

USDA-RUS  <b>OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS</b>	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. BORROWER NAME  The Toledo Telephone Co., Inc.  (Prepared with Audited Data)
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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.	PERIOD ENDING December, 2014	BORROWER DESIGNATION WA0538
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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

Russell Ramsey

4/14/2015

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	205,788	246,413	25. Accounts Payable	902,603	441,933
2. Cash-RUS Construction Fund	7,721,948	1,004,043	26. Notes Payable		
3. Affiliates:			27. Advance Billings and Payments	237,123	23,075
a. Telecom, Accounts Receivable		0	28. Customer Deposits	620	450
b. Other Accounts Receivable		(3,470)	29. Current Mat. L/T Debt	1,275,692	939,876
c. Notes Receivable			30. Current Mat. L/T Debt-Rur. Dev.		
4. Non-Affiliates:			31. Current Mat.-Capital Leases		
a. Telecom, Accounts Receivable	48,694	113,922	32. Income Taxes Accrued	155,573	(52,508)
b. Other Accounts Receivable	671,655	409,933	33. Other Taxes Accrued	14,637	17,240
c. Notes Receivable			34. Other Current Liabilities	196,733	36,087
5. Interest and Dividends Receivable			<b>35. Total Current Liabilities (25 thru 34)</b>	<b>2,782,981</b>	<b>1,406,153</b>
6. Material-Regulated	145,595	183,818	<b>LONG-TERM DEBT</b>		
7. Material-Nonregulated	186,086	351,414	36. Funded Debt-RUS Notes	2,412,384	1,111,493
8. Prepayments	129,351	93,477	37. Funded Debt-RTB Notes	85,905	37,259
9. Other Current Assets	1,702,373	2,382,504	38. Funded Debt-FFB Notes	8,658,473	9,068,286
<b>10. Total Current Assets (1 Thru 9)</b>	<b>10,811,490</b>	<b>4,782,054</b>	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	461,417	643,079	43. Obligations Under Capital Lease		
12. Other Investments			44. Adv. From Affiliated Companies		
a. Rural Development			45. Other Long-Term Debt		
b. Nonrural Development	533,330	438,869	<b>46. Total Long-Term Debt (36 thru 45)</b>	<b>11,156,762</b>	<b>10,217,038</b>
13. Nonregulated Investments	119,727	65,877	<b>OTHER LIAB. &amp; DEF. CREDITS</b>		
14. Other Noncurrent Assets			47. Other Long-Term Liabilities		
15. Deferred Charges			48. Other Deferred Credits	750,403	786,160
16. Jurisdictional Differences			49. Other Jurisdictional Differences		
<b>17. Total Noncurrent Assets (11 thru 16)</b>	<b>1,114,474</b>	<b>1,147,825</b>	50. Total Other Liabilities and Deferred Credits (47 thru 49)	750,403	786,160
<b>PLANT, PROPERTY, AND EQUIPMENT</b>			<b>EQUITY</b>		
18. Telecom, Plant-in-Service	21,496,249	21,576,491	51. Cap. Stock Outstand. & Subscribed	10,670	10,670
19. Property Held for Future Use			52. Additional Paid-in-Capital		
20. Plant Under Construction	2,339,721	6,689,601	53. Treasury Stock		
21. Plant Adj., Nonop. Plant & Goodwill			54. Membership and Cap. Certificates		
22. Less Accumulated Depreciation	14,823,216	15,138,103	55. Other Capital	197,992	144,742
<b>23. Net Plant (18 thru 21 less 22)</b>	<b>9,012,754</b>	<b>13,127,989</b>	56. Patronage Capital Credits		
<b>24. TOTAL ASSETS (10+17+23)</b>			57. Retained Earnings or Margins	6,039,910	6,493,105
	20,938,718	19,057,868	<b>58. Total Equity (51 thru 57)</b>	<b>6,248,572</b>	<b>6,648,517</b>
			<b>59. TOTAL LIABILITIES AND EQUITY (35+46+50+58)</b>	<b>20,938,718</b>	<b>19,057,868</b>

Total Equity = 34.89% % of Total Assets

**OPERATING REPORT FOR  
TELECOMMUNICATIONS BORROWERS**

BORROWER DESIGNATION

WA0538

PERIOD ENDING

December, 2014

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	425,670	429,238
2. Network Access Services Revenues	3,516,845	3,555,904
3. Long Distance Network Services Revenues		
4. Carrier Billing and Collection Revenues	8,343	8,085
5. Miscellaneous Revenues	51,923	52,453
6. Uncollectible Revenues	9,371	111,055
<b>7. Net Operating Revenues (1 thru 5 less 6)</b>	<b>3,993,410</b>	<b>3,934,625</b>
8. Plant Specific Operations Expense	973,006	893,341
9. Plant Nonspecific Operations Expense (Excluding Depreciation & Amortization)	312,486	380,341
10. Depreciation Expense	965,638	966,580
11. Amortization Expense		
12. Customer Operations Expense	327,734	269,753
13. Corporate Operations Expense	783,262	811,944
<b>14. Total Operating Expenses (8 thru 13)</b>	<b>3,362,126</b>	<b>3,321,959</b>
15. Operating Income or Margins (7 less 14)	631,284	612,666
16. Other Operating Income and Expenses		
17. State and Local Taxes		
18. Federal Income Taxes	250,951	161,909
19. Other Taxes	120,148	272,246
<b>20. Total Operating Taxes (17+18+19)</b>	<b>371,099</b>	<b>434,155</b>
21. Net Operating Income or Margins (15+16-20)	260,185	178,511
22. Interest on Funded Debt	296,143	377,868
23. Interest Expense - Capital Leases		
24. Other Interest Expense	6	
25. Allowance for Funds Used During Construction	18,245	59,349
<b>26. Total Fixed Charges (22+23+24-25)</b>	<b>277,904</b>	<b>318,519</b>
27. Nonoperating Net Income	62,053	244,732
28. Extraordinary Items		
29. Jurisdictional Differences		
30. Nonregulated Net Income	355,275	348,471
<b>31. Total Net Income or Margins (21+27+28+29+30-26)</b>	<b>399,609</b>	<b>453,195</b>
32. Total Taxes Based on Income		
33. Retained Earnings or Margins Beginning-of-Year	5,640,301	6,039,910
34. Miscellaneous Credits Year-to-Date		
35. Dividends Declared (Common)		
36. Dividends Declared (Preferred)		
37. Other Debits Year-to-Date	0	
38. Transfers to Patronage Capital		
<b>39. Retained Earnings or Margins End-of-Period [(31+33+34) - (35+36+37+38)]</b>	<b>6,039,910</b>	<b>6,493,105</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	1,368,605	1,654,577
45. Cash Ratio [(14+20-10-11) / 7]	0.6930	0.7090
46. Operating Accrual Ratio [(14+20+26) / 7]	1.0044	1.0356
47. TIER [(31+26) / 26]	2.4379	2.4228
48. DSCR [(31+26+10+11) / 44]	1.2006	1.0506

