

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION
COMMISSION**

**PETITION OF INLAND TELEPHONE COMPANY
TO RECEIVE SUPPORT FROM THE STATE UNIVERSAL
COMMUNICATIONS SERVICES PROGRAM**

**INLAND TELEPHONE COMPANY - SAC 522423
DUE AUGUST 1, 2019**

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

8 IN RE

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

DOCKET NO.
PETITION FOR SUPPORT

13 COMES NOW INLAND TELEPHONE COMPANY d/b/a Inland Networks (the
14 "Company"), and, pursuant to Chapter 480-123 of the Washington Administrative Code ("WAC")
15 including, but not limited to, WAC 480-123-110, hereby petitions the Washington Utilities and
16 Transportation Commission (the "Commission") to receive support from the State Universal
17 Communications Services Program established in RCW 80.36.650 (the "Program") for the fiscal
18 year ending June 30, 2020.
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21 **I. Demonstration of Eligibility under WAC 480-123-100**

- 22 1. WAC 480-123-100(1)(a): The Company is a local exchange company as defined in WAC
23 480-120-021 that serves less than forty thousand access lines within the state.
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- 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. ¹
- 10 11 5. WAC 480-123-100(1)(e): The Company has been designated by the Commission as an
12 eligible telecommunications carrier for purposes of receiving federal universal services
13 support pursuant to 47 C.F.R. Part 54 Subpart D - Universal Service Support for High Cost
14 Areas with respect to the service area for which the Company is seeking Program support.

15 **II. Demonstration of Eligibility under WAC 480-123-110**

- 16 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: Inland Telephone Company.
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22 ¹ On April 15, 2019, the FCC released a Report and Order (FCC 19-32) in its WC Docket No. 10-90,
23 repealing 47 C.F.R. Sec. 54.318 and eliminating the national local urban rate floor, effective June 6, 2019.
24 The Program was designed with a minimum rate floor component. In light of the FCC's Order (FCC 19-32),
25 Commission Staff has provided guidance that, for purposes of the Program, the local urban rate floor
26 benchmark be considered to have been set at each petitioning company's rates for local exchange service,
plus mandatory extended area service charges, in effect as of December 31, 2018.

- 1 2. WAC 480-123-110(1)(b): A corporate organization chart showing the relationship between
2 the Company and all affiliates as defined in RCW 80.16.010 is attached hereto as Exhibit 1.
3 A detailed description of any transactions between the Company and the affiliates named in
4 Exhibit 1 recorded in the Company's operating accounts is attached hereto as Exhibit 2.
- 5 3. WAC 480-123-110(1)(c): A service area map for the Company can be found at Sheet Nos.
6 501, 502, 503, and 504 of the Company's Tariff WN U-7.
- 7 4. WAC 480-123-110(1)(d): A demonstration that the Company's customers are at risk of rate
8 instability or service interruption or cessation in the absence of support from the Program is
9 attached as Exhibit 3.
- 10 5. WAC 480-123-110(1)(e)(i): On the Commission's prescribed form, attached as Exhibit 4,
11 are copies of the Company's balance sheet as of December 31, 2018, and December 31,
12 2017, and copies of the Company's statements of income and retained earnings or margin for
13 the years ended December 31, 2018 and December 31, 2017.
- 14 6. WAC 480-123-110(1)(e)(ii): A copy of the Company's consolidated annual financial
15 statements for the years ended December 31, 2018 and December 31, 2017, are attached as
16 Exhibit 5.
- 17 7. WAC 480-123-110(1)(e)(iii): Information demonstrating the Company's earned rate of
18 return on a total Washington unseparated regulated operations basis for each of the two prior
19 years, calculated in the manner prescribed by the Commission, is provided in Exhibit 4.
- 20 8. WAC 480-123-110(1)(e)(iv): Information demonstrating the Company's earned return on
21 equity on a total company (regulated and non-regulated) Washington basis for each of the
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1 two prior years, calculated in the manner prescribed by the Commission, is provided in
2 Exhibit 5.

3 9. WAC 480-123-110(1)(e)(v): Information detailing all of the Company's revenues from the
4 statements of income and retained earnings or margin in the same format and detail as is
5 required to complete RUS Form 479 for the prior two years is presented on Exhibit 6.

6 10. WAC 480-123-110(1)(e)(vi): A statement under penalty of perjury from a Company officer
7 with personal knowledge and responsibility certifying that no corporate operations
8 adjustment to existing high-cost loop and interstate common line support mechanisms
9 required by the Federal Communications Commission applied to the Company for the two
10 prior years is attached hereto as Exhibit 7.

11 11. WAC 480-123-110(1)(e)(vii): Exhibit 4 contains additional supporting information
12 requested by the Commission.

13 12. WAC 480-123-110(1)(e)(viii): A statement under penalty of perjury from a Company
14 officer with personal knowledge and responsibility certifying that the Company complies
15 with state and federal accounting, cost allocation, and cost adjustment rules pertaining to
16 incumbent local exchange companies is attached as Exhibit 8.

17 13. WAC 480-123-110(1)(f): A complete copy of the FCC Form 481 filed by the Company or
18 on its behalf with the Federal Communications Commission for the calendar year preceding
19 the current year has already been filed with the Commission. See the Company's filing in
20 Docket No. UT-190005 filed on or about June 22, 2019.
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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, 2018, was 1,959 all of which were within the geographic
3 areas for which the Company is seeking support. The number of residential local exchange
4 access lines served by the Company as of December 31, 2017, was 1,892, all of which were
5 within the geographic areas 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, 2018, was 446, all of which were within the geographic areas 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, 2017, was 546, all of which were within the geographic areas
10 for which the Company is seeking support.
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12 The monthly recurring rate charged by the Company for residential local exchange access
13 service on December 31, 2018, was: Dewatto exchange - \$22.00; Prescott exchange -
14 \$18.00; Roslyn exchange - \$18.00; and, Uniontown exchange - \$18.00. The monthly
15 recurring rate charged by the Company for residential local exchange access service on
16 December 31, 2017, was: Dewatto exchange - \$22.00; Prescott exchange - \$18.00; Roslyn
17 exchange - \$18.00; and, Uniontown exchange - \$18.00.
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19 The rate charged by the Company for single line business local exchange access service on
20 December 31, 2018, was: Dewatto exchange - \$27.00; Prescott exchange - \$26.50; Roslyn
21 exchange - \$24.00; and, Uniontown exchange - \$25.00. The rate charged by the Company
22 for single line business local exchange access service on December 31, 2017, was: Dewatto
23 exchange - \$27.00; Prescott exchange - \$26.50; Roslyn exchange - \$24.00; and, Uniontown
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1 exchange - \$25.00. (The Company has other business local exchange service rates, but the
2 Company understands that WAC 480-123-110(1)(g) is requesting the single line business
3 local exchange access service rate.)

4 15. WAC 480-123-110(1)(h): The requested statement is attached as Exhibit 9.

5 16. The amount on Line 4, labeled 2011 ROR Carrier Base Period Revenue, of the CAF ICC
6 Data collection Report for the period 7/1/2019 - 6/30/2020 is \$1,223,317 and has not
7 changed from the last filing.

8 17. All exhibits attached hereto are incorporated in this Petition as though fully set forth.
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11 Respectfully submitted this 29th day of July, 2019.

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13 Inland Telephone Company
14 d/b/a Inland Networks

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17 CERTIFICATION

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

23 
24 By: James K. Brooks
25 Title: Treasurer/Controller
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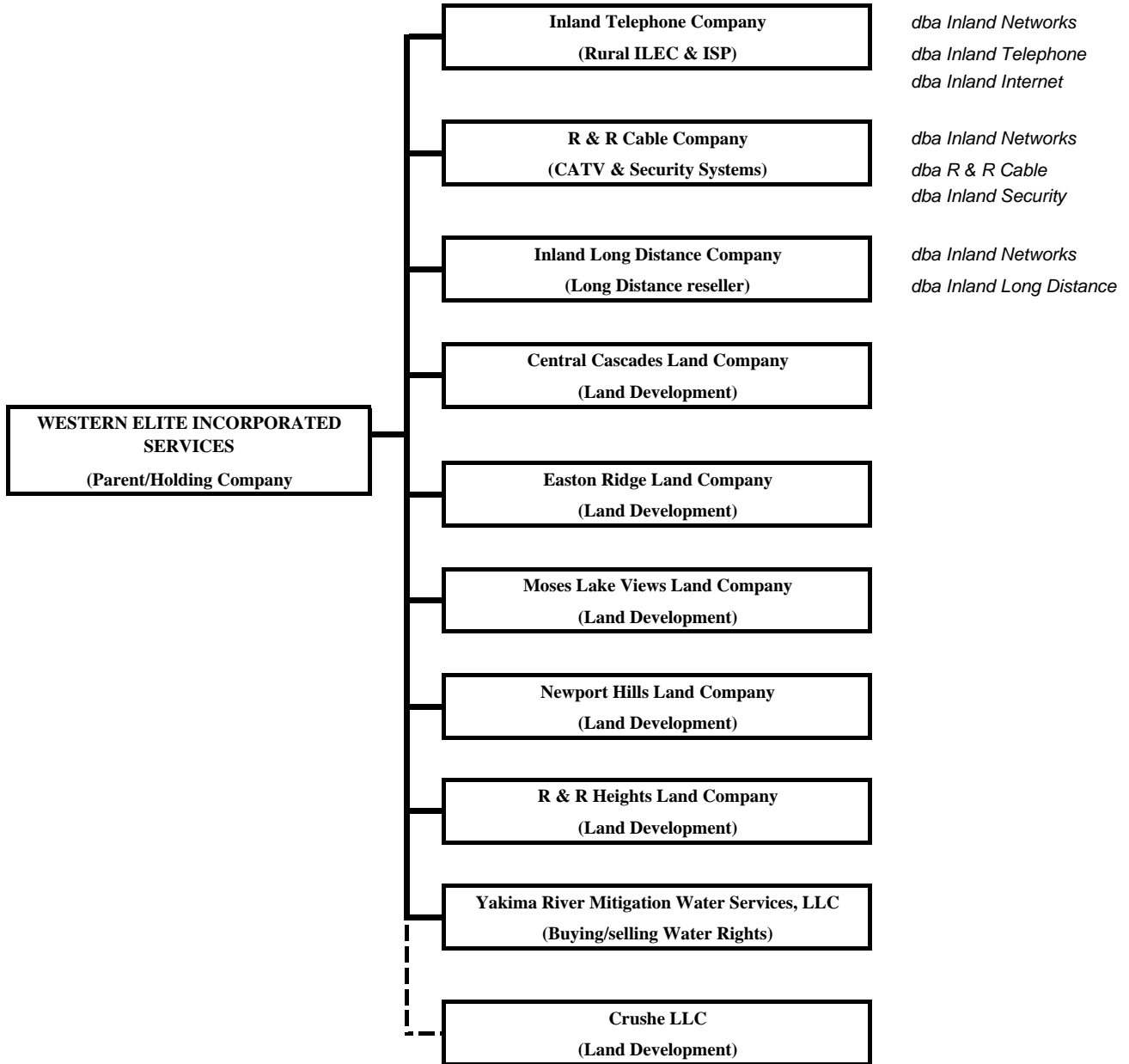
EXHIBIT 1

CORPORATE STRUCTURE

INLAND TELEPHONE COMPANY - SAC 522423

EXHIBIT 1

**CORPORATE ORGANIZATION CHART
AS OF DECEMBER 31, 2018**



NOTE: All of the entities shown above are wholly owned subsidiaries of Western Elite Incorporated Services and are either C-Corporations or limited liability companies. The members of Crushe LLC are also the shareholders of W.E.I.S.

DOCKET NO. UT-_____
PETITION OF INLAND TELEPHONE COMPANY
TO RECEIVE SUPPORT FROM THE STATE UNIVERSAL
COMMUNICATIONS SERVICES PROGRAM

EXHIBIT 2

AFFILIATED TRANSACTIONS

INLAND TELEPHONE COMPANY - SAC 522423

EXHIBIT 2

AFFILIATED TRANSACTIONS

Other than the purchase of tariffed services at tariffed rates, Inland Telephone Company reports the following affiliate transactions for the year ended December 31, 2018:

Shareholders – There are shareholders holding five percent or more of the stock, directly or indirectly, of the Company who are also employees of the Company and receive from the Company employment compensation together with employment associated benefits in accordance with the benefits plan that governs all employees.

Related Party Transactions:

R & R Cable Company (“R & R”) –

- R & R paid Inland Telephone Company (“ITC”) for contracted services for managing R & R’s Internet service via cable modem outside of the ITC service area.
- ITC paid R & R for wholesale cable television service.

EXHIBIT 3

DEMONSTRATION OF RISK

INLAND TELEPHONE COMPANY - SAC 522423

EXHIBIT 3

DEMONSTRATION OF RISK OF RATE INSTABILITY OR SERVICE INTERRUPTION OR CESSATION

The operating environment in which Inland Telephone Company (the “Company”) finds itself has created a climate of great financial uncertainty as it sees a reduction in availability of the mechanisms that funded the Company's operations. The Company must also consider the effects of growing competition, especially broadband.

