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6 **BEFORE THE WASHINGTON**  
7 **UTILITIES AND TRANSPORTATION COMMISSION**

8 IN RE

9  
10 PETITION OF WESTERN WAHIAKUM  
11 COUNTY TELEPHONE COMPANY, TO  
12 RECEIVE SUPPORT FROM THE STATE  
UNIVERSAL COMMUNICATIONS  
SERVICES PROGRAM

DOCKET NO.

PETITION FOR SUPPORT

13  
14 COMES NOW Western Wahkiakum County Telephone Company, d/b/a Wahkiakum West  
15 Telephone and d/b/a WWEST Communications (the "Company"), and, pursuant to Chapter 480-123  
16 of the Washington Administrative Code ("WAC") including, but not limited to, WAC 480-123-110,  
17 hereby petitions the Washington Utilities and Transportation Commission (the "Commission") to  
18 receive support from the State Universal Communications Services Program established in RCW  
19 80.36.650 (the "Program") for the fiscal year ending June 30, 2019.

20  
21 **I. Demonstration of Eligibility under WAC 480-123-100**

- 22  
23 1. WAC 480-123-100(1)(a): The Company is a local exchange company as defined in WAC  
24 480-120-021 that serves less than forty thousand access lines within the state.

25 PETITION OF WESTERN WAHIAKUM  
26 COUNTY TELEPHONE COMPANY, D/B/A  
WAHIAKUM WEST TELEPHONE AND  
D/B/A WWEST COMMUNICATIONS,  
TO RECEIVE SUPPORT FROM THE STATE  
UNIVERSAL COMMUNICATIONS SERVICES  
PROGRAM - 1

- 1 2. WAC 480-123-100(1)(b): The Company is an incumbent local exchange carrier as defined  
2 in 47 U.S.C. Sec. 251(h).
- 3 3. WAC 480-123-100(1)(c): The Company offers basic residential and business exchange  
4 telecommunications services as set forth in WAC 480-120-021 and RCW 80.36.630.
- 5 4. WAC 480-123-100(1)(d): The Company's rates for residential local exchange service, plus  
6 mandatory extended area service charges, are no lower than the local urban rate floor  
7 established by the Commission as the benchmark rate based on the Federal Communications  
8 Commission's national local urban rate floor pursuant to 47 C.F.R. Sec. 54.318 in effect on  
9 the date of this Petition.
- 10 5. WAC 480-123-100(1)(e): The Company has been designated by the Commission as an  
11 eligible telecommunications carrier for purposes of receiving federal universal services  
12 support pursuant to 47 C.F.R. Part 54 Subpart D - Universal Service Support for High Cost  
13 Areas with respect to the service area for which the Company is seeking Program support.  
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## 16 **II. Demonstration of Eligibility under WAC 480-123-110**

- 17 1. WAC 480-123-110(1)(a): The name of the legal entity that provides communications  
18 services and is seeking Program support is as follows: Western Wahkiakum County  
19 Telephone Company.
- 20 2. WAC 480-123-110(1)(b): A corporate organization chart showing the relationship between  
21 the Company and all affiliates as defined in RCW 80.16.010 is attached hereto as Exhibit 1.  
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1 A detailed description of any transactions between the Company and the affiliates named in  
2 Exhibit 1 recorded in the Company's operating accounts is attached hereto as Exhibit 2.

3 3. WAC 480-123-110(1)(c): A service area map for the Company can be found at Sheet Nos.  
4 21 and 21.1 of the Company's Tariff WN U-4.

5 4. WAC 480-123-110(1)(d): A demonstration that the Company's customers are at risk of rate  
6 instability or service interruption or cessation in the absence of support from the Program is  
7 attached as Exhibit 3.

8 5. WAC 480-123-110(1)(e)(i): On the Commission's prescribed form, attached as Exhibit 4,  
9 are copies of the Company's balance sheet as of December 31, 2017, and December 31,  
10 2016, and copies of the Company's statements of income and retained earnings or margin for  
11 the years ended December 31, 2017 and December 31, 2016.

12 6. WAC 480-123-110(1)(e)(ii): A copy of the Company's consolidated annual financial  
13 statements for the years ended December 31, 2017 and December 31, 2016, are attached as  
14 Exhibit 5.

15 7. WAC 480-123-110(1)(e)(iii): Information demonstrating the Company's earned rate of  
16 return on a total Washington unseparated regulated operations basis for each of the two prior  
17 years, calculated in the manner prescribed by the Commission, is provided in Exhibit 4.

18 8. WAC 480-123-110(1)(e)(iv): Information demonstrating the Company's earned return on  
19 equity on a total company (regulated and non-regulated) Washington basis for each of the  
20 two prior years, calculated in the manner prescribed by the Commission, is provided in  
21 Exhibit 5.  
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- 1 9. WAC 480-123-110(1)(e)(v): Information detailing all of the Company's revenues from the  
2 statements of income and retained earnings or margin in the same format and detail as is  
3 required to complete RUS Form 479 for the prior two years is presented on Exhibit 6.
- 4 10. WAC 480-123-110(1)(e)(vi): : Information detailing the amounts of any corporate  
5 operations adjustments to existing high-cost loop and interstate common line support  
6 mechanism required by the Federal Communications Commission applied to the Company  
7 for the prior two years is attached hereto as Exhibit 7.<sup>1</sup>
- 8
- 9 11. WAC 480-123-110(1)(e)(vii): Exhibit 4 contains additional supporting information  
10 requested by the Commission.
- 11 12. WAC 480-123-110(1)(e)(viii): A statement under penalty of perjury from a Company  
12 officer with personal knowledge and responsibility certifying that the Company complies  
13 with state and federal accounting, cost allocation, and cost adjustment rules pertaining to  
14 incumbent local exchange companies is attached as Exhibit 8.
- 15
- 16 13. WAC 480-123-110(1)(f): A complete copy of the FCC Form 481 filed by the Company or  
17 on its behalf with the Federal Communications Commission for the calendar year preceding  
18 the current year has already been filed with the Commission. See the Company's filing in  
19 Docket No. UT -180004 filed on or about July 13, 2018.

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22 <sup>1</sup> More specifically, Exhibit 7 sets forth amounts of corporate operations expense that were required by  
23 47 C.F.R. § 54.1308(a)(4)(ii) to be excluded from the high-cost loop support, and interstate  
24 common line support or broadband loop support (which, in part, has replaced interstate common  
line support), mechanisms, as applicable to the subject years.

1 14. WAC 480-123-110(1)(g): The number of residential local exchange access lines served by  
2 the Company as of December 31, 2017, was 863 all of which were within the geographic  
3 area for which the Company is seeking support. The number of residential local exchange  
4 access lines served by the Company as of December 31, 2016, was 848, all of which were  
5 within the geographic area for which the Company is seeking support.

6 The number of business local exchange access lines served by the Company as of December  
7 31, 2017, was 191, all of which were within the geographic area for which the Company is  
8 seeking support. The number of business local exchange access lines served by the  
9 Company as of December 31, 2016, was 194, all of which were within the geographic area  
10 for which the Company is seeking support.

11 The monthly recurring rate charged by the Company for residential local exchange access  
12 service on December 31, 2017, was \$18.00. The monthly recurring rate charged by the  
13 Company for residential local exchange access service on December 31, 2016, was \$18.00.  
14 The rate charged by the Company for single line business local exchange access service on  
15 December 31, 2017, was \$18.80. The rate charged by the Company for single line business  
16 local exchange access service on December 31, 2016, was \$18.80. (The Company has  
17 other business local exchange service rates, but the Company understands that WAC 480-  
18 123-110(1)(g) is requesting the single line business local exchange access service rate.)  
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21 15. WAC 480-123-110(1)(h): The requested statement is attached as Exhibit 9.  
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1 16. The amount on Line 4, labeled 2011 ROR Carrier Base Period Revenue, of the CAF ICC  
2 Data collection Report for the period 7/1/2018 - 6/30/2019 is \$672,355 and has not changed  
3 from the last filing.

4 17. All exhibits attached hereto are incorporated in this Petition as though fully set forth.

5  
6 Respectfully submitted this 1<sup>st</sup> day of August, 2018.  
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9  
10 Western Wahkiakum County Telephone Company  
11 d/b/a Wahkiakum West Telephone  
12 d/b/a WWEST COMMUNICATIONS  
13

14 CERTIFICATION

15 I Steven M. Appelo, an officer of the Company that is responsible for the Company's  
16 business and financial operations, hereby certify under penalty of perjury that the information and  
17 representations set forth in the Petition, above, are accurate and the Company has not knowingly  
18 withheld any information required to be provided to the Commission pursuant to the rules  
19 governing the Program.

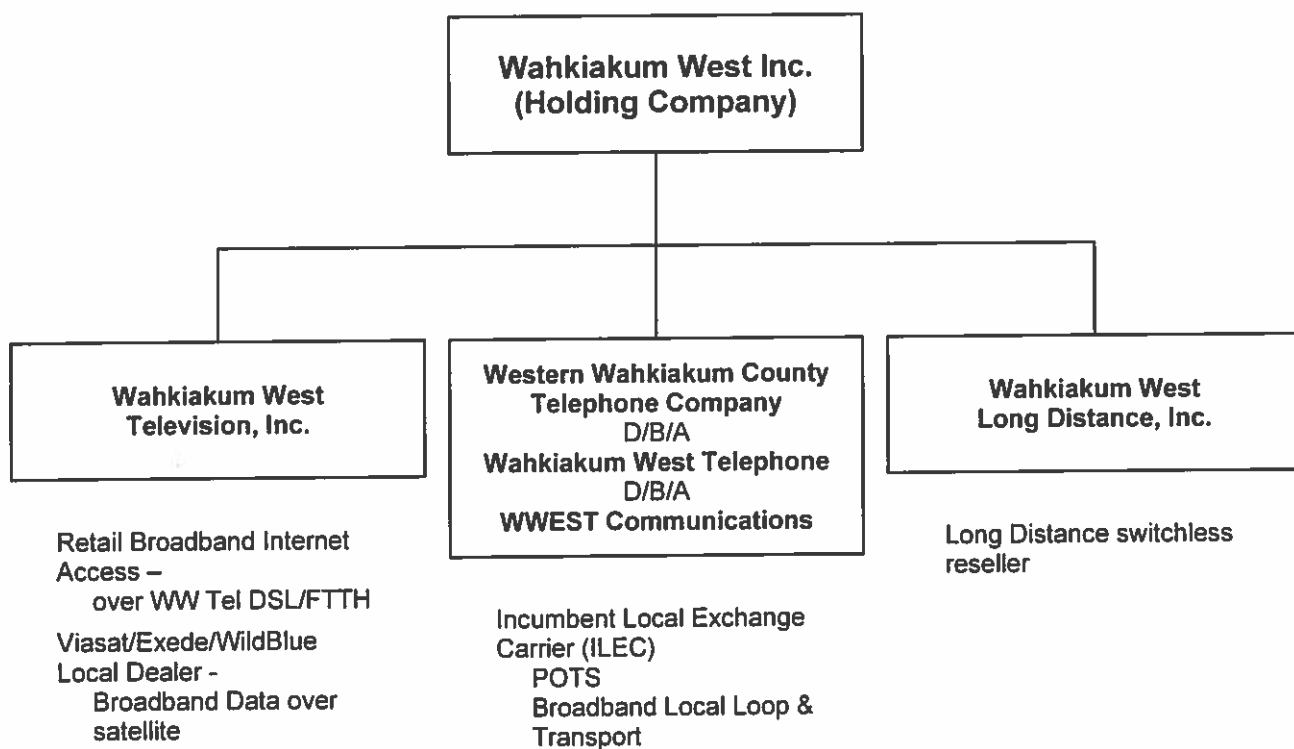
20 By: Steven M. Appelo  
21 Title: President \_\_\_\_\_  
22  
23  
24

25 PETITION OF WESTERN WAHAKIACUM  
26 COUNTY TELEPHONE COMPANY, D/B/A  
WAHAKIACUM WEST TELEPHONE AND  
D/B/A WWEST COMMUNICATIONS,  
TO RECEIVE SUPPORT FROM THE STATE  
UNIVERSAL COMMUNICATIONS SERVICES  
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EXHIBIT 1

CORPORATE ORGANIZATION CHART

**Western Wahkiakum County Telephone Company  
Corporate Structure**



PETITION OF WESTERN WAHAKIACUM COUNTY TELEPHONE COMPANY, D/B/A WAHAKIACUM WEST TELEPHONE AND D/B/A WWEST COMMUNICATIONS, TO RECEIVE SUPPORT FROM THE STATE UNIVERSAL COMMUNICATIONS SERVICES PROGRAM - EXHIBIT 1

## EXHIBIT 2

### AFFILIATED TRANSACTIONS

Western Wahkiakum County Telephone Company (“Wahkiakum West Telephone”), doing business as Wahkiakum West Telephone and as WWEST Communications, is affiliated with Wahkiakum West Long Distance, Inc. (“WWLDI”) and Wahkiakum West Television, Inc. (“WWTVI”). All three companies are wholly-owned subsidiaries of Wahkiakum West, Inc. Wahkiakum West Telephone has transactions with each of WWLDI, WWTVI and Wahkiakum West, Inc. that are recorded on Wahkiakum West Telephone’s books of account.<sup>1</sup>

#### **Wahkiakum West Long Distance, Inc. (WWLDI)**

WWLDI is a switchless toll reseller, which purchases toll from various interexchange carriers and resells it to Wahkiakum West Telephone and its end user customers. The toll appears on the monthly telephone statements of end user customers who have chosen WWLDI as their toll provider. Wahkiakum West Telephone provides billing and collection services for WWLDI, for which Wahkiakum West Telephone charges WWLDI the same tariffed (intrastate service) or contracted (Interstate service) rates that Wahkiakum West Telephone charges any other carrier who uses Wahkiakum West Telephone to do their toll billing and collection. Wahkiakum West Telephone purchases the toll billing receivables from WWLDI. The billing and collection charges are collected each month by being netted against the purchase of accounts receivable. Wahkiakum West Telephone also charges Wahkiakum West Long Distance a fully loaded labor rate for any employee time spent on WWLDI’s behalf above and beyond what is included in the billing and collection function, such as providing customer service or marketing. The employee time, if any, is tracked via daily time sheets and reimbursed quarterly so that all applicable benefits and payroll taxes are included in the reimbursement. The billing and collection charges are booked by Wahkiakum West Telephone as interstate or intrastate regulated access revenue, as applicable. The reimbursement for loaded labor charges is booked by Wahkiakum West Telephone as a reduction to regulated customer operations expense.