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**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)
Toledo, WA	16.00	16.00	270	1,419	1,689	301.50	75.00
MobileWireless					0		
Route Mileage Outside Exchange Area						0.00	0.00
Total			270	1,419	1,689	301.50	75.00
No. Exchanges	1						

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**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)
Toledo, WA	1,689	1,364	412	1,500	512	39.95	Package	DSL
Total	1,689	1,364						

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INSTRUCTIONS- See RUS Bulletin 1744-2

**PART D. SYSTEM DATA**

1. No. Plant Employees 8	2. No. Other Employees 11	3. Square Miles Served 386	4. Access Lines per Square Mile 4.31	5. Subscribers per Route Mile 5.52
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**PART E. TOLL DATA**

1. Study Area ID Code(s) a. 522447 b. _____ c. _____ d. _____ e. _____ f. _____ g. _____ h. _____ i. _____ j. _____	2. Types of Toll Settlements (Check one) Interstate: <input type="checkbox"/> Average Schedule <input checked="" type="checkbox"/> Cost Basis Intrastate: <input type="checkbox"/> Average Schedule <input checked="" type="checkbox"/> Cost Basis
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**PART F. FUNDS INVESTED IN PLANT DURING YEAR**

1. RUS, RTB, & FFB Loan Funds Expended	7,989,300
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)	
6. Salvaged Materials	
7. Contribution in Aid to Construction	
8. Gross Additions to Telecom. Plant (1 thru 7)	7,989,300

**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					
2. Investment in Affiliated Companies - Nonrural Development			276,031	367,048	643,079

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**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	
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	
12. Central Office Transmission - Circuit equipment	
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	20.00%
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	20.40%
21. Cable and wire facilities - Underground cable - Metal	4.55%
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	

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INSTRUCTIONS – See help in the online application.

**PART I – STATEMENT OF CASH FLOWS**

<b>1. Beginning Cash (Cash and Equivalents plus RUS Construction Fund)</b>	7,927,736
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
<b>2. Net Income</b>	453,195
<i>Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities</i>	
3. Add: Depreciation	966,580
4. Add: Amortization	0
5. Other (Explain)	
<i>Changes in Operating Assets and Liabilities</i>	
6. Decrease/(Increase) in Accounts Receivable	199,964
7. Decrease/(Increase) in Materials and Inventory	(203,551)
8. Decrease/(Increase) in Prepayments and Deferred Charges	35,874
9. Decrease/(Increase) in Other Current Assets	(680,131)
10. Increase/(Decrease) in Accounts Payable	(460,670)
11. Increase/(Decrease) in Advance Billings & Payments	(214,048)
12. Increase/(Decrease) in Other Current Liabilities	(366,124)
<b>13. Net Cash Provided/(Used) by Operations</b>	(268,911)
<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	(170)
17. Net Increase/(Decrease) in Long Term Debt (Including Current Maturities)	(1,275,540)
18. Increase/(Decrease) in Other Liabilities & Deferred Credits	35,757
19. Increase/(Decrease) in Capital Stock, Paid-in Capital, Membership and Capital Certificates & Other Capital	(53,250)
20. Less: Payment of Dividends	0
21. Less: Patronage Capital Credits Retired	0
22. Other (Explain)	
<b>23. Net Cash Provided/(Used) by Financing Activities</b>	(1,293,203)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
24. Net Capital Expenditures (Property, Plant & Equipment)	(4,430,122)
25. Other Long-Term Investments	(33,351)
26. Other Noncurrent Assets & Jurisdictional Differences	0
27. Other (Explain) Net/reclass from other activities	(651,693)
<b>28. Net Cash Provided/(Used) by Investing Activities</b>	(5,115,166)
<b>29. Net Increase/(Decrease) in Cash</b>	(6,677,280)
<b>30. Ending Cash</b>	1,250,456

Revision Date 2010

USDA-RUS  <b>OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS</b>	BORROWER DESIGNATION  WA0538
INSTRUCTIONS - See RUS Bulletin 1744-2	PERIOD ENDED December, 2014
<b>NOTES TO THE OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS</b>	



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INSTRUCTIONS - See RUS Bulletin 1744-2	PERIOD ENDED December, 2014
<b>CERTIFICATION LOAN DEFAULT NOTES TO THE OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS</b>	