

**INLAND TELEPHONE COMPANY**  
Corporate Offices

103 S. 2nd St.  
P.O. Box 171  
Roslyn, WA 98941

**INLAND**  
**TELEPHONE**

Telephone: (509) 649-2211  
Fax: (509) 649-3300

July 24, 2017

Via electronic filing

Mr. Steven V. King, Executive Director and Secretary  
Washington Utilities and Transportation Commission  
1300 South Evergreen Park Drive SW  
Olympia, WA 98504-7250  
(360) 664-1160

Re: **UNIVERSAL SERVICE COMMUNICATIONS PROGRAM** – Petition  
for eligibility of Inland Telephone Company to receive support

Dear Mr. King:

Pursuant to WAC 480-123-110, Inland Telephone Company (“Company”) hereby submits to the Washington Utilities and Transportation Commission its petition for eligibility to receive program support from the State Universal Service Communications Program. Enclosed are the petition and the exhibits supporting the Company’s petition.

The Western Elite Incorporated Services audited consolidated financial statements (Exhibit 5), have been marked as “Confidential pursuant to WAC 480-07-160” since they include more than Inland Telephone Company information. As such, this filing will be made in two filings; a confidential filing with Exhibit 5 unredacted and a redacted filing.

If you should have any questions or need further information, please call me at (509) 649-2211.

Sincerely,

  
James K. Brooks  
Treasurer/Controller

Enclosures

**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, 2017**

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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 "Company"), and,  
14 pursuant to Chapter 480-123 of the Washington Administrative Code ("WAC") including, but not  
15 limited to, WAC 480-123-110, hereby petitions the Washington Utilities and Transportation  
16 Commission (the "Commission") to receive support from the State Universal Communications  
17 Services Program established in RCW 80.36.650 (the "Program") for the fiscal year ending June 30,  
18 2018.  
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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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26 PETITION OF INLAND TELEPHONE COMPANY  
TO RECEIVE SUPPORT  
FROM THE STATE UNIVERSAL  
COMMUNICATIONS SERVICES PROGRAM - 1

- 1 2. WAC 480-123-100(1)(b): The Company is an incumbent local exchange carrier as defined  
2 in 47 U.S.C. Sec. 251(h).
- 3 3. WAC 480-123-100(1)(c): The Company offers basic residential and business exchange  
4 telecommunications services as set forth in WAC 480-120-021 and RCW 80.36.630.
- 5 4. WAC 480-123-100(1)(d): The Company's rates for residential local exchange service, plus  
6 mandatory extended area service charges, are no lower than the local urban rate floor  
7 established by the Commission as the benchmark rate based on the Federal Communications  
8 Commission's national local urban rate floor pursuant to 47 C.F.R. Sec. 54.318 in effect on  
9 the date of this Petition.
- 10 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.
- 19 20 2. WAC 480-123-110(1)(b): A corporate organization chart showing the relationship between  
21 the Company and all affiliates as defined in RCW 80.16.010 is attached hereto as Exhibit 1.  
22 A detailed description of any transactions between the Company and the affiliates named in  
23 Exhibit 1 recorded in the Company's operating accounts is attached hereto as Exhibit 2.

- 1 3. WAC 480-123-110(1)(c): A service area map for the Company can be found at Sheet Nos.  
2 501, 502, 503, and 504 of the Company's Tariff WN U-7.
- 3 4. WAC 480-123-110(1)(d): A demonstration that the Company's customers are at risk of rate  
4 instability or service interruption or cessation in the absence of support from the Program is  
5 attached as Exhibit 3.
- 6 5. WAC 480-123-110(1)(e)(i): On the Commission's prescribed form, attached as Exhibit 4,  
7 are copies of the Company's balance sheet as of December 31, 2016, and December 31,  
8 2015, and copies of the Company's statements of income and retained earnings or margin for  
9 the years ended December 31, 2016 and December 31, 2015.
- 10 6. WAC 480-123-110(1)(e)(ii): A copy of the Company's consolidated annual financial  
11 statements for the years ended December 31, 2016 and December 31, 2015, are attached as  
12 Exhibit 5.
- 13 7. WAC 480-123-110(1)(e)(iii): Information demonstrating the Company's earned rate of  
14 return on a total Washington unseparated regulated operations basis for each of the two prior  
15 years, calculated in the manner prescribed by the Commission, is provided in Exhibit 4.
- 16 8. WAC 480-123-110(1)(e)(iv): Information demonstrating the Company's earned return on  
17 equity on a total company (regulated and non-regulated) Washington basis for each of the  
18 two prior years, calculated in the manner prescribed by the Commission, is provided in  
19 Exhibit 5.
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- 1 9. WAC 480-123-110(1)(e)(v): Information detailing all of the Company's revenues from the  
2 statements of income and retained earnings or margin in the same format and detail as is  
3 required to complete RUS Form 479 for the prior two years is presented on Exhibit 6.
- 4 10. WAC 480-123-110(1)(e)(vi): A statement under penalty of perjury from a Company officer  
5 with personal knowledge and responsibility certifying that no corporate operations  
6 adjustment to existing high-cost loop and interstate common line support mechanisms  
7 required by the Federal Communications Commission applied to the Company for the two  
8 prior years is attached hereto as Exhibit 7.
- 9 11. WAC 480-123-110(1)(e)(vii): Exhibit 4 contains additional supporting information  
10 requested by the Commission.
- 11 12. WAC 480-123-110(1)(e)(viii): A statement under penalty of perjury from a Company  
12 officer with personal knowledge and responsibility certifying that the Company complies  
13 with state and federal accounting, cost allocation, and cost adjustment rules pertaining to  
14 incumbent local exchange companies is attached as Exhibit 8.
- 15 13. WAC 480-123-110(1)(f): A complete copy of the FCC Form 481 filed by the Company or  
16 on its behalf with the Federal Communications Commission for the calendar year preceding  
17 the current year has already been filed with the Commission. See the Company's filing in  
18 Docket No. UT-170011 filed on or about June 29, 2017.
- 19 14. WAC 480-123-110(1)(g): The number of residential local exchange access lines served by  
20 the Company as of December 31, 2016, was 1,838 all of which were within the geographic  
21 area for which the Company is seeking support. The number of residential local exchange  
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1 access lines served by the Company as of December 31, 2015, was 1,755, all of which were  
2 within the geographic area for which the Company is seeking support.

3 The number of business local exchange access lines served by the Company as of December  
4 31, 2016, was 589, all of which were within the geographic area for which the Company is  
5 seeking support. The number of business local exchange access lines served by the  
6 Company as of December 31, 2015, was 631, all of which were within the geographic area  
7 for which the Company is seeking support.

8 The monthly recurring rate charged by the Company for residential local exchange access  
9 service on December 31, 2016, was: Dewatto exchange - \$22.00, Prescott exchange -  
10 \$18.00, Roslyn exchange - \$18.00, and Uniontown exchange - \$18.00. The monthly  
11 recurring rate charged by the Company for residential local exchange access service on  
12 December 31, 2015, was: Dewatto exchange - \$22.00, Prescott exchange - \$16.50, Roslyn  
13 exchange - \$16.00, and Uniontown exchange - \$16.00.

14 The rate charged by the Company for single line business local exchange access service on  
15 December 31, 2016, was: Dewatto exchange - \$27.00, Prescott exchange - \$26.50, Roslyn  
16 exchange - \$24.00, and Uniontown exchange - \$25.00. The rate charged by the Company  
17 for single line business local exchange access service on December 31, 2015, was: Dewatto  
18 exchange - \$27.00, Prescott exchange - \$26.50, Roslyn exchange - \$24.00, and Uniontown  
19 exchange - \$25.00. (The Company has other business local exchange service rates, but the  
20 Company understands that WAC 480-123-110(1)(g) is requesting the single line business  
21 local exchange access service rate.)  
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1 15. WAC 480-123-110(1)(h): The requested statement is attached as Exhibit 9.

2 16. The amount on Line 4, labeled 2011 ROR Carrier Base Period Revenue, of the CAF ICC  
3 Data collection Report for the period 7/1/2017 - 6/30/2018 is \$1,223,317 and has not  
4 changed from the last filing.