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<sup>1</sup> Wahkiakum West Telephone also pays per-meeting director’s fees to the members of its board of directors for their attendance at board meetings.



As noted above, WWLDI also provides toll service to Wahkiakum West Telephone. Wahkiakum West Telephone pays WWLDI WWLDI's price listed rates for such toll service, and books the amounts so incurred to the applicable expense account.

**Wahkiakum West Television, Inc. (WWTVI)**

WWTVI no longer provides television services, but is a retail Internet service provider with the DBAs of Wahkiakum West Internet, Wahkiakum West, and wwest.net. WWTVI is also an Viasat/Exede/WildBlue Satellite internet service retailer. Wired broadband services are purchased by WWTVI from Wahkiakum West Telephone at the NECA tariffed wholesale rates and sold by WWTVI to end users under the above Wahkiakum West Television, Inc. DBAs. Wahkiakum West Television purchases its satellite services and equipment directly from an independent third-party vendor. WWTVI pays Wahkiakum West Telephone a monthly billing and collection fee based on the number of customers billed each month. WWTVI also pays Wahkiakum West Telephone a fully loaded hourly rate for all other employee time spent on behalf of Wahkiakum West Television and any of its services. Employee time, if any, is tracked via daily time sheets and reimbursed quarterly so that all related employee benefits and taxes are included in the reimbursement. The reimbursement for loaded labor charges is booked by Wahkiakum West Telephone as a reduction to regulated customer operations expense.

WWTVI also provides a small retail computer repair service. Employee time of Wahkiakum West Telephone devoted to this activity, if any, is tracked via daily time sheets and reimbursed quarterly so that all related employee benefits and taxes are included in the reimbursement. The reimbursement for loaded labor charges is booked by Wahkiakum West Telephone as a reduction to regulated customer operations expense. WWTVI also directly purchases all of its own additional supplies and equipment.

**Wahkiakum West, Inc.**

Wahkiakum West, Inc. files a consolidated Federal income tax return that includes Wahkiakum West Telephone. Quarterly income tax payments are made by Wahkiakum West Telephone. Wahkiakum West Inc. and each affiliate reimburse Wahkiakum West Telephone for their respective allocated share of any Federal income tax liability.

From time to time, Wahkiakum West Telephone pays dividends with respect to its issued and outstanding common stock, with such payments being made to Wahkiakum West, Inc.

Additionally, from time to time, Wahkiakum West, Inc. may lend funds, primarily for construction, to Wahkiakum West Telephone. These loans, if any, are interest-bearing and are reflected on the books of Wahkiakum West Telephone.

PETITION OF WESTERN WAHAKIAKUM  
COUNTY TELEPHONE COMPANY, D/B/A  
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UNIVERSAL COMMUNICATIONS SERVICES  
PROGRAM  
EXHIBIT 2 - 3

### EXHIBIT 3

#### DEMONSTRATION OF RISK OF RATE INSTABILITY OR SERVICE INTERRUPTION OR CESSATION

The operating environment in which the Company finds itself has created a climate of great financial uncertainty. The Company has been working over the past several years to address growing competition. The Company has taken steps to increase the availability and attributes of advanced services offered by the Company, including broadband. This has resulted in the Company making additional investments in regulated plant of approximately \$8.5 million during the period January 1, 2011 through December 31, 2017. As a result, the Company has a substantial debt obligation to cover the investment that has been made.

The overall financial condition of the Company is detailed on other Exhibits to this Petition. What this information demonstrates is that, when adjusted to eliminate the support from the state Universal Communications Services Program ("Program") that the Company received or accrued in 2017, the Company's total regulated revenue decreased by more than nine percent (9%) from 2011 through 2017 while during the period January 1, 2011 through December 31, 2017, the Company's net regulated plant increased by \$2,894,784 (from \$5,002,347 to \$7,897,131, or approximately 58%). The Company has looked for ways to lower expenses – for example, by replacing more maintenance-intensive plant with plant requiring less maintenance, but those conversions themselves require a capital investment, with concomitantly increased capital carrying costs. Moreover, much of the Company's operating expenditures are fixed obligations, such as debt-related payments in the approximate amount of \$290,000 annually (or more) on its construction debt.

On December 19, 2017, the Tax Cuts and Jobs Act was enacted moving the corporate tax rate from 34% to 21% as of January 1, 2018. That enactment will result in the Company being subject to a lower federal income tax rate. However, to the extent that the Company's federal high cost support payments and interstate access revenues include an allowance for federal income taxes, the lower federal income tax rate is also expected to result in a reduction in federal high cost support payments and revenue amounts derived from interstate access services.

As an example of why state Program support is needed, the Company's receipt of revenue from the traditional Washington intrastate universal service access rate element and related pooling fund were terminated effective July 1, 2014. Since then, the loss of revenues derived from the traditional universal service access rate element has been off-set by revenues received by the Company as a result of its participation in the Program. Using 2012 as a base line, the Company is facing a loss of formerly traditional universal service fund revenues (and more recently Program revenue that was replacing those traditional universal service fund revenues) of approximately \$143,007 per year if its participation in the Program is not renewed.

As another example, some of the financial uncertainty that the Company faces stems from the USF/ICC Transformation Order issued by the Federal Communications Commission.<sup>1</sup> The USF/ICC Transformation Order has built in an automatic decline in the Company's intrastate and interstate access revenues. The intercarrier compensation portion of the Transformation Order introduces a concept of a base line year for calculating terminating access and reciprocal compensation revenues and provides support from the Connect America Fund ("CAF") based on the base line year. However, the base line year revenues (from which the level of CAF support is derived) are reduced iteratively by five percent each year. The CAF support reduction began in July 2012. Projecting through the year ending June 30, 2019, including reductions that became effective July 1, 2018, the Company has seen a reduction in annual support from the base line revenue of approximately \$202,825.

On top of all this, during the seven-year period ended December 31, 2017, the Company has seen its total federal high cost support decline from \$2,189,682 in 2011 to \$1,977,261 in 2017. Uncompensated reductions in federal high cost support are projected to continue. Among the factors reducing federal high cost support are budget constraints imposed by the Federal Communications Commission ("FCC"), including its pro rata adjustment factor, which applies to federal high cost loop support, its budget control mechanism, which applies to federal high cost loop support and federal broadband loop support, and a transition to a lower rate of return. The first two of these mechanisms are expected to reduce the Company's federal high cost support from what it would have been in the absence of such mechanisms by approximately \$415,000 for 2018, which is an increase of approximately \$70,000 over the amount of such reduction for 2017 and an increase of approximately \$222,000 over the amount of such reduction for 2016. It appears likely that these mechanisms, when coupled with the FCC's ongoing transition to a lower rate of return, will continue to erode the Company's federal high cost support.

These factors, among others, have led to the strained financial condition of the Company as reflected in the financial reports that are part of this Petition. To illustrate just one aspect of the strain, as a result of the Company's borrowing from the Federal Finance Bank to finance regulated telecommunications plant additions, the Company is subject to financial covenants that prescribe certain financial ratios that must be satisfied in order for the Company not to be in default under the applicable loan documents. For 2017, and as projected for 2018, without support from the state universal communications services program in the amounts received or projected to be received, the Company would have failed, or would fail, to satisfy the prescribed ratios and would thus be in default under its loan documents.

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<sup>1</sup> *In the Matter of Connect America Fund, A National Broadband Plan for Our Future, Establishing Just and Reasonable Rates for Local Exchange Carriers, High-Cost Universal Service Support, Developing an Unified Intercarrier Compensation Regime, Federal-State Joint Board on Universal Service, Lifeline and Link-Up, Universal Service Reform - Mobility Fun*, WC Docket No. 10-90, GN Docket No. 09-51, WC Docket No. 07-135, WC Docket No. 05-337, CC Docket No. 01-92, CC Docket No. 96-45, WC Docket No. 03-109, WT Docket No. 10-208, Report and Order and Further Notice of Proposed Rulemaking, FCC 11-161 (rel. Nov. 18, 2011)(*USF/ICC Transformation Order*).

The combination of factors noted above creates a situation in which, without continued support from the state universal communications services program, the Company may be faced with a choice of increasing rates further or reducing service in order to have revenues more adequately cover revenue requirement. Neither choice presents a viable path for providing continued high quality service to customers. The dilemma presented by these choices reflects the risk of rate instability or service interruption or cessation to which the Company is subject.

**EXHIBIT 4**

**STATE USF FILING**

**FINANCIAL TEMPLATE**

**NON-"S CORP" COMPANIES**

**PETITION OF WESTERN WAHIAKUM  
COUNTY TELEPHONE COMPANY, D/B/A  
WAHIAKUM WEST TELEPHONE,  
D/B/A WWEST COMMUNICATIONS  
TO RECEIVE SUPPORT FROM THE STATE  
UNIVERSIVAL SERVICE COMMUNICATIONS  
PROGRAM -  
EXHIBIT 4**

State USF Petition Filing Requirement -WAC 480-123-110 (1)(e)  
Pilot Year Balance Sheet

Company Name: (Below)  
WESTERN WAHIAKUM COUNTY TELEPHONE COMPANY

ASSETS	Balance End of Year 2016 (A)	Part 64 Adj to NonReg 2016 (B)	Adj. Balance End of Year 2016 (C)	LIABILITIES AND STOCKHOLDERS' EQUITY	Balance End of Year 2016 (A)	Part 64 Adj to NonReg 2016 (B)	Adj. Balance End of Year 2016 (C)
<b>CURRENT ASSETS</b>				<b>CURRENT LIABILITIES</b>			
1. Cash and Equivalents	2,145,546		2,145,546	25. Accounts Payable	46,214		46,214
2. Cash-RUS Construction Fund	285		285	26. Notes Payable	0		0
3. Affiliates:				27. Advance Billings and Payments	21,054		21,054
a. Telecom, Accounts Receivable	401,848		401,848	28. Customer Deposits	0		0
b. Other Accounts Receivable	0		0	29. Current Mat. L/T Debt	187,700		187,700
c. Notes Receivable	0		0	30. Current Mat. L/T Debt Rur. Dev.	0		0
4. Non-Affiliates:				31. Current Mat. - Capital Leases	0		0
a. Telecom, Accounts Receivable	0		0	32. Income Taxes Accrued	56,366		56,366
b. Other Accounts Receivable	0		0	33. Other Taxes Accrued	69,491		69,491
c. Notes Receivable	0		0	34. Other Current Liabilities	323,469		323,469
5. Interest and Dividends Receivable	0		0	35. Total Current Liabilities (25 thru 34)	704,294	0	704,294
6. Material-Regulated	245,165		245,165	<b>LONG-TERM DEBT</b>			
7. Material-Nonregulated	14,992		14,992	36. Funded Debt-RUS Notes	0		0
8. Prepayments	14,992		14,992	37. Funded Debt-RTB Notes	0		0
9. Other Current Assets	2,807,836	0	2,807,836	38. Funded Debt-FFB Notes	3,128,004		3,128,004
10. Total Current Assets (1 Thru 9)				39. Funded Debt-Other	0		0
				40. Funded Debt-Rural Develop. Loan	0		0
				41. Premium (Discount) on L/T Debt	0		0
<b>NONCURRENT ASSETS</b>				42. Reacquired Debt	0		0
11. Investment in Affiliated Companies	0		0	43. Obligations Under Capital Lease	0		0
a. Rural Development	0		0	44. Adv. From Affiliated Companies	0		0
b. Nonrural Development	0		0	45. Other Long-Term Debt	1,506,247		1,506,247
12. Other Investments	0		0	46. Total Long-Term Debt (36 thru 45)	4,634,251	0	4,634,251
a. Rural Development	0		0	<b>OTHER LIAB. &amp; DEF. CREDITS</b>			
b. Nonrural Development	0		0	47. Other Long-Term Liabilities	0		0
13. Nonregulated Investments (B1)	553,999	277,901	277,901	48. Deferred Income Taxes	1,678,382	(4,943)	1,673,439
14. Other Noncurrent Assets	553,999		553,999	49. Other Deferred Credits (D)	0		0
15. Deferred Charges	0		0	50. Other Jurisdictional Differences	1,678,382	(4,943)	1,673,439
16. Jurisdictional Differences	0		0	51. Total Other Liab. & Def. Credits (47 thru 50)			
17. Total noncurrent Assets (11 thru 16)	553,999	277,901	831,900	<b>EQUITY</b>			
<b>PLANT, PROPERTY AND EQUIPMENT</b>				52. Cap. Stock Outstanding & Subscribed	54,171		54,171
18. Telecom Plant-in-Service	21,305,128	(504,667)	20,800,461	53. Additional Paid-in-Capital	279,251		279,251
19. Property Held for Future Use	0		0	54. Treasury Stock	0		0
20. Plant Under Construction	123,420		123,420	55. Membership and Capital Certificates	0		0
21. Plant Adj., Monop Plant & Goodwill	(13,329,562)	226,766	(13,102,796)	56. Other Capital	0		0
22. Accumulated Depreciation (Ch.)	8,098,986	(277,901)	7,821,085	57. Patronage Capital Credits	4,110,472	4,943	4,115,415
23. Net Plant (18 thru 21 less 22)				58. Retained Earnings or Margins (B2)	4,443,894	4,943	4,448,837
				59. Total Equity (52 thru 58)			
<b>24. TOTAL ASSETS (10+17+23)</b>	<b>11,460,821</b>	<b>0</b>	<b>11,460,821</b>	<b>60. TOTAL LIABILITIES AND EQUITY (35+46+51+59)</b>	<b>11,460,821</b>	<b>0</b>	<b>11,460,821</b>

