

USDA-RUS OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS	<i>This data will be used by RUS to review your financial situation. Your response is required by 7 U.S.C. 901 et seq. and, subject to federal laws and regulations regarding confidential information, will be treated as confidential.</i>	
	BORROWER NAME The Toledo Telephone Co., Inc. (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, 2016	BORROWER DESIGNATION WA0538
CERTIFICATION <i>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.</i> 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)		
<input checked="" type="checkbox"/> All of the obligations under the RUS loan documents have been fulfilled in all material respects.		
<input type="checkbox"/> There has been a default in the fulfillment of the obligations under the RUS loan documents. Said default(s) is/are specifically described in the Telecom Operating Report		
_____ Russell Ramsey	_____ 5/18/2017 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	1,271,028	1,737,564	25. Accounts Payable	582,049	89,930
2. Cash-RUS Construction Fund	4,988	4,963	26. Notes Payable		
3. Affiliates:			27. Advance Billings and Payments	0	
a. Telecom, Accounts Receivable	0		28. Customer Deposits	0	
b. Other Accounts Receivable	(3,340)	1,344	29. Current Mat. L/T Debt	915,826	995,113
c. Notes Receivable			30. Current Mat. L/T Debt-Rur. Dev.		
4. Non-Affiliates:			31. Current Mat.-Capital Leases		
a. Telecom, Accounts Receivable	137,982	170,211	32. Income Taxes Accrued	(507,528)	(32,972)
b. Other Accounts Receivable	748,740	299,818	33. Other Taxes Accrued	554,305	10,579
c. Notes Receivable			34. Other Current Liabilities	10,395	4,176
5. Interest and Dividends Receivable			35. Total Current Liabilities (25 thru 34)	1,555,047	1,066,826
6. Material-Regulated	211,111	211,858	LONG-TERM DEBT		
7. Material-Nonregulated	349,883	90,235	36. Funded Debt-RUS Notes	733,247	0
8. Prepayments	99,256	63,078	37. Funded Debt-RTB Notes	0	0
9. Other Current Assets	2,274,408	2,517,801	38. Funded Debt-FFB Notes	14,778,384	14,213,465
10. Total Current Assets (1 Thru 9)	5,094,056	5,096,872	39. Funded Debt-Other		0
NONCURRENT ASSETS			40. Funded Debt-Rural Develop. Loan		
11. Investment in Affiliated Companies			41. Premium (Discount) on L/T Debt		
a. Rural Development			42. Reacquired Debt		
b. Nonrural Development	637,398	658,587	43. Obligations Under Capital Lease		
12. Other Investments			44. Adv. From Affiliated Companies		
a. Rural Development			45. Other Long-Term Debt		
b. Nonrural Development	475,125	494,955	46. Total Long-Term Debt (36 thru 45)	15,511,631	14,213,465
13. Nonregulated Investments	96,676	76,859	OTHER LIAB. & DEF. CREDITS		
14. Other Noncurrent Assets			47. Other Long-Term Liabilities		
15. Deferred Charges			48. Other Deferred Credits	1,514,071	1,705,056
16. Jurisdictional Differences			49. Other Jurisdictional Differences		
17. Total Noncurrent Assets (11 thru 16)	1,209,199	1,230,401	50. Total Other Liabilities and Deferred Credits (47 thru 49)	1,514,071	1,705,056
PLANT, PROPERTY, AND EQUIPMENT			EQUITY		
18. Telecom, Plant-in-Service	35,406,333	35,802,950	51. Cap. Stock Outstand. & Subscribed	10,670	10,670
19. Property Held for Future Use			52. Additional Paid-in-Capital		
20. Plant Under Construction	464,524	201,891	53. Treasury Stock		
21. Plant Adj., Nonop. Plant & Goodwill			54. Membership and Cap. Certificates		
22. Less Accumulated Depreciation	16,195,130	17,693,353	55. Other Capital	51,660	113,408
23. Net Plant (18 thru 21 less 22)	19,675,727	18,311,488	56. Patronage Capital Credits		
24. TOTAL ASSETS (10+17+23)			57. Retained Earnings or Margins	7,335,903	7,529,336
			58. Total Equity (51 thru 57)	7,398,233	7,653,414
			59. TOTAL LIABILITIES AND EQUITY (35+46+50+58)	25,978,982	24,638,761
	25,978,982	24,638,761			