The Company has been addressing growing competition by taking steps to increase the availability and attributes of advanced services offered by the Company; focusing on increasing broadband capacity and service offerings. This has resulted in the Company making substantial investments in regulated plant of approximately \$19,118,585 during the period January 1, 2012 through December 31, 2018; approximately \$735,000 for the year 2018.¹ During this time period, the Company borrowed approximately \$16,100,000 from the Rural Utility Service² in order to make the majority of these plant additions; a substantial debt obligation to cover the needed investments. The effects of these investments can be demonstrated by reference to the Income Statement. Line 44 of the Income Statement set out in Exhibit 4 of this Petition shows that the Company's debt service payments, pre-Part 64, totaled \$1,334,455 (\$1,047,554 principal and \$286,901 interest) in 2018. The current debt service payment obligations are projected to continue at approximately the 2018 amount through 2029.

The 2018 additions in plant were dominated by fiber-to-the-premises (“FTTP”) additions in the Roslyn exchange totaling approximately \$480,000 in investment to provide advanced broadband service. The Company plans on building more FTTP³ in its Washington exchanges. This should meet the broadband targets set by the Federal Communications Commission (“FCC”) as the Company, in an effort to see some form of stability in revenue flow, has elected to accept the offer in the Alternative Connect America Cost Model II⁴. According to the offer, the Company is forgoing approximately \$411,000⁵ in federal Universal Service Funds in order to see this stability which may be financially challenging for the Company.

The overall financial condition of the Company is detailed on other Exhibits to this Petition. This information demonstrates that the Company's Net Operating Revenue (Exhibit 4, Income Statement, line 7) decreased by 1.65 percent comparing 2011 to 2018 (\$5,027,483 and \$4,944,618, respectively), however, when adjusted to eliminate the support from the State Universal Communications Services Program that is attributable to 2018 (\$426,423), the Company's Net Operating Revenue decreased by 10.13 percent comparing 2011 to 2018.

¹ All amounts exclude investments in Idaho operations.

² Ibid.

³ As explained in Inland Telephone Company's ETC Certification filing with the WUTC.

⁴ WC Docket No. 10-90; Report 15 released May 2, 2019.

⁵ WC Docket No. 10-90; Report 15 released May 2, 2019; Report 15.1 Support Offer; \$1,587,822 2018 Claims vs. \$1,177,080 Total Non-Tribal and Tribal Annual Model-Based Support Offer.

The Company's Net Operating Revenue (Exhibit 4, Income Statement, line 7) increased from \$4,520,644 to \$4,944,618 when comparing 2017 to 2018, respectively; an increase of approximately 9.4 percent. The increase was attributed to an increase in both federal and state Universal Service Funds ("USF") that the Company received in 2018, which we have previously explained that the Company will expect a decrease in federal USF in future years. As the Income Statement culminates with Total Net Income (Exhibit 4, Income Statement, line 31), when comparing 2017 to 2018, the increase in Net Operating Revenue has diminished; total Net Income decreasing from \$823,266 to \$465,018, respectively. This decrease is misleading for the same reasons that there existed an increase from 2016 to 2017; the non-regulated gain does not exist in 2018 and the effects of the Tax Cuts and Jobs Act ("TCJA") have stabilized.

As an example of why the State Universal Communications Services 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 traditional universal service fund revenues of approximately \$79,875 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.⁶ 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, 2020, including reductions that will occur July 1, 2019, the Company has seen a reduction in support from the base line revenue of approximately \$411,744. This is mute however since, as previously explained, the Company has elected ACAM II which is approximately this same reduction in USF.

These factors, among others, have led to the strained financial condition of the Company as reflected in the financial reports that are part of the Petition. The Company has looked for ways to lower expenses. However, much of the Company's operating expenses are fixed obligations, such as debt-related payments.

⁶ *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 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 be able to match expenses to revenues. The dilemma presented by these choices reflects the risk of rate instability or service interruption or cessation to which the Company is subject. The Company believes that its continued investment in broadband will eventually lead to a more stable financial condition as it provides a strong rural broadband network. However, that is a developing and ongoing scenario which will need more time to come to full fruition.

EXHIBIT 4

**FINANCIAL STATEMENT TEMPLATE &
SUPPLEMENT (JURISDICTIONAL RECONCILIATION)**

INLAND TELEPHONE COMPANY - SAC 522423

INLAND TELEPHONE COMPANY

STATE USF FILING

FINANCIAL TEMPLATE

NON-"S CORP" COMPANIES

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

Company Name: (Below)
 Inland 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)
CURRENT ASSETS				CURRENT LIABILITIES			
1. Cash and Equivalents	311,540		311,540	25. Accounts Payable	195,519		195,519
2. Cash-RUS Construction Fund	1,068,000		1,068,000	26. Notes Payable			0
3. Affiliates:				27. Advance Billings and Payments			0
a. Telecom, Accounts Receivable			0	28. Customer Deposits	2,370		2,370
b. Other Accounts Receivable			0	29. Current Mat. L/T Debt	1,047,525	(96,508)	951,017
c. Notes Receivable			0	30. Current Mat. L/T Debt Rur. Dev.			0
4. Non-Affiliates:				31. Current Mat. - Capital Leases			0
a. Telecom, Accounts Receivable	708,417	(290,536)	417,881	32. Income Taxes Accrued			0
b. Other Accounts Receivable			0	33. Other Taxes Accrued	65,144		65,144
c. Notes Receivable			0	34. Other Current Liabilities	561,570		561,570
5. Interest and Dividends Receivable			0	35. Total Current Liabilities (25 thru 34)	1,872,128	(96,508)	1,775,620
6. Material-Regulated	271,274		271,274	LONG-TERM DEBT			
7. Material-Nonregulated			0	36. Funded Debt-RUS Notes	18,797	(1,732)	17,065
8. Prepayments	145,154		145,154	37. Funded Debt-RTB Notes			0
9. Other Current Assets			0	38. Funded Debt-FFB Notes	12,718,026	(1,171,709)	11,546,317
10. Total Current Assets (1 Thru 9)	2,504,385	(290,536)	2,213,849	39. Funded Debt-Other	(3,231)	298	(2,933)
				40. Funded Debt-Rural Develop. Loan			0
NONCURRENT ASSETS				41. Premium (Discount) on L/T Debt			0
11. Investment in Affiliated Companies				42. Reacquired Debt			0
a. Rural Development	1,989,282		1,989,282	43. Obligations Under Capital Lease			0
b. Nonrural Development	0		0	44. Adv. From Affiliated Companies			0
12. Other Investments				45. Other Long-Term Debt			0
a. Rural Development	0		0	46. Total Long-Term Debt (36 thru 45)	12,733,592	(1,173,143)	11,560,449
b. Nonrural Development	248,764		248,764	OTHER LIAB. & DEF. CREDITS			
13. Nonregulated Investments (B1)	873,407	2,470,877	3,344,284	47. Other Long-Term Liabilities			0
14. Other Noncurrent Assets	250		250	48. Deferred Income Taxes	1,789,409	(165,998)	1,623,411
15. Deferred Charges			0	49. Other Deferred Credits (D)	236,515	21,150	257,665
16. Jurisdictional Differences			0	50. Other Jurisdictional Differences			0
17. Total noncurrent Assets (11 thru 16)	3,111,703	2,470,877	5,582,580	51. Total Other Liab. & Def. Credits (47 thru 50)	2,025,924	(144,848)	1,881,076
				EQUITY			
PLANT, PROPERTY AND EQUIPMENT				52. Cap. Stock Outstanding & Subscribed	93,150		93,150
18. Telecom Plant-In-Service	31,138,653	(2,882,592)	28,256,061	53. Additional Paid-in-Capital	7,175		7,175
19. Property Held for Future Use	10,213		10,213	54. Treasury Stock			0
20. Plant Under Construction	66,912		66,912	55. Membership and Capital Certificates			0
21. Plant Adj., Nonop Plant & Goodwill			0	56. Other Capital			0
22. Accumulated Depreciation (CR.)	(14,116,291)	702,251	(13,414,040)	57. Patronage Capital Credits			0
23. Net Plant (18 thru 21 less 22)	17,099,487	(2,180,341)	14,919,146	58. Retained Earnings or Margins (B2)	5,983,606	1,414,499	7,398,105
				59. Total Equity (52 thru 58)	6,083,931	1,414,499	7,498,430
24. TOTAL ASSETS (10+17+23)	22,715,575	0	22,715,575	60. TOTAL LIABILITIES AND EQUITY (35+46+51+59)	22,715,575	0	22,715,575

Footnotes:

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

Footnotes:

- (B1) - Part 64 offset to nonreg investment
- (B2) - Part 64 offset to retained earnings
- (D) - Excludes deferred taxes

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

Company Name: (Below)
Inland Telephone Company

ASSETS	Balance End of Year 2018 (A)	Part 64 Adj to NonReg 2018 (B)	Adj. Balance End of Year 2018 (C)	LIABILITIES AND STOCKHOLDERS' EQUITY	Balance End of Year 2018 (A)	Part 64 Adj to NonReg 2018 (B)	Adj. Balance End of Year 2018 (C)
CURRENT ASSETS				CURRENT LIABILITIES			
1. Cash and Equivalents	809,634		809,634	25. Accounts Payable	172,199		172,199
2. Cash-RUS Construction Fund	809,556		809,556	26. Notes Payable			0
3. Affiliates:				27. Advance Billings and Payments			0
a. Telecom, Accounts Receivable			0	28. Customer Deposits	2,350		2,350
b. Other Accounts Receivable			0	29. Current Mat. L/T Debt	1,053,966	(99,579)	954,387
c. Notes Receivable			0	30. Current Mat. L/T Debt Rur. Dev.			0
4. Non-Affiliates:				31. Current Mat. - Capital Leases			0
a. Telecom, Accounts Receivable	516,742	(342,515)	174,227	32. Income Taxes Accrued			0
b. Other Accounts Receivable			0	33. Other Taxes Accrued	69,056		69,056
c. Notes Receivable	56,449	(56,449)	0	34. Other Current Liabilities	599,154		599,154
5. Interest and Dividends Receivable			0	35. Total Current Liabilities (25 thru 34)	1,896,725	(99,579)	1,797,146
6. Material-Regulated	266,912		266,912	LONG-TERM DEBT			
7. Material-Nonregulated			0	36. Funded Debt-RUS Notes	8,085	(764)	7,321
8. Prepayments	120,042	(20,696)	99,346	37. Funded Debt-RTB Notes			0
9. Other Current Assets			0	38. Funded Debt-FFB Notes	11,674,934	(1,103,048)	10,571,886
10. Total Current Assets (1 Thru 9)	2,579,335	(419,660)	2,159,675	39. Funded Debt-Other	(3,396)	321	(3,075)
NONCURRENT ASSETS				40. Funded Debt-Rural Develop. Loan			0
11. Investment in Affiliated Companies				41. Premium (Discount) on L/T Debt			0
a. Rural Development	2,020,864		2,020,864	42. Reacquired Debt			0
b. Nonrural Development			0	43. Obligations Under Capital Lease			0
12. Other Investments				44. Adv. From Affiliated Companies			0
a. Rural Development			0	45. Other Long-Term Debt			0
b. Nonrural Development	269,802		269,802	46. Total Long-Term Debt (36 thru 45)	11,679,623	(1,103,491)	10,576,132
13. Nonregulated Investments (B1)	1,083,981	2,503,404	3,587,385	OTHER LIAB. & DEF. CREDITS			
14. Other Noncurrent Assets	250		250	47. Other Long-Term Liabilities			0
15. Deferred Charges			0	48. Deferred Income Taxes	1,800,987	(137,633)	1,663,354
16. Jurisdictional Differences			0	49. Other Deferred Credits (D)	129,577	(25,473)	104,104
17. Total noncurrent Assets (11 thru 16)	3,374,897	2,503,404	5,878,301	50. Other Jurisdictional Differences			0
PLANT, PROPERTY AND EQUIPMENT				51. Total Other Liab. & Def. Credits (47 thru 50)	1,930,564	(163,106)	1,767,458
18. Telecom Plant-In-Service	30,160,738	(2,849,587)	27,311,151	EQUITY			
19. Property Held for Future Use	590,472		590,472	52. Cap. Stock Outstanding & Subscribed	93,150		93,150
20. Plant Under Construction	158,901	(39,165)	119,736	53. Additional Paid-in-Capital	7,175		7,175
21. Plant Adj., Nonop Plant & Goodwill			0	54. Treasury Stock			0
22. Accumulated Depreciation (CR.)	(14,672,851)	805,008	(13,867,843)	55. Membership and Capital Certificates			0
23. Net Plant (18 thru 21 less 22)	16,237,260	(2,083,744)	14,153,516	56. Other Capital			0
24. TOTAL ASSETS (10+17+23)	22,191,492	0	22,191,492	57. Patronage Capital Credits			0
				58. Retained Earnings or Margins (B2)	6,584,255	1,366,176	7,950,431
				59. Total Equity (52 thru 58)	6,684,580	1,366,176	8,050,756
				60. TOTAL LIABILITIES AND EQUITY (35+46+51+59)	22,191,492	0	22,191,492

Footnotes:

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

Footnotes:

- (B1) - Part 64 offset to nonreg investment
- (B2) - Part 64 offset to retained earnings
- (D) - Excludes deferred taxes