Footnotes:  
(A) - As reported on RUS Form 479  
(B) - Part 64 adjustments from regulated to nonregulated.  
(C) - Adjusted Balance after Part 64  
(B1) - Part 64 offset to nonreg investment  
(B2) - Part 64 offset to retained earnings  
(D) - Excludes deferred taxes

State USE Petition Filing Requirement -WAC 480-123-1101(e)  
Current Year Balance Sheet

Company Name: (Below)  
WESTERN WAHIAKUM COUNTY TELEPHONE COMPANY

ASSETS	Balance End of Year 2017 (A)	Part 64 Adj to NonReg 2017 (B)	Adj. Balance End of Year 2017 (C)	LIABILITIES AND STOCKHOLDERS' EQUITY	Balance End of Year 2017 (A)	Part 64 Adj to NonReg 2017 (B)	Adj. Balance End of Year 2017 (C)
<b>CURRENT ASSETS</b>				<b>CURRENT LIABILITIES</b>			
1. Cash and Equivalents	1,364,992		1,364,992	25. Accounts Payable	149,615		149,615
2. Cash-RUS Construction Fund	285		285	26. Notes Payable	0		0
3. Affiliates:				27. Advance Billings and Payments	21,023		21,023
a. Telecom, Accounts Receivable	255,048		255,048	28. Customer Deposits	0		0
b. Other Accounts Receivable	0		0	29. Current Mat. L/T Debt	181,200		181,200
c. Notes Receivable	0		0	30. Current Mat. L/T Debt Rur. Dev.	0		0
4. Non-Affiliates:				31. Current Mat. - Capital Leases	0		0
a. Telecom, Accounts Receivable	0		0	32. Income Taxes Accrued	26,321		26,321
b. Other Accounts Receivable	0		0	33. Other Taxes Accrued	71,060		71,060
c. Notes Receivable	0		0	34. Other Current Liabilities	362,223		362,223
5. Interest and Dividends Receivable	0		0	35. Total Current Liabilities (25 thru 34)	811,442	0	811,442
6. Material-Regulated	265,933		265,933	<b>LONG-TERM DEBT</b>			
7. Material-Nonregulated	23,766		23,766	36. Funded Debt-RUS Notes	0		0
8. Prepayments	23,766		23,766	37. Funded Debt-RTB Notes	0		0
9. Other Current Assets	0		0	38. Funded Debt-FFB Notes	2,452,033		2,452,033
10. Total Current Assets (1 Thru 9)	1,910,024	0	1,910,024	39. Funded Debt-Other	0		0
				40. Funded Debt-Rural Develop. Loan	0		0
<b>NONCURRENT ASSETS</b>				41. Premium (Discount) on L/T Debt	0		0
11. Investment in Affiliated Companies				42. Recquired Debt	0		0
a. Rural Development	0		0	43. Obligations Under Capital Lease	0		0
b. Nonrural Development	0		0	44. Adv. From Affiliated Companies	0		0
12. Other Investments	0		0	45. Other Long-Term Debt	1,000,000		1,000,000
a. Rural Development	0		0	46. Total Long-Term Debt (36 thru 45)	3,452,033	0	3,452,033
b. Nonrural Development	0		0	<b>OTHER LIAB. &amp; DEF. CREDITS</b>			
13. Nonregulated Investments (B1)	0		0	47. Other Long-Term Liabilities	0		0
14. Other Noncurrent Assets	493,650	260,219	753,869	48. Deferred Income Taxes	1,085,870	669,191	1,755,061
15. Deferred Charges	0		0	49. Other Deferred Credits (D)	0		0
16. Jurisdictional Differences	0		0	50. Other Jurisdictional Differences	0		0
17. Total noncurrent Assets (11 thru 16)	493,650	260,219	753,869	51. Total Other Liab. & Def. Credits (47 thru 50)	1,085,870	669,191	1,755,061
<b>PLANT, PROPERTY AND EQUIPMENT</b>				<b>EQUITY</b>			
18. Telecom Plant-In-Service	21,441,959	(441,703)	21,000,256	52. Cap. Stock Outstanding & Subscribed	54,171		54,171
19. Property Held for Future Use	61,932		61,932	53. Additional Paid-in-Capital	279,251		279,251
20. Plant Under Construction	(13,606,760)	181,484	(13,425,276)	54. Treasury Stock	0		0
21. Accumulated Depreciation (CR.)	7,897,131	(260,219)	7,636,912	55. Membership and Capital Certificates	0		0
22. Net Plant (18 thru 21 less 22)	10,300,805	0	10,300,805	56. Other Capital	0		0
23. Total Assets (10+17+23)	10,300,805	0	10,300,805	57. Patronage Capital Credits	0		0
				58. Retained Earnings or Margins (B2)	4,618,038	(669,191)	3,948,847
				59. Total Equity (52 thru 58)	4,951,460	(669,191)	4,282,269
				60. TOTAL LIABILITIES AND EQUITY (35+46+51+59)	10,300,805	0	10,300,805

Footnotes:  
(A) - As reported on RUS Form 479  
(B) - Part 64 adjustments from regulated to nonregulated.  
(C) - Adjusted Balance after Part 64



Company Name: (Below)  
WESTERN WAHIAKUM COUNTY TELEPHONE COMPANY

ASSETS	Adjusted Prior Year Balance 2016	Adjusted Current Year Balance 2017	LIABILITIES AND STOCKHOLDERS' EQUITY	Adjusted Prior Year Balance 2016	Adjusted Current Year Balance 2017
<b>CURRENT ASSETS</b>			<b>CURRENT LIABILITIES</b>		
1. Cash and Equivalents	2,145,546	1,364,992	25. Accounts Payable	45,214	149,615
2. Cash-RUS Construction Fund	285	285	26. Notes Payable	0	0
3. Affiliates:			27. Advance Billings and Payments	21,054	21,023
a. Telecom, Accounts Receivable	401,848	255,048	28. Customer Deposits	0	0
b. Other Accounts Receivable	0	0	29. Current Mat. LT Debt	187,700	181,200
c. Notes Receivable	0	0	30. Current Mat. LT Debt Rur. Dev.	0	0
4. Non-Affiliates:			31. Current Mat. - Capital Leases	0	0
a. Telecom, Accounts Receivable	0	0	32. Income Taxes Accrued	56,366	26,321
b. Other Accounts Receivable	0	0	33. Other Taxes Accrued	69,491	71,060
c. Notes Receivable	0	0	34. Other Current Liabilities	323,469	362,223
5. Interest and Dividends Receivable	0	0	35. Total Current Liabilities (25 - 34)	704,294	811,442
6. Material Regulated	245,165	265,933	<b>LONG-TERM DEBT</b>		
7. Material Nonregulated	0	0	36. Funded Debt-RUS Notes	0	0
8. Prepayments	14,992	23,766	37. Funded Debt-RTB Notes	0	0
9. Other Current Assets	0	0	38. Funded Debt-FFB Notes	3,128,004	2,452,033
10. Total Current Assets (1 Thru 9)	2,807,836	1,910,024	39. Funded Debt-Other	0	0
			40. Funded Debt Rural Develop. Loan	0	0
<b>NONCURRENT ASSETS</b>			41. Premium (Discount) on LT Debt	0	0
11. Investment in Affiliated Companies			42. Recquired Debt	0	0
a. Rural Development	0	0	43. Obligations Under Capital Lease	0	0
b. Nonrural Development	0	0	44. Adv. From Affiliated Companies	0	0
12. Other Investments			45. Other Long-Term Debt	1,506,247	1,090,000
a. Rural Development	0	0	46. Total Long-Term Debt (36-45)	4,634,251	3,452,033
b. Nonrural Development	0	0	<b>OTHER LIAB. &amp; DEF. CREDITS</b>		
13. Nonregulated Investments	277,901	260,219	47. Other Long-Term Liabilities	0	0
14. Other Noncurrent Assets	553,999	493,650	48. Deferred Income Taxes	1,673,439	1,755,061
15. Deferred Charges	0	0	49. Other Deferred Credits	0	0
16. Jurisdictional Differences	0	0	50. Other Jurisdictional Differences	0	0
17. Total noncurrent Assets (11 thru 16)	831,900	753,869	51. Total Other Liab. & Def. Credits (47 thru 50)	1,673,439	1,755,061
			<b>EQUITY</b>		
<b>PLANT, PROPERTY AND EQUIPMENT</b>			52. Cap. Stock Outstanding & Subscribed	54,171	54,171
18. Telecom Plant-in-Service	20,800,461	21,000,256	53. Additional Paid-in-Capital	279,251	279,251
19. Property Held for Future Use	0	0	54. Treasury Stock	0	0
20. Plant Under Construction	123,420	61,932	55. Membership and Capital Certificates	0	0
21. Plant Adj., Nonop Plant & Goodwill	0	0	56. Other Capital	0	0
22. Accumulated Depreciation (CR.)	(13,102,796)	(13,425,276)	57. Patronage Capital Credits	0	0
23. Net Plant (18 thru 21 less 22)	7,821,085	7,636,912	58. Retained Earnings or Margins	4,115,415	3,948,847
			59. Total Equity (52 thru 58)	4,448,837	4,282,269
<b>24. TOTAL ASSETS (10+17+23)</b>	<b>11,460,821</b>	<b>10,300,805</b>	<b>59. TOTAL LIABILITIES AND EQUITY (35+46+51+59)</b>	<b>11,460,821</b>	<b>10,300,805</b>

Footnote:  
Adjusted Balances represents balances after Part 64 adjustments.

State USF Petition Filing Requirement -WAC 480-123-110 (1)(e)  
 Prior and Current Year Rate Base

Company Name: (Below)  
 WESTERN WAKIAKUM COUNTY TELEPHONE COMPANY

Line #	Description	9/5 Line #	Adj. Balance End of Year 2016	Adj. Balance End of Year 2017	Average Adj End of Year Balance
<b>Average Rate Base:</b>					
1	Total Regulated Adjusted Telecom Plant-in-Service	18	20,800,461	21,000,256	20,900,359
2	Total Property Held for Future Use	19	0	0	0
3	Total Regulated Adjusted Accumulated Depreciation (CR)	22	(13,102,796)	(13,425,276)	(13,264,036)
4	Total Regulated Materials & Supplies	6	245,165	265,933	255,549
5	Deferred Income Taxes (CR) * - Manually input		(1,673,439)	(1,755,061)	(1,714,250)
6	Total Regulated Rate Base		6,269,391	6,085,852	6,177,622

Footnotes:

1. Normal balance of deferred operating income taxes and accumulated depreciation is a credit
2. Deferred Income Taxes (Line 5) may not equal the Balance Sheet Deferred Income Taxes (Line 48) if the later includes non-operating
3. Adjusted balance includes Part 64 adjustments

State USF Petition Filing Requirement -WAC 480-323-110 (1)(e)  
 Prior and Current Year Access Lines

Company Name: (Below)  
WESTERN WAHIAKUM COUNTY TELEPHONE COMPANY

Line #	Description	Prior Year End of Yr. Balance - 2016	Current Year End of Yr. Balance - 2017	Difference	% Change
Access Lines:					
1	Residential	848	863	15	1.8%
2	Business	194	191	(3)	-1.5%
3	Total	1,042	1,054	12	1.2%

Note: If 2016 does not equal last year's petition and template, explain.