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

6  
7 Respectfully submitted this 24th day of July, 2017.  
8

9  
10 Inland Telephone Company  
11 d/b/a Inland Networks  
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13 CERTIFICATION

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

19   
20 By: James K. Brooks  
21 Title: Treasurer/Controller  
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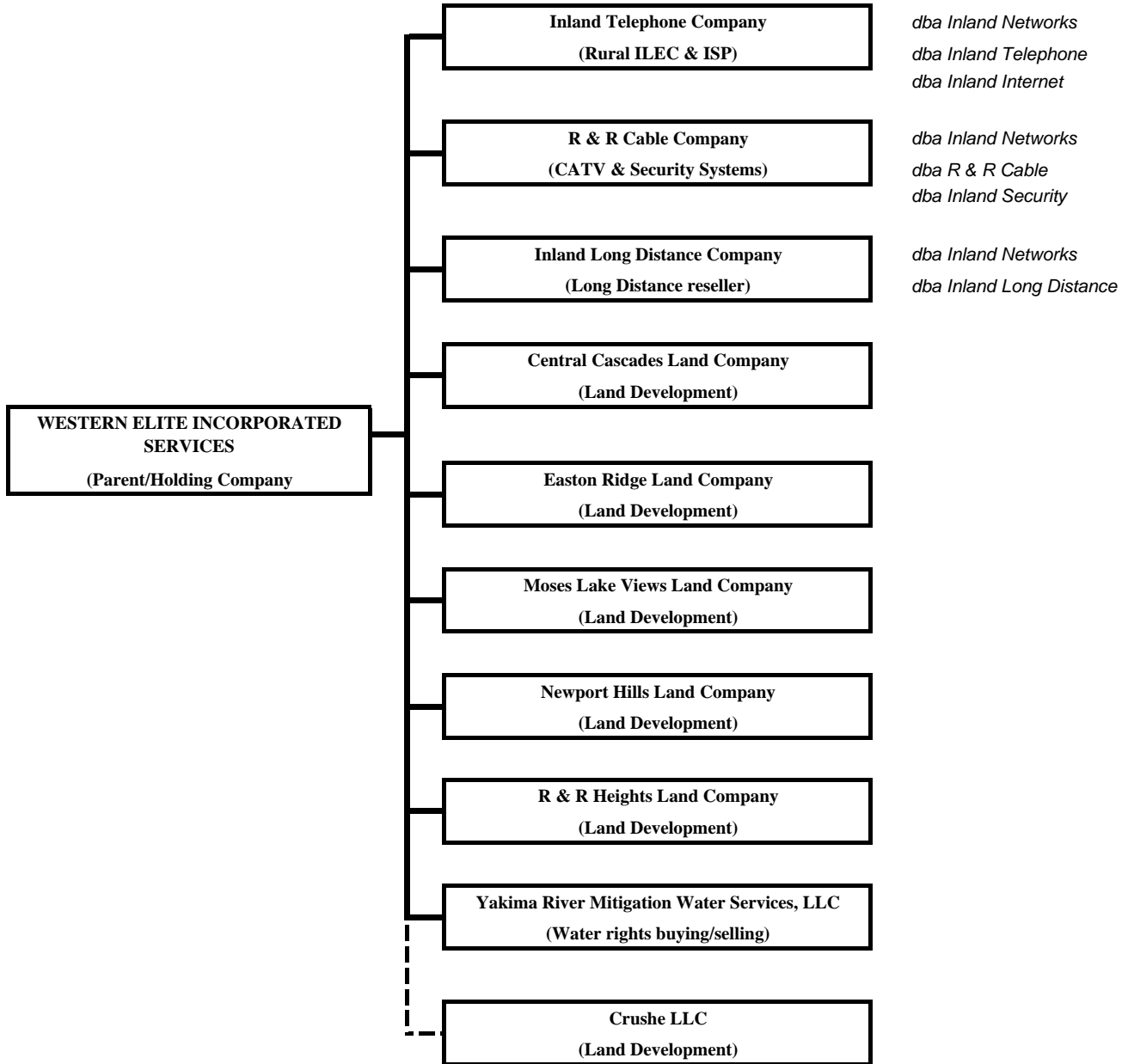
**EXHIBIT 1**

**CORPORATE STRUCTURE**

**INLAND TELEPHONE COMPANY - SAC 522423**

**EXHIBIT 1**

**CORPORATE ORGANIZATION CHART  
AS OF DECEMBER 31, 2016**



**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 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, 2016:

**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 Cable Company paid to ITC for contracted services for managing R & R Cable Company Internet service via cable modem outside of the ITC service area.

**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 the Company finds itself has created a climate of great financial uncertainty. The Company has been working over the past several years to address growing competition. The Company has taken steps to increase the availability and attributes of advanced services offered by the Company, including broadband. This has resulted in the Company making additional investments in regulated plant, excluding any applicable allocations to Idaho operations, of approximately \$18,400,000 during the period January 1, 2011 through December 31, 2016. These additions included replacing the switching equipment, adding new subscriber transmission equipment capable of providing broadband service as well as placing subscriber carrier equipment closer to subscribers, adding fiber optic cable into the subscriber and interexchange network infrastructure and adding fiber-to-the-home in the Roslyn exchange. As a result, the Company has a substantial debt obligation to cover the investment that has been made.

The overall financial condition of the Company is detailed on other Exhibits to this Petition. What this information demonstrates is that, when adjusted to eliminate the support from the state Universal Communications Services Program that the Company received or accrued in 2016, the Company's total regulated revenue decreased by 2.2 percent from 2011 through 2016. 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.

At the same time, the Company is seeing increased competition. For example, the Company has seen some migration of customers "cutting the cord" to move to wireless or other service as their sole method of telecommunications. Since 2011, the Company has lost 38 access lines. A loss of customers equates to a loss of revenue without a corresponding reduction in expenses or corresponding increase in rates. This trend of access line loss is exacerbated by the Federal Communications Commission's requirement that the Company increase its rates to remain eligible for full federal USF support. Since 2012, the Company has increased its local exchange service rates in order to be in compliance with the national urban rate floor prescribed by the Federal Communications Commission. However, those increases have been insufficient to fully replace the revenues that have been lost due to the reduction in access lines.

As an example of why state Program support is needed, the Company's receipt of revenue from the traditional Washington intrastate universal service access rate element and related pooling fund were terminated effective July 1, 2014. Since then, the loss of revenues derived from the traditional universal service access rate element has been off-set by revenues received by the Company as a result of its participation in the Program. Using 2012 as a base line, the Company is facing a loss of 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.<sup>1</sup> The USF/ICC Transformation Order has built in an automatic decline in the Company's intrastate and interstate access revenues. The intercarrier compensation portion of the Transformation Order introduces a concept of a base line year for calculating terminating access and reciprocal compensation revenues and provides support from the Connect America Fund ("CAF") based on the base line year. However, the base line year revenues (from which the level of CAF support is derived) are reduced iteratively by five percent each year. "The CAF support reduction began in July 2012. Projecting through the year ending June 30, 2018, including reductions that will occur July 1, 2017, the Company has seen a reduction in support from the base line revenue of approximately \$1,182,637.

On top of all this, during the six-year period ended December 31, 2016, the Company has seen its total federal high cost support undergo a significant reduction, declining from \$1,634,310 in 2011 to \$1,156,496 in 2016.

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 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. Neither choice presents a viable path for providing continued high quality service to customers. The dilemma presented by these choices reflects the risk of rate instability or service interruption or cessation to which the Company is subject.

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

**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

EXHIBIT 4

Company Name: (Below)  
 Inland Telephone Company

ASSETS	Balance End of Year 2015 (A)	Part 64 Adj to NonReg 2015 (B)	Adj. Balance End of Year 2015 (C)	LIABILITIES AND STOCKHOLDERS' EQUITY	Balance End of Year 2015 (A)	Part 64 Adj to NonReg 2015 (B)	Adj. Balance End of Year 2015 (C)
<b>CURRENT ASSETS</b>				<b>CURRENT LIABILITIES</b>			
1. Cash and Equivalents	282,161		282,161	25. Accounts Payable	250,669		250,669
2. Cash-RUS Construction Fund	344,772		344,772	26. Notes Payable			0
3. Affiliates:				27. Advance Billings and Payments			0
a. Telecom, Accounts Receivable			0	28. Customer Deposits	2,176		2,176
b. Other Accounts Receivable			0	29. Current Mat. L/T Debt	648,198	(20,031)	628,167
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	408,359		408,359	32. Income Taxes Accrued			0
b. Other Accounts Receivable			0	33. Other Taxes Accrued	73,070		73,070
c. Notes Receivable			0	34. Other Current Liabilities	504,041		504,041
5. Interest and Dividends Receivable			0	35. Total Current Liabilities (25 thru 34)	1,478,154	(20,031)	1,458,123
6. Material-Regulated	242,749		242,749	<b>LONG-TERM DEBT</b>			
7. Material-Nonregulated			0	36. Funded Debt-RUS Notes	92,746	(2,866)	89,880
8. Prepayments	77,094		77,094	37. Funded Debt-RTB Notes	18,803	(581)	18,222
9. Other Current Assets			0	38. Funded Debt-FFB Notes	8,929,896	(275,958)	8,653,938
10. Total Current Assets (1 Thru 9)	1,355,135	0	1,355,135	39. Funded Debt-Other	(3,535)		(3,535)
<b>NONCURRENT ASSETS</b>				40. Funded Debt-Rural Develop. Loan			0
11. Investment in Affiliated Companies				41. Premium (Discount) on L/T Debt			0
a. Rural Development	484,080		484,080	42. Reacquired Debt			0
b. Nonrural Development	0		0	43. Obligations Under Capital Lease			0
12. Other Investments				44. Adv. From Affiliated Companies			0
a. Rural Development	0		0	45. Other Long-Term Debt			0
b. Nonrural Development	217,985		217,985	46. Total Long-Term Debt (36 thru 45)	9,037,910	(279,405)	8,758,505
13. Nonregulated Investments (B1)	966,032	179,547	1,145,579	<b>OTHER LIAB. &amp; DEF. CREDITS</b>			
14. Other Noncurrent Assets	250		250	47. Other Long-Term Liabilities			0
15. Deferred Charges			0	48. Deferred Income Taxes	1,016,996	(34,637)	982,359
16. Jurisdictional Differences			0	49. Other Deferred Credits (D)	(86,122)	13,708	(72,414)
17. Total noncurrent Assets (11 thru 16)	1,668,347	179,547	1,847,894	50. Other Jurisdictional Differences			0
<b>PLANT, PROPERTY AND EQUIPMENT</b>				51. Total Other Liab. & Def. Credits (47 thru 50)	930,874	(20,929)	909,945
18. Telecom Plant-In-Service	23,167,927	(715,951)	22,451,976	<b>EQUITY</b>			
19. Property Held for Future Use	629,899		629,899	52. Cap. Stock Outstanding & Subscribed	93,150		93,150
20. Plant Under Construction	5,056,706	(32,728)	5,023,978	53. Additional Paid-in-Capital	7,175		7,175
21. Plant Adj., Nonop Plant & Goodwill			0	54. Treasury Stock			0
22. Accumulated Depreciation (CR.)	(15,761,735)	569,132	(15,192,603)	55. Membership and Capital Certificates			0
23. Net Plant (18 thru 21 less 22)	13,092,797	(179,547)	12,913,250	56. Other Capital			0
<b>24. TOTAL ASSETS (10+17+23)</b>	<b>16,116,279</b>	<b>0</b>	<b>16,116,279</b>	57. Patronage Capital Credits			0
				58. Retained Earnings or Margins (B2)	4,569,016	320,365	4,889,381
				59. Total Equity (52 thru 58)	4,669,341	320,365	4,989,706
				<b>60. TOTAL LIABILITIES AND EQUITY (35+46+51+59)</b>	<b>16,116,279</b>	<b>0</b>	<b>16,116,279</b>