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

Company Name: (Below)
 Inland Telephone Company

ASSETS	Adjusted Prior Year Balance 2017	Adjusted Current Year Balance 2018	LIABILITIES AND STOCKHOLDERS' EQUITY	Adjusted Prior Year Balance 2017	Adjusted Current Year Balance 2018
CURRENT ASSETS			CURRENT LIABILITIES		
1. Cash and Equivalents	311,540	809,634	25. Accounts Payable	195,519	172,199
2. Cash-RUS Construction Fund	1,068,000	809,556	26. Notes Payable	0	0
3. Affiliates:			27. Advance Billings and Payments	0	0
a. Telecom, Accounts Receivable	0	0	28. Customer Deposits	2,370	2,350
b. Other Accounts Receivable	0	0	29. Current Mat. L/T Debt	951,017	954,387
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	417,881	174,227	32. Income Taxes Accrued	0	0
b. Other Accounts Receivable	0	0	33. Other Taxes Accrued	65,144	69,056
c. Notes Receivable	0	0	34. Other Current Liabilities	561,570	599,154
5. Interest and Dividends Receivable	0	0	35. Total Current Liabilities (25 - 34)	1,775,620	1,797,146
6. Material-Regulated	271,274	266,912	LONG-TERM DEBT		
7. Material-Nonregulated	0	0	36. Funded Debt-RUS Notes	17,065	7,321
8. Prepayments	145,154	99,346	37. Funded Debt-RTB Notes	0	0
9. Other Current Assets	0	0	38. Funded Debt-FFB Notes	11,546,317	10,571,886
10. Total Current Assets (1 Thru 9)	2,213,849	2,159,675	39. Funded Debt-Other	(2,933)	(3,075)
NONCURRENT ASSETS			40. Funded Debt-Rural Develop. Loan	0	0
11. Investment in Affiliated Companies			41. Premium (Discount) on L/T Debt	0	0
a. Rural Development	1,989,282	2,020,864	42. Reacquired Debt	0	0
b. Nonrural Development	0	0	43. Obligations Under Capital Lease	0	0
12. Other Investments			44. Adv. From Affiliated Companies	0	0
a. Rural Development	0	0	45. Other Long-Term Debt	0	0
b. Nonrural Development	248,764	269,802	46. Total Long-Term Debt (36-45)	11,560,449	10,576,132
13. Nonregulated Investments	3,344,284	3,587,385	OTHER LIAB. & DEF. CREDITS		
14. Other Noncurrent Assets	250	250	47. Other Long-Term Liabilities	0	0
15. Deferred Charges	0	0	48. Deferred Income Taxes	1,623,411	1,663,354
16. Jurisdictional Differences	0	0	49. Other Deferred Credits	257,665	104,104
17. Total noncurrent Assets (11 thru 16)	5,582,580	5,878,301	50. Other Jurisdictional Differences	0	0
PLANT, PROPERTY AND EQUIPMENT			51. Total Other Liab. & Def. Credits (47 thru 50)	1,881,076	1,767,458
18. Telecom Plant-in-Service	28,256,061	27,311,151	EQUITY		
19. Property Held for Future Use	10,213	590,472	52. Cap. Stock Outstanding & Subscribed	93,150	93,150
20. Plant Under Construction	66,912	119,736	53. Additional Paid-in-Capital	7,175	7,175
21. Plant Adj., Nonop Plant & Goodwill	0	0	54. Treasury Stock	0	0
22. Accumulated Depreciation (CR.)	(13,414,040)	(13,867,843)	55. Membership and Capital Certificates	0	0
23. Net Plant (18 thru 21 less 22)	14,919,146	14,153,516	56. Other Capital	0	0
24. TOTAL ASSETS (10+17+23)	22,715,575	22,191,492	57. Patronage Capital Credits	0	0
			58. Retained Earnings or Margins	7,398,105	7,950,431
			59. Total Equity (52 thru 58)	7,498,430	8,050,756
			59. TOTAL LIABILITIES AND EQUITY (35+46+51+59)	22,715,575	22,191,492

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)
 Inland Telephone Company _____

Line #	Description	B/S Line #	Adj. Balance End of Year 2017	Adj. Balance End of Year 2018	Average Adj End of Year Balance
Average Rate Base:					
1	Total Regulated Adjusted Telecom Plant-In-Service	18	28,256,061	27,311,151	27,783,606
2	Total Property Held for Future Use	19	10,213	590,472	300,343
3	Total Regulated Adjusted Accumulated Depreciation (CR)	22	(13,414,040)	(13,867,843)	(13,640,942)
4	Total Regulated Materials & Supplies	6	271,274	266,912	269,093
5	Deferred Income Taxes (CR) * - Manually input		(1,623,411)	(1,569,769)	(1,596,590)
6	Total Regulated Rate Base		13,500,097	12,730,923	13,115,510

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 480-123-110 (1)(e)
Prior and Current Year Access Lines

Company Name: (Below)
 Inland Telephone Company _____

Line #	Description	Prior Year End of Yr. Balance - 2017	Current Year End of Yr. Balance - 2018	Difference	% Change
	Access Lines:				
1	Residential	1,892	1,959	67	3.5%
2	Business	546	446	(100)	-18.3%
3	Total	2,438	2,405	(33)	-1.4%

Note: If 2017 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)
 Inland Telephone Company

Line #	Description	Prior Year 2017 (A)	Part 64 Adj. to NonReg (B)	Prior Year Adjusted 2017 (C)
1	Local Network Services Revenues	626,725		626,725
2	Network Access Services Revenues	3,806,285		3,806,285
3	Long Distance Network Services Revenues	90		90
4	Carrier Billing and Collection Revenues	34,605		34,605
5	Miscellaneous Revenues	55,172		55,172
6	Uncollectible Revenues (Normal Balance is debit or in brackets)	(2,233)		(2,233)
7	Net Operating Revenues (1 thru 6)	4,520,644	0	4,520,644
8	Plant Specific Operations Expense	1,370,297	(68,358)	1,301,939
9	Plant Nonspecific Operations Expense (excluding Depreciation & Amort.)	436,945	(23,932)	413,013
10	Depreciation Expense	1,372,706	(146,823)	1,225,883
11	Amortization Expense	182		182
12	Customer Operations Expense	506,046	(115,887)	390,159
13	Corporate Operations	780,393	(17,496)	762,897
14	Total Operations Expenses (8 thru 13)	4,466,569	(372,496)	4,094,073
15	Operating Income or Margins (7 less 14)	54,075	372,496	426,571
16	Other Operating Income and Expenses ()			0
17	State and Local Taxes	166,359	(19,123)	147,236
18	Federal Income Taxes (A1) - (LINE IS ZERO IF COMPANY IS S CORP)	(798,904)	47,444	(751,460)
19	Other Taxes			0
20	Total Operating Taxes (17+18+19)	(632,545)	28,321	(604,224)
21	Net Operating Income or Margins (15+16-20)	686,620	344,175	1,030,795
22	Interest on Funded Debt	311,025	(28,655)	282,370
23	Interest Expense - Capital Leases			0
24	Other Interest Expense	18		18
25	Allowance for Funds Used During Construction (Record as a Credit)	(4,316)	398	(3,918)
26	Total Fixed Charges (22+23+24+25)	306,727	(28,257)	278,470
27	Nonoperating Net Income	316,751		316,751
28	Extraordinary Items			0
29	Jurisdictional Differences			0
30	Nonregulated Net Income (B1)	126,622	(372,432)	(245,810)
31	Total Net Income or Margins (21+27+28+29+30-26)	823,266	0	823,266
32	Total Taxes Based on Income			
33	Retained Earning or Margins Beginning-of-Year	5,404,975	1,518,392	6,923,367
34	Miscellaneous Credits Year-to-Date	(244,635)	(103,893)	(348,528)
35	Dividends Declared (Common)			0
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)	5,983,606	1,414,499	7,398,105
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	1,383,040		1,383,040
45	Cash Ratio ((14+20-10-11)/7)	0.5444	#DIV/0!	0.5008
46	Operating Accrual Ratio ((14+20+26)/7)	0.9160	#DIV/0!	0.8336
47	TIER ((31+26)/26)	3.6840	1.0000	3.9564
48	DSCR ((31+26+10+11)/44)	1.8097	#DIV/0!	1.6831

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)
 Inland Telephone Company

Line #	Description	Current Year 2018 (A)	Part 64 Adj. to NonReg (B)	Current Year Adjusted 2018 (C)
1	Local Network Services Revenues	616,970		616,970
2	Network Access Services Revenues	4,222,886		4,222,886
3	Long Distance Network Services Revenues	3		3
4	Carrier Billing and Collection Revenues	34,088		34,088
5	Miscellaneous Revenues	77,012		77,012
6	Uncollectible Revenues (Normal Balance is debit or in brackets)	(6,341)		(6,341)
7	Net Operating Revenues (1 thru 6)	4,944,618	0	4,944,618
8	Plant Specific Operations Expense	1,448,865	(77,316)	1,371,549
9	Plant Nonspecific Operations Expense (excluding Depreciation & Amort.)	427,111	(24,167)	402,944
10	Depreciation Expense	1,322,867	(150,943)	1,171,924
11	Amortization Expense	172		172
12	Customer Operations Expense	555,639	(186,144)	369,495
13	Corporate Operations	796,474	(25,532)	770,942
14	Total Operations Expenses (8 thru 13)	4,551,128	(464,102)	4,087,026
15	Operating Income or Margins (7 less 14)	393,490	464,102	857,592
16	Other Operating Income and Expenses ()			0
17	State and Local Taxes	230,639	(24,060)	206,579
18	Federal Income Taxes (A1) - (LINE IS ZERO IF COMPANY IS S CORP)	161,711	(301,215)	(139,504)
19	Other Taxes			0
20	Total Operating Taxes (17+18+19)	392,350	(325,275)	67,075
21	Net Operating Income or Margins (15+16-20)	1,140	789,377	790,517
22	Interest on Funded Debt	286,901	(27,106)	259,795
23	Interest Expense - Capital Leases			0
24	Other Interest Expense	36		36
25	Allowance for Funds Used During Construction (Record as a Credit)	(3,811)	357	(3,454)
26	Total Fixed Charges (22+23+24+25)	283,126	(26,749)	256,377
27	Nonoperating Net Income	78,575		78,575
28	Extraordinary Items			0
29	Jurisdictional Differences			0
30	Nonregulated Net Income (B1)	668,428	(816,126)	(147,698)
31	Total Net Income or Margins (21+27+28+29+30-26)	465,017	0	465,017
32	Total Taxes Based on Income			
33	Retained Earning or Margins Beginning-of-Year	5,983,606	1,414,499	7,398,105
34	Miscellaneous Credits Year-to-Date	135,631	(48,323)	87,308
35	Dividends Declared (Common)			0
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)	6,584,254	1,366,176	7,950,430
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	1,334,455		1,334,455
45	Cash Ratio ((14+20-10-11)/7)	0.7322	#DIV/0!	0.6031
46	Operating Accrual Ratio ((14+20+26)/7)	1.0570	#DIV/0!	0.8920
47	TIER ((31+26)/26)	2.6424	1.0000	2.8138
48	DSCR ((31+26+10+11)/44)	1.5521	#DIV/0!	1.4189

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

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

Company Name:
 Inland Telephone Company

Line #	Description	Adjusted Prior Year 2017	Adjusted Current Year 2018
1	Local Network Services Revenues	626,725	616,970
2	Network Access Services Revenues	3,806,285	4,222,886
3	Long Distance Network Services Revenues	90	3
4	Carrier Billing and Collection Revenues	34,605	34,088
5	Miscellaneous Revenues	55,172	77,012
6	Uncollectible Revenues (Normal Balance is debit or in brackets)	(2,233)	(6,341)
7	Net Operating Revenues (1 thru 6)	4,520,644	4,944,618
8	Plant Specific Operations Expense	1,301,939	1,371,549
9	Plant Nonspecific Operations Expense (excluding Depreciation & Amort.)	413,013	402,944
10	Depreciation Expense	1,225,883	1,171,924
11	Amortization Expense	182	172
12	Customer Operations Expense	390,159	369,495
13	Corporate Operations	762,897	770,942
14	Total Operations Expenses (8 thru 13)	4,094,073	4,087,026
15	Operating Income or Margins (7 less 14)	426,571	857,592
16	Other Operating Income and Expenses ()	0	0
17	State and Local Taxes	147,236	206,579
18	Federal Income Taxes (A1) - (LINE IS ZERO IF COMPANY IS S CORP)	(751,460)	(139,504)
19	Other Taxes	0	0
20	Total Operating Taxes (17+18+19)	(604,224)	67,075
21	Net Operating Income or Margins (15+16-20)	1,030,795	790,517
22	Interest on Funded Debt	282,370	259,795
23	Interest Expense - Capital Leases	0	0
24	Other Interest Expense	18	36
25	Allowance for Funds Used During Construction (Record as a Credit)	(3,918)	(3,454)
26	Total Fixed Charges (22+23+24+25)	278,470	256,377
27	Nonoperating Net Income	316,751	78,575
28	Extraordinary Items	0	0
29	Jurisdictional Differences	0	0
30	Nonregulated Net Income	(245,810)	(147,698)
31	Total Net Income or Margins (21+27+28+29+30-26)	823,266	465,017
32	Total Taxes Based on Income		
33	Retained Earning or Margins Beginning-of-Year	6,923,367	7,398,105
34	Miscellaneous Credits Year-to-Date	(348,528)	87,308
35	Dividends Declared (Common)	0	0
36	Dividends Declared (Preferred)	0	0
37	Other Debits Year-to-Date	0	0
38	Transfers to Patronage Capital	0	0
39	Retained Earnings or Margins End-of-Period ((31+33+34)-(35+36+37+38))	7,398,105	7,950,430
40	Patronage Capital Beginning-of-Year	0	0
41	Transfers to Patronage Capital	0	0
42	Patronage Capital Credits Retired	0	0
43	Patronage Capital End-of-Year (40+41-42)	0	0
44	Annual Debt Service Payments	1,383,040	1,334,455
45	Cash Ratio ((14+20-10-11)/7)	0.5008	0.6031
46	Operating Accrual Ratio ((14+20+26)/7)	0.8336	0.8920
47	TIER ((31+26)/26)	3.9564	2.8138
48	DSCR ((31+26+10+11)/44)	1.68	1.4189

Footnote

	2017	2018
(A1) S Corporation Effective Tax Rate (2 decimal places):		
Note:		
Adjusted Income Statement reflects Part 64 Adjustments (Regulated to Nonregulated).		