Total Equity = 31.06% % of Total Assets

**OPERATING REPORT FOR
TELECOMMUNICATIONS BORROWERS**

WA0538

PERIOD ENDING

December, 2016

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	435,373	441,342
2. Network Access Services Revenues	4,094,152	4,176,420
3. Long Distance Network Services Revenues		
4. Carrier Billing and Collection Revenues	7,743	7,255
5. Miscellaneous Revenues	52,147	50,426
6. Uncollectible Revenues	181,154	6,003
7. Net Operating Revenues (1 thru 5 less 6)	4,408,261	4,669,440
8. Plant Specific Operations Expense	601,160	804,352
9. Plant Nonspecific Operations Expense (Excluding Depreciation & Amortization)	424,769	519,203
10. Depreciation Expense	1,223,120	1,635,244
11. Amortization Expense		
12. Customer Operations Expense	266,245	275,917
13. Corporate Operations Expense	826,063	916,551
14. Total Operating Expenses (8 thru 13)	3,341,357	4,151,267
15. Operating Income or Margins (7 less 14)	1,066,904	518,173
16. Other Operating Income and Expenses		
17. State and Local Taxes		
18. Federal Income Taxes	424,580	162,700
19. Other Taxes	287,451	191,052
20. Total Operating Taxes (17+18+19)	712,031	353,752
21. Net Operating Income or Margins (15+16-20)	354,873	164,421
22. Interest on Funded Debt	354,108	296,072
23. Interest Expense - Capital Leases		
24. Other Interest Expense	7,310	(574)
25. Allowance for Funds Used During Construction	234,394	117
26. Total Fixed Charges (22+23+24-25)	127,024	295,381
27. Nonoperating Net Income	203,170	(131,833)
28. Extraordinary Items		
29. Jurisdictional Differences		
30. Nonregulated Net Income	411,779	456,226
31. Total Net Income or Margins (21+27+28+29+30-26)	842,798	193,433
32. Total Taxes Based on Income		
33. Retained Earnings or Margins Beginning-of-Year	6,493,105	7,335,903
34. Miscellaneous Credits Year-to-Date		
35. Dividends Declared (Common)		
36. Dividends Declared (Preferred)		
37. Other Debits Year-to-Date		
38. Transfers to Patronage Capital		
39. Retained Earnings or Margins End-of-Period [(31+33+34) - (35+36+37+38)]	7,335,903	7,529,336
40. Patronage Capital Beginning-of-Year		
41. Transfers to Patronage Capital		
42. Patronage Capital Credits Retired		
43. Patronage Capital End-of-Year (40+41-42)	0	0
44. Annual Debt Service Payments	1,317,873	1,215,524
45. Cash Ratio [(14+20-10-11) / 7]	0.6420	0.6146
46. Operating Accrual Ratio [(14+20+26) / 7]	0.9483	1.0280
47. TIER [(31+26) / 26]	7.6350	1.6549
48. DSCR [(31+26+10+11) / 44]	1.6640	1.7474

USDA-RUS

**OPERATING REPORT FOR
TELECOMMUNICATIONS BORROWERS**

INSTRUCTIONS - See RUS Bulletin 1744-2

BORROWER DESIGNATION

WA0538

PERIOD ENDED

December, 2016

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

EXCHANGE	1. RATES		2. SUBSCRIBERS (ACCESS LINES)			3. ROUTE MILES	
	B-1 (a)	R-1 (b)	BUSINESS (a)	RESIDENTIAL (b)	TOTAL (c)	TOTAL (including fiber) (a)	FIBER (b)
Toledo, WA	18.00	18.00	238	1,250	1,488	301.50	301.50
MobileWireless					0		
Route Mileage Outside Exchange Area						0.00	0.00
Total			238	1,250	1,488	301.50	301.50
No. Exchanges	1						