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

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

Company Name: (Below)  
Inland Telephone Company

ASSETS	Balance End of Year 2016 (A)	Part 64 Adj to NonReg 2016 (B)	Adj. Balance End of Year 2016 (C)	LIABILITIES AND STOCKHOLDERS' EQUITY	Balance End of Year 2016 (A)	Part 64 Adj to NonReg 2016 (B)	Adj. Balance End of Year 2016 (C)
<b>CURRENT ASSETS</b>				<b>CURRENT LIABILITIES</b>			
1. Cash and Equivalents	391,052		391,052	25. Accounts Payable	260,605		260,605
2. Cash-RUS Construction Fund	707,373		707,373	26. Notes Payable			0
3. Affiliates:				27. Advance Billings and Payments			0
a. Telecom, Accounts Receivable			0	28. Customer Deposits	2,324		2,324
b. Other Accounts Receivable			0	29. Current Mat. L/T Debt	1,111,275	(93,859)	1,017,416
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	329,752	(90,427)	239,325	32. Income Taxes Accrued	20		20
b. Other Accounts Receivable			0	33. Other Taxes Accrued	75,641		75,641
c. Notes Receivable			0	34. Other Current Liabilities	519,318		519,318
5. Interest and Dividends Receivable			0	35. Total Current Liabilities (25 thru 34)	1,969,183	(93,859)	1,875,324
6. Material-Regulated	270,709		270,709	<b>LONG-TERM DEBT</b>			
7. Material-Nonregulated			0	36. Funded Debt-RUS Notes	42,560	(3,595)	38,965
8. Prepayments	88,993		88,993	37. Funded Debt-RTB Notes	42	(4)	38
9. Other Current Assets			0	38. Funded Debt-FFB Notes	14,282,455	(1,206,309)	13,076,146
10. Total Current Assets (1 Thru 9)	1,787,879	(90,427)	1,697,452	39. Funded Debt-Other	(3,715)		(3,715)
<b>NONCURRENT ASSETS</b>				40. Funded Debt-Rural Develop. Loan			0
11. Investment in Affiliated Companies				41. Premium (Discount) on L/T Debt			0
a. Rural Development	808,606		808,606	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	236,241		236,241	46. Total Long-Term Debt (36 thru 45)	14,321,342	(1,209,908)	13,111,434
13. Nonregulated Investments (B1)	1,709,626	2,391,166	4,100,792	<b>OTHER LIAB. &amp; DEF. CREDITS</b>			
14. Other Noncurrent Assets	250		250	47. Other Long-Term Liabilities			0
15. Deferred Charges			0	48. Deferred Income Taxes	2,860,121	(246,844)	2,613,277
16. Jurisdictional Differences			0	49. Other Deferred Credits (D)	(1,660,535)	32,219	(1,628,316)
17. Total noncurrent Assets (11 thru 16)	2,754,723	2,391,166	5,145,889	50. Other Jurisdictional Differences			0
<b>PLANT, PROPERTY AND EQUIPMENT</b>				51. Total Other Liab. & Def. Credits (47 thru 50)	1,199,586	(214,625)	984,961
18. Telecom Plant-In-Service	33,544,644	(2,833,212)	30,711,432	<b>EQUITY</b>			
19. Property Held for Future Use	312,104		312,104	52. Cap. Stock Outstanding & Subscribed	93,150		93,150
20. Plant Under Construction	328,995	(32,728)	296,267	53. Additional Paid-in-Capital	7,175		7,175
21. Plant Adj., Nonop Plant & Goodwill			0	54. Treasury Stock			0
22. Accumulated Depreciation (CR.)	(15,732,934)	565,201	(15,167,733)	55. Membership and Capital Certificates			0
23. Net Plant (18 thru 21 less 22)	18,452,809	(2,300,739)	16,152,070	56. Other Capital			0
<b>24. TOTAL ASSETS (10+17+23)</b>	<b>22,995,411</b>	<b>0</b>	<b>22,995,411</b>	57. Patronage Capital Credits			0
				58. Retained Earnings or Margins (B2)	5,404,975	1,518,392	6,923,367
				59. Total Equity (52 thru 58)	5,505,300	1,518,392	7,023,692
				<b>60. TOTAL LIABILITIES AND EQUITY (35+46+51+59)</b>	<b>22,995,411</b>	<b>0</b>	<b>22,995,411</b>

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

Company Name: (Below)  
 Inland Telephone Company

ASSETS	Adjusted Prior Year Balance 2015	Adjusted Current Year Balance 2016	LIABILITIES AND STOCKHOLDERS' EQUITY	Adjusted Prior Year Balance 2015	Adjusted Current Year Balance 2016
<b>CURRENT ASSETS</b>			<b>CURRENT LIABILITIES</b>		
1. Cash and Equivalents	282,161	391,052	25. Accounts Payable	250,669	260,605
2. Cash-RUS Construction Fund	344,772	707,373	26. Notes Payable	0	0
3. Affiliates:			27. Advance Billings and Payments	0	0
a. Telecom, Accounts Receivable	0	0	28. Customer Deposits	2,176	2,324
b. Other Accounts Receivable	0	0	29. Current Mat. L/T Debt	628,167	1,017,416
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	408,359	239,325	32. Income Taxes Accrued	0	20
b. Other Accounts Receivable	0	0	33. Other Taxes Accrued	73,070	75,641
c. Notes Receivable	0	0	34. Other Current Liabilities	504,041	519,318
5. Interest and Dividends Receivable	0	0	35. Total Current Liabilities (25 - 34)	1,458,123	1,875,324
6. Material-Regulated	242,749	270,709	<b>LONG-TERM DEBT</b>		
7. Material-Nonregulated	0	0	36. Funded Debt-RUS Notes	89,880	38,965
8. Prepayments	77,094	88,993	37. Funded Debt-RTB Notes	18,222	38
9. Other Current Assets	0	0	38. Funded Debt-FFB Notes	8,653,938	13,076,146
10. Total Current Assets (1 Thru 9)	1,355,135	1,697,452	39. Funded Debt-Other	(3,535)	(3,715)
<b>NONCURRENT ASSETS</b>			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	484,080	808,606	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	217,985	236,241	46. Total Long-Term Debt (36-45)	8,758,505	13,111,434
13. Nonregulated Investments	1,145,579	4,100,792	<b>OTHER LIAB. &amp; DEF. CREDITS</b>		
14. Other Noncurrent Assets	250	250	47. Other Long-Term Liabilities	0	0
15. Deferred Charges	0	0	48. Deferred Income Taxes	982,359	2,613,277
16. Jurisdictional Differences	0	0	49. Other Deferred Credits	(72,414)	(1,628,316)
17. Total noncurrent Assets (11 thru 16)	1,847,894	5,145,889	50. Other Jurisdictional Differences	0	0
<b>PLANT, PROPERTY AND EQUIPMENT</b>			51. Total Other Liab. & Def. Credits (47 thru 50)	909,945	984,961
18. Telecom Plant-in-Service	22,451,976	30,711,432	<b>EQUITY</b>		
19. Property Held for Future Use	629,899	312,104	52. Cap. Stock Outstanding & Subscribed	93,150	93,150
20. Plant Under Construction	5,023,978	296,267	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.)	(15,192,603)	(15,167,733)	55. Membership and Capital Certificates	0	0
23. Net Plant (18 thru 21 less 22)	12,913,250	16,152,070	56. Other Capital	0	0
<b>24. TOTAL ASSETS (10+17+23)</b>	<b>16,116,279</b>	<b>22,995,411</b>	57. Patronage Capital Credits	0	0
			58. Retained Earnings or Margins	4,889,381	6,923,367
			59. Total Equity (52 thru 58)	4,989,706	7,023,692
			<b>59. TOTAL LIABILITIES AND EQUITY (35+46+51+59)</b>	<b>16,116,279</b>	<b>22,995,411</b>