State USF Petition Filing Requirement -WAC 480-123-110 (1)(e)  
 Prior Year Income Statement

Company Name: (Below)  
 WESTERN WAHAKIYAKUM COUNTY TELEPHONE COMPANY

Line #	Description	Prior Year 2016 (A)	Part 64 Adj to NonReg (B)	Prior Year Adjusted 2016 (C)
1	Local Network Services Revenues	253,580		253,580
2	Network Access Services Revenues	3,301,264		3,301,264
3	Long Distance Network Services Revenues			0
4	Carrier Billing and Collection Revenues	22,864		22,864
5	Miscellaneous Revenues	1,550		1,550
6	Uncollectible Revenues (Normal Balance is debit or in brackets)	(3)		(3)
7	Net Operating Revenues (1 thru 6)	3,579,255	0	3,579,255
8	Plant Specific Operations Expense	457,931	(4,228)	453,703
9	Plant Nonspecific Operations Expense (excluding Depreciation & Amort.)	469,478	6,842	476,320
10	Depreciation Expense	937,493	(25,904)	911,589
11	Amortization Expense			0
12	Customer Operations Expense	170,948		170,948
13	Corporate Operations	902,620	(8,200)	894,420
14	Total Operations Expenses (8 thru 13)	2,938,470	(31,490)	2,906,980
15	Operating Income or Margins (7 less 14)	640,785	31,490	672,275
16	Other Operating Income and Expenses ( )			0
17	State and Local Taxes	104,163		104,163
18	Federal Income Taxes (A1) - (LINE IS ZERO IF COMPANY IS S CORP)	140,340		140,340
19	Other Taxes			0
20	Total Operating Taxes (17+18+19)	244,503	0	244,503
21	Net Operating Income or Margins (15+16-20)	396,282	31,490	427,772
22	Interest on Funded Debt	56,422		56,422
23	Interest Expense - Capital Leases			0
24	Other Interest Expense	60,250		60,250
25	Allowance for Funds Used During Construction (Record as a Credit)			0
26	Total Fixed Charges (22+23+24+25)	116,672	0	116,672
27	Nonoperating Net Income	(4,018)		(4,018)
28	Extraordinary Items			0
29	Jurisdictional Differences			0
30	Nonregulated Net Income (B1)	(15,354)	(31,490)	(46,844)
31	Total Net Income or Margins (21+27+28+29+30-26)	260,238	0	260,238
32	Total Taxes Based on Income			
33	Retained Earning or Margins Beginning of Year	3,900,919		3,900,919
34	Miscellaneous Credits Year-to-Date	107,315		107,315
35	Dividends Declared (Common)	158,000		158,000
36	Dividends Declared (Preferred)	0		0
37	Other Debits Year-to-Date			0
38	Transfers to Patronage Capital			0
39	Retained Earnings End-of-Period ((31+33+34)-(35+36+37+38))(A2)	4,110,472	0	4,110,472
40	Patronage Capital Beginning of Year			0
41	Transfers to Patronage Capital			0
42	Patronage Capital Credits Retired			0
43	Patronage Capital End-of-Year (40+41-42)	0	0	0
44	Annual Debt Service Payments	279,529		279,529
45	Cash Ratio ((14+20-10-11)/7)	0.6274	#DIV/0!	0.6258
46	Operating Accrual Ratio ((14+20+26)/7)	0.9219	#DIV/0!	0.9131
47	TIER ((31+26)/26)	3.2305	#DIV/0!	3.2305
48	DSCR ((31+26+10+11)/44)	4.7022	#DIV/0!	4.6095

Footnotes:

- (A) As reported on RUS Form 479
- (A1) S Corps provide effective tax rate from Cost study on Page 9, Income Statement Summary Schedule Footnote
- (A2) Column A, Line 39 must equal Column A, Line 58 of Page 2, Balance Sheet
- (B) Part 64 adjustment from regulated to nonregulated
- (B1) Column B, automatic offset to Nonregulated Net Income (No impact to Retained Earnings)
- (C) Adjusted balance after Part 64 adjustments

State USF Petition Filing Requirement -WAC 480-123-110 (1)(e)  
Current Year Income Statement

Company Name: (Below)  
WESTERN WAHIAKUM COUNTY TELEPHONE COMPANY

Line #	Description	Current Year 2017 (A)	Part 64 Adj. to NonReg (B)	Current Year Adjusted 2017 (C)
1	Local Network Services Revenues	254,218		254,218
2	Network Access Services Revenues	3,028,031		3,028,031
3	Long Distance Network Services Revenues			0
4	Carrier Billing and Collection Revenues	22,655		22,655
5	Miscellaneous Revenues	2,258		2,258
6	Uncollectible Revenues (Normal Balance is debit or in brackets)	(807)		(807)
7	Net Operating Revenues (1 thru 6)	3,306,355	0	3,306,355
8	Plant Specific Operations Expense	537,486	(4,183)	533,303
9	Plant Nonspecific Operations Expense (excluding Depreciation & Amort.)	483,810	(1,646)	482,164
10	Depreciation Expense	857,092	(19,867)	837,225
11	Amortization Expense			0
12	Customer Operations Expense	166,837		166,837
13	Corporate Operations	881,060	(7,100)	873,960
14	Total Operations Expenses (8 thru 13)	2,926,285	(32,796)	2,893,489
15	Operating Income or Margins (7 less 14)	380,070	32,796	412,866
16	Other Operating Income and Expenses ( )			0
17	State and Local Taxes	92,933		92,933
18	Federal Income Taxes (A1) - (LINE IS ZERO IF COMPANY IS S CORP)	(553,999)	673,118	119,119
19	Other Taxes			0
20	Total Operating Taxes (17+18+19)	(461,066)	673,118	212,052
21	Net Operating Income or Margins (15+16-20)	841,136	(640,322)	200,814
22	Interest on Funded Debt	64,468		64,468
23	Interest Expense - Capital Leases			0
24	Other Interest Expense	50,436		50,436
25	Allowance for Funds Used During Construction (Record as a Credit)			0
26	Total Fixed Charges (22+23+24+25)	114,904	0	114,904
27	Nonoperating Net Income	(9,574)		(9,574)
28	Extraordinary Items			0
29	Jurisdictional Differences			0
30	Nonregulated Net Income (B1)	(14,092)	640,322	626,230
31	Total Net Income or Margins (21+27+28+29+30-26)	702,566	0	702,566
32	Total Taxes Based on Income			
33	Retained Earning or Margins Beginning-of-Year	4,110,472		4,110,472
34	Miscellaneous Credits Year-to-Date			0
35	Dividends Declared (Common)	195,000		195,000
36	Dividends Declared (Preferred)			0
37	Other Debits Year-to-Date			0
38	Transfers to Patronage Capital			0
39	Retained Earnings End-of-Period ((31+33+34)-(35+36+37+38))(A2)	4,618,038	0	4,618,038
40	Patronage Capital Beginning-of-Year			0
41	Transfers to Patronage Capital			0
42	Patronage Capital Credits Retired			0
43	Patronage Capital End-of-Year (40+41-42)	0	0	0
44	Annual Debt Service Payments	1,303,622		1,303,622
45	Cash Ratio ((14+20-10-11)/7)	0.4864	#DIV/0!	0.6860
46	Operating Accrual Ratio ((14+20+26)/7)	0.7804	#DIV/0!	0.9740
47	TIER ((31+26)/26)	7.1144	#DIV/0!	7.1144
48	DSCR ((31+26+10+11)/44)	1.2845	#DIV/0!	1.2693

Footnotes

- (A) As reported on RUS Form 479
- (A1) S Corps provide effective tax rate from Cost study on Page 9, Income Statement Summary Schedule Footnote
- (A2) Column A, Line 39 must equal Column A, Line 58 of Page 3, Balance Sheet
- (B) Part 64 adjustment from regulated to nonregulated
- (B1) Column B, automatic offset to Nonregulated Net Income (No Impact to Retained Earnings)
- (C) Adjusted balance after Part 64 adjustments  
Line 18 FIT large Part 64 adjustment is due to adding back in the excess Deferred FIT per NECA instructions to normalize tax:

State USF Petition Filing Requirement -WAC 480-123-110 (1)(e)  
 Prior and Current Year Income Statement

Company Name  
WESTERN WAHIAKUM COUNTY TELEPHONE COMPANY

Line #	Description	Adjusted Prior Year 2016	Adjusted Current Year 2017
1	Local Network Services Revenues	253,580	254,218
2	Network Access Services Revenues	3,301,264	3,028,031
3	Long Distance Network Services Revenues	0	0
4	Carrier Billing and Collection Revenues	22,864	22,655
5	Miscellaneous Revenues	1,550	2,258
6	Uncollectible Revenues (Normal Balance is debit or in brackets)	(3)	(807)
7	<b>Net Operating Revenues (1 thru 6)</b>	<b>3,579,255</b>	<b>3,306,355</b>
8	Plant Specific Operations Expense	453,703	533,303
9	Plant Nonspecific Operations Expense (excluding Depreciation & Amort.)	476,320	482,164
10	Depreciation Expense	911,589	837,225
11	Amortization Expense	0	0
12	Customer Operations Expense	170,948	166,837
13	Corporate Operations	894,420	873,960
14	<b>Total Operations Expenses (8 thru 13)</b>	<b>2,906,980</b>	<b>2,893,489</b>
15	Operating Income or Margins (7 less 14)	672,275	412,866
16	Other Operating Income and Expenses ( )	0	0
17	State and Local Taxes	104,163	92,933
18	Federal Income Taxes (A1) - (LINE IS ZERO IF COMPANY IS S CORP)	140,340	119,119
19	Other Taxes	0	0
20	<b>Total Operating Taxes (17+18+19)</b>	<b>244,503</b>	<b>212,052</b>
21	<b>Net Operating Income or Margins (15+16-20)</b>	<b>427,772</b>	<b>200,814</b>
22	Interest on Funded Debt	56,422	64,468
23	Interest Expense - Capital Leases	0	0
24	Other Interest Expense	60,250	50,436
25	Allowance for Funds Used During Construction (Record as a Credit)	0	0
26	<b>Total Fixed Charges (22+23+24+25)</b>	<b>116,672</b>	<b>114,904</b>
27	Nonoperating Net Income	(4,018)	(9,574)
28	Extraordinary Items	0	0
29	Jurisdictional Differences	0	0
30	Nonregulated Net Income	(46,844)	626,230
31	<b>Total Net Income or Margins (21+27+28+29+30-26)</b>	<b>260,238</b>	<b>702,566</b>
32	Total Taxes Based on Income		
33	Retained Earning or Margins Beginning-of-Year	3,900,919	4,110,472
34	Miscellaneous Credits Year-to-Date	107,315	0
35	Dividends Declared (Common)	158,000	195,000
36	Dividends Declared (Preferred)	0	0
37	Other Debits Year-to-Date	0	0
38	Transfers to Patronage Capital	0	0
39	<b>Retained Earnings or Margins End-of-Period ((31+33+34)-(35+36+37+38))</b>	<b>4,110,472</b>	<b>4,618,038</b>
40	Patronage Capital Beginning-of-Year	0	0
41	Transfers to Patronage Capital	0	0
42	Patronage Capital Credits Retired	0	0
43	<b>Patronage Capital End-of-Year (40+41-42)</b>	<b>0</b>	<b>0</b>
44	Annual Debt Service Payments	279,529	1,303,622
45	Cash Ratio ((14+20-10-11)/7)	0.6258	0.6860
46	Operating Accrual Ratio ((14+20+26)/7)	0.9131	0.9740
47	TIER ((31+26)/26)	3.2305	7.1144
48	DSCR ((31+26+10+11)/44)	4.61	1.2693

Footnote  
 (A1) S Corporation Effective Tax Rate (2 decimal places):  
 Note  
 Adjusted Income Statement reflects Part 64 Adjustments (Regulated to  
 Nonregulated).

2016 2017

State USF Petition Filing Requirement -WAC 480-123-110 (1)(e)  
 Prior and Current Year Access Revenue Detail

Company Name: (Below)  
 WESTERN WAHIAKUM COUNTY TELEPHONE COMPANY

Line #	Description	Part 32 Account	Prior Year 2016	Current Year 2017
1	End User Revenue (SLC, ARC, etc.)	5081	149,448	163,345
2	Switched Access (excluding USF):	5082		
2a	Intrastate		58,390	49,646
2b	Interstate (includes CAF)		612,745	450,642
3	Special Access:	5083		
3a	Intrastate		16,699	23,746
3b	Interstate		169,075	199,265
4	Federal USF (except CAF and ACAM/BLS)	Varies	1,146,352	1,085,400
5	Federal USF (ACAM or BLS)	Varies	874,239	737,054
6	State USF	Varies	274,316	318,933
7	Other*			
8	Total (must equal line 2 of Income Stmt.)		3,301,264	3,028,031
9	Line 2 of Income Stmt.		3,301,264	3,028,031
10	Difference		0	0

Footnote:

- \* - if > than 5% of Access revenue total, provide description below.

State USF Petition Filing Requirement -WAC 480-123-110 (1)(e)  
 Out-of-Period and Pro Forma Adjustments

Company Name: (Below)  
 WESTERN WAHIAKUM COUNTY TELEPHONE COMPANY

Description of Out-of-Period (OOP) - 2017 (As Recorded) OR Pro Forma (PF) Adjustment for Current Year Petition or Reversing from Prior Year	Year	OOP or PF?	Part 32 Account	
			Debit	Credit
Adjustment #1:				
Adjustment #2:				
Adjustment #3:				
Adjustment #4:				
Adjustment #5:				



State USF Petition Filing Requirement -WAC 480-123-110 (1)(e)  
 Rate of Return and Consolidated Return on Equity

Company Name: (Below)  
 WESTERN WAHIAKUM COUNTY TELEPHONE COMPANY

Line #	Description	Company 2017 (A)	Staff 2017 (B)
1	Rate Base (Jan. 31)	6,269,391	6,269,391
2	Rate Base (Dec 31)	6,085,852	6,085,852
3	Average Rate Base	6,177,622	6,177,622
4	Net Operating Income	200,814	200,814
5	Out-of-Period Adjustments Net of FIT		
6	Adjusted Net Operating Income	200,814	200,814
7	Earned Regulated Rate of Return	3.25%	3.25%

Footnotes:

- (A) Column A to be completed by Company.
- (B) Column B should equal Column A, but may include any Staff Adjustments

State USF Petition Filing Requirement - WAC 480-123-110(e)  
 Prior and Current Year Broadband and Gross Capital Expenditures

CONFIDENTIAL PER 480-07-160

Exhibit 4.1 - Statistics

Company Name: (Below)  
 WESTERN WAHIAKUM COUNTY TELEPHONE COMPANY

Description	Prior Year End of Yr. Balance - 2016	Current Year End of Yr. Balance - 2017	Difference	% Change
<b>Broadband Connections:</b>				
Residential				
Business				
Total				
<b>Gross Regulated Capital Expenditures**:</b>	2016	2017	Difference	% Change
<b>Total Annual Amount</b>				

REDACTED

PETITION OF WESTERN WAHIAKUM  
 COUNTY TELEPHONE COMPANY, D/B/A  
 WAHIAKUM WEST TELEPHONE AND  
 D/B/A WWEST COMMUNICATIONS,  
 TO RECEIVE SUPPORT FROM THE STATE  
 UNIVERSAL COMMUNICATIONS SERVICES  
 PROGRAM -  
 EXHIBIT 4.1

CONFIDENTIAL PER WAC 480-07-160

EXHIBIT 5

FINANCIAL STATEMENTS

REDACTED

PETITION OF WESTERN WAHIAKUM  
COUNTY TELEPHONE COMPANY, D/B/A  
WAHIAKUM WEST TELEPHONE,  
D/B/A WWEST COMMUNICATIONS,  
TO RECEIVE SUPPORT FROM THE STATE  
UNIVERSAL SERVICE COMMUNICATIONS  
PROGRAM –  
EXHIBIT 5

Confidential per WAC 480-07-160

**WASHINGTON 535 DEEP RIVER  
WESTERN WAHKIAKUM COUNTY  
TELEPHONE COMPANY**  
(A Wholly-Owned Subsidiary of  
Wahkiakum West, Inc.)