USDA-RUS

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INSTRUCTIONS - See RUS Bulletin 1744-2

BORROWER DESIGNATION

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December, 2016

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

4. BROADBAND SERVICE

Details on Least Expensive Broadband Service

EXCHANGE	No. Access Lines with BB available (a)	No Of Broadband Subscribers (b)	Number Of Subscribers (c)	Advertised Download Rate (Kbps) (d)	Advertised Upload Rate (Kbps) (e)	Price Per Month (f)	Standalone/Pckg (f)	Type Of Technology (g)
Toledo, WA	1,488	1,360	528	6,000	6,000	54.95	Package	Fiber to the Home
Total	1,488	1,360						

USDA-RUS OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS	BORROWER DESIGNATION WA0538 PERIOD ENDING December, 2016
<i>INSTRUCTIONS- See RUS Bulletin 1744-2</i>	

PART D. SYSTEM DATA				
1. No. Plant Employees	10	2. No. Other Employees	8	3. Square Miles Served
				386
				3.85
				4.94

PART E. TOLL DATA							
1. Study Area ID Code(s) a. 522447 b. _____ c. _____ d. _____ e. _____ f. _____ g. _____ h. _____ i. _____ j. _____	2. Types of Toll Settlements (Check one) <table style="width:100%;"> <tr> <td style="width: 40%;">Interstate:</td> <td style="width: 20%;"><input type="checkbox"/> Average Schedule</td> <td style="width: 40%;"><input checked="" type="checkbox"/> Cost Basis</td> </tr> <tr> <td>Intrastate:</td> <td><input type="checkbox"/> Average Schedule</td> <td><input checked="" type="checkbox"/> Cost Basis</td> </tr> </table>	Interstate:	<input type="checkbox"/> Average Schedule	<input checked="" type="checkbox"/> Cost Basis	Intrastate:	<input type="checkbox"/> Average Schedule	<input checked="" type="checkbox"/> Cost Basis
Interstate:	<input type="checkbox"/> Average Schedule	<input checked="" type="checkbox"/> Cost Basis					
Intrastate:	<input type="checkbox"/> Average Schedule	<input checked="" type="checkbox"/> Cost Basis					

PART F. FUNDS INVESTED IN PLANT DURING YEAR	
1. RUS, RTB, & FFB Loan Funds Expended	2,835,723
2. Other Long-Term Loan Funds Expended	
3. Funds Expended Under RUS Interim Approval	
4. Other Short-Term Loan Funds Expended	
5. General Funds Expended (Other than Interim)	
6. Salvaged Materials	
7. Contribution in Aid to Construction	
8. Gross Additions to Telecom. Plant (1 thru 7)	2,835,723

PART G. INVESTMENTS IN AFFILIATED COMPANIES					
INVESTMENTS (a)	CURRENT YEAR DATA		CUMULATIVE DATA		
	Investment This Year	Income/Loss This Year	Cumulative Investment To Date	Cumulative Income/Loss To Date	Current Balance
	(b)	(c)	(d)	(e)	(f)
1. Investment in Affiliated Companies - Rural Development					
2. Investment in Affiliated Companies - Nonrural Development			50,000	608,587	658,587

USDA-RUS OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS	BORROWER DESIGNATION WA0538
	PERIOD ENDING December, 2016

PART H. CURRENT DEPRECIATION RATES

Are corporation's depreciation rates approved by the regulatory authority with jurisdiction over the provision of telephone services? (Check one) YES NO