Footnote:  
 Adjusted Balances represents balances  
 after Part 64 adjustments

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

EXHIBIT 4

Company Name: (Below)  
 Inland Telephone Company \_\_\_\_\_

Line #	Description	B/S Line #	Adj. Balance End of Year 2015	Adj. Balance End of Year 2016	Average Adj End of Year Balance
<b>Average Rate Base:</b>					
1	Total Regulated Adjusted Telecom Plant-In-service	18	22,451,976	30,711,432	26,581,704
2	Total Property Held for Future Use	19	629,899	312,104	471,002
3	Total Regulated Adjusted Accumulated Depreciation (CR)	22	(15,192,603)	(15,167,733)	(15,180,168)
4	Total Regulated Materials & Supplies	6	242,749	270,709	256,729
5	Deferred Income Taxes (CR)	48	(982,359)	(2,613,277)	(1,797,818)
6	<b>Total Regulated Rate Base</b>		<b>7,149,662</b>	<b>13,513,235</b>	<b>10,331,449</b>

Footnotes:

1. Normal balance of deferred income taxes and accumulated depreciation is a credit.
2. Adjusted balance includes Part 64 adjustments

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

EXHIBIT 4

Company Name: (Below)  
 Inland Telephone Company \_\_\_\_\_

Line #	Description	Prior Year End of Yr. Balance - 2015	Current Year End of Yr. Balance - 2016	Difference	% Change
	<b>Access Lines:</b>				
1	Residential	1,755	1,838	83	4.7%
2	Business	631	589	(42)	-6.7%
3	Total	2,386	2,427	41	1.7%

Note: If 2015 does not equal last year's petition and template, explain.

Company Name: (Below)  
 Inland Telephone Company

Line #	Description	Prior Year 2015 (A)	Part 64 Adj. to NonReg (B)	Prior Year Adjusted 2015 (C)
1	Local Network Services Revenues	582,616		582,616
2	Network Access Services Revenues	3,465,705		3,465,705
3	Long Distance Network Services Revenues	(446)		(446)
4	Carrier Billing and Collection Revenues	44,781		44,781
5	Miscellaneous Revenues	34,840		34,840
6	Uncollectible Revenues (Normal Balance is debit or in brackets)	479		479
7	<b>Net Operating Revenues (1 thru 6)</b>	<b>4,127,975</b>	<b>0</b>	<b>4,127,975</b>
8	Plant Specific Operations Expense	1,357,759	(67,792)	1,289,967
9	Plant Nonspecific Operations Expense (excluding Depreciation & Amort.)	411,799		411,799
10	Depreciation Expense	1,132,940	(38,969)	1,093,971
11	Amortization Expense	182		182
12	Customer Operations Expense	480,831	(72,829)	408,002
13	Corporate Operations	873,133	(12,037)	861,096
14	<b>Total Operations Expenses (8 thru 13)</b>	<b>4,256,644</b>	<b>(191,627)</b>	<b>4,065,017</b>
15	Operating Income or Margins (7 less 14)	(128,669)	191,627	62,958
16	Other Operating Income and Expenses ( )			0
17	State and Local Taxes	117,368	(3,477)	113,891
18	Federal Income Taxes (A1) - (LINE IS ZERO IF COMPANY IS S CORP)	(12,274)	3,726	(8,548)
19	Other Taxes			0
20	<b>Total Operating Taxes (17+18+19)</b>	<b>105,094</b>	<b>249</b>	<b>105,343</b>
21	<b>Net Operating Income or Margins (15+16-20)</b>	<b>(233,763)</b>	<b>191,378</b>	<b>(42,385)</b>
22	Interest on Funded Debt	183,917	(5,699)	178,218
23	Interest Expense - Capital Leases			0
24	Other Interest Expense	161		161
25	Allowance for Funds Used During Construction (CR)	(67,703)		(67,703)
26	<b>Total Fixed Charges (22+23+24-25)</b>	<b>116,375</b>	<b>(5,699)</b>	<b>110,676</b>
27	Nonoperating Net Income	9,242		9,242
28	Extraordinary Items			0
29	Jurisdictional Differences			0
30	Nonregulated Net Income (B1)	105,122	(197,077)	(91,955)
31	<b>Total Net Income or Margins (21+27+28+29+30-26)</b>	<b>(235,774)</b>	<b>0</b>	<b>(235,774)</b>
32	Total Taxes Based on Income			
33	Retained Earning or Margins Beginning-of-Year	4,805,106	320,365	5,125,471
34	Miscellaneous Credits Year-to-Date			0
35	Dividends Declared (Common)			0
36	Dividends Declared (Preferred)			0
37	Other Debits Year-to-Date	316		316
38	Transfers to Patronage Capital			0
39	<b>Retained Earnings End-of-Period ((31+33+34)-(35+36+37+38))(A2)</b>	<b>4,569,016</b>	<b>320,365</b>	<b>4,889,381</b>
40	Patronage Capital Beginning-of-Year			0
41	Transfers to Patronage Capital			0
42	Patronage Capital Credits Retired			0
43	<b>Patronage Capital End-of-Year (40+41-42)</b>	<b>0</b>	<b>0</b>	<b>0</b>
44	Annual Debt Service Payments	723,919		723,919
45	Cash Ratio ((14+20-10-11)/7)	0.7821	#DIV/0!	0.7452
46	Operating Accrual Ratio ((14+20+26)/7)	1.0848	#DIV/0!	1.0371
47	TIER ((31+26)/26)	(1.0260)	1.0000	(1.1303)
48	DSCR ((31+26+10+11)/44)	1.4003	#DIV/0!	1.3386

Footnotes:

- (A) As reported on RUS Form 479
- (A1) S Corps provide effective tax rate from Cost study on Page 9, Inc. 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

Company Name: (Below)  
 Inland Telephone Company

Line #	Description	Current Year 2016 (A)	Part 64 Adj. to NonReg (B)	Current Year Adjusted 2016 (C)
1	Local Network Services Revenues	608,760		608,760
2	Network Access Services Revenues	4,225,985		4,225,985
3	Long Distance Network Services Revenues	507		507
4	Carrier Billing and Collection Revenues	42,364		42,364
5	Miscellaneous Revenues	41,034		41,034
6	Uncollectible Revenues (Normal Balance is debit or in brackets)	(1,971)		(1,971)
7	<b>Net Operating Revenues (1 thru 6)</b>	<b>4,916,679</b>	<b>0</b>	<b>4,916,679</b>
8	Plant Specific Operations Expense	1,229,059	(45,804)	1,183,255
9	Plant Nonspecific Operations Expense (excluding Depreciation & Amort.)	392,187	(17,869)	374,318
10	Depreciation Expense	1,189,164	(93,349)	1,095,815
11	Amortization Expense	182		182
12	Customer Operations Expense	503,533	(114,812)	388,721
13	Corporate Operations	816,755	(22,063)	794,692
14	<b>Total Operations Expenses (8 thru 13)</b>	<b>4,130,880</b>	<b>(293,897)</b>	<b>3,836,983</b>
15	Operating Income or Margins (7 less 14)	785,799	293,897	1,079,696
16	Other Operating Income and Expenses ( )			0
17	State and Local Taxes	132,426	(12,751)	119,675
18	Federal Income Taxes (A1) - (LINE IS ZERO IF COMPANY IS S CORP)	176,593	20,592	197,185
19	Other Taxes			0
20	<b>Total Operating Taxes (17+18+19)</b>	<b>309,019</b>	<b>7,841</b>	<b>316,860</b>
21	<b>Net Operating Income or Margins (15+16-20)</b>	<b>476,780</b>	<b>286,056</b>	<b>762,836</b>
22	Interest on Funded Debt	253,348	(24,090)	229,258
23	Interest Expense - Capital Leases			0
24	Other Interest Expense	3,144	(265)	2,879
25	Allowance for Funds Used During Construction (CR)	(96,225)	8,127	(88,098)
26	<b>Total Fixed Charges (22+23+24-25)</b>	<b>160,267</b>	<b>(16,228)</b>	<b>144,039</b>
27	Nonoperating Net Income	(6,344)		(6,344)
28	Extraordinary Items			0
29	Jurisdictional Differences			0
30	Nonregulated Net Income (B1)	(23,066)	(302,284)	(325,350)
31	<b>Total Net Income or Margins (21+27+28+29+30-26)</b>	<b>287,103</b>	<b>0</b>	<b>287,103</b>
32	Total Taxes Based on Income			
33	Retained Earning or Margins Beginning-of-Year	4,569,016	320,365	4,889,381
34	Miscellaneous Credits Year-to-Date	548,856	1,198,027	1,746,883
35	Dividends Declared (Common)			0
36	Dividends Declared (Preferred)			0
37	Other Debits Year-to-Date			0
38	Transfers to Patronage Capital			0
39	<b>Retained Earnings End-of-Period ((31+33+34)-(35+36+37+38))(A2)</b>	<b>5,404,975</b>	<b>1,518,392</b>	<b>6,923,367</b>
40	Patronage Capital Beginning-of-Year			0
41	Transfers to Patronage Capital			0
42	Patronage Capital Credits Retired			0
43	<b>Patronage Capital End-of-Year (40+41-42)</b>	<b>0</b>	<b>0</b>	<b>0</b>
44	Annual Debt Service Payments	1,047,865		1,047,865
45	Cash Ratio ((14+20-10-11)/7)	0.6611	#DIV/0!	0.6219
46	Operating Accrual Ratio ((14+20+26)/7)	0.9356	#DIV/0!	0.8741
47	TIER ((31+26)/26)	2.7914	1.0000	2.9932
48	DSCR ((31+26+10+11)/44)	1.5620	#DIV/0!	1.4574