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

Company Name: (Below)
 Inland Telephone Company _____

Line #	Description	Part 32 Account	Prior Year 2017	Current Year 2018
1	End User Revenue (SLC, ARC, etc.)	5081	294,186	302,170
2	Switched Access (excluding USF):	5082		
2a	Intrastate		74,963	63,980
2b	Interstate (includes CAF)		297,430	314,380
3	Special Access:	5083		
3a	Intrastate		15,370	15,370
3b	Interstate		1,812,651	1,554,339
4	Federal USF (except CAF and ACAM/BLS)	Varies	107,250	695,248
5	Federal USF (ACAM or BLS)	Varies	814,764	842,266
6	State USF	Varies	380,278	426,423
7	Other*		9,393	8,710
8	Total (must equal line 2 of Income Stmt.)		3,806,285	4,222,886
9	Line 2 of Income Stmt.		3,806,285	4,222,886
10	Difference		0	0

Footnote:

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

NOTE: NECA Settlements are included in lines 2b and 3b.

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

Company Name: (Below)
 Inland Telephone Company _____

Description of Out-of-Period (OOP) - 2018 (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: 4340.100 Deferred Federal Income Tax-Washington 7250.250 Deferred FIT Expense To amortize TCJA for rate making purposes; adjusted in Part 64 column.	2018 2018		\$ 93,585	\$ 93,585
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)
Inland Telephone Company

Line #	Description	Company 2018 (A)	Staff 2018 (B)
1	Rate Base (Jan. 1)	13,500,097	13,500,097
2	Rate Base (Dec 31)	12,730,923	12,730,923
3	Average Rate Base	13,115,510	13,115,510
4	Net Operating Income	790,517	790,517
5	Out-of-Period Adjustments Net of FIT		
6	Adjusted Net Operating Income	790,517	790,517
7	Earned Regulated Rate of Return	6.03%	6.03%

Footnotes:

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

WASHINGTON 534											
INLAND TELEPHONE COMPANY											
BALANCE SHEET - RECONCILIATION											
FOR THE YEARS ENDED DECEMBER 31, 2017 and 2018											
Line #		Total Year 2017	Total Idaho Year 2017	Total Washington Year 2017	Part 64 Adj. to NonReg	Prior Year Adjusted 2017	Total This Year 2018	Total Idaho This Year 2018	Total Washington This Year 2018	Part 64 Adj. to NonReg	This Year Adjusted 2018
ASSETS											
CURRENT ASSTES											
1	Cash and Equivalents	311,540		311,540		311,540	809,634		809,634		809,634
2	Cash-RUS Construction Fund	1,068,000		1,068,000		1,068,000	809,556		809,556		809,556
3	Affiliates:										
	a. Telecom. Accounts Receivable			0		0			0		0
	b. Other Accounts Receivable			0		0			0		0
	c. Notes Receivable			0		0			0		0
4	Non-Affiliates										
	a. Telecom. Accounts Receivable	729,180	20,763	708,417	(290,536)	417,881	563,898	47,156	516,742	(342,515)	174,227
	b. Other Accounts Receivable			0		0			0		0
	c. Notes Receivable			0		0	56,449		56,449	(56,449)	0
5	Interest and Dividends Receivable			0		0			0		0
6	Materials - Regulated	271,274		271,274		271,274	266,912		266,912		266,912
7	Materials - Nonregulated			0		0			0		0
8	Prepayments	145,154		145,154		145,154	128,855	8,813	120,042	(20,696)	99,346
9	Other Current Assets			0		0	40	40	0		0
10	Total Current Assets (1 thru 9)	2,525,148	20,763	2,504,385	(290,536)	2,213,849	2,635,344	56,008	2,579,336	(419,660)	2,159,676
NONCURRENT ASSTES											
11	Investments in Affiliated Companies										
	a. Rural Development	1,989,282		1,989,282		1,989,282	2,020,864		2,020,864		2,020,864
	b. Nonrural Development	0		0		0			0		0
12	Other Investments										
	a. Rural Development	0		0		0			0		0
	b. Nonrural Development	248,764		248,764		248,764	269,802		269,802		269,802
13	Nonregulated Investment	1,179,166	305,759	873,407	2,470,877	3,344,284	1,593,896	509,915	1,083,981	2,503,404	3,587,385
14	Other Noncurrent Assets	250		250		250	250		250		250
15	Deferred Charges	0		0		0			0		0
16	Jurisdictional Differences	0		0		0			0		0
17	Total Noncurrent Assets (11 thru 16)	3,417,462	305,759	3,111,703	2,470,877	5,582,580	3,884,812	509,915	3,374,897	2,503,404	5,878,301
PLANT, PROPERTY, AND EQUIPMENT											
18	Telecom. Plant-in-Service	35,417,418	4,278,765	31,138,653	(2,882,592)	28,256,061	34,816,371	4,655,633	30,160,738	(2,849,587)	27,311,151
19	Property Held for Future Use	10,213		10,213		10,213	590,472		590,472		590,472
20	Plant Under Construction	653,102	586,190	66,912		66,912	162,313	3,412	158,901	(39,165)	119,736
21	Plant Adj., Nonop. Plant & Goodwill			0		0			0		0
22	Less: Accumulated Depreciation (CR)	(17,221,627)	(3,105,336)	(14,116,291)	702,251	(13,414,040)	(17,853,767)	(3,180,916)	(14,672,851)	805,008	(13,867,843)
23	Net Plant (18 thru 22)	18,859,106	1,759,619	17,099,487	(2,180,341)	14,919,146	17,715,389	1,478,129	16,237,260	(2,083,744)	14,153,516
24	TOTAL ASSETS (10 + 17 + 23)	24,801,716	2,086,141	22,715,575	0	22,715,575	24,235,545	2,044,052	22,191,493	(0)	22,191,492

WASHINGTON 534											
INLAND TELEPHONE COMPANY											
BALANCE SHEET - RECONCILIATION											
FOR THE YEARS ENDED DECEMBER 31, 2017 and 2018											
Line #		Total Year 2017	Total Idaho Year 2017	Total Washington Year 2017	Part 64 Adj. to NonReg	Prior Year Adjusted 2017	Total This Year 2018	Total Idaho This Year 2018	Total Washington This Year 2018	Part 64 Adj. to NonReg	This Year Adjusted 2018
LIABILITIES AND STOCKHOLDERS' EQUITY											
CURRENT LIABILITIES											
25	Accounts Payable	195,519		195,519		195,519	172,199		172,199		172,199
26	Notes Payable			0		0			0		0
27	Advance Billings and Payments			0		0			0		0
28	Customer Deposits	2,706	336	2,370		2,370	2,504	154	2,350		2,350
29	Current Mat. L/T Debt	1,100,063	52,538	1,047,525	(96,508)	951,017	1,104,721	50,755	1,053,966	(99,579)	954,387
30	Current Mat. L/T Debt-Rural Dev			0		0			0		0
31	Current Mat. L/T Debt-Capital Lease			0		0			0		0
32	Income Taxes Accrued			0		0			0		0
33	Other Taxes Accrued	68,435	3,291	65,144		65,144	80,191	11,134	69,057		69,057
34	Other Current Liabilities	561,570		561,570		561,570	599,154		599,154		599,154
35	Total Current Liabilities (25 thru 34)	1,928,293	56,165	1,872,128	(96,508)	1,775,620	1,958,769	62,043	1,896,726	(99,579)	1,797,148
LONG-TERM DEBT											
36	Funded Debt-RUS Notes	22,713	3,916	18,797	(1,732)	17,065	9,769	1,684	8,085	(764)	7,321
37	Funded Debt-RTB Notes			0		0			0		0
38	Funded Debt-FFB Notes	13,309,236	591,210	12,718,026	(1,171,709)	11,546,317	12,217,654	542,720	11,674,934	(1,103,048)	10,571,886
39	Funded Debt-Other	(3,904)	(673)	(3,231)	298	(2,933)	(4,103)	(707)	(3,396)	321	(3,075)
40	Funded Debt-Rural Development Loan			0		0			0		0
41	Premium (Discount) on L/T Debt			0		0			0		0
42	Reacquired Debt			0		0			0		0
43	Obligations Under Capital Lease			0		0			0		0
44	Adv. From Affiliated Companies			0		0			0		0
45	Other Long-Term Debt			0		0			0		0
46	Total Long-Term Debt (36 thru 45)	13,328,045	594,453	12,733,592	(1,173,143)	11,560,449	12,223,320	543,697	11,679,623	(1,103,491)	10,576,132
OTHER LIAB. & DEF. CREDITS											
47	Other Long-Term Liabilities	0		0		0	0		0		0
48	Deferred Income Taxes	1,820,757	31,348	1,789,409	(165,998)	1,623,411	1,840,793	39,806	1,800,987	(137,633)	1,663,354
49	Other Deferred Credits	236,515		236,515	21,150	257,665	129,577		129,577	(25,473)	104,104
50	Other Jurisdictional Differences	0		0		0	0		0		0
51	Total Other Liab & Def Credits (47 thru 50)	2,057,272	31,348	2,025,924	(144,848)	1,881,076	1,970,370	39,806	1,930,564	(163,106)	1,767,458
EQUITY											
52	Cap. Stock Outstand. & Subscribed	93,150		93,150		93,150	93,150		93,150		93,150
53	Additional Paid-in-Capital	7,175		7,175		7,175	7,175		7,175		7,175
54	Treasury Stock	0		0		0	0		0		0
55	Membership and Cap. Certificates	0		0		0	0		0		0
56	Other Capital	0		0		0	0		0		0
57	Patronage Capital Credits	0		0		0	0		0		0
58	Retained Earnings	7,387,781	1,404,175	5,983,606	1,414,499	7,398,105	7,982,761	1,398,506	6,584,255	1,366,176	7,950,431
59	Total Equity (52 thru 58)	7,488,106	1,404,175	6,083,931	1,414,499	7,498,430	8,083,086	1,398,506	6,684,580	1,366,176	8,050,756
60	TOTAL LIABILITIES & EQUITY (35+46+51+59)	24,801,716	2,086,141	22,715,575	0	22,715,575	24,235,545	2,044,052	22,191,493	0	22,191,493