Audited Financial Statements

December 31, 2017 and 2016

**WASHINGTON 535 DEEP RIVER  
WESTERN WAHIAKUM COUNTY  
TELEPHONE COMPANY  
(A Wholly-Owned Subsidiary of Wahkiakum West, Inc.)**

Audited Financial Statements

December 31, 2017 and 2016

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**AUDITED FINANCIAL STATEMENTS**

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1501 Regents Blvd., Suite 100

Firecrest, WA 98166-6060

## Independent Auditor's Report

Board of Directors  
Western Wahkiakum County Telephone Company  
Rosburg, Washington

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Western Wahkiakum County Telephone Company (a wholly-owned subsidiary of Wahkiakum West, Inc.) (the "Company"), which comprise the balance sheets as of December 31, 2017 and 2016, and the statements of income, stockholder's equity and cash flows for the years then ended, and the related notes to the financial statements.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these 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 these financial statements based on our audits. We conducted our audits 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 audits 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 the auditor's 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, the auditor considers 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.

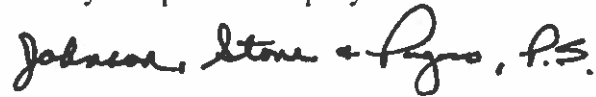
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 13, 2018 on our consideration of Western Wahkiakum County Telephone 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. 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 Western Wahkiakum County Telephone Company's internal control over financial reporting and compliance.



JOHNSON, STONE & PAGANO, P.S.

March 13, 2018

## AUDITED FINANCIAL STATEMENTS



**WASHINGTON 535 DEEP RIVER  
WESTERN WAHAKIYAKUM COUNTY  
TELEPHONE COMPANY**  
(A Wholly-Owned Subsidiary of Wahkiakum West, Inc.)

**BALANCE SHEETS**

December 31, 2017 and 2016

	2017	2016
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
Cash		
Cash - construction fund		
Telecommunications accounts receivable		
Materials and supplies - at average cost		
Prepaid expenses		
<b>Total Current Assets</b>		
<b>DUE FROM AFFILIATED COMPANIES</b>		
<b>PROPERTY, PLANT AND EQUIPMENT</b>		
Telecommunications plant in service		
Less allowances for depreciation		
Telecommunications plant under construction		
<b>Total Telecommunications Plant</b>		
<b>TOTAL ASSETS</b>		

PETITION OF WESTERN WAHAKIYAKUM COUNTY TELEPHONE  
COMPANY TO RECEIVE SUPPORT FROM THE STATE  
UNIVERSAL COMMUNICATIONS SERVICES PROGRAM -  
EXHIBIT 5, PAGE - 6

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

**WASHINGTON 535 DEEP RIVER  
WESTERN WAHAKIUM COUNTY  
TELEPHONE COMPANY**  
(A Wholly-Owned Subsidiary of Wahkiakum West, Inc.)

BALANCE SHEETS (Continued)

December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<b><u>LIABILITIES AND STOCKHOLDER'S EQUITY</u></b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable		
Advanced billings and payments		
Taxes, other than income taxes		
Other current liabilities		
Deferred revenue		
Dividend payable		
Federal income taxes payable		
Installments on long-term debt due within one year		
<b>Total Current Liabilities</b>		
<b>LONG-TERM DEBT</b> , less portion classified as current liability		
<b>DEFERRED FEDERAL INCOME TAXES</b>		
<b>Total Liabilities</b>		
<b>STOCKHOLDER'S EQUITY</b>		
Common stock, par value \$1 per share		
Authorized - [REDACTED] shares		
Issued and outstanding - [REDACTED] shares		
Additional paid-in capital		
Retained earnings		
<b>Total Stockholder's Equity</b>		
<b>TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY</b>		

PETITION OF WESTERN WAHAKIUM COUNTY TELEPHONE COMPANY TO RECEIVE SUPPORT FROM THE STATE UNIVERSAL COMMUNICATIONS SERVICES PROGRAM - EXHIBIT 5, PAGE - 7

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

**REDACTED**

**WASHINGTON 535 DEEP RIVER  
WESTERN WAHAKIUM COUNTY  
TELEPHONE COMPANY**  
(A Wholly-Owned Subsidiary of Wahkiakum West, Inc.)

**STATEMENTS OF INCOME**

Years Ended December 31, 2017 and 2016

	2017	2016
<b>OPERATING REVENUES</b>		
Local network service revenues		
Network access service revenues		
Miscellaneous revenues		
Uncollectible revenues (deduction)		
<b>Total Operating Revenues</b>		
<b>OPERATING EXPENSES</b>		
Plant specific operations		
Plant nonspecific operations		
Depreciation		
Customer operations		
Corporate operations		
<b>Total Operating Expenses</b>		
<b>OPERATING TAXES (BENEFITS)</b>		
Taxes, other than income		
Federal income tax (benefit)		
<b>Total Operating Taxes (Benefits)</b>		
<b>Net Operating Income</b>		
<b>FIXED CHARGES</b>		
Interest on FFB notes		
Interest on related party notes		
<b>Total Fixed Charges</b>		
<b>OTHER INCOME (EXPENSE)</b>		
Interest and dividend income		
Miscellaneous expense		
Nonregulated expense - net		
Nonoperating federal income tax benefits		
<b>Total Other Expense</b>		
<b>NET INCOME</b>		

PETITION OF WESTERN WAHAKIUM COUNTY TELEPHONE  
COMPANY TO RECEIVE SUPPORT FROM THE STATE  
UNIVERSAL COMMUNICATIONS SERVICES PROGRAM -  
EXHIBIT 5, PAGE - 8

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

**WASHINGTON 535 DEEP RIVER  
WESTERN WAHIAKUM COUNTY  
TELEPHONE COMPANY**  
(A Wholly-Owned Subsidiary of Wahkiakum West, Inc.)

**STATEMENTS OF STOCKHOLDER'S EQUITY**

Years Ended December 31, 2017 and 2016

	<u>Common Stock</u>	<u>Additional Paid-in Capital</u>	<u>Retained Earnings</u>	<u>Total</u>
<b>BALANCE AT DECEMBER 31, 2015</b>				
Dividends declared				
Net income				
<b>BALANCE AT DECEMBER 31, 2016</b>				
Dividends declared				
Net income				
<b>BALANCE AT DECEMBER 31, 2017</b>				

PETITION OF WESTERN WAHIAKUM COUNTY TELEPHONE  
COMPANY TO RECEIVE SUPPORT FROM THE STATE  
UNIVERSAL COMMUNICATIONS SERVICES PROGRAM -  
EXHIBIT 5, PAGE - 9

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

**WASHINGTON 535 DEEP RIVER  
WESTERN WAHIAKUM COUNTY  
TELEPHONE COMPANY**  
(A Wholly-Owned Subsidiary of Wahkiakum West, Inc.)

**STATEMENTS OF CASH FLOWS**

Years Ended December 31, 2017 and 2016

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income		
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation of telecommunications plant		
Deferred federal income taxes		
Net change in operating assets and liabilities		
<b>Net Cash Provided by Operating Activities</b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Salvage on retired telecommunications plant		
Cost of removal		
Extension and replacement of telecommunications plant		
Net increase (decrease) in due from affiliated companies		
<b>Net Cash Used by Investing Activities</b>		
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Borrowings from FFB		
Payments on long-term debt		
Dividends paid		
<b>Net Cash Provided (Used) by Financing Activities</b>		
<b>NET INCREASE (DECREASE) IN CASH</b>		
<b>Cash at Beginning of Year</b>		
<b>CASH AT END OF YEAR</b>		
<b>COMPONENTS OF CASH AT END OF YEAR</b>		
Cash		
Cash - construction fund		

PETITION OF WESTERN WAHIAKUM COUNTY TELEPHONE  
COMPANY TO RECEIVE SUPPORT FROM THE STATE  
UNIVERSAL COMMUNICATIONS SERVICES PROGRAM -  
EXHIBIT 5, PAGE - 10

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

**WASHINGTON 535 DEEP RIVER  
WESTERN WAHIAKUM COUNTY  
TELEPHONE COMPANY**  
(A Wholly-Owned Subsidiary of Wahkiakum West, Inc.)

STATEMENTS OF CASH FLOWS (Continued)

Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<b>COMPONENTS OF NET CHANGE IN OPERATING ASSETS AND LIABILITIES</b>		
(Increase) decrease in assets		
Telecommunications accounts receivable		
Due from Connect America Fund		
Materials and supplies		
Nonregulated materials and supplies		
Prepaid expenses		
Increase (decrease) in liabilities		
Accounts payable		
Advanced billings and payments		
Taxes, other than income taxes		
Other current liabilities		
Deferred revenue		
Federal income taxes payable		
<b>Net Change in Operating Assets and Liabilities</b>		
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>		
Cash paid for interest		
Cash paid for federal income taxes		
<b>SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING TRANSACTIONS</b>		
Noncash transfer of federal income taxes, due (to) from affiliated companies		
Dividend declared		

PETITION OF WESTERN WAHIAKUM COUNTY TELEPHONE COMPANY TO RECEIVE SUPPORT FROM THE STATE UNIVERSAL COMMUNICATIONS SERVICES PROGRAM - EXHIBIT 5, PAGE - 11

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

**WASHINGTON 535 DEEP RIVER  
WESTERN WAHKIAKUM COUNTY  
TELEPHONE COMPANY**  
(A Wholly-Owned Subsidiary of Wahkiakum West, Inc.)

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2017 and 2016

**NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT  
ACCOUNTING POLICIES**

***Organization***

Western Wahkiakum County Telephone Company (the "Company") is a wholly-owned subsidiary of Wahkiakum West, Inc.

***Telephone Industry***

The Company is a local exchange telecommunications company providing local exchange, network access, broadband access and other telecommunications services to customers in Pacific and Wahkiakum Counties in southwestern Washington.

The Company is a small rate-of-return carrier operating in the state of Washington. The Federal Communications Commission ("FCC") Report and Order and Further Notice of Proposed Rulemaking, ("FCC 11-161") and Report and Order, Order and Order on Reconsideration and Further Notice of Proposed Rulemaking, ("FCC 16-33") have reformed the universal service and intercarrier compensation systems. These reforms have modified the manner in which the Company recovers its telecommunications revenue requirements.

***Regulation***

The Company is subject to the accounting rules and rate regulation policies of the Washington Utilities and Transportation Commission ("WUTC") and adheres to the FCC Uniform System of Accounts for a Class B telephone company as prescribed by the FCC under Part 32.

***Cash***

For purposes of the statements of cash flows, the Company considers cash to be cash on hand, in checking accounts, in money market accounts of a broker-dealer and cash restricted for plant construction purposes.

***Accounting for Long-Lived Assets***

The Company periodically reviews its long-lived assets such as property, plant and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. At December 31, 2017 and 2016, management has determined that there were no material impairment charges to be recorded as of those dates.

**WASHINGTON 535 DEEP RIVER  
WESTERN WAHAKIYAKUM COUNTY  
TELEPHONE COMPANY**  
(A Wholly-Owned Subsidiary of Wahkiakum West, Inc.)

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

**NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT  
ACCOUNTING POLICIES (Continued)**

***Telecommunications Plant***

Telecommunications plant is stated at cost and is depreciated on a straight-line basis for accounting purposes. Lives used for calculating depreciation are in accordance with the rules of the WUTC and are based on the estimated economic useful lives of the assets.

***Telecommunications Plant Retirements***

When an asset is retired or otherwise disposed of, the cost of the asset is removed from the asset account and charged to the related allowance for depreciation. Similarly, the cost of removal and salvage proceeds are charged or credited to the allowance for depreciation. Consequently, no gain or loss upon disposition is recognized.

***Revenue Recognition, Major Customers and Services***

Services provided by the Company include local network, network access services, digital subscriber lines and broadband access services. In the normal course of the Company's business, certain long distance network and network access service revenues are subject to out-of-period adjustments. Such adjustments are normal occurrences and are recorded by the Company during the year in which they become determinable.

Network access service revenues, which represent a major portion of the Company's operating revenues, are derived from the provision of exchange access services to interexchange carriers or to an end user of telecommunication services.

Revenues for certain interstate access services are currently received through tariffed access charges filed by the National Exchange Carrier Association ("NECA") with the FCC on behalf of the NECA member companies. These access charges are currently billed by the Company to interstate interexchange carriers and pooled with like-revenues from all NECA member companies. The pooled access charge revenues received by the Company are currently based upon the actual cost of providing interstate access services, plus a return on the investment dedicated to providing these services. Pooled access charge revenues are estimated at December 31 each year and are subject to adjustment. Such adjustments are normal occurrences and are recorded by the Company during the year in which they occur.