Footnotes:

- (A) As reported on RUS Form 479
- (A1) S Corps provide effective tax rate from Cost study on Page 9, Inc. 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



Company Name:

Inland Telephone Company

Line #	Description	Adjusted Prior Year 2015	Adjusted Current Year 2016
1	Local Network Services Revenues	582,616	608,760
2	Network Access Services Revenues	3,465,705	4,225,985
3	Long Distance Network Services Revenues	(446)	507
4	Carrier Billing and Collection Revenues	44,781	42,364
5	Miscellaneous Revenues	34,840	41,034
6	Uncollectible Revenues (Normal Balance is debit or in brackets)	479	(1,971)
7	<b>Net Operating Revenues (1 thru 6)</b>	<b>4,127,975</b>	<b>4,916,679</b>
8	Plant Specific Operations Expense	1,289,967	1,183,255
9	Plant Nonspecific Operations Expense (excluding Depreciation & Amort.)	411,799	374,318
10	Depreciation Expense	1,093,971	1,095,815
11	Amortization Expense	182	182
12	Customer Operations Expense	408,002	388,721
13	Corporate Operations	861,096	794,692
14	<b>Total Operations Expenses (8 thru 13)</b>	<b>4,065,017</b>	<b>3,836,983</b>
15	Operating Income or Margins (7 less 14)	62,958	1,079,696
16	Other Operating Income and Expenses ( )	0	0
17	State and Local Taxes	113,891	119,675
18	Federal Income Taxes (A1) - (LINE IS ZERO IF COMPANY IS S CORP)	(8,548)	197,185
19	Other Taxes	0	0
20	<b>Total Operating Taxes (17+18+19)</b>	<b>105,343</b>	<b>316,860</b>
21	<b>Net Operating Income or Margins (15+16-20)</b>	<b>(42,385)</b>	<b>762,836</b>
22	Interest on Funded Debt	178,218	229,258
23	Interest Expense - Capital Leases	0	0
24	Other Interest Expense	161	2,879
25	Allowance for Funds Used During Construction	(67,703)	(88,098)
26	<b>Total Fixed Charges (22+23+24-25)</b>	<b>110,676</b>	<b>144,039</b>
27	Nonoperating Net Income	9,242	(6,344)
28	Extraordinary Items	0	0
29	Jurisdictional Differences	0	0
30	Nonregulated Net Income	(91,955)	(325,350)
31	<b>Total Net Income or Margins (21+27+28+29+30-26)</b>	<b>(235,774)</b>	<b>287,103</b>
32	Total Taxes Based on Income		
33	Retained Earning or Margins Beginning-of-Year	5,125,471	4,889,381
34	Miscellaneous Credits Year-to-Date	0	1,746,883
35	Dividends Declared (Common)	0	0
36	Dividends Declared (Preferred)	0	0
37	Other Debits Year-to-Date	316	0
38	Transfers to Patronage Capital	0	0
39	<b>Retained Earnings or Margins End-of-Period ((31+33+34)-(35+36+37+38))</b>	<b>4,889,381</b>	<b>6,923,367</b>
40	Patronage Capital Beginning-of-Year	0	0
41	Transfers to Patronage Capital	0	0
42	Patronage Capital Credits Retired	0	0
43	<b>Patronage Capital End-of-Year (40+41-42)</b>	<b>0</b>	<b>0</b>
44	Annual Debt Service Payments	723,919	1,047,865
45	Cash Ratio ((14+20-10-11)/7)	0.7452	0.6219
46	Operating Accrual Ratio ((14+20+26)/7)	1.0371	0.8741
47	TIER ((31+26)/26)	(1.1303)	2.9932
48	DSCR ((31+26+10+11)/44)	1.34	1.4574

Footnote

(A1) S Corporation Effective Tax Rate (2 decimal places):

Note:

Adjusted Income Statement reflects Part 64 Adjustments (Regulated to Nonregulated).

2015                      2016

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

EXHIBIT 4

Company Name: (Below)  
 Inland Telephone Company \_\_\_\_\_

Line #	Description	Part 32 Account	Prior Year 2015	Current Year 2016
1	End User Revenue (SLC, ARC, etc.)	5081	255,690	269,595
2	Switched Access (excluding USF):	5082		
2a	Intrastate		123,913	92,231
2b	Interstate (includes CAF)		163,077	383,090
3	Special Access:	5083		
3a	Intrastate		17,427	15,370
3b	Interstate		1,809,380	1,984,279
4	Federal USF (ICLS/HCL/SN)	Varies	847,561	1,156,496
5	State USF		280,572	331,703
6	Other*		(31,915)	(6,779)
7	Total (must equal line 2 of Income Stmt.)		3,465,705	4,225,985
8	Line 2 of Income Stmt.		3,465,705	4,225,985
9	Difference		0	0

Footnote:

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

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

Company Name: (Below)  
 Inland Telephone Company \_\_\_\_\_

Description of Out-of-Period (OOP) - 2016 (As Recorded) <b>OR</b> Pro Forma (PF) Adjustment for Current Year Petition or Reversing from Prior Year	Year	OOP or PF?	Part 32 Account	
			Debit	Credit
Adjustment #1:				
Adjustment #2:				
Adjustment #3:				
Adjustment #4				
Adjustment #5				

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

Company Name: (Below)  
Inland Telephone Company

Line #	Description	2016 (A)	2016 (B)
1	Rate Base (Jan. 1)	7,149,662	7,149,662
2	Rate Base (Dec 31)	13,513,235	13,513,235
3	<b>Average Rate Base</b>	<u>10,331,449</u>	<u>10,331,449</u>
4	Net Operating Income	762,836	762,836
5	Out-of-Period Adjustments Net of FIT (1)		
6	<b>Adjusted Net Operating Income</b>	<u>762,836</u>	<u>762,836</u>
7	<b>Earned Regulated Rate of Return</b>	<u>7.38%</u>	<u>7.38%</u>

Footnotes:

- (1) Lines 5 & 12 will be completed by Staff
- (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, 2015 and 2016											
Line #		Total This Year 2015	Total Idaho This Year 2015	Total Washington This Year 2015	Part 64 Adj. to NonReg	Prior Year Adjusted 2015	Total This Year 2016	Total Idaho This Year 2016	Total Washington This Year 2016	Part 64 Adj. to NonReg	This Year Adjusted 2016
<b>ASSETS</b>											
<b>CURRENT ASSETS</b>											
1	Cash and Equivalents	282,161		282,161		282,161	391,052		391,052		391,052
2	Cash-RUS Construction Fund	344,772		344,772		344,772	707,373		707,373		707,373
3	<b>Affiliates:</b>										
	a. Telecom. Accounts Receivable	0		0		0			0		0
	b. Other Accounts Receivable			0		0			0		0
	c. Notes Receivable			0		0			0		0
4	<b>Non-Affiliates</b>										
	a. Telecom. Accounts Receivable	621,477	213,118	408,359		408,359	376,357	46,605	329,752	(90,427)	239,325
	b. Other Accounts Receivable			0		0			0		0
	c. Notes Receivable			0		0			0		0
5	Interest and Dividends Receivable			0		0			0		0
6	Materials - Regulated	242,749		242,749		242,749	270,709		270,709		270,709
7	Materials - Nonregulated			0		0			0		0
8	Prepayments	77,094		77,094		77,094	88,993		88,993		88,993
9	Other Current Assets			0		0			0		0
10	<b>Total Current Assets (1 thru 9)</b>	<b>1,568,253</b>	<b>213,118</b>	<b>1,355,135</b>	<b>0</b>	<b>1,355,135</b>	<b>1,834,484</b>	<b>46,605</b>	<b>1,787,879</b>	<b>(90,427)</b>	<b>1,697,452</b>
<b>NONCURRENT ASSETS</b>											
11	Investments in Affiliated Companies										
	a. Rural Development	484,080		484,080		484,080	808,606		808,606		808,606
	b. Nonrural Development	0		0		0			0		0
12	Other Investments										
	a. Rural Development	0		0		0			0		0
	b. Nonrural Development	217,985		217,985		217,985	236,241		236,241		236,241
13	Nonregulated Investment	1,550,828	584,796	966,032	<b>179,547</b>	1,145,579	2,071,788	362,162	1,709,626	<b>2,391,166</b>	4,100,792
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	<b>Total Noncurrent Assets (11 thru 16)</b>	<b>2,253,143</b>	<b>584,796</b>	<b>1,668,347</b>	<b>179,547</b>	<b>1,847,894</b>	<b>3,116,885</b>	<b>362,162</b>	<b>2,754,723</b>	<b>2,391,166</b>	<b>5,145,889</b>
<b>PLANT, PROPERTY, AND EQUIPMENT</b>											
18	Telecom. Plant-in-Service	27,040,232	3,872,305	23,167,927	(715,951)	22,451,976	37,510,983	3,966,339	33,544,644	(2,833,212)	30,711,432
19	Property Held for Future Use	629,899		629,899		629,899	312,104		312,104		312,104
20	Plant Under Construction	5,115,939	59,233	5,056,706	(32,728)	5,023,978	380,098	51,103	328,995	(32,728)	296,267
21	Plant Adj., Nonop. Plant & Goodwill			0		0			0		0
22	Less: Accumulated Depreciation (CR)	(18,905,314)	(3,143,579)	(15,761,735)	569,132	(15,192,603)	(18,990,699)	(3,257,765)	(15,732,934)	565,201	(15,167,733)
23	<b>Net Plant (18 thru 22)</b>	<b>13,880,756</b>	<b>787,959</b>	<b>13,092,797</b>	<b>(179,547)</b>	<b>12,913,250</b>	<b>19,212,486</b>	<b>759,677</b>	<b>18,452,809</b>	<b>(2,300,739)</b>	<b>16,152,070</b>
24	<b>TOTAL ASSETS (10 + 17 + 23)</b>	<b>17,702,152</b>	<b>1,585,873</b>	<b>16,116,279</b>	<b>0</b>	<b>16,116,279</b>	<b>24,163,855</b>	<b>1,168,444</b>	<b>22,995,411</b>	<b>0</b>	<b>22,995,411</b>