WASHINGTON 534											
INLAND TELEPHONE COMPANY											
INCOME STATEMENT - RECONCILIATION											
FOR THE YEARS ENDED DECEMBER 31, 2017 and 2018											
Line #	Item	Total Year 2017	Total Idaho Year 2017	Total Washington Year 2017	Part 64 Adj. to NonReg	Prior Year Adjusted 2017	Total This Year 2018	Total Idaho This Year 2018	Total Washington This Year 2018	Part 64 Adj. to NonReg	This Year Adjusted 2018
1	Local Network Service Revenues	718,349	91,624	626,725		626,725	703,462	86,492	616,970		616,970
2	Network Access Service Revenues	4,668,180	861,895	3,806,285		3,806,285	5,094,753	871,867	4,222,886		4,222,886
3	Long Distance Network Services Revenues	87	(3)	90		90	3	3	3		3
4	Carrier Billing and Collection Revenues	38,553	3,948	34,605		34,605	37,711	3,623	34,088		34,088
5	Miscellaneous Revenues	56,082	910	55,172		55,172	79,273	2,261	77,012		77,012
6	Uncollectible Revenues	(3,325)	(1,092)	(2,233)		(2,233)	(6,341)		(6,341)		(6,341)
7	Net Operating Revenues (1 thru 6)	5,477,926	957,282	4,520,644	0	4,520,644	5,908,861	964,243	4,944,618	0	4,944,618
8	Plant Specific Operations Expense	1,659,523	289,226	1,370,297	(68,358)	1,301,939	1,779,446	330,581	1,448,865	(77,316)	1,371,549
9	Plant Nonspecific Operations (ex Depr. & Amort.)	515,400	78,455	436,945	(23,932)	413,013	490,124	63,013	427,111	(24,167)	402,944
10	Depreciation Expense	1,531,366	158,660	1,372,706	(146,823)	1,225,883	1,457,637	134,770	1,322,867	(150,943)	1,171,924
11	Amortization Expense	182		182		182	172	172	172		172
12	Customer Operations Expense	560,447	54,401	506,046	(115,887)	390,159	612,431	56,792	555,639	(186,144)	369,495
13	Corporate Operations Expense	921,830	141,437	780,393	(17,496)	762,897	949,303	152,829	796,474	(25,532)	770,942
13a	Less: Corporate Op Adjustment (FCC 36.621)	0	0	0		0	0	0	0		0
13b	Adjusted Corporate Operations Expense	921,830	141,437	780,393	(17,496)	762,897	949,303	152,829	796,474	(25,532)	770,942
14	Total Operating Expenses (8 thru 12 + 13b)	5,188,748	722,179	4,466,569	(372,496)	4,094,073	5,289,113	737,985	4,551,128	(464,102)	4,087,026
15	Operating Income or Margin (7 less 14)	289,178	235,103	54,075	372,496	426,571	619,748	226,258	393,490	464,102	857,592
16	Other Operating Income and Expenses	0		0		0	0	0	0		0
17	State and Local Taxes	195,199	28,840	166,359	(19,123)	147,236	263,685	33,046	230,639	(24,060)	206,579
18	Federal Income Taxes	(872,180)	(73,276)	(798,904)	47,444	(751,460)	170,169	8,458	161,711	(301,215)	(139,504)
19	Other Taxes	0		0		0	0	0	0		0
20	Total Operating Taxes (17+18+19)	(676,981)	(44,436)	(632,545)	28,321	(604,224)	433,854	41,504	392,350	(325,275)	67,075
21	Net Operating Income or Margin (15+16-20)	966,159	279,539	686,620	344,175	1,030,795	185,894	184,754	1,140	789,377	790,517
22	Interest on Funded Debt	326,008	14,983	311,025	(28,655)	282,370	300,454	13,553	286,901	(27,106)	259,794
23	Interest Expense - Capital Leases	0		0		0	0	0	0		0
24	Other Interest Expense	21	3	18		18	39	3	36		36
25	Allowance for Funds Used During Construction	(9,259)	(4,943)	(4,316)	398	(3,918)	(10,892)	(7,081)	(3,811)	357	(3,454)
26	Total Fixed Charges (22 thru 25)	316,770	10,043	306,727	(28,257)	278,470	289,601	6,475	283,126	(26,749)	256,376
27	Nonoperating Net Income(Expense)	315,874	(877)	316,751		316,751	176,340	97,765	78,575		78,575
28	Extraordinary Items			0		0			0		0
29	Jurisdictional Differences			0		0			0		0
30	Nonregulated Net Income (Loss)	90,309	(36,313)	126,622	(372,432)	(245,810)	520,112	(148,316)	668,428	(816,126)	(147,698)
31	Total Net Income or Margin (21+27+28+29+30-26)	1,055,572	232,306	823,266	0	823,266	592,745	127,727	465,018	0	465,018
32	Total Taxes Based on Income			0		0			0		0
33	Retained Earnings or Margins Beginning-of-Year	6,331,917	926,942	5,404,975	1,518,392	6,923,367	7,387,781	1,404,175	5,983,606	1,414,499	7,398,105
34	Miscellaneous Credits Year-to-Date	292	244,927	(244,635)	(103,893)	(348,528)	2,235	(133,396)	135,631	(48,323)	87,308
35	Dividends Declared (Common)	0		0		0	0	0	0		0
36	Dividends Declared (Preferred)	0		0		0	0	0	0		0
37	Other Debits Year-to-Date	0		0		0	0	0	0		0
38	Transfers to Patronage Capital	0		0		0	0	0	0		0
39	Retained Earnings or Margins End-of-Period (31+33+34)-(35+36+37+38)	7,387,781	1,404,175	5,983,606	1,414,499	7,398,105	7,982,761	1,398,506	6,584,255	1,366,176	7,950,431
40	Patronage Capital Beginning-of-Year	0		0		0	0	0	0		0
41	Transfers of Patronage Capital	0		0		0	0	0	0		0
42	Patronage Capital Credits Retired	0		0		0	0	0	0		0
43	Patronage Capital End-of-Year (40+41-42)	0		0		0	0	0	0		0
44	Annual Debt Service Payments	1,459,019	75,979	1,383,040	(127,419)	1,255,621	1,400,521	66,066	1,334,455	(126,079)	1,208,376
45	Cash Ratio (14+20-10-11)/7	0.5440					0.7218				
46	Operating Accrual Ratio (14+20+26)/7	0.8815					1.0176				
47	TIER (31+26)/26	4.3323					3.0468				
48	DSCR (31+26+10+11)/44	1.9903					1.6709				

EXHIBIT 4.1

BROADBAND STATISTICS

INLAND TELEPHONE COMPANY - SAC 522423

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

Exhibit 4.1 - Statistics

Company Name: (Below)
 Inland Telephone Company

Description	Prior Year End of Yr. Balance - 2017	Current Year End of Yr. Balance - 2018	Difference	% Change
Broadband Connections:				
Residential	1,618	1,709	91	5.6%
Business	117	125	8	6.8%
Total	1,735	1,834	99	5.7%
Gross Regulated Capital Expenditures**:	2017	2018	Difference	% Change
Total Annual Amount***	\$840,894	\$479,928	(\$360,966)	-42.9%

NOTE: IF THE COMPANY DESIRES TO FILE THIS SCHEDULE AS CONFIDENTIAL, PLEASE MARK AS CONFIDENTIAL PER 480-07-160. (The header and footer is no longer marked as confidential as some companies do not file this report as confidential).

NOTE: Broadband Connections for 2017 were incorrect in the 2018 filing; it errantly included Idaho. This is the corrected Broadband Connections for prior year, 2017.

NOTE: Inland does not have a "Business Rate". Broadband Connection information was obtained from the FCC Form 477; excluding customers served on wireless which are outside of the regulated service area.

NOTE: Wireless broadband is considered non-regulated and costs are removed in Part 64.

**** - NOTE: THIS IS A CHANGE FROM LAST YEAR IN WHICH NONREGULATED CAPITAL EXPENDITURES WERE INCLUDED DUE TO INCONSISTENCIES IN REPORTING, STAFF IS REQUESTING ONLY REGULATED CAPITAL EXPENDITURES. IF THE COMPANY HAS INCURRED LARGE NONREGULATED CAPITAL EXPENDITURES IN THE REPORTING YEAR, IT MAY NOTE BELOW.**

***** = Excludes any allocations to Idaho operations.**

EXHIBIT 5

AUDITED FINANCIAL STATEMENT
CONFIDENTIAL PER WAC 480-07-160
REDACTED

INLAND TELEPHONE COMPANY - SAC 522423

Shaded Information is Designated as
Confidential per WAC 480-07-160

**WESTERN ELITE INCORPORATED
SERVICES AND SUBSIDIARIES**

Audited Consolidated Financial Statements

December 31, 2018 and 2017

WESTERN ELITE INCORPORATED SERVICES AND SUBSIDIARIES

Audited Consolidated Financial Statements

December 31, 2018 and 2017

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AUDITED CONSOLIDATED FINANCIAL STATEMENTS

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Consolidated Statements of Comprehensive Income (Loss) 6

Consolidated Statements of Stockholders' Equity 7

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1501 Regents Blvd., Suite 100
Fircrest, WA 98466-6060

Independent Auditor's Report

Board of Directors
Western Elite Incorporated Services and Subsidiaries
Roslyn, Washington

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Western Elite Incorporated Services and Subsidiaries (a Washington corporation), which comprise the consolidated balance sheets as of December 31, 2018 and 2017, and the related consolidated statements of operations, comprehensive income (loss), stockholders' equity and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated 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 entity'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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Western Elite Incorporated Services and Subsidiaries as of December 31, 2018 and 2017, 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.

Johnson, Stone & Pagano, P.S.

JOHNSON, STONE & PAGANO, P.S.

July 23, 2019

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

PETITION OF INLAND TELEPHONE COMPANY TO
RECEIVE SUPPORT FROM THE STATE UNIVERSAL
COMMUNICATIONS SERVICES PROGRAM –
EXHIBIT 5, PAGE - 5

**WESTERN ELITE INCORPORATED SERVICES
AND SUBSIDIARIES**

CONSOLIDATED BALANCE SHEETS

December 31, 2018 and 2017

ASSETS

CURRENT ASSETS

Cash
Accounts receivable - trade, less allowance for
doubtful accounts (2018 - [REDACTED] 2017 - [REDACTED] \$)
Other accounts receivable
Materials and supplies - at average cost
Other current assets
Income taxes receivable
Current portion of notes receivable
Total Current Assets

INVESTMENTS AND OTHER ASSETS

Notes receivable - less current portion classified as a
current asset
Notes and accounts receivable due from stockholders
Investments
Rural Telephone Finance Cooperative capital certificates
Cash surrender value of life insurance, less policy loans
Land under development
Deferred income tax assets
Other assets
Total Investments and Other Assets

PROPERTY, PLANT AND EQUIPMENT

Land
Depreciable plant and equipment
Allowance for depreciation (deduction)

Plant held for future use
Allowance for depreciation (deduction)

Plant under construction
Total Property, Plant and Equipment

TOTAL ASSETS

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

REDACTED

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

**WESTERN ELITE INCORPORATED SERVICES
AND SUBSIDIARIES**

CONSOLIDATED BALANCE SHEETS (Continued)

December 31, 2018 and 2017

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES

Accounts payable - trade
Taxes, other than income taxes
Accrued payroll and benefits
Other current liabilities
Income taxes payable
Deferred revenue
Current portion of long-term debt
Total Current Liabilities

LONG-TERM DEBT, net of issuance costs, less portion
classified as a current liability

OTHER LIABILITIES

Notes payable to stockholders
Total Liabilities

STOCKHOLDERS' EQUITY

Common stock
Additional paid-in capital
Retained earnings
Members' equity
Accumulated other comprehensive income, net
of deferred income taxes
Total Stockholders' Equity

**TOTAL LIABILITIES AND STOCKHOLDERS'
EQUITY**

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

REDACTED

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

**WESTERN ELITE INCORPORATED SERVICES
AND SUBSIDIARIES**

CONSOLIDATED STATEMENTS OF OPERATIONS

Years Ended December 31, 2018 and 2017

REVENUES

Telecommunication service revenues
Other operating revenues

Total Revenues

EXPENSES

Operating expenses
General and administrative
Depreciation and amortization

Total Expenses

Operating Income (Loss)

OTHER INCOME (EXPENSE)

Equity in income of LLC
Interest and dividend income
Interest expense
Other income

Total Other Expense

Income (Loss) Before Income Taxes

INCOME TAXES (BENEFITS)

Currently payable
Deferred income tax (benefit)

Total Income Tax (Benefit)

NET INCOME (LOSS)

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

REDACTED

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

Shaded Information is Designated as
Confidential per WAC 480-07-160

**WESTERN ELITE INCORPORATED SERVICES
AND SUBSIDIARIES**

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

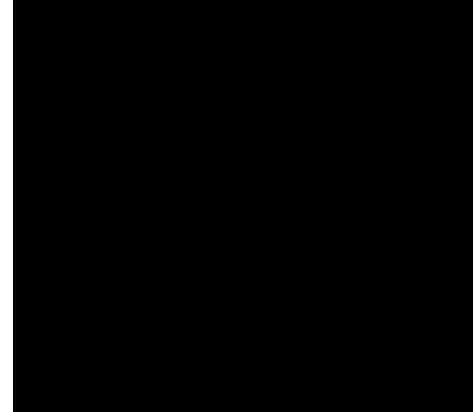
Years Ended December 31, 2018 and 2017

NET INCOME (LOSS)

OTHER COMPREHENSIVE INCOME

Unrealized income on investments, net of deferred
income tax (benefit) (2018 - [REDACTED]; 2017 - [REDACTED])

COMPREHENSIVE INCOME (LOSS)



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

REDACTED

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

**WESTERN ELITE INCORPORATED SERVICES
AND SUBSIDIARIES**

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

Years Ended December 31, 2018 and 2017

	Western Elite Incorporated Services					Crushe, LLC Members' Equity	Accumulated Other Comprehensive Income	Total
	Class A Voting Common Stock	Class B Non-voting Common Stock	Total Common Stock	Additional Paid-in Capital	Retained Earnings			
BALANCE AT DECEMBER 31, 2016	[REDACTED]							
Net income (loss) for the year								
Capital contribution								
Other comprehensive income								
BALANCE AT DECEMBER 31, 2017	[REDACTED]							
Net loss for the year								
Other comprehensive income								
BALANCE AT DECEMBER 31, 2018	[REDACTED]							

Shaded Information is Designated as
Confidential per WAC 480-07-160

**WESTERN ELITE INCORPORATED SERVICES
AND SUBSIDIARIES**

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)		
Adjustments to reconcile net income (loss) to net cash provided by operating activities		
Equity in losses of LLC		
Increase in cash surrender value of life insurance policies		
Depreciation and amortization		
Amortization of debt issuance costs		
Deferred income taxes (benefits)		
Noncash reduction in rent and taxes from building sale		
Gain on disposal of building		
Accrued interest on notes and accounts receivable due from stockholders		
Noncash interest expense		
Noncash interest income		
Noncash stock dividend		
Net change in operating assets and liabilities		
Net Cash Provided by Operating Activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments (issuance) from notes receivable		
(Increase) decrease in notes and accounts receivable due from stockholders		
Additions to property, plant and equipment		
Cash received from sale of building		
Additions to nonregulated plant in service and miscellaneous physical property		
Advances from former affiliates		
(Increase) decrease in land under development		
Decrease in other assets		
Net Cash Provided by Investing Activities		
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in notes payable to stockholders		
Additional long-term borrowings		
Payments on long-term debt		
Net Cash Used by Financing Activities		
NET INCREASE IN CASH		
Cash at Beginning of Year		
CASH AT END OF YEAR		