The FCC 11-161 modified and replaced the existing universal system and intercarrier compensation systems with universal service reform and intercarrier compensation reform. A Connect America Fund ("CAF") has been established to replace all existing high-cost support mechanisms and set broadband service requirements. Alongside the broadband service rules, reforms to establish a framework to limit reimbursements for excessive capital and operating expenses were implemented as of July 1, 2012 and phase outs of certain support payments occurred. Intercarrier compensation reform adopts a uniform bill-and-keep framework as the



**WASHINGTON 535 DEEP RIVER  
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**NOTES TO FINANCIAL STATEMENTS**

December 31, 2017 and 2016

**NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT  
ACCOUNTING POLICIES (Continued)**

*Revenue Recognition, Major Customers and Services (Continued)*

ultimate end state for all telecommunications traffic exchanged with the Company. Intercarrier compensation rates are capped and the disparity between intrastate and interstate terminating end office rates are being brought to parity in two steps as outlined in FCC 11-161. The state's public utilities commissions will be overseeing the modifications to rates in intrastate tariffs. Limits on carriers' total eligible recovery will reflect existing downward trends on intercarrier compensation revenues with declining switching costs and minutes of use.

In July 2015, the FCC froze the National Average Cost per Loop ("NACPL") that serves as the threshold for support calculations of the High Cost Loop Support ("HCLS") revenues in order to satisfy the annual funding cap established in 2015. The actual NACPL compared to the frozen NACPL is just one factor that impacts the Company's HCLS revenues negatively. In 2016, due to continued efforts to meet the overall HCLS funding cap, a pro rata adjustment factor was established. This pro rata adjustment factor is multiplied by the Company's initial HCLS funding amount, causing a significant reduction in revenues of approximately \$265,000 and \$168,000 for 2017 and 2016, respectively.

In September 2016, the FCC implemented a budget control mechanism for rate-of-return telecommunication carriers designed to ensure that federal support disbursements remain within the specified budget of \$2 billion. This budget control mechanism further reduces HCLS and Connect American Fund Broadband Loop Support ("CAF BLS") funding for the Company by approximately \$170,000 in 2017 and \$25,000 in 2016. Included in the budget control mechanism were a new operating expense limitation calculation and a capital expenditure allowance calculation, none of which impacted the Company.

As part of FCC 16-33 Universal Service Reform ("USF") order, rate-of-return telecommunication carriers have been given an option of remaining on a legacy support mechanism that includes broadband data only service funding or electing a model based support funding mechanism with an emphasis on broadband obligation deployment to begin implementation February 1, 2017. The Company opted to remain with the legacy support option.

The established rate of return of 11.25% used for interstate pooled settlements and other interstate revenue requirements are to be transitioned over six years to 9.75% by July 2021 by a rate of return reduction of .25% each July per FCC order. As of July 2017 and 2016, the rate of return was reduced to 10.75% and 11%, respectively.

**WASHINGTON 535 DEEP RIVER  
WESTERN WAHAKIUM COUNTY  
TELEPHONE COMPANY**  
(A Wholly-Owned Subsidiary of Wahkiakum West, Inc.)

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2017 and 2016

**NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT  
ACCOUNTING POLICIES (Continued)**

***Revenue Recognition, Major Customers and Services (Continued)***

The Company continues to review the reforms and modifications to the support that the Company receives, and understands that those reforms and modifications could have an adverse effect on the Company's revenues and cash flow. Revenue impacts are subject to change based upon future data collections and further clarification from the FCC.

Revenues for intrastate access services are received through tariffed access charges filed by the Company at the WUTC. Once filed, the tariffed access charges become effective if specifically approved by the WUTC or allowed to become effective by operation of law. The intrastate switched access charges are billed by the Company to intrastate interexchange carriers. Intrastate special access charges are also billed to intrastate interexchange carriers that order such services and, in some cases, to retail customers that order special access services.

The WUTC implemented a state universal communications service program ("State USF Program") and also replaced the cumulative reduction in support the Company received from the federal CAF. The State USF Program began January 2015 and subsequent annual disbursements comprised of the Traditional USF and the disbursement of the cumulative CAF deficit support are scheduled to occur in January of the following State USF Program years, assuming the Company continues to be eligible under the program. The State USF Program year runs from July 1 to June 30. The Company received \$321,119 from the State USF Program for the period July 1, 2017 to June 30, 2018, and recorded deferred revenue of \$160,560 for the unearned portion. In 2016, the Company received \$315,562 from the State USF Program, for the period July 1, 2016 to June 30, 2017, and recorded deferred revenue of \$157,781 for the unearned portion. The State USF Program is scheduled to last for five program years.

For certain services that the Company provides to its customers, the Company relies upon services and facilities supplied to it by other companies. Any material disruption of the services or facilities supplied to the Company by other companies could potentially have an adverse effect upon the Company's operating results.

***Federal Income Taxes***

The Company provides federal income taxes for the effects of transactions reported in the financial statements and consists of taxes currently due and deferred income taxes. The Company files a consolidated federal income tax return with Wahkiakum West, Inc. and affiliated subsidiaries. The consolidated tax liability of the affiliated group is allocated based upon each company's contributions to consolidated taxable income.

**WASHINGTON 535 DEEP RIVER  
WESTERN WAHIAKUM COUNTY  
TELEPHONE COMPANY**  
(A Wholly-Owned Subsidiary of Wahkiakum West, Inc.)

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2017 and 2016

**NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT  
ACCOUNTING POLICIES (Continued)**

*Federal Income Taxes (Continued)*

The Company utilizes the liability method of accounting for income taxes. Under the liability method, deferred taxes are determined based on the temporary differences between the financial statement and tax basis of assets and liabilities using tax rates expected to be in effect during the years in which the basis differences reverse. A valuation allowance, if any, is recorded when it is more likely than not that some of the deferred tax assets will not be realized.

*Advertising Costs*

Costs incurred for advertising are expensed as incurred. Advertising expense for the years ended December 31, 2017 and 2016 was [REDACTED] and [REDACTED], respectively.

*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 may differ from those estimates and assumptions used in preparing the accompanying financial statements.

*Subsequent Events*

The management of the Company evaluated for subsequent events and transactions for potential recognition and disclosure through March 13, 2018, the date the financial statements were available to be issued. All identified material events or transactions have been recorded or disclosed.

**NOTE 2 - CONCENTRATION OF CREDIT RISK**

The Company maintains cash balances at two financial institutions in southwestern Washington State, insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. The Company periodically maintains cash balances in excess of the federally insured limits. At December 31, 2017, the Company's cash balances exceeded the insured amount by [REDACTED].

The Company's accounts receivable are subject to potential credit risk as they are concentrated in and around Naselle and Grays River, Washington and are unsecured.

**WASHINGTON 535 DEEP RIVER  
WESTERN WAHIAKUM COUNTY  
TELEPHONE COMPANY**

(A Wholly-Owned Subsidiary of Wahkiakum West, Inc.)

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2017 and 2016

**NOTE 3 - TELECOMMUNICATIONS ACCOUNTS RECEIVABLE**

The telecommunications accounts receivable balance at December 31, 2017 and 2016 consists of:

	<u>2017</u>	<u>2016</u>
Due from customers and agents		
Due from exchange carriers and exchange carrier associations		
Miscellaneous		
Total		

The Company extends credit to its business and residential customers based upon a written credit policy. Service interruption is the primary vehicle for controlling losses. Telecommunications accounts receivable are recorded when subscriber bills, carrier access bills and exchange carrier associations settlement statements are rendered. Certain exchange carrier associations' settlements are subject to out-of-period adjustments and are recorded during the year in which they become determinable. Telecommunications accounts receivable are written off when they are determined to be uncollectible. The Company believes no allowance for doubtful accounts is necessary at December 31, 2017 and 2016.

As of December 31, 2017, none of the accounts receivable were outstanding ninety days or more after the date of invoice on which they were first billed.

**NOTE 4 - TELECOMMUNICATIONS PLANT IN SERVICE AND DEPRECIATION**

Telecommunications plant in service is stated at cost. Listed below are the major classes of the telecommunications plant as of December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
General support facilities		
Central office equipment		
Cable and wire facilities		
Intangibles		
Total		

**WASHINGTON 535 DEEP RIVER  
WESTERN WAHAKIUM COUNTY  
TELEPHONE COMPANY**  
(A Wholly-Owned Subsidiary of Wahkiakum West, Inc.)

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2017 and 2016

**NOTE 4 - TELECOMMUNICATIONS PLANT IN SERVICE AND DEPRECIATION**  
(Continued)

Provision has been made for depreciation of the major classes of the telecommunications plant at straight-line rates as follows:

General support facilities	
Buildings	
Furniture and office equipment	
Vehicles and other work equipment	
Central office equipment	
Cable and wire facilities	
Intangible assets	

***Depreciation Expense***

The provision for depreciation on telecommunications plant in service is as follows:

	<u>2017</u>	<u>2016</u>
Telecommunications plant		

**NOTE 5 - LONG-TERM DEBT**

Long-term debt consists of the following:

	Current Annual Installments of Principal	<u>Principal Amount</u>	
		<u>2017</u>	<u>2016</u>
Federal Financing Bank ("FFB") - Supplemental Mortgage Notes			
█ % - due January 2033			
█ % - due January 2033			
█ % - due January 2033			
█ % - due January 2033			
█ % - due January 2033			
█ % - due January 2033			

**REDACTED**

**WASHINGTON 535 DEEP RIVER  
WESTERN WAHAKIUM COUNTY  
TELEPHONE COMPANY**  
(A Wholly-Owned Subsidiary of Wahkiakum West, Inc.)

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

**NOTE 5 - LONG-TERM DEBT (Continued)**

	Current Annual Installments of Principal	<u>Principal Amount</u>	
		<u>2017</u>	<u>2016</u>
<p>█ % - due January 2033</p> <p>█ % - due January 2033</p> <p>█ % - due January 2033</p> <p>Advance payments unapplied, net</p>			
<p>Wahkiakum West, Inc.</p> <p>Notes payable at █%; interest only payments required; due September 2021</p>			
<p>Less principal installments of long-term debt due within one year</p>			

At December 31, 2017, maturities on long-term debt for the next five years and thereafter are as follows:

2018
2019
2020
2021
2022
Thereafter



Substantially all of the Company's telecommunications plant now owned and hereafter acquired is subject to first and supplemental mortgage agreements executed to the FFB. The terms of the mortgage agreements restrict distributions to the stockholder, redemptions of capital stock and investments in affiliated companies. Allowable distributions are based on minimum net worth requirements defined in the agreements.

**WASHINGTON 535 DEEP RIVER  
WESTERN WAHAKIUM COUNTY  
TELEPHONE COMPANY**  
(A Wholly-Owned Subsidiary of Wahkiakum West, Inc.)

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2017 and 2016

**NOTE 5 - LONG-TERM DEBT (Continued)**

Pursuant to the FFB Loan Agreement dated June 10, 2011, Section 5.12, TIER Requirement, the Company "will endeavor, but not be required, to maintain a TIER of at least 1.5." At December 31, 2017, the Company exceeded the TIER required.

The advance payments unapplied - net, represents voluntary unscheduled payments by the Company in excess of amounts due and payable under the Cushion of Credits Payments Program noted in the Rural Electrification Act. The cushion of credit is intended to enable the Company to deposit funds and have those funds available to make scheduled debt payments or installments. If the Company made less than or no payment when their debt payment was due, the cushion of credit would automatically add to or make the Company's debt payment systematically for the Company. By law, cushion of credit accounts earn five percent interest annually, accrued daily and recorded quarterly. In 2017, the Company added [REDACTED] to its cushion of credit of which [REDACTED] is attributed to interest earned.

During 2014, the Company borrowed [REDACTED] from the parent company, Wahkiakum West, Inc., which consisted of two [REDACTED] notes. The notes are due in full in September 2021 and require quarterly interest only payments. The Company did not make any principal payments in 2016 and paid [REDACTED] of principal to retire one of the notes in 2017. In 2017 and 2016, the Company paid [REDACTED] and [REDACTED] in interest on these notes, respectively.

**NOTE 6 - FEDERAL INCOME TAXES**

The Company recognizes deferred federal income taxes for differences between the basis of assets and liabilities for financial statement and income tax purposes. The deferred tax assets and liabilities represent future federal income tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. The differences relate to the depreciable assets' lives and methods of calculating depreciation and the deduction for the accrual of compensated time off for financial reporting and income tax reporting.

The tax effects of temporary differences that give rise to significant portions of deferred tax liabilities (assets) consist of the following:

	<u>2017</u>	<u>2016</u>
Telecommunications plant	[REDACTED]	[REDACTED]
Accrued compensated time off	[REDACTED]	[REDACTED]

**WASHINGTON 535 DEEP RIVER  
WESTERN WAHKIAKUM COUNTY  
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(A Wholly-Owned Subsidiary of Wahkiakum West, Inc.)

