TDS’ Annual Report on Form 10-K (“Form 10-K”) for the year ended December 31, 2012.

Previously, TDS had reported the following reportable segments: U.S. Cellular, TDS Telecom’s incumbent local exchange carrier (“ILEC”), its competitive local exchange carrier (“CLEC”), its Hosted and Managed Services (“HMS”) operations and the Non-Reportable Segment which includes TDS’ majority-owned printing and distribution company, Suttle-Straus, Inc. (“Suttle-Straus”) and TDS’ wholly-owned wireless telephone subsidiary, Airadigm Communications, Inc. (“Airadigm”). As a result of recent acquisitions and changes in TDS’ strategy, operations and internal reporting, TDS has reevaluated and changed its operating segments during the quarter ended September 30, 2013, which resulted in the following reportable segments: U.S. Cellular, TDS Telecom’s Wireline, Cable and HMS operations, and the Non-Reportable Segment. The Wireline segment consists of the former ILEC and CLEC segments. The Cable segment consists of Baja Broadband, LLC (“Baja”), which was acquired in August 2013. Periods presented for

comparative purposes have been re-presented to conform to the revised presentation described above. All of TDS' segments operate only in the United States, except for HMS, which includes an insignificant foreign operation.

In April 2013, TDS deconsolidated its investments in the St. Lawrence Seaway RSA Cellular Partnership ("NY1") and New York RSA 2 Cellular Partnership ("NY2") and thereafter reported them as equity method investments in its consolidated financial statements ("NY1 & NY2 Deconsolidation"). See Note 7 — Investments in Unconsolidated Entities for additional information.

The accompanying unaudited consolidated financial statements contain all adjustments (consisting of only normal recurring items, unless otherwise disclosed) necessary for a fair statement of the financial position as of September 30, 2013 and December 31, 2012, and the results of operations and changes in comprehensive income (loss) for the three and nine months ended September 30, 2013 and 2012 and cash flows and changes in equity for the nine months ended September 30, 2013 and 2012. These results are not necessarily indicative of the results to be expected for the full year.

Recently Issued Accounting Pronouncements

On July 18, 2013, the FASB issued Accounting Standards Update 2013-11, *Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists* ("ASU 2013-11"). ASU 2013-11 addresses the presentation of an unrecognized tax benefit when a net operating loss carryforward or tax credit carryforward exists. In such event, an unrecognized tax benefit, or portion of an unrecognized tax benefit, would be presented in the Consolidated Balance Sheet as a reduction to deferred tax assets unless the net operating loss carryforward or tax credit carryforward at the reporting date is not available under the tax law of the applicable jurisdiction. TDS is required to adopt the provisions of ASU 2013-11 effective January 1, 2014. The adoption of ASU 2013-11 is not expected to have a significant impact on TDS' financial position or results of operations.

Impairment of Long-lived Assets

TDS reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the assets might be impaired. The impairment test for tangible long-lived assets is a two-step process. The first step compares the carrying value of the asset (or asset group) with the estimated undiscounted cash flows over the remaining asset (or asset group) life. If the carrying

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value of the asset (or asset group) is greater than the undiscounted cash flows, the second step of the test is performed to measure the amount of impairment loss. The second step compares the carrying value of the asset (or asset group) to its estimated fair value. If the carrying value exceeds the estimated fair value (less cost to sell), an impairment loss is recognized for the difference.

U.S. Cellular has one asset group for purposes of assessing property, plant and equipment for impairment based on the fact that the individual operating markets are reliant on centrally operated data centers, mobile telephone switching offices, network operations center and wide-area network. As a result, U.S. Cellular operates a single integrated national wireless network, and the lowest level for which identifiable cash flows are largely independent of the cash flows of other groups of assets and liabilities represent cash flows generated by this single interdependent network.

TDS Telecom has five asset groups for purposes of assessing property, plant and equipment for impairment based on their integrated network, assets and operations. The cash flows generated by each of these asset groups is the lowest level for which identifiable cash flows are largely independent of the cash flows of other groups of assets and liabilities.

Quoted market prices in active markets are the best evidence of fair value of a tangible long-lived asset and are used when available. If quoted market prices are not available, the estimate of fair value is based on the best information available, including prices for similar assets and the use of other valuation techniques. A present value analysis of cash flow scenarios is often the best available valuation technique. The use of this technique involves assumptions by management about factors that are uncertain including future cash flows, the appropriate discount rate and other inputs. Different assumptions for these inputs could create materially different results.

Amounts Collected from Customers and Remitted to Governmental Authorities

If a tax is assessed upon the customer and TDS merely acts as an agent in collecting the tax on behalf of the imposing governmental authority, then amounts collected from customers and remitted to governmental authorities are recorded on a net basis within a tax liability account in the Consolidated Balance Sheet. If the tax is assessed upon TDS, then amounts collected from customers as recovery of the tax are recorded in Operating revenues and amounts remitted to governmental authorities are recorded in Selling, general and administrative expenses in the Consolidated Statement of Operations. The amounts recorded gross in revenues that are billed to customers and remitted to governmental authorities totaled \$31.6 million and \$99.0 million for the three and nine months ended September 30, 2013, respectively, and \$36.2 million and \$114.7 million for the three and nine months ended September 30, 2012, respectively.

2. Fair Value Measurements

As of September 30, 2013 and December 31, 2012, TDS did not have any financial assets or liabilities that were required to be recorded at fair value in its Consolidated Balance Sheet in accordance with GAAP. However, TDS has applied the provisions of fair value accounting for purposes of computing the fair value of financial instruments for disclosure purposes as displayed below.

		Level within the Fair Value Hierarchy	September 30, 2013				December 31, 2012			
			Book Value		Fair Value		Book Value		Fair Value	
(Dollars in thousands)										
Cash and cash equivalents		1	\$	711,089	\$	711,089	\$	740,481	\$	740,481
Short-term investments										
	U.S. Treasury Notes	1		45,162		45,162		115,700		115,700
Long-term investments										
	U.S. Treasury Notes	1		40,099		40,154		50,305		50,339
Long-term debt										