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

REDACTED

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

**WESTERN ELITE INCORPORATED SERVICES
AND SUBSIDIARIES**

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)



Years Ended December 31, 2018 and 2017

**COMPONENTS OF NET CHANGE IN
OPERATING ASSETS AND LIABILITIES**

(Increase) decrease in assets
 Accounts receivable - trade
 Other accounts receivable
 Materials and supplies - at average cost
 Other current assets
 Income taxes receivable
Increase (decrease) in liabilities
 Accounts payable - trade
 Taxes, other than income taxes
 Accrued payroll and benefits
 Other current liabilities
 Income taxes payable
 Deferred revenue

**Net Change in Operating Assets and
Liabilities**

**SUPPLEMENTAL DISCLOSURES OF CASH
FLOW INFORMATION**

Cash paid during the year for
 Interest, net of allowance for funds used during
 construction (2018-; - \$2017 - )
 Income taxes paid

**SUPPLEMENTAL DISCLOSURES OF NONCASH
OPERATING, INVESTING AND FINANCING
ACTIVITIES**

Extension and replacement of property, plant and
equipment included in accounts payable
Noncash transfer of notes and accounts receivable
due from stockholders to intercompany advances
Noncash transfer of advances from affiliated
companies to notes payable to stockholders
Noncash transfer of nonregulated plant in service and
miscellaneous physical property from
telecommunications plant in service

PETITION OF INLAND TELEPHONE COMPANY TO
RECEIVE SUPPORT FROM THE STATE UNIVERSAL
COMMUNICATIONS SERVICES PROGRAM -
EXHIBIT 5, PAGE - 12

REDACTED

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

**WESTERN ELITE INCORPORATED SERVICES
AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018 and 2017

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

Principles of Consolidation and Operations

The consolidated financial statements include the accounts of Western Elite Incorporated Services (the "Company") and its wholly-owned subsidiaries ("Subsidiaries"): Inland Telephone Company, R&R Cable Company, Inland Long Distance Company, Central Cascades Land Company, Inc., Easton Ridge Land Company, Inc., Moses Lake Views Land Company, Inc., Newport Hills Land Company, Inc., R&R Heights Land Company, Inc., Yakima River Mitigation Services, Inc. and Crushe, LLC, an affiliated company through common ownership, which is included in consolidation. All material intercompany accounts and transactions have been eliminated in consolidation.

Inland Telephone Company is a local exchange telecommunications company providing local exchange, network access, broadband access services and other telecommunications services to customers in Columbia, Kittitas, Mason, Whitman and Walla Walla counties in Washington, and Latah and Nez Perce Counties in Idaho.

Inland Telephone Company is a small rate-of-return carrier. 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 Inland Telephone Company recovers its telecommunication revenue requirements.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

**WESTERN ELITE INCORPORATED SERVICES
AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018 and 2017

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

Regulation

Inland Telephone Company and Inland Long Distance Company are subject to the accounting rules and rate regulation policies of the Washington Utilities and Transportation Commission ("WUTC") and the Idaho Public Utilities Commission ("IPUC") and adhere to the FCC Uniform System of Accounts for Class B telephone companies as prescribed by the FCC under Part 32.

Cash

For purposes of the statement of cash flows, the Company considers cash to be cash on hand and in checking and money market accounts.

Accounts Receivable

The Company and its Subsidiaries extend credit to their business and residential customers based upon a written credit policy. Service interruption is the primary vehicle for controlling accounts receivable losses. Telecommunications accounts receivable are recorded when subscriber bills, carrier access bills and exchange carrier associations settlement statements are billed and are presented in the balance sheet net of the allowance for doubtful accounts. Certain exchange carrier associations' settlements are subject to out-of-period adjustments and are recorded during the year in which they become determinable. The allowance for doubtful accounts is estimated based on the Company and Subsidiaries historical losses, the existing economic conditions in the industry and the financial stability of its customers. At December 31, 2018, less than 1% of accounts receivable are ninety days or more overdue from the date invoices were first issued.

Materials and Supplies

Materials and supplies consist of telephone installation equipment that is purchased by the Subsidiaries and also includes materials used for road construction. All materials and supplies are reported at the lower of cost (first-in, first-out method) or net realizable value.



Investments

Investments in marketable securities are carried at fair value; investments in cooperative capital certificates and other investments are carried at cost as fair value and is not readily determinable (see Note 6).

**WESTERN ELITE INCORPORATED SERVICES
AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018 and 2017

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

Fair Value Measurements

The Company measures fair value of assets and liabilities and related disclosures based on defined inputs. The hierarchy prioritizes the inputs underlying fair value measurements and requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs essentially distinguish the relative reliability of inputs to fair value measurements. Level 1 inputs are more reliable and objective than Level 2 inputs, which are in turn more reliable and objective than Level 3 inputs. In arriving at a fair value measure, the Company and Subsidiaries are required to determine the level in the fair value hierarchy within which a fair value measurement ultimately falls and provide disclosure of such determinations.

Property, Plant and Equipment

Property, plant and equipment are stated at cost and are depreciated on a straight-line basis for accounting purposes. Lives used for calculating depreciation on telecommunications plant are in accordance with the rules of the WUTC and IPUC and are based on the estimated economic useful lives of all assets. Likewise, lives used for calculating depreciation on all other property and equipment are based on the estimated economic useful lives of the assets.

Telecommunications Plant Retirements

When a telecommunications plant 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 allowances for depreciation. Consequently, no gain or loss upon disposition is recognized.

Allowance for Funds Used During Construction

Interest applicable to funds used for long-term construction projects are capitalized as a part of the cost of the asset and depreciated over the asset's estimated useful life. Interest capitalized totaled [REDACTED] and [REDACTED] in 2018 and 2017, respectively.

Accounting for Long-lived Assets

The Company reviews the recorded value of its long-lived assets, such as property, plant and equipment for potential 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, 2018 and 2017, management has determined that there were no material impairment charges to be recorded as of those dates.

**WESTERN ELITE INCORPORATED SERVICES
AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018 and 2017

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

Common Stock

Common stock of the Company consists of two classes. Class A voting common stock has no par value, with [REDACTED] shares authorized, and [REDACTED] shares issued and outstanding at December 31, 2018 and 2017, with a stated value of [REDACTED] per share. Class B non-voting common stock has no par value, with [REDACTED] shares authorized, and [REDACTED] shares issued and outstanding at December 31, 2018 and 2017, with a stated value of [REDACTED] per share.

Debt Issuance Costs

Debt issuance costs are being amortized on a straight-line basis over 10 years. Amortization included in interest expense for the years ended December 31, 2018 and 2017 was [REDACTED].

Advertising Costs

Costs incurred for advertising are expensed as incurred. Advertising expense was [REDACTED] and [REDACTED] for December 31, 2018 and 2017, respectively.

Revenue Recognition, Major Customers and Services

Services provided by the Company include primarily local network, network access services and broadband services. In the normal course of the Company's business, certain 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.

**WESTERN ELITE INCORPORATED SERVICES
AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018 and 2017

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

Revenue Recognition, Major Customers and Services (Continued)

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 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 \$161,400 and \$44,000 for 2018 and 2017, respectively.

In September 2016, the FCC implemented a budget control mechanism ("BCM") for rate-of-return telecommunication carriers designed to ensure that federal support disbursements remain within the specified budget of \$2 billion. This BCM further reduces HCLS and Connect American Fund Broadband Loop Support ("CAF BLS") funding for the Company by approximately \$119,000 in 2017, of which approximately \$74,180 was refunded in 2018.

Per the FCC order 18-29, the BCM was refunded for the period of July 2017 to June 2018, and later per FCC order 18-176, additional BCM amounts are to be refunded for the period of July to December 2018, and the BCM is to be eliminated for the period of January to June 2019. The BCM has been restructured and simplified by the FCC and reinstated in July 2019.

Other methods to limit the new operating expense limitation and capital investment allowance calculations, none of which impacted the Company.

**WESTERN ELITE INCORPORATED SERVICES
AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018 and 2017

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

Revenue Recognition, Major Customers and Services (Continued)

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 has elected the model-based support mechanism called Alternative Connect America Model ("A-CAM") for the Company's Idaho exchange. The Company remained with the legacy support option for the Company's Washington exchanges.

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 2018 and 2017, the rate of return was reduced to 10.5% and 10.75%, respectively.

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") that also replaced the cumulative reduction in support the Company received from the federal CAF. The State USF Program began January 2015, and annual disbursements comprised of the terminated universal service support pool ("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. In 2018, the Company received \$448,904 from the State USF Program for the period July 1, 2018 to June 30, 2019, and recorded deferred revenue of \$224,452 for the unearned portion. In 2017, the Company received \$403,942 from the State USF Program for the period July 1, 2017 to June 30, 2018, and recorded deferred revenue of \$201,971 for the unearned portion. The State USF Program is scheduled to last for five program years and will expire June 30, 2019 unless extended by the state.

**WESTERN ELITE INCORPORATED SERVICES
AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018 and 2017

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

Revenue Recognition, Major Customers and Services (Continued)

Revenues for Idaho State intrastate access services are received through tariffed access charges filed by the Company and approved by the IPUC. The access charges are billed by the Company to intrastate interexchange carriers and are considered bill-and-keep based on tariffed rates.

For some of the 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.

Income Taxes

The Company provides federal and state income taxes for the effects of transactions reported in the financial statements and consists of taxes currently due and deferred income taxes. The Company and its Subsidiaries file federal and state income taxes on a consolidated basis. The consolidated tax liability of the affiliated group is allocated based on each company's contributions to consolidated taxable income.

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 is recorded when it is more likely than not that some of the deferred tax assets will not be realized.

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 consolidated financial statements.

Reclassifications

Certain expenses in the prior year consolidated financial statements have been reclassified for comparative purposes to conform to the present year consolidated financial statements.

Subsequent Events

The management of the Company evaluated subsequent events and transactions for potential recognition and disclosure through July 23, 2019, the date the statements were issued.

Shaded Information is Designated as
Confidential per WAC 480-07-160

**WESTERN ELITE INCORPORATED SERVICES
AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018 and 2017

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Shaded Information is Designated as
Confidential per WAC 480-07-160

**WESTERN ELITE INCORPORATED SERVICES
AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE 4 - NOTES RECEIVABLE

Notes receivable consists of the following:

	Current Annual Installments of Principal	<u>Principal Amount</u>	
		<u>2018</u>	<u>2017</u>
Western Elite Incorporated Services Fixed rate note receivable in annual principal and interest payments. ██████ - due September 2021			
Western Elite Incorporated Services Fixed rate note receivable in annual principal and interest payments. ██████ - due November 2021			
R&R Heights Land Company, Inc. Fixed rate note receivable in annual principal and interest payments. ██████ - due July 2023			
Less principal installments on notes receivable due within one year			
Accrued interest			

Notes receivable from the sales of developed lots are reported at the outstanding principal balance, and are secured by the lots sold. Notes receivable are written off when all collection efforts have been used and the foreclosure process has been completed. Interest income is recognized when earned unless the likelihood of loss is greater than remote.

At December 31, 2018, maturities of notes receivable for the next five years and thereafter are as follows:

2019
2020
2021
2022
2023

Total

**WESTERN ELITE INCORPORATED SERVICES
AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE 5 - NOTES AND ACCOUNTS RECEIVABLE DUE FROM STOCKHOLDERS

Notes and accounts receivable due from stockholders consist of the following:

	2018	2017
R&R Cable Company Accounts receivable	[REDACTED]	
Newport Hills Land Company, Inc. Accounts receivable		
[REDACTED] note receivable due January 2019		
[REDACTED] note receivable due January 2019		
[REDACTED] note receivable due January 2018		
[REDACTED] note receivable due January 2018		

NOTE 6 - INVESTMENTS

Following is the hierarchy and fair value measurements at December 31, 2018 and 2017:

	Fair Value Measurements		
	Quoted Prices in Active Markets For Identical Assets <u>Fair Value</u> (Level 1)	Significant Other Observable Inputs (Level 2)	Other Subjective Inputs (Level 3)
<u>December 31, 2018</u>	[REDACTED]		
[REDACTED]			
<u>December 31, 2017</u>	[REDACTED]		
[REDACTED]			

**WESTERN ELITE INCORPORATED SERVICES
AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE 6 - INVESTMENTS (Continued)

Investments valued using Level 1 inputs are based on unadjusted quoted market prices within active markets. Investments valued using Level 2 inputs are based primarily on quoted prices for similar assets in active or inactive markets. Level 3 inputs are based on the Company's own assumptions on how knowledgeable parties would price assets or liabilities, and are developed using the best information available in the circumstances.