WASHINGTON 534											
INLAND TELEPHONE COMPANY											
BALANCE SHEET - RECONCILIATION											
FOR THE YEARS ENDED DECEMBER 31, 2015 and 2016											
Line #		Total This Year 2015	Total Idaho This Year 2015	Total Washington This Year 2015	Part 64 Adj. to NonReg	Prior Year Adjusted 2015	Total This Year 2016	Total Idaho This Year 2016	Total Washington This Year 2016	Part 64 Adj. to NonReg	This Year Adjusted 2016
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>											
<b>CURRENT LIABILITIES</b>											
25	Accounts Payable	250,669		250,669		250,669	260,605		260,605		260,605
26	Notes Payable			0		0			0		0
27	Advance Billings and Payments			0		0			0		0
28	Customer Deposits	2,416	240	2,176		2,176	2,640	316	2,324		2,324
29	Current Mat. L/T Debt	663,400	15,202	648,198	(20,031)	628,167	1,132,800	21,525	1,111,275	(93,859)	1,017,416
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	20		20		20
33	Other Taxes Accrued	86,445	13,375	73,070		73,070	83,701	8,060	75,641		75,641
34	Other Current Liabilities	504,041		504,041		504,041	519,318		519,318		519,318
35	<b>Total Current Liabilities (25 thru 34)</b>	<b>1,506,971</b>	<b>28,817</b>	<b>1,478,154</b>	<b>(20,031)</b>	<b>1,458,123</b>	<b>1,999,084</b>	<b>29,901</b>	<b>1,969,183</b>	<b>(93,859)</b>	<b>1,875,324</b>
<b>LONG-TERM DEBT</b>											
36	Funded Debt-RUS Notes	112,070	19,324	92,746	(2,866)	89,880	51,428	8,868	42,560	(3,595)	38,965
37	Funded Debt-RTB Notes	22,721	3,918	18,803	(581)	18,222	51	9	42	(4)	38
38	Funded Debt-FFB Notes	8,947,295	17,399	8,929,896	(275,958)	8,653,938	14,380,555	98,100	14,282,455	(1,206,309)	13,076,146
39	Funded Debt-Other	(3,535)		(3,535)		(3,535)	(3,715)		(3,715)		(3,715)
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	<b>Total Long-Term Debt (36 thru 45)</b>	<b>9,078,551</b>	<b>40,641</b>	<b>9,037,910</b>	<b>(279,405)</b>	<b>8,758,505</b>	<b>14,428,319</b>	<b>106,977</b>	<b>14,321,342</b>	<b>(1,209,908)</b>	<b>13,111,434</b>
<b>OTHER LIAB. &amp; DEF. CREDITS</b>											
47	Other Long-Term Liabilities	0		0		0	0		0		0
48	Deferred Income Taxes	1,097,866	80,870	1,016,996	(34,637)	982,359	2,964,745	104,624	2,860,121	(246,844)	2,613,277
49	Other Deferred Credits	(86,122)		(86,122)	13,708	(72,414)	(1,660,535)		(1,660,535)	32,219	(1,628,316)
50	Other Jurisdictional Differences	0		0		0	0		0		0
51	<b>Total Other Liab &amp; Def Credits (47 thru 50)</b>	<b>1,011,744</b>	<b>80,870</b>	<b>930,874</b>	<b>(20,929)</b>	<b>909,945</b>	<b>1,304,210</b>	<b>104,624</b>	<b>1,199,586</b>	<b>(214,625)</b>	<b>984,961</b>
<b>EQUITY</b>											
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	6,004,561	1,435,545	4,569,016	320,365	4,889,381	6,331,917	926,942	5,404,975	1,518,392	6,923,367
59	<b>Total Equity (52 thru 58)</b>	<b>6,104,886</b>	<b>1,435,545</b>	<b>4,669,341</b>	<b>320,365</b>	<b>4,989,706</b>	<b>6,432,242</b>	<b>926,942</b>	<b>5,505,300</b>	<b>1,518,392</b>	<b>7,023,692</b>
60	<b>TOTAL LIABILITIES &amp; EQUITY (35+46+51+59)</b>	<b>17,702,152</b>	<b>1,585,873</b>	<b>16,116,279</b>	<b>0</b>	<b>16,116,279</b>	<b>24,163,855</b>	<b>1,168,444</b>	<b>22,995,411</b>	<b>0</b>	<b>22,995,411</b>