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

USDA-RUS		BORROWER DESIGNATION WA0538	
OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS		PERIOD ENDED December, 2016	
INSTRUCTIONS – See help in the online application.			
PART I – STATEMENT OF CASH FLOWS			
1. Beginning Cash (Cash and Equivalents plus RUS Construction Fund)			1,276,016
CASH FLOWS FROM OPERATING ACTIVITIES			
2. Net Income			193,433
<i>Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities</i>			
3. Add: Depreciation			1,635,244
4. Add: Amortization			0
5. Other (Explain)			
<i>Changes in Operating Assets and Liabilities</i>			
6. Decrease/(Increase) in Accounts Receivable			412,009
7. Decrease/(Increase) in Materials and Inventory			258,901
8. Decrease/(Increase) in Prepayments and Deferred Charges			36,178
9. Decrease/(Increase) in Other Current Assets			(243,393)
10. Increase/(Decrease) in Accounts Payable			(492,119)
11. Increase/(Decrease) in Advance Billings & Payments			0
12. Increase/(Decrease) in Other Current Liabilities			(75,389)
13. Net Cash Provided/(Used) by Operations			1,724,864
CASH FLOWS FROM FINANCING ACTIVITIES			
14. Decrease/(Increase) in Notes Receivable			0
15. Increase/(Decrease) in Notes Payable			0
16. Increase/(Decrease) in Customer Deposits			0
17. Net Increase/(Decrease) in Long Term Debt (Including Current Maturities)			(1,218,879)
18. Increase/(Decrease) in Other Liabilities & Deferred Credits			190,985
19. Increase/(Decrease) in Capital Stock, Paid-in Capital, Membership and Capital Certificates & Other Capital			61,748
20. Less: Payment of Dividends			0
21. Less: Patronage Capital Credits Retired			0
22. Other (Explain)			
23. Net Cash Provided/(Used) by Financing Activities			(966,146)
CASH FLOWS FROM INVESTING ACTIVITIES			
24. Net Capital Expenditures (Property, Plant & Equipment)			(133,984)
25. Other Long-Term Investments			(21,202)
26. Other Noncurrent Assets & Jurisdictional Differences			0
27. Other (Explain) Net/reclass from other activities			(137,021)
28. Net Cash Provided/(Used) by Investing Activities			(292,207)
29. Net Increase/(Decrease) in Cash			466,511
30. Ending Cash			1,742,527

Revision Date 2010

USDA-RUS OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS	BORROWER DESIGNATION WA0538
INSTRUCTIONS - See RUS Bulletin 1744-2	PERIOD ENDED December, 2016
NOTES TO THE OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS	

USDA-RUS OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS	BORROWER DESIGNATION WA0538
INSTRUCTIONS - See RUS Bulletin 1744-2	PERIOD ENDED December, 2016
CERTIFICATION LOAN DEFAULT NOTES TO THE OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS	

**Annual Reporting for High-Cost Recipients 47 C.F.R. §54.202(a)
47 C.F.R. §54.313(f)(2) The Toledo Telephone Co., Inc. 522447**

Public Interest Obligation

Dale Merten	Chief Operating Officer	The Toledo Telephone Company, Inc.
Printed Name of Officer	Title of Officer	Company Name

I am authorized to provide this certification on behalf of the Company. I hereby certify that the Company has taken reasonable steps to provide upon reasonable request broadband service that meets the Commission's public interest obligations and that requests for such service were met within a reasonable amount of time.

Executed on 06/08/2017
Date

Signature 

Printed/Typed Name Dale Merten

Basic Service

The Toledo Telephone Co., Inc., also known as ToledoTel, has been the local Telephone Company serving the Toledo area since 1906. We began business when no one else would provide telecommunication services because of the higher costs in serving rural areas of Washington.

We have served and intend to continue to serve both residential and commercial customers in our rural communities with quality telecommunications services at competitive rates.

The Toledo Telephone Co., Inc is an "Eligible Telecommunications Carrier" for its service area, for universal service purposes. The goal of universal service is to provide all citizens access to essential telecommunications services.

In addition to our basic telephone services, we bring advanced telecommunications services to our rural communities, including Internet access, high-speed data services, special calling features and voice mail. Our basic services are comprised of several components, which at minimum, include:

Service Provided	Monthly Charge	
	Residence	Business
Single party voice grade access To the public network, including Unlimited local calls	\$18.00	\$18.00
Touch calling	No charge	No charge
Access to emergency 911 services State/County mandated surcharges	.25¢	/.70¢

Access to operator services - There is no charge from The Toledo Telephone Co., Inc for the ability to call the operator. However, the call may involve a charge depending on the service requested and the rates of the company whose operator handled the call.