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2017 and 2016

**NOTE 6 - FEDERAL INCOME TAXES (Continued)**

The provision for federal income tax expense (benefit) is allocated between operating and nonoperating income as follows:

	<u>2017</u>	<u>2016</u>
Operating Federal Income Taxes		
Current		
Deferred tax expense (benefit)		
Nonoperating Federal Income Taxes		
Current benefits		

Components of provision for federal income tax expense (benefit) are as follows:

	<u>2017</u>	<u>2016</u>
Current		
Deferred tax expense (benefit)		

On December 19, 2017, the Tax Cuts and Jobs Act (the "Act") was enacted, which includes many significant changes to the then existing tax code. Among the changes included in the Act, corporate tax rates will be set at 21% for periods beginning January 1, 2018, which represents a significant decrease from the 34% current effective tax rate for the year ended December 31, 2017. Under accounting principles generally accepted in the United States of America, the Company is required to recognize changes in tax laws and rates on deferred tax assets and liabilities in the period in which the new legislation is enacted through current deferred tax expense from operations. As such, deferred tax assets and liabilities have been remeasured at December 31, 2017 using the newly effective tax rate, which is the rate expected to be in effect when the deferred assets and liabilities are expected to reverse. Had deferred tax liabilities been measured using the effective tax rate of 34%, deferred tax liabilities would have increased [REDACTED]. As such, deferred income tax benefit of [REDACTED] has been reported in the accompanying statements of income. Due to the remeasurement of deferred tax liabilities using the enacted rate of 21%, deferred tax liabilities decreased [REDACTED].

**NOTE 7 - LEASES**

Future lease commitments are not material; total rental and lease expense for the years ended December 31, 2017 and 2016 is less than one percent of revenues.



**WASHINGTON 535 DEEP RIVER  
WESTERN WAHKIAKUM COUNTY  
TELEPHONE COMPANY**  
(A Wholly-Owned Subsidiary of Wahkiakum West, Inc.)

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2017 and 2016

**NOTE 8 - PENSION PLAN**

The Company has adopted a 401(k) profit sharing plan. Employees become eligible to participate in the plan upon reaching age 21 and having one year of service. Each plan year, employees are allowed to defer █% of their compensation or the maximum as established by Internal Revenue Service regulations. Employees may also make voluntary after-tax contributions to the profit sharing plan each year. The Company has a matching provision as defined in the plan for the deferred employee compensation amounts. The plan also allows the Company to make discretionary profit sharing contributions to the plan each year, subject to limitations provided by the plan and Internal Revenue Service rules and regulations. For the years ended December 31, 2017 and 2016, the Company's discretionary profit sharing contributions amounted to █ and █, respectively.

**NOTE 9 - RELATED PARTY TRANSACTIONS**

The Company is affiliated with Wahkiakum West Television, Inc. and Wahkiakum West Long Distance, Inc. through common ownership by Wahkiakum West, Inc.

	<u>Wahkiakum West, Inc.</u>	<u>Wahkiakum West Television, Inc.</u>	<u>Wahkiakum West Long Distance, Inc.</u>	<u>Total Due From Affiliated Companies</u>
Balance December 31, 2015	[REDACTED]			
Advances to affiliates				
Transfer of federal income taxes				
Revenues billed on behalf of the affiliated company				
Telecommunications services provided				
Repayment of advances				
Balance December 31, 2016				
Advances to affiliates				
Transfer of federal income taxes				
Revenues billed on behalf of the affiliated company				
Telecommunications services provided				
Repayment of advances				
Balance December 31, 2017	[REDACTED]			

See Note 5, long-term debt for a description of the long-term notes payable due to Wahkiakum West, Inc.

**WASHINGTON 535 DEEP RIVER  
WESTERN WAHKIAKUM COUNTY  
TELEPHONE COMPANY**  
(A Wholly-Owned Subsidiary of Wahkiakum West, Inc.)

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2017 and 2016

**NOTE 10 - CONTINGENCIES**

As noted in Note 1, the FCC established a pro rata expense adjustment factor that is calculated against the actual HCLS distribution to all of the independent telephone companies that receive HCLS funding in order to meet the overall HCLS funding cap. The 2018 estimated pro rata expense adjustment factor is currently approximately 81% and this will cause a significant reduction of approximately \$290,000 to the Company's 2018 HCLS revenues.

In addition, the budget control mechanism as discussed in Note 1 has been calculated for the first half of 2018 and the Company's federal funding will be further reduced by approximately \$99,000.

As noted in Note 6, the enactment of the Tax Cuts and Jobs Act reduces corporate tax rates to 21% in 2018. The Company has adjusted deferred federal income taxes using the income tax rate expected to be in effect in future years when the deferred tax liabilities are realized in the current year under accounting principles generally accepted in the United States of America. However, there is a concern that the deferred federal income tax adjustment will cause the Company to be over the 10% rate of return to be eligible for the State USF Program funding. It is uncertain at this time how the Washington Utilities and Transportation Commission will take into account this large tax adjustment for State USF Program purposes.

**EXHIBIT 6**

**STATEMENTS OF INCOME AND RETAINED EARNINGS OR MARGINS  
OF RUS FORM 479**

**PETITION OF WESTERN WAHAKIACUM  
COUNTY TELEPHONE COMPANY, D/B/A  
WAHAKIACUM WEST TELEPHONE,  
D/B/A WWEST COMMUNICATIONS,  
TO RECEIVE SUPPORT FROM THE STATE  
UNIVERSAL SERVICE COMMUNICATIONS  
PROGRAM –  
EXHIBIT 6**

<b>USDA-RUS</b>	<i>This data will be used by RUS to review your financial situation. Your response is required by 7 U.S.C. 901 et seq. and, subject to federal laws and regulations regarding confidential information, will be treated as confidential.</i>	
<b>OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS</b>	BORROWER NAME Western Wahkiakum County Telephone Company (Prepared with Audited Data)	

<i>INSTRUCTIONS-Submit report to RUS within 30 days after close of the period. For detailed instructions, see RUS Bulletin 1744-2. Report in whole dollars only.</i>	PERIOD ENDING December, 2017	BORROWER DESIGNATION WA0535
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**CERTIFICATION**

*We hereby certify that the entries in this report are in accordance with the accounts and other records of the system and reflect the status of the system to the best of our knowledge and belief.*

**ALL INSURANCE REQUIRED BY 7 CFR PART 1788, CHAPTER XVII, RUS, WAS IN FORCE DURING THE REPORTING PERIOD AND RENEWALS HAVE BEEN OBTAINED FOR ALL POLICIES.**

**DURING THE PERIOD COVERED BY THIS REPORT PURSUANT TO PART 1788 OF 7CFR CHAPTER XVII**  
(Check one of the following)

All of the obligations under the RUS loan documents have been fulfilled in all material respects.

There has been a default in the fulfillment of the obligations under the RUS loan documents. Said default(s) is/are specifically described in the Telecom Operating Report

\_\_\_\_\_  
DATE

PART A. BALANCE SHEET					
ASSETS	BALANCE PRIOR YEAR	BALANCE END OF PERIOD	LIABILITIES AND STOCKHOLDERS' EQUITY	BALANCE PRIOR YEAR	BALANCE END OF PERIOD
<b>CURRENT ASSETS</b>			<b>CURRENT LIABILITIES</b>		
1. Cash and Equivalents	2,145,546	1,364,992	25. Accounts Payable	46,214	149,615
2. Cash-RUS Construction Fund	285	285	26. Notes Payable		
3. Affiliates:			27. Advance Billings and Payments	21,054	21,023
a. Telecom, Accounts Receivable			28. Customer Deposits		
b. Other Accounts Receivable			29. Current Mat. L/T Debt	187,700	181,200
c. Notes Receivable			30. Current Mat. L/T Debt-Rur. Dev		
4. Non-Affiliates:			31. Current Mat.-Capital Leases		
a. Telecom, Accounts Receivable	401,848	255,048	32. Income Taxes Accrued	56,366	26,321
b. Other Accounts Receivable			33. Other Taxes Accrued	69,491	71,060
c. Notes Receivable			34. Other Current Liabilities	323,469	362,223
5. Interest and Dividends Receivable			35. Total Current Liabilities (25 thru 34)	704,294	811,442
6. Material-Regulated	245,165	265,933	<b>LONG-TERM DEBT</b>		
7. Material-Nonregulated	0		36. Funded Debt-RUS Notes		
8. Prepayments	14,992	23,766	37. Funded Debt-RTB Notes		
9. Other Current Assets			38. Funded Debt-FFB Notes	3,128,004	2,452,033
10. Total Current Assets (1 Thru 9)	2,807,836	1,910,024	39. Funded Debt-Other		
<b>NONCURRENT ASSETS</b>			40. Funded Debt-Rural Develop. Loan		
11. Investment in Affiliated Companies			41. Premium (Discount) on L/T Debt		
a. Rural Development			42. Reacquired Debt		
b. Nonrural Development			43. Obligations Under Capital Lease		
12. Other Investments			44. Adv. From Affiliated Companies		
a. Rural Development			45. Other Long-Term Debt	1,506,247	1,000,000
b. Nonrural Development			46. Total Long-Term Debt (36 thru 45)	4,634,251	3,452,033
13. Nonregulated Investments			<b>OTHER LIAB. &amp; DEF. CREDITS</b>		
14. Other Noncurrent Assets	553,999	493,650	47. Other Long-Term Liabilities		
15. Deferred Charges			48. Other Deferred Credits	1,678,382	1,085,870
16. Jurisdictional Differences			49. Other Jurisdictional Differences		
17. Total Noncurrent Assets (11 thru 16)	553,999	493,650	50. Total Other Liabilities and Deferred Credits (47 thru 49)	1,678,382	1,085,870
<b>PLANT, PROPERTY, AND EQUIPMENT</b>			<b>EQUITY</b>		
18. Telecom, Plant-In-Service	21,305,128	21,441,959	51. Cap. Stock Outstand. & Subscribed	54,171	54,171
19. Property Held for Future Use			52. Additional Paid-in-Capital	279,251	279,251
20. Plant Under Construction	123,420	61,932	53. Treasury Stock		
21. Plant Adj., Nonop. Plant & Goodwill			54. Membership and Cap. Certificates		
22. Less Accumulated Depreciation	13,329,562	13,606,760	55. Other Capital		
23. Net Plant (18 thru 21 less 22)	8,098,986	7,897,131	56. Patronage Capital Credits		
24. TOTAL ASSETS (10+17+23)			57. Retained Earnings or Margins	4,110,472	4,618,038
	11,460,821	10,300,805	58. Total Equity (51 thru 57)	4,443,894	4,951,460
			59. TOTAL LIABILITIES AND EQUITY (35+46+50+58)	11,460,821	10,300,805

Total Equity = 48.07% % of Total Assets

USDA-RUS

BORROWER DESIGNATION

**OPERATING REPORT FOR  
TELECOMMUNICATIONS BORROWERS**

WA0535

PERIOD ENDING

December, 2017

INSTRUCTIONS- See RUS Bulletin 1744-2

**PART B. STATEMENTS OF INCOME AND RETAINED EARNINGS OR MARGINS**

ITEM	PRIOR YEAR	THIS YEAR
1. Local Network Services Revenues	253,580	254,218
2. Network Access Services Revenues	3,301,264	3,028,031
3. Long Distance Network Services Revenues		
4. Carrier Billing and Collection Revenues	22,864	22,655
5. Miscellaneous Revenues	1,550	2,258
6. Uncollectible Revenues	3	807
<b>7. Net Operating Revenues (1 thru 5 less 6)</b>	<b>3,579,255</b>	<b>3,306,355</b>
8. Plant Specific Operations Expense	457,931	537,486
9. Plant Nonspecific Operations Expense (Excluding Depreciation & Amortization)	469,478	483,810
10. Depreciation Expense	937,493	857,092
11. Amortization Expense		
12. Customer Operations Expense	170,948	166,837
13. Corporate Operations Expense	902,620	881,060
<b>14. Total Operating Expenses (8 thru 13)</b>	<b>2,938,470</b>	<b>2,926,285</b>
15. Operating Income or Margins (7 less 14)	640,785	380,070
16. Other Operating Income and Expenses		
17. State and Local Taxes	104,163	92,933
18. Federal Income Taxes	140,340	(553,999)
19. Other Taxes		
<b>20. Total Operating Taxes (17+18+19)</b>	<b>244,503</b>	<b>(461,066)</b>
21. Net Operating Income or Margins (15+16-20)	396,282	841,136
22. Interest on Funded Debt	56,422	64,468
23. Interest Expense - Capital Leases		
24. Other Interest Expense	60,250	50,436
25. Allowance for Funds Used During Construction		
<b>26. Total Fixed Charges (22+23+24-25)</b>	<b>116,672</b>	<b>114,904</b>
27. Nonoperating Net Income	(4,018)	(9,574)
28. Extraordinary Items		
29. Jurisdictional Differences		
30. Nonregulated Net Income	(15,354)	(14,092)
<b>31. Total Net Income or Margins (21+27+28+29+30-26)</b>	<b>260,238</b>	<b>702,566</b>
32. Total Taxes Based on Income		
33. Retained Earnings or Margins Beginning-of-Year	3,900,919	4,110,472
34. Miscellaneous Credits Year-to-Date	107,315	
35. Dividends Declared (Common)	158,000	195,000
36. Dividends Declared (Preferred)		
37. Other Debits Year-to-Date		
38. Transfers to Patronage Capital		
<b>39. Retained Earnings or Margins End-of-Period [(31+33+34) - (35+36+37+38)]</b>	<b>4,110,472</b>	<b>4,618,038</b>
40. Patronage Capital Beginning-of-Year		
41. Transfers to Patronage Capital		
42. Patronage Capital Credits Retired		
<b>43. Patronage Capital End-of-Year (40+41-42)</b>	<b>0</b>	<b>0</b>
44. Annual Debt Service Payments	279,529	1,303,622
45. Cash Ratio [(14+20-10-11) / 7]	0.6274	0.4864
46. Operating Accrual Ratio [(14+20+26) / 7]	0.9219	0.7804
47. TIER [(31+26) / 26]	3.2305	7.1144
48. DSCR [(31+26+10+11) / 44]	4.7022	1.2845