WASHINGTON 534											
INLAND TELEPHONE COMPANY											
INCOME STATEMENT - RECONCILIATION											
FOR THE YEARS ENDED DECEMBER 31, 2015 and 2016											
Line #	Item	Total This Year 2015	Total Idaho This Year 2015	Total Washington This Year 2015	Part 64 Adj. to NonReg	Prior Year Adjusted 2015	Total This Year 2016	Total Idaho This Year 2016	Total Washington This Year 2016	Part 64 Adj. to NonReg	This Year Adjusted 2016
1	Local Network Service Revenues	684,380	101,764	582,616		582,616	706,702	97,942	608,760		608,760
2	Network Access Service Revenues	4,170,260	704,555	3,465,705		3,465,705	4,791,978	565,993	4,225,985		4,225,985
3	Long Distance Network Services Revenues	(449)	(3)	(446)		(446)	510	3	507		507
4	Carrier Billing and Collection Revenues	49,928	5,147	44,781		44,781	46,965	4,601	42,364		42,364
5	Miscellaneous Revenues	36,574	1,734	34,840		34,840	42,002	968	41,034		41,034
6	Uncollectible Revenues	(157)	(636)	479		479	(2,437)	(466)	(1,971)		(1,971)
7	<b>Net Operating Revenues (1 thru 6)</b>	<b>4,940,536</b>	<b>812,561</b>	<b>4,127,975</b>	<b>0</b>	<b>4,127,975</b>	<b>5,585,720</b>	<b>669,041</b>	<b>4,916,679</b>	<b>0</b>	<b>4,916,679</b>
8	Plant Specific Operations Expense	1,592,338	234,579	1,357,759	(67,792)	1,289,967	1,453,646	224,587	1,229,059	(45,804)	1,183,255
9	Plant Nonspecific Operations (ex Depr. & Amort.)	471,850	60,051	411,799		411,799	446,603	54,416	392,187	(17,869)	374,318
10	Depreciation Expense	1,294,047	161,107	1,132,940	(38,969)	1,093,971	1,312,366	123,202	1,189,164	(93,349)	1,095,815
11	Amortization Expense	182		182		182	182		182		182
12	Customer Operations Expense	539,664	58,833	480,831	(72,829)	408,002	561,806	58,273	503,533	(114,812)	388,721
13	Corporate Operations Expense	1,001,800	128,667	873,133	(12,037)	861,096	943,198	126,443	816,755	(22,063)	794,692
13a	Less: Corporate Op Adjustment (FCC 36.621)	0	0	0		0	0	0	0		0
13b	Adjusted Corporate Operations Expense	<b>1,001,800</b>	<b>128,667</b>	<b>873,133</b>	<b>(12,037)</b>	<b>861,096</b>	<b>943,198</b>	<b>126,443</b>	<b>816,755</b>	<b>(22,063)</b>	<b>794,692</b>
14	<b>Total Operating Expenses (8 thru 12 + 13b)</b>	<b>4,899,881</b>	<b>643,237</b>	<b>4,256,644</b>	<b>(191,627)</b>	<b>4,065,017</b>	<b>4,717,801</b>	<b>586,921</b>	<b>4,130,880</b>	<b>(293,897)</b>	<b>3,836,983</b>
15	Operating Income or Margin (7 less 14)	40,655	169,324	(128,669)	191,627	62,958	867,919	82,120	785,799	293,897	1,079,696
16	Other Operating Income and Expenses	0		0		0	0		0		0
17	State and Local Taxes	142,942	25,574	117,368	(3,477)	113,891	159,343	26,917	132,426	(12,751)	119,675
18	Federal Income Taxes	(38,430)	(26,156)	(12,274)	3,726	(8,548)	200,367	23,774	176,593	20,592	197,185
19	Other Taxes	0		0		0	0		0		0
20	Total Operating Taxes (17+18+19)	<b>104,512</b>	<b>(582)</b>	<b>105,094</b>	<b>249</b>	<b>105,343</b>	<b>359,710</b>	<b>50,691</b>	<b>309,019</b>	<b>7,841</b>	<b>316,860</b>
21	Net Operating Income or Margin (15+16-20)	<b>(63,857)</b>	<b>169,906</b>	<b>(233,763)</b>	<b>191,378</b>	<b>(42,385)</b>	<b>508,209</b>	<b>31,429</b>	<b>476,780</b>	<b>286,056</b>	<b>762,836</b>
22	Interest on Funded Debt	214,726	30,809	183,917	(5,699)	178,218	288,365	35,017	253,348	(24,090)	229,258
23	Interest Expense - Capital Leases	0		0		0	0		0		0
24	Other Interest Expense	191	30	161		161	3,580	436	3,144	(265)	2,879
25	Allowance for Funds Used During Construction	(67,703)		(67,703)		(67,703)	(109,525)	(13,300)	(96,225)	8,127	(88,098)
26	Total Fixed Charges (22 thru 25)	<b>147,214</b>	<b>30,839</b>	<b>116,375</b>	<b>(5,699)</b>	<b>110,676</b>	<b>182,420</b>	<b>22,153</b>	<b>160,267</b>	<b>(16,228)</b>	<b>144,039</b>
27	Nonoperating Net Income(Expense)	11,931	2,689	9,242		9,242	9,067	15,411	(6,344)		(6,344)
28	Extraordinary Items			0		0			0		0
29	Jurisdictional Differences			0		0			0		0
30	Nonregulated Net Income (Loss)	98,148	(6,974)	105,122	(197,077)	(91,955)	(11,540)	11,526	(23,066)	(302,284)	(325,350)
31	Total Net Income or Margin (21+27+28+29+30-26)	<b>(100,992)</b>	<b>134,782</b>	<b>(235,774)</b>	<b>0</b>	<b>(235,774)</b>	<b>323,316</b>	<b>36,213</b>	<b>287,103</b>	<b>0</b>	<b>287,103</b>
32	Total Taxes Based on Income			0		0			0		0
33	Retained Earnings or Margins Beginning-of-Year	6,105,869	1,300,763	4,805,106	320,365	5,125,471	6,004,561	1,435,545	4,569,016	320,365	4,889,381
34	Miscellaneous Credits Year-to-Date			0		0	4,040	(544,816)	548,856	1,198,027	1,746,883
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	316		316		316	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)	<b>6,004,561</b>	<b>1,435,545</b>	<b>4,569,016</b>	<b>320,365</b>	<b>4,889,381</b>	<b>6,331,917</b>	<b>926,942</b>	<b>5,404,975</b>	<b>1,518,392</b>	<b>6,923,367</b>
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	740,499	16,580	723,919	(22,371)	701,548	1,069,871	22,006	1,047,865	(90,362)	957,503
45	Cash Ratio (14+20-10-11)/7	0.7510					0.6740				
46	Operating Accrual Ratio (14+20+26)/7	1.0427					0.9417				
47	TIER (31+26)/26	0.3140					2.7724				
48	DSCR (31+26+10+11)/44	1.8102					1.6995				

**EXHIBIT 4.1**

**BROADBAND & GROSS CAPITAL EXPENDITURES**

**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**

**Exhibit 4.1**

Company Name: (Below)  
Inland Telephone Company

Description	Prior Year End of Yr. Balance - 2015	Current Year End of Yr. Balance - 2016	Difference	% Change
<b>Broadband Connections:</b>				
Residential	1,503	1,606	103	6.9%
Business**	5	8	3	60.0%
<b>Total</b>	1,508	1,614	106	7.0%
<b>Gross Regulated and Nonregulated Capital Expenditures:</b>	2015	2016	Difference	% Change
<b>Total Annual Amount***</b>	\$860,798	\$11,818,532	\$10,957,734	1273.0%

\*\* = Inland does not have a "Business" rate; amounts represent Ethernet Transport Service sold via NECA tariff.

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

**EXHIBIT 5**

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

**INLAND TELEPHONE COMPANY - SAC 522423**

Confidential per WAC 480-07-160

**WESTERN ELITE INCORPORATED  
SERVICES AND SUBSIDIARIES**

Audited Consolidated Financial Statements

December 31, 2016 and 2015

**REDACTED**

**WESTERN ELITE INCORPORATED SERVICES AND SUBSIDIARIES**

Audited Consolidated Financial Statements

December 31, 2016 and 2015

**INDEPENDENT AUDITOR'S REPORT** ..... 1-2

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS**

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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, 2016 and 2015, and the related consolidated statements of operations, comprehensive 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, 2016 and 2015, 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 19, 2017

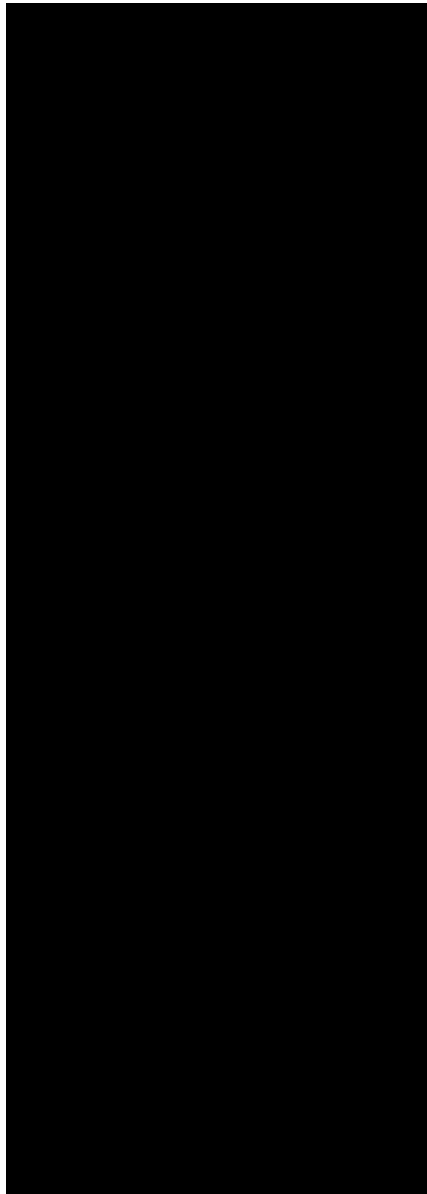
AUDITED CONSOLIDATED FINANCIAL STATEMENTS

**WESTERN ELITE INCORPORATED SERVICES  
AND SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEETS**

December 31, 2016 and 2015

	2016	2015
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
Cash		
Accounts receivable - trade, less allowance for doubtful accounts (2016 [REDACTED] 2015 - [REDACTED])		
Other accounts receivable		
Materials and supplies - at average cost		
Other current assets		
Income taxes receivable		
Current portion of notes receivable		
<b>Total Current Assets</b>		
<b>INVESTMENTS AND OTHER ASSETS</b>		
Other account receivable		
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		
<b>Total Investments and Other Assets</b>		
<b>PROPERTY, PLANT AND EQUIPMENT</b>		
Land		
Depreciable plant and equipment		
Allowance for depreciation (deduction)		
Plant held for future use		
Allowance for depreciation (deduction)		
Plant under construction		
<b>Total Property, Plant and Equipment</b>		
<b>TOTAL ASSETS</b>		



**REDACTED**

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

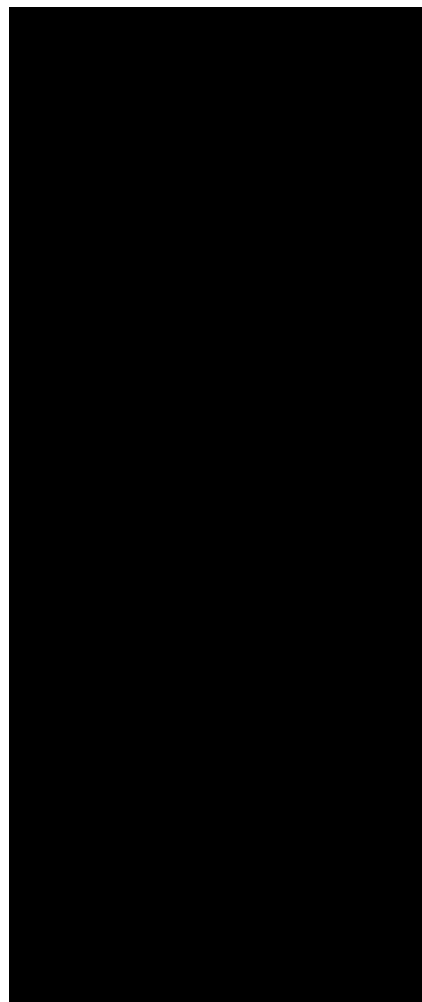


**WESTERN ELITE INCORPORATED SERVICES  
AND SUBSIDIARIES**

CONSOLIDATED BALANCE SHEETS (Continued)