Access to directory assistance - There is no charge from The Toledo Telephone Co., Inc. for the ability to call Directory Assistance; however, the call will involve a Directory Assistance

charge, the amount of which depends on the area called and the rates of the company whose operator provided the information.

Access to long distance carriers - There is no charge from The Toledo Telephone Co., Inc. for the ability to place and receive calls through long distance carriers that offer service through our network. However, the call may involve a charge from the long distance carrier depending on the type of call.

These services are available to all consumers of The Toledo Telephone Co., Inc. The costs associated with each are reflected each month on the regular telephone bill along with other charges for services provided by The Toledo Telephone Co., Inc. The services listed above are the basic services offered by our company. Other services including Telecommunications Relay Service, TRS, and services for the disabled, are available by contacting The Toledo Telephone Co., Inc's business office at (360) 864 4552.

The Toledo Telephone Co., participates in the Federal Lifeline Program. Qualified households may receive the standard Lifeline discount for basic voice service. Unlimited local calling is included with Lifeline. Long distance / toll calling is not included and may be purchased separately. Details about the Lifeline program are located at <http://www.universalservice.org/li/>

Toll limitation services - Currently there is no charge from The Toledo Telephone Co., for toll blocking service to low-income customers participating in the Lifeline program.

Publish: September 2016

**Annual Reporting for High-Cost Recipients 47 C.F.R. §54.202(a)
47 C.F.R. §54.313(f)(2) The Toledo Telephone Co., Inc. 522447**

Broadband Price Certification

Dale Merten	Chief Operating Officer	The Toledo Telephone Company, Inc.
Printed Name of Officer	Title of Officer	Company Name

I am authorized to provide this certification on behalf of the Company. I hereby certify that the Company has researched the FCC on-line urban rate tool and compared those prices to what the company offers. The company is below the FCC benchmark

Executed on 06/08/2017
Date

Signature 

Printed/Typed Name Dale Merten

**Annual Reporting for High-Cost Recipients
47 C.F.R. §54.313(a)(2) through (a)(6) and (h)
The Toledo Telephone Co., Inc. 522447**

ADDITIONAL VOICE RATE DATA - §54.313(h)

All incumbent local exchange carrier recipients of high-cost support must report all rates for residential local service, as well as state fees as defined pursuant to §54.318(e) of this subpart, that are below the local urban rate floor as defined in §54.318 of this subpart, and the number of lines for each rate specified. Carriers shall report lines and rates in effect as of June 1.

As of June 1, 2017, The Toledo Telephone Co., Inc. **did not** have any rates for residential local service, as well as state fees as defined pursuant to §54.318(e), that are below the local urban rate floor as defined in §54.318.

In addition, The Toledo Telephone Co., Inc. **did not** have any rates for residential local service above the current urban rate floor.

**Annual Reporting for High-Cost Recipients
47 C.F.R. §54.313(a)(2) through (a)(6) and (h)
The Toledo Telephone Co., Inc.**

§54.313(a)(6) - ABILITY TO FUNCTION IN EMERGENCY SITUATIONS

Ability to Function in Emergency Situations Annual Certification

Dale Merten	Chief Operating Officer	The Toledo Telephone Company, Inc.
Printed Name of Officer	Title of Officer	Company Name

I am authorized to provide this certification on behalf of the Company. I hereby certify that the Company is capable of functioning in emergency situations. The Company has a reasonable amount of back-up power to ensure functionality without an external power source, is able to reroute traffic around damaged facilities, and is capable of managing traffic spikes resulting from emergency situations.

Executed on 06/08/17 _____
Date

Signature 

Printed/Typed Name Dale Merten

§54.313(a)(5) - COMPLIANCE WITH SERVICE QUALITY STANDARDS AND CONSUMER PROTECTION RULES

Service Quality Standards and Consumer Protection Rules Annual Certification

Dale Merten	Chief Operating Officer	The Toledo Telephone Company, Inc.
Printed Name of Officer	Title of Officer	Company Name

I am authorized to provide this certification on behalf of the Company. I hereby certify that the Company is in compliance with applicable service quality standards and consumer protection rules.

Executed on 06/13/2014
Date

Signature 

Printed/Typed Name Dale Merten