Reconciliation of Level 3 Inputs

Balance at December 31, 2017



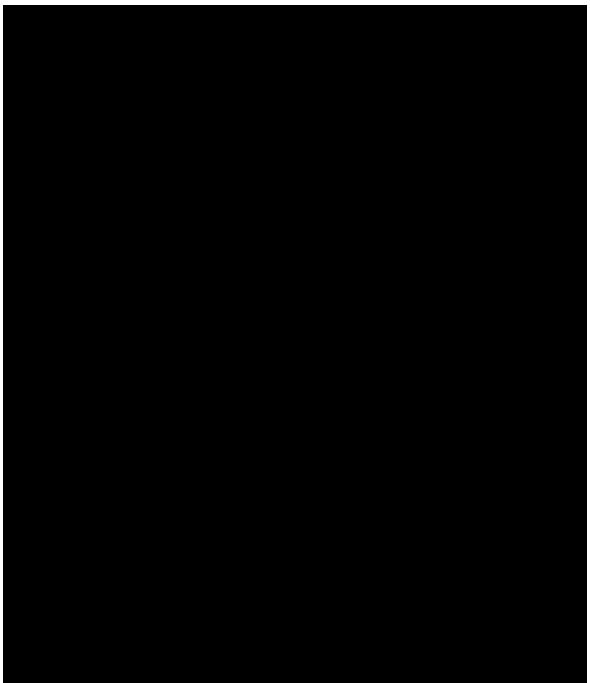
Balance at December 31, 2018



NOTE 7 - DEPRECIABLE PLANT AND EQUIPMENT

The following is a summary of asset classifications and estimated useful lives for the depreciable assets:

	<u>Useful Lives</u> <u>(Years)</u>	<u>2018</u>	<u>2017</u>
Western Elite Incorporated Services			
Buildings			
Equipment and land improvements			
Inland Telephone Company			
Buildings			
Central office equipment			
Outside telephone plant			
Vehicles and other work equipment			
Furniture and fixtures			
Miscellaneous property and deregulated equipment			
R&R Cable Company			
Buildings			
Cable TV plant			
Vehicles and other work equipment			
Furniture and fixtures			
Equipment			



Shaded Information is Designated as
Confidential per WAC 480-07-160

**WESTERN ELITE INCORPORATED SERVICES
AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE 7 - DEPRECIABLE PLANT AND EQUIPMENT (Continued)

	<u>Useful Lives (Years)</u>	<u>2018</u>	<u>2017</u>
Central Cascades Land Company, Inc. Tools and other equipment			
Easton Ridge Land Company, Inc. Vehicles and other work equipment			
Moses Lake Views Land Company, Inc. Buildings Tools and other equipment			
Newport Hills Land Company, Inc. Water equipment			
R&R Heights Land Company, Inc. Water equipment Tools and other work equipment			

NOTE 8 - LONG-TERM DEBT

Long-term debt consists of the following:

	<u>Principal Amount</u>	
	<u>2018</u>	<u>2017</u>
Western Elite Incorporated Services Real estate contract payable to an individual Fixed rate note of [REDACTED]; payable in monthly installments; due June 2036, secured by certain real property. Loan was paid during 2018.		
[REDACTED] note of [REDACTED]; payable in monthly installments of [REDACTED], due September 2027.		

**WESTERN ELITE INCORPORATED SERVICES
AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE 8 - LONG-TERM DEBT (Continued)

<u>Principal Amount</u>	
<u>2018</u>	<u>2017</u>

Inland Telephone Company

Rural Utilities Service ("RUS") - first and supplemental mortgage notes, payable in monthly and quarterly installments.

- due May 2018, paid during 2018
- due January 2021

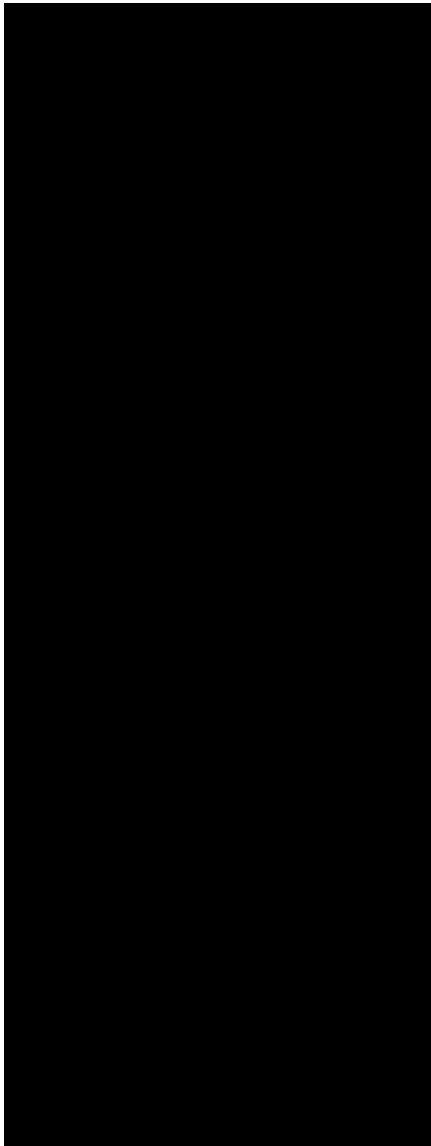
Federal Financing Bank ("FFB") - supplemental mortgage note

- due December 2029
- due December 2029
- due December 2029
- due December 2029
- due December 2029
- due December 2029
- due December 2029
- due December 2029
- due December 2029
- due December 2029
- due December 2029
- due December 2029
- due December 2029
- due December 2029
- due December 2029

Total Long-term Debt

Advanced payments unapplied - net
Unamortized debt issuance costs

Less principal installments on long-term debt due within one year



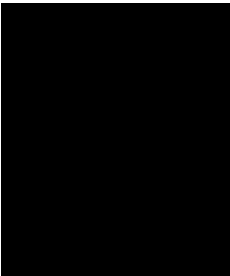
**WESTERN ELITE INCORPORATED SERVICES
AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE 8 - LONG-TERM DEBT (Continued)

At December 31, 2018, maturities on long-term debt for the next five years and thereafter are as follows:

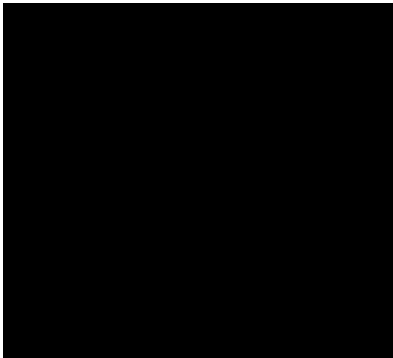




2019	
2020	
2021	
2022	
2023	
Thereafter	

Substantially all of Inland Telephone Company's telephone plant now owned and hereafter acquired is subject to first and supplemental mortgage agreements executed to the Rural Utilities Services, the Rural Telephone Bank and the Federal Financing Bank ("FFB"). The terms of the mortgage agreements restrict distributions to stockholders, redemptions of capital stock and investments in affiliated companies.

Allowable distributions from Inland Telephone Company are based on distribution requirements defined in the agreements. Inland Telephone Company must also maintain certain interest coverage under the mortgage agreements.

Pursuant to the FFB Loan Agreement dated October 7, 2011, Section 5.12, TIER Requirement, Inland Telephone Company "will endeavor, but not be required, to maintain a TIER of at least 1.5." At December 31, 2018, management believes they meet the TIER requirement.

NOTE 9 - NOTES PAYABLE TO STOCKHOLDERS

	<u>Principal Amount</u>	
	<u>2018</u>	<u>2017</u>
Western Elite Incorporated Services		
Notes payable to certain stockholders due on demand with a variable monthly interest rate at December 31, 2018 and 2017 was  and  , respectively		
Notes payable to stockholders due on demand with a variable monthly interest rate; current rate at December 31, 2018 and 2017 was  and  , respectively		

**WESTERN ELITE INCORPORATED SERVICES
AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE 9 - NOTES PAYABLE TO STOCKHOLDERS (Continued)

	<u>Principal Amount</u>	
	<u>2018</u>	<u>2017</u>
R&R Cable Company		
Note payable to a stockholder due on demand with monthly interest-only payments at a rate of [REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]

NOTE 10 - INCOME TAXES

The Company recognizes deferred 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 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 following:

- Depreciable assets' lives and methods of calculating depreciation for financial and income tax reporting.
- Accounting for certain investments and marketable securities at fair value for financial reporting purposes and cost for income tax purposes.
- Accounting for land sales on the installment method for income tax purposes.
- Carryforward of a net operating loss for income tax reporting.

PETITION OF INLAND TELEPHONE COMPANY TO
RECEIVE SUPPORT FROM THE STATE UNIVERSAL
COMMUNICATIONS SERVICES PROGRAM -
EXHIBIT 5, PAGE - 27

REDACTED

**WESTERN ELITE INCORPORATED SERVICES
AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE 10 - INCOME TAXES (Continued)

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

	<u>2018</u>	<u>2017</u>
Plant and equipment		
Land sales on installment contracts		
Net operating loss carryforward		
Investments		

The Company has a net operating loss carryforward of [REDACTED], of which [REDACTED] is from 2016, [REDACTED] is from 2015, [REDACTED] is from 2014, [REDACTED] is from 2013, [REDACTED] is from 2012 and [REDACTED] is from 2011, which will expire on December 31, 2035, 2034, 2032 and 2031, respectively.

Components of the provisions for (benefits of) income taxes are as follows:

	<u>2018</u>	<u>2017</u>
Current		
Deferred		

NOTE 11 - LEASES

Future lease commitments are not material; total rental and lease expense for the years ended December 31, 2018 and 2017 are less than 1% of total revenues.

NOTE 12 - EMPLOYEE BENEFIT PLANS

The Company and Subsidiaries participate in a 401(k) profit sharing plan and a discretionary integrated pension plan for the benefit of all full-time eligible employees. The 401(k) plan provides for employee elective deferrals up to a maximum allowed by law. The Company and Subsidiaries have a matching contribution rate that is equal to 100% of each eligible employee's elective deferrals up to and including, but not exceeding [REDACTED] of said eligible employee's eligible compensation (as defined in the 401(k) plan document). In compliance with the integration formula, which coordinates the pension plan with Social Security, the Company and

**WESTERN ELITE INCORPORATED SERVICES
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE 12 - EMPLOYEE BENEFIT PLANS (Continued)

Subsidiaries can elect to contribute █ of eligible employees' first █ and █ for 2018 and 2017, respectively, of regular compensation and █ of their regular compensation in excess of █ and █ in 2018 and 2017, respectively, to the plan, but not to exceed █ and █ per employee in 2018 and 2017, respectively. The Company and Subsidiaries did not make a discretionary integrated pension or profit sharing contribution in 2018 or 2017. The Company and its Subsidiaries' contributions charged to operations in connection with the 401(k) profit sharing plan and the integrated pension plan were █ and █ in 2018 and 2017, respectively.

NOTE 13 - RELATED PARTY TRANSACTIONS

The Company conducts certain business transactions with Inland Cellular Telephone Company ("Inland Cellular"), which was an affiliated company through common ownership. Inland Cellular Telephone Company is the sole owner of Inland Cellular, LLC.

During the year ended December 31, the Company and Subsidiaries had the following related party transactions:

	<u>2018</u>	<u>2017</u>
Inland Telephone Company		
Internet support services charged to R&R Cable Company		
Western Elite Incorporated Services		
Interest paid/owed to stockholders		
R&R Cable Company		
Interest charged to Company stockholders		
Interest paid/owed to Company stockholders		
Wholesale cable television provided to Inland Telephone		

NOTE 14 - COMMITMENTS AND CONTINGENCIES

On June 17, 2019, the Company elected the model-based support mechanism called A-CAM II to replace its legacy support in its Washington exchanges. As stated in Note 1, the Company had previously elected A-CAM support for Idaho.

EXHIBIT 6

2018 RUS OPERATING REPORT

INLAND TELEPHONE COMPANY - SAC 522423

USDA-RUS OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS	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 Inland Telephone Company (Prepared with Audited Data)
--	--

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, 2018	BORROWER DESIGNATION WA0534
--	---------------------------------	--------------------------------

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

_____ 6/27/2019 _____
 Gregory Maras DATE

PART A. BALANCE SHEET					
ASSETS	BALANCE PRIOR YEAR	BALANCE END OF PERIOD	LIABILITIES AND STOCKHOLDERS' EQUITY	BALANCE PRIOR YEAR	BALANCE END OF PERIOD
CURRENT ASSETS			CURRENT LIABILITIES		
1. Cash and Equivalents	311,540	809,634	25. Accounts Payable	195,519	172,199
2. Cash-RUS Construction Fund	1,068,000	809,556	26. Notes Payable	0	0
3. Affiliates:			27. Advance Billings and Payments	0	0
a. Telecom, Accounts Receivable	0	0	28. Customer Deposits	2,706	2,504
b. Other Accounts Receivable	0	0	29. Current Mat. L/T Debt	1,100,063	1,104,721
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	729,180	563,898	32. Income Taxes Accrued	0	0
b. Other Accounts Receivable	0	0	33. Other Taxes Accrued	68,435	80,191
c. Notes Receivable	0	56,449	34. Other Current Liabilities	561,570	599,154
5. Interest and Dividends Receivable	0	0	35. Total Current Liabilities (25 thru 34)	1,928,293	1,958,769
6. Material-Regulated	271,274	266,912	LONG-TERM DEBT		
7. Material-Nonregulated	0	0	36. Funded Debt-RUS Notes	22,713	9,769
8. Prepayments	145,154	128,855	37. Funded Debt-RTB Notes	0	0
9. Other Current Assets		40	38. Funded Debt-FFB Notes	13,309,236	12,217,654
10. Total Current Assets (1 Thru 9)	2,525,148	2,635,344	39. Funded Debt-Other	(3,904)	(4,103)
NONCURRENT ASSETS			40. Funded Debt-Rural Develop. Loan	0	0
11. Investment in Affiliated Companies			41. Premium (Discount) on L/T Debt	0	0
a. Rural Development	1,989,282	2,020,864	42. Reacquired Debt	0	0
b. Nonrural Development	0	0	43. Obligations Under Capital Lease	0	0
12. Other Investments			44. Adv. From Affiliated Companies	0	0
a. Rural Development	0	0	45. Other Long-Term Debt	0	0
b. Nonrural Development	248,764	269,802	46. Total Long-Term Debt (36 thru 45)	13,328,045	12,223,320
13. Nonregulated Investments	1,179,166	1,593,896	OTHER LIAB. & DEF. CREDITS		
14. Other Noncurrent Assets	250	250	47. Other Long-Term Liabilities	0	0
15. Deferred Charges	0	0	48. Other Deferred Credits	2,057,272	1,970,370
16. Jurisdictional Differences	0	0	49. Other Jurisdictional Differences	0	0
17. Total Noncurrent Assets (11 thru 16)	3,417,462	3,884,812	50. Total Other Liabilities and Deferred Credits (47 thru 49)	2,057,272	1,970,370
PLANT, PROPERTY, AND EQUIPMENT			EQUITY		
18. Telecom, Plant-in-Service	35,417,418	34,816,371	51. Cap. Stock Outstand. & Subscribed	93,150	93,150
19. Property Held for Future Use	10,213	590,472	52. Additional Paid-in-Capital	7,175	7,175
20. Plant Under Construction	653,102	162,313	53. Treasury Stock	0	0
21. Plant Adj., Nonop. Plant & Goodwill	0	0	54. Membership and Cap. Certificates	0	0
22. Less Accumulated Depreciation	17,221,627	17,853,767	55. Other Capital	0	0
23. Net Plant (18 thru 21 less 22)	18,859,106	17,715,389	56. Patronage Capital Credits	0	0
24. TOTAL ASSETS (10+17+23)			57. Retained Earnings or Margins	7,387,781	7,982,761
			58. Total Equity (51 thru 57)	7,488,106	8,083,086
			59. TOTAL LIABILITIES AND EQUITY (35+46+50+58)		
	24,801,716	24,235,545		24,801,716	24,235,545