USDA-RUS

**OPERATING REPORT FOR  
TELECOMMUNICATIONS BORROWERS**

INSTRUCTIONS - See RUS Bulletin 1744-2

BORROWER DESIGNATION

WA0535

PERIOD ENDED

December, 2017

**Part C. SUBSCRIBER (ACCESS LINE), ROUTE MILE, & HIGH SPEED DATA INFORMATION**

EXCHANGE	1. RATES		2. SUBSCRIBERS (ACCESS LINES)			3. ROUTE MILES	
	B-1 (a)	R-1 (b)	BUSINESS (a)	RESIDENTIAL (b)	TOTAL (c)	TOTAL (including fiber) (a)	FIBER (b)
Grays River 465	18.80	18.00	41	338	379	208.26	104.98
Naselle 464	18.80	18.00	125	525	650	183.40	109.76
MobileWireless					0		
Route Mileage Outside Exchange Area						2.00	2.00
<b>Total</b>			166	863	1,029	393.66	216.72
No. Exchanges	2						

USDA-RUS

**OPERATING REPORT FOR  
TELECOMMUNICATIONS BORROWERS**

INSTRUCTIONS - See RUS Bulletin 1744-2

BORROWER DESIGNATION

WA0535

PERIOD ENDED

December, 2017

**Part C. SUBSCRIBER (ACCESS LINE), ROUTE MILE, & HIGH SPEED DATA INFORMATION**

**4. BROADBAND SERVICE**

Details on Least Expensive Broadband Service								
EXCHANGE	No. Access Lines with BB available (a)	No Of Broadband Subscribers (b)	Number Of Subscribers (c)	Advertised Download Rate (Kbps) (d)	Advertised Upload Rate (Kbps) (e)	Price Per Month (f)	Standalone/Pckg (f)	Type Of Technology (g)
Grays River 465	379	306	69	1,500	768	29.95	Package	DSL
Naselle 464	650	500	115	1,500	768	29.95	Package	DSL
<b>Total</b>	<b>1,029</b>	<b>806</b>						

<b>USDA-RUS</b>  <b>OPERATING REPORT FOR</b> <b>TELECOMMUNICATIONS BORROWERS</b>	<b>BORROWER DESIGNATION</b> WA0535  <b>PERIOD ENDING</b> December, 2017
<i>INSTRUCTIONS- See RUS Bulletin 1744-2</i>	

**PART D. SYSTEM DATA**

1 No Plant Employees	2 No Other Employees	3 Square Miles Served	4 Access Lines per Square Mile	5 Subscribers per Route Mile
7	5	314	3.28	2.61

**PART E. TOLL DATA**

<b>1. Study Area ID Code(s)</b>  a 522451 b 522451 c _____ d _____ e _____ f _____ g _____ h _____ i _____ j _____	<b>2. Types of Toll Settlements (Check one)</b>  <table style="width:100%;"> <tr> <td style="width: 40%;">Interstate</td> <td style="width: 20%;"><input type="checkbox"/> Average Schedule</td> <td style="width: 40%;"><input checked="" type="checkbox"/> Cost Basis</td> </tr> <tr> <td>Intrastate</td> <td><input type="checkbox"/> Average Schedule</td> <td><input checked="" type="checkbox"/> Cost Basis</td> </tr> </table>	Interstate	<input type="checkbox"/> Average Schedule	<input checked="" type="checkbox"/> Cost Basis	Intrastate	<input type="checkbox"/> Average Schedule	<input checked="" type="checkbox"/> Cost Basis
Interstate	<input type="checkbox"/> Average Schedule	<input checked="" type="checkbox"/> Cost Basis					
Intrastate	<input type="checkbox"/> Average Schedule	<input checked="" type="checkbox"/> Cost Basis					

**PART F. FUNDS INVESTED IN PLANT DURING YEAR**

1. RUS, RTB, & FFB Loan Funds Expended	
2. Other Long-Term Loan Funds Expended	
3. Funds Expended Under RUS Interim Approval	
4. Other Short-Term Loan Funds Expended	
5. General Funds Expended (Other than Interim)	655,237
6. Salvaged Materials	
7. Contribution in Aid to Construction	
8. Gross Additions to Telecom. Plant (1 thru 7)	655,237

**PART G. INVESTMENTS IN AFFILIATED COMPANIES**

INVESTMENTS  (a)	CURRENT YEAR DATA		CUMULATIVE DATA		
	Investment This Year (b)	Income/Loss This Year (c)	Cumulative Investment To Date (d)	Cumulative Income/Loss To Date (e)	Current Balance (f)
1. Investment in Affiliated Companies - Rural Development	0	0	0	0	0
2. Investment in Affiliated Companies - Nonrural Development	0	0	0	0	0



**USDA-RUS**  
**OPERATING REPORT FOR**  
**TELECOMMUNICATIONS BORROWERS**

BORROWER DESIGNATION

WA0535

PERIOD ENDING

December, 2017

**PART H. CURRENT DEPRECIATION RATES**

Are corporation's depreciation rates approved by the regulatory authority with jurisdiction over the provision of telephone services? (Check one)

YES

NO

EQUIPMENT CATEGORY	DEPRECIATION RATE
1. Land and support assets - Motor Vehicles	16.00%
2. Land and support assets - Aircraft	
3. Land and support assets - Special purpose vehicles	
4. Land and support assets - Garage and other work equipment	16.00%
5. Land and support assets - Buildings	4.00%
6. Land and support assets - Furniture and Office equipment	20.00%
7. Land and support assets - General purpose computers	20.00%
8. Central Office Switching - Digital	9.00%
9. Central Office Switching - Analog & Electro-mechanical	
10. Central Office Switching - Operator Systems	
11. Central Office Transmission - Radio Systems	13.00%
12. Central Office Transmission - Circuit equipment	11.19%
13. Information origination/termination - Station apparatus	
14. Information origination/termination - Customer premises wiring	
15. Information origination/termination - Large private branch exchanges	
16. Information origination/termination - Public telephone terminal equipment	
17. Information origination/termination - Other terminal equipment	
18. Cable and wire facilities - Poles	7.59%
19. Cable and wire facilities - Aerial cable - Metal	20.40%
20. Cable and wire facilities - Aerial cable - Fiber	7.11%
21. Cable and wire facilities - Underground cable - Metal	6.00%
22. Cable and wire facilities - Underground cable - Fiber	5.00%
23. Cable and wire facilities - Buried cable - Metal	6.00%
24. Cable and wire facilities - Buried cable - Fiber	5.00%
25. Cable and wire facilities - Conduit systems	4.55%
26. Cable and wire facilities - Other	

USDA-RUS		BORROWER DESIGNATION WA0535
<b>OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS</b>		PERIOD ENDED December, 2017
INSTRUCTIONS – See help in the online application.		
<b>PART I – STATEMENT OF CASH FLOWS</b>		
<b>1. Beginning Cash (Cash and Equivalents plus RUS Construction Fund)</b>		2,145,831
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>2. Net Income</b>		702,566
<i>Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities</i>		
3. Add: Depreciation		857,092
4. Add: Amortization		0
5. Other (Explain) Other items allocated to and from financing activities		(573,146)
<i>Changes in Operating Assets and Liabilities</i>		
6. Decrease/(Increase) in Accounts Receivable		146,800
7. Decrease/(Increase) in Materials and Inventory		(20,768)
8. Decrease/(Increase) in Prepayments and Deferred Charges		(8,774)
9. Decrease/(Increase) in Other Current Assets		0
10. Increase/(Decrease) in Accounts Payable		103,401
11. Increase/(Decrease) in Advance Billings & Payments		(31)
12. Increase/(Decrease) in Other Current Liabilities		10,278
<b>13. Net Cash Provided/(Used) by Operations</b>		<b>1,217,418</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
14. Decrease/(Increase) in Notes Receivable		0
15. Increase/(Decrease) in Notes Payable		0
16. Increase/(Decrease) in Customer Deposits		0
17. Net Increase/(Decrease) in Long Term Debt (Including Current Maturities)		(1,188,718)
18. Increase/(Decrease) in Other Liabilities & Deferred Credits		(592,512)
19. Increase/(Decrease) in Capital Stock, Paid-in Capital, Membership and Capital Certificates & Other Capital		0
20. Less: Payment of Dividends		(195,000)
21. Less: Patronage Capital Credits Retired		0
22. Other (Explain) Other items allocated to and from operating and investment activities		629,512
<b>23. Net Cash Provided/(Used) by Financing Activities</b>		<b>(1,346,718)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
24. Net Capital Expenditures (Property, Plant & Equipment)		(75,343)
25. Other Long-Term Investments		0
26. Other Noncurrent Assets & Jurisdictional Differences		60,349
27. Other (Explain) Plant adjustment not on line 24 and other items allocated to financing activities		(636,260)
<b>28. Net Cash Provided/(Used) by Investing Activities</b>		<b>(651,254)</b>
<b>29. Net Increase/(Decrease) in Cash</b>		<b>(780,554)</b>
<b>30. Ending Cash</b>		<b>1,365,277</b>

Revision Date 2010

<p style="text-align: center;">USDA-RUS</p> <p style="text-align: center;"><b>OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS</b></p>	<p style="text-align: center;">BORROWER DESIGNATION</p> <p style="text-align: center;">WA0535</p>
<p>INSTRUCTIONS - See RUS Bulletin 1744-2</p>	<p>PERIOD ENDED</p> <p style="text-align: center;">December, 2017</p>

**NOTES TO THE OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS**

Part B - Statement of Income, line 44 includes Cushion of Credit payment of \$502,370.

Part I - Statement of Cash Flows, line 20, shows the dividend declared of \$195,000 on the income statement that is automatically populated to line 20 as payment of dividends. Actual dividend paid was \$158,000 that was declared in 2016 and paid in 2017. The dividends declared of \$195,000 in 2017 will be paid in 2018.

<p>USDA-RUS</p> <p><b>OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS</b></p>	<p>BORROWER DESIGNATION</p> <p>WA0535</p>
<p>INSTRUCTIONS - See RUS Bulletin 1744-2</p>	<p>PERIOD ENDED</p> <p>December, 2017</p>
<p><b>CERTIFICATION LOAN DEFAULT NOTES TO THE OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS</b></p>	

### Operating Report Checks

Borrower Name: Western Wahkiakum County Telephone Company

Year: 2017

Borrower ID: WA0535

Period: December

#### Part B: Statements of Income and Retained Earnings or Margins

Type	Check Key	Description
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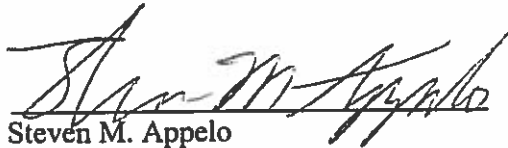
Warning	950	"Line 20. Total Operating Taxes This Year" [(461,066)] is generally greater than 0 (zero).
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*Borrower Explanation: Due to the tax rate changing to 21% in 2018, deferred taxes were recalculated causing a significant decrease on the balance sheet and tax benefit on the income statement.*

**Exhibit 7**  
**Report Corporate Operations Expense Adjustment**  
**As Required in WAC 480-123-110(1)(e)(vi)**

The following amounts of corporate operations expense were required by 47 C.F.R. § 54.1308(a)(4)(ii) to be excluded by Western Wahkiakum County Telephone Company (“Company”) from corporate operations expense that, for 2016, was input in both the Federal high cost loop support and interstate common line support cost studies of the Company for the Company’s study area(s) in the State of Washington, or that, for 2017, was input in both the high cost loop support and broadband loop support (in part, replacing interstate common line support) cost studies of the Company for the Company’s study area(s) in the State of Washington: for 2016, \$64,577; for 2017, \$10,607.

Dated this 1<sup>st</sup> day of August, 2018

  
Steven M. Appelo  
President

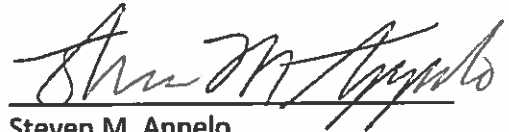
PETITION OF WESTERN WAHKIAKUM  
COUNTY TELEPHONE COMPANY, D/B/A  
WAHKIAKUM WEST TELEPHONE AND  
D/B/A WWEST COMMUNICATIONS,  
TO RECEIPT SUPPORT FROM THE STATE  
UNIVERSAL COMMUNICATIONS SERVICES  
PROGRAM-  
EXHIBIT 7

EXHIBIT 8

FINANCIAL ACCOUNTING CERTIFICATE

I, Steven M. Appelo, an officer of Western Wahkiakum County Telephone Company with personal knowledge and responsibility, based upon my discussions with Company staff that handle such matters, under penalty of perjury, state that the Company complies with state and federal accounting, cost allocation and cost adjustment rules pertaining to incumbent local exchange companies.

Dated this 1<sup>st</sup> day of August, 2018.



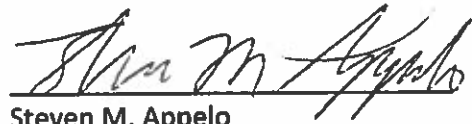
Steven M. Appelo  
President

EXHIBIT 9

CONTINUED OPERATIONS CERTIFICATE

I, Steven M. Appelo, an officer of Western Wahkiakum County Telephone Company, under penalty of perjury, hereby certify that if the Company receives Program support, the Company will continue to provide communications services pursuant to its tariffs on file with the Commission throughout its service territory in Washington for which the company is seeking and receives Program support during the entirety of 2019.

Dated this 1<sup>st</sup> day of August, 2018.



Steven M. Appelo  
President