Total Equity = 33.35% of Total Assets

**OPERATING REPORT FOR
TELECOMMUNICATIONS BORROWERS**

WA0534

PERIOD ENDING

December, 2018

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	718,349	703,462
2. Network Access Services Revenues	4,668,180	5,094,753
3. Long Distance Network Services Revenues	87	3
4. Carrier Billing and Collection Revenues	38,553	37,711
5. Miscellaneous Revenues	56,082	79,273
6. Uncollectible Revenues	3,325	6,341
7. Net Operating Revenues (1 thru 5 less 6)	5,477,926	5,908,861
8. Plant Specific Operations Expense	1,659,523	1,779,446
9. Plant Nonspecific Operations Expense (Excluding Depreciation & Amortization)	515,400	490,124
10. Depreciation Expense	1,531,366	1,457,637
11. Amortization Expense	182	172
12. Customer Operations Expense	560,447	612,431
13. Corporate Operations Expense	921,830	949,303
14. Total Operating Expenses (8 thru 13)	5,188,748	5,289,113
15. Operating Income or Margins (7 less 14)	289,178	619,748
16. Other Operating Income and Expenses	0	0
17. State and Local Taxes	195,199	263,685
18. Federal Income Taxes	(872,180)	170,169
19. Other Taxes	0	0
20. Total Operating Taxes (17+18+19)	(676,981)	433,854
21. Net Operating Income or Margins (15+16-20)	966,159	185,894
22. Interest on Funded Debt	326,008	300,454
23. Interest Expense - Capital Leases	0	0
24. Other Interest Expense	21	39
25. Allowance for Funds Used During Construction	9,259	10,892
26. Total Fixed Charges (22+23+24-25)	316,770	289,601
27. Nonoperating Net Income	315,874	176,340
28. Extraordinary Items	0	0
29. Jurisdictional Differences	0	0
30. Nonregulated Net Income	90,309	520,112
31. Total Net Income or Margins (21+27+28+29+30-26)	1,055,572	592,745
32. Total Taxes Based on Income	0	0
33. Retained Earnings or Margins Beginning-of-Year	6,331,917	7,387,781
34. Miscellaneous Credits Year-to-Date	292	2,235
35. Dividends Declared (Common)	0	0
36. Dividends Declared (Preferred)	0	0
37. Other Debits Year-to-Date	0	0
38. Transfers to Patronage Capital	0	0
39. Retained Earnings or Margins End-of-Period [(31+33+34) - (35+36+37+38)]	7,387,781	7,982,761
40. Patronage Capital Beginning-of-Year	0	0
41. Transfers to Patronage Capital	0	0
42. Patronage Capital Credits Retired	0	0
43. Patronage Capital End-of-Year (40+41-42)	0	0
44. Annual Debt Service Payments	1,459,019	1,400,521
45. Cash Ratio [(14+20-10-11) / 7]	0.5440	0.7218
46. Operating Accrual Ratio [(14+20+26) / 7]	0.8815	1.0176
47. TIER [(31+26) / 26]	4.3323	3.0468
48. DSCR [(31+26+10+11) / 44]	1.9903	1.6709

USDA-RUS

**OPERATING REPORT FOR
TELECOMMUNICATIONS BORROWERS**

INSTRUCTIONS - See RUS Bulletin 1744-2

BORROWER DESIGNATION

WA0534

PERIOD ENDED

December, 2018

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)
LENORE	40.68	25.76	17	191	208	178.34	12.00
DEWATTO	27.00	22.00	13	291	304	157.60	53.42
PRESCOTT	27.00	22.00	37	93	130	208.09	53.15
ROSLYN	24.00	18.00	192	1,305	1,497	223.89	100.27
ROUTE MILEAGE OUTSIDE EXCHANGE AREA						6.92	6.92
LEON	40.68	25.76	1	25	26	20.37	13.14
UNIONTOWN	25.00	18.00	73	270	343	309.21	64.25
MobileWireless					0		
Route Mileage Outside Exchange Area						0.00	0.00
Total			333	2,175	2,508	1,104.42	303.15
No. Exchanges	7						

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**OPERATING REPORT FOR
TELECOMMUNICATIONS BORROWERS**

INSTRUCTIONS - See RUS Bulletin 1744-2

BORROWER DESIGNATION

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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)
LENORE	207	109	49	768	512	39.95	Package	
DEWATTO	304	238	29	768	512	39.95	Package	
PRESCOTT	130	59	8	768	512	39.95	Package	
ROSLYN	1,497	1,280	39	6,000	1,500	49.95	Package	
ROUTE MILEAGE OUTSIDE EXCHANGE AREA								
LEON	26	21	14	6,000	1,500	49.95	Package	
UNIONTOWN	343	225	153	6,000	1,500	49.95	Package	
Total	2,507	1,932						

USDA-RUS OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS	BORROWER DESIGNATION WA0534
	PERIOD ENDING December, 2018

INSTRUCTIONS- See RUS Bulletin 1744-2

PART D. SYSTEM DATA

1. No. Plant Employees 20	2. No. Other Employees 22	3. Square Miles Served 463	4. Access Lines per Square Mile 5.42	5. Subscribers per Route Mile 2.27
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PART E. TOLL DATA

1. Study Area ID Code(s) a. 472423 b. 522423 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	

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)	900,770
6. Salvaged Materials	
7. Contribution in Aid to Construction	
8. Gross Additions to Telecom. Plant (1 thru 7)	900,770

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	31,582		2,020,864		2,020,864
2. Investment in Affiliated Companies - Nonrural Development					

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**OPERATING REPORT FOR
 TELECOMMUNICATIONS BORROWERS**

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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	15.00%
7. Land and support assets - General purpose computers	25.00%
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	42.06%
20. Cable and wire facilities - Aerial cable - Fiber	5.00%
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	
24. Cable and wire facilities - Buried cable - Fiber	
25. Cable and wire facilities - Conduit systems	
26. Cable and wire facilities - Other	

USDA-RUS

BORROWER DESIGNATION

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**OPERATING REPORT FOR
TELECOMMUNICATIONS BORROWERS**

PERIOD ENDED

December, 2018

INSTRUCTIONS – See help in the online application.

PART I – STATEMENT OF CASH FLOWS

1. Beginning Cash (Cash and Equivalents plus RUS Construction Fund)	1,379,540
CASH FLOWS FROM OPERATING ACTIVITIES	
2. Net Income	592,745
<i>Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities</i>	
3. Add: Depreciation	1,457,637
4. Add: Amortization	172
5. Other (Explain) SEE NOTE SECTION	45,545
<i>Changes in Operating Assets and Liabilities</i>	
6. Decrease/(Increase) in Accounts Receivable	165,282
7. Decrease/(Increase) in Materials and Inventory	4,362
8. Decrease/(Increase) in Prepayments and Deferred Charges	16,299
9. Decrease/(Increase) in Other Current Assets	(40)
10. Increase/(Decrease) in Accounts Payable	(23,320)
11. Increase/(Decrease) in Advance Billings & Payments	0
12. Increase/(Decrease) in Other Current Liabilities	49,340
13. Net Cash Provided/(Used) by Operations	2,308,022
CASH FLOWS FROM FINANCING ACTIVITIES	
14. Decrease/(Increase) in Notes Receivable	(56,449)
15. Increase/(Decrease) in Notes Payable	0
16. Increase/(Decrease) in Customer Deposits	(202)
17. Net Increase/(Decrease) in Long Term Debt (Including Current Maturities)	(1,100,067)
18. Increase/(Decrease) in Other Liabilities & Deferred Credits	(86,902)
19. Increase/(Decrease) in Capital Stock, Paid-in Capital, Membership and Capital Certificates & Other Capital	0
20. Less: Payment of Dividends	0
21. Less: Patronage Capital Credits Retired	0
22. Other (Explain) SEE NOTE SECTION	87,104
23. Net Cash Provided/(Used) by Financing Activities	(1,156,516)
CASH FLOWS FROM INVESTING ACTIVITIES	
24. Net Capital Expenditures (Property, Plant & Equipment)	511,577
25. Other Long-Term Investments	(467,350)
26. Other Noncurrent Assets & Jurisdictional Differences	0
27. Other (Explain) SEE NOTE SECTION	(956,083)
28. Net Cash Provided/(Used) by Investing Activities	(911,856)
29. Net Increase/(Decrease) in Cash	239,650
30. Ending Cash	1,619,190

Revision Date 2010

INLAND TELEPHONE COMPANY
CASH FLOW RECONCILING EXPLANATIONS
RUS OPERATING REPORT 2018

Description	Amount
Line 5 Other	
Depreciation and amortization on nonregulated investments	100,569.00
Change in deposits	(202.00)
Cash surrender value of life insurance	(7,822.00)
Less plant in AP difference	12,781.00
Deferred FIT	170,169.00
Building Sale Gain	(219,563.00)
Non-cash stock dividend	(10,387.00)
Total Amount of Adjustment	<u>45,545.00</u>
Line 22 Other	
Operating deferred FIT on Investments	(594.00)
Non-cash transfer of deferred FIT	257,665.00
Change in deposits	202.00
Operating defered FIT	(170,169.00)
Total Amount of Adjustment	<u>87,104.00</u>
Line 27 Other	
Retirements/Transfers in Net Plant	(606,106.00)
Other comprehensive income - unrealized gain	2,235.00
Cash surrender value of life insurance	7,822.00
Non-cash stock dividend	10,387.00
Deferred FIT on investments	594.00
Plant in AP	(12,781.00)
Non-cash transfer of deferred FIT	(257,665.00)
Operating depreciation on long-term investments	(100,569.00)
Total Amount of Adjustment	<u>(956,083.00)</u>

USDA-RUS OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS	BORROWER DESIGNATION WA0534
INSTRUCTIONS - See RUS Bulletin 1744-2	PERIOD ENDED December, 2018
NOTES TO THE OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS	
We corrected a \$11 error between lines 27 and 30 on Part B.	

EXHIBIT 7

**REPORT CORPORATE OPERATIONS EXPENSE ADJUSTMENT
AS REQUIRED IN WAC 480-123-110(1)(e)(vi)**

INLAND TELEPHONE COMPANY - SAC 522423

EXHIBIT 7

**REPORT CORPORATE OPERATIONS EXPENSE ADJUSTMENT
AS REQUIRED IN WAC 480-123-110(1)(e)(vi)**

I, James K. Brooks, an officer of Inland Telephone Company with personal knowledge and responsibility, under penalty of perjury, hereby certify that no amount of corporate operations expense was required by 47 C.F.R. § 54.1308(a)(4)(ii) to be excluded by Inland Telephone Company (“Company”) from corporate operations expense that, for 2017, was input in both the 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 2018, 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

Dated this 29th day of July, 2019 in Roslyn, Washington


James K. Brooks
Treasurer/Controller

EXHIBIT 8

FINANCIAL ACCOUNTING CERTIFICATE

INLAND TELEPHONE COMPANY - SAC 522423

EXHIBIT 8

FINANCIAL ACCOUNTING CERTIFICATE

I, James K. Brooks, an officer of Inland 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 29th day of July, 2019 at Roslyn, Washington.


James K. Brooks
Treasurer/Controller

EXHIBIT 9

CONTINUED OPERATIONS CERTIFICATE

INLAND TELEPHONE COMPANY - SAC 522423

EXHIBIT 9

CONTINUED OPERATIONS CERTIFICATE

I, James K. Brooks, an officer of Inland 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 2020.

Dated this 29th day of July, 2019 at Roslyn, Washington.


James K. Brooks
Treasurer/Controller