December 31, 2016 and 2015

	2016	2015
<b><u>LIABILITIES AND STOCKHOLDERS' EQUITY</u></b>		
<b>CURRENT LIABILITIES</b>		
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		
<b>Total Current Liabilities</b>		
<b>LONG-TERM DEBT</b> , less portion classified as a current liability		
<b>OTHER LIABILITIES</b>		
Notes payable to stockholders		
<b>Total Liabilities</b>		
<b>STOCKHOLDERS' EQUITY</b>		
Common stock		
Additional paid-in capital		
Retained earnings		
Members' equity		
Accumulated other comprehensive income, net of deferred income taxes		
<b>Total Stockholders' Equity</b>		
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>		



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, 2016 and 2015

	2016	2015
<b>REVENUES</b>		
Telecommunication service revenues		
Other operating revenues		
<b>Total Revenues</b>		
<b>EXPENSES</b>		
Operating expenses		
General and administrative		
Depreciation and amortization		
<b>Total Expenses</b>		
<b>Operating Income (Loss)</b>		
<b>OTHER INCOME (EXPENSE)</b>		
Equity in losses of LLC		
Interest and dividend income		
Interest expense		
Other income		
<b>Total Other Expense</b>		
<b>Income (Loss) before Income Taxes</b>		
<b>INCOME TAXES (BENEFITS)</b>		
Currently payable		
Deferred income tax (benefit)		
<b>Total Income Tax (Benefit)</b>		
<b>NET LOSS</b>		

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



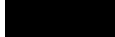
The accompanying notes are an integral part of these consolidated financial statements.

**REDACTED**

**WESTERN ELITE INCORPORATED SERVICES  
AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**

Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>NET LOSS</b>		
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>		
Unrealized income (loss) on investments, net of deferred income tax (benefit) (2016 -  2015 - 		
<b>COMPREHENSIVE LOSS</b>		

**WESTERN ELITE INCORPORATED SERVICES  
AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**

Years Ended December 31, 2016 and 2015

	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			
<b>BALANCE AT DECEMBER 31, 2014</b>	[REDACTED]							
Net loss for the year								
Other comprehensive loss								
<b>BALANCE AT DECEMBER 31, 2015</b>								
Net loss for the year								
Other comprehensive income								
<b>BALANCE AT DECEMBER 31, 2016</b>	[REDACTED]							

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

**WESTERN ELITE INCORPORATED SERVICES  
AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

Years Ended December 31, 2016 and 2015

	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss		
Adjustments to reconcile net loss to net cash provided by operating activities		
Equity in losses of LLC		
(Increase) decrease in cash surrender value of life insurance policies		
Gain on surrender of life insurance policies		
Depreciation and amortization		
Deferred income taxes (benefits)		
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		
<b>Net Cash Provided by Operating Activities</b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments (issuance) from notes receivable		
Increase in notes and accounts receivable due from stockholders		
Additions to property, plant and equipment		
Advances to former affiliates		
Decrease in land under development		
Decrease in other assets		
Proceeds from surrender of life insurance policies		
<b>Net Cash Used by Investing Activities</b>		
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase (decrease) in notes payable to stockholders		
Additional long-term borrowings		
Payments on long-term debt		
Advances to affiliated cellular companies		
<b>Net Cash Provided by Financing Activities</b>		
<b>NET INCREASE IN CASH</b>		
<b>Cash at Beginning of Year</b>		
<b>CASH AT END OF YEAR</b>		

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, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>COMPONENTS OF NET CHANGE IN OPERATING ASSETS AND LIABILITIES</b>		
(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		
<b>Net Change in Operating Assets and Liabilities</b>		
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>		
Cash paid during the year for		
Interest, net of allowance for funds used during construction (2016 - [REDACTED]; 2015 - [REDACTED])		
Income taxes paid		
<b>SUPPLEMENTAL DISCLOSURES OF NONCASH OPERATING, INVESTING AND FINANCING ACTIVITIES</b>		
Extension and replacement of property, plant and equipment included in accounts payable		
Noncash transfer of advances from affiliated companies to notes payable to stockholders		
Noncash transfer of notes and accounts receivable due from stockholders to notes payable to stockholders		
Noncash transfer of former stockholder shares to current stockholders		

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, 2016 and 2015

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

***Principles of Consolidation and Operations***

The consolidated financial statements include the accounts of the 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. 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.

R&R Cable Company provides cable television services to customers in the Roslyn, Ronald, Cle Elum, South Cle Elum, Lake Cle Elum and portions of upper Kittitas County in Washington, rents equipment to Inland Telephone Company and others, and provides security alarm equipment and monitoring services.

Inland Long Distance Company provides long distance telecommunications service to customers in Inland Telephone Company's serving areas.

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. and Crushe, LLC hold land investments in various locations in central and eastern Washington.

Accounting principles generally accepted in the United States of America require certain Variable Interest Entities ("VIEs") to be consolidated by the primary beneficiary of the entity if the equity investors in the entity do not have sufficient powers, obligations or rights or if the entity does not have sufficient equity at risk to finance its activities without additional subordinated financial support from other parties.

**WESTERN ELITE INCORPORATED SERVICES  
AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 and 2015

**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. Approximately [REDACTED] 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 market.

***Land Under Development***

Land under development consists of undeveloped and developed land, as well as land improvements such as roads, water systems, sewers, utilities, buildings, construction period interest and taxes. At December 31, 2016 and 2015, management determined that the fair value of the land exceeded its carrying amount; therefore, no impairment loss has been recorded. The estimated total cost of future improvements for water, sewer and roads on R&R Heights Land Company, Inc. property totaled [REDACTED] and [REDACTED] at December 31, 2016 and 2015, respectively.

***Investments***

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

**REDACTED**



**WESTERN ELITE INCORPORATED SERVICES  
AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

December 31, 2016 and 2015

**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 2016 and 2015, 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, 2016 and 2015, 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, 2016 and 2015

**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, 2016 and 2015, with a stated value of \$1 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, 2016 and 2015, with a stated value of \$1 per share.

***Advertising Costs***

Costs incurred for advertising are expensed as incurred. Advertising expense was [REDACTED] and [REDACTED] for December 31, 2016 and 2015, respectively.

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

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

Network access service revenues, which represent a major portion of Inland Telephone 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 Inland Telephone Company to interstate interexchange carriers and pooled with like-revenues from all NECA member companies. The pooled access charge revenues received by Inland Telephone 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 Inland Telephone Company during the year in which they occur.

The FCC 11-161 modified and replaced the existing universal service 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 sets 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

**WESTERN ELITE INCORPORATED SERVICES  
AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

December 31, 2016 and 2015

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

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

payments occurred. Intercarrier compensation reform adopts a uniform bill-and-keep framework as the ultimate end state for all telecommunications traffic exchanged with Inland Telephone 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 states' 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 Inland Telephone 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 Inland Telephone Company's initial HCLS funding amount, causing a reduction in revenues of approximately \$35,800 for 2016.

In September 2016, the FCC implemented a budget control mechanism for rate-of-return telecommunication carriers designed to ensure that federal support disbursements remain within the specified budget. This budget control mechanism further reduces HCLS, Safety Net Additive support and Interstate Common Line Support ("ICLS") now renamed Connect America Fund Broadband Loop Support ("CAF BLS") funding for Inland Telephone Company by approximately \$18,000 in 2016. Included in the budget control mechanism was an operating expense limitation calculation and a capital expenditure allowance calculation, none of which impacted Inland Telephone Company.

As part of FCC 16-33 Universal Service Reform 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 January 1, 2017. Inland Telephone Company has elected the model based support mechanism called Alternative Connect America Model ("A-CAM") and current calculations indicate a positive impact on revenues for Inland Telephone Company's Idaho exchange. In order to receive A-CAM support, Inland Telephone Company must meet certain build out requirements of its telecommunications plant network for Inland Telephone Company's Idaho exchange and be able to offer certain broadband speeds by the end of the ten year period. Inland Telephone Company will remain on the legacy support option for Inland Telephone Company's Washington exchanges.

**WESTERN ELITE INCORPORATED SERVICES  
AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

December 31, 2016 and 2015

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

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

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 2016, the rate of return was reduced to 11%.

Inland Telephone 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 Inland Telephone 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 Inland Telephone 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 Inland Telephone 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 temporarily replaced the terminated universal service support pool ("Traditional USF") and also replaced the cumulative reduction in support Inland Telephone Company received from the federal CAF. The State USF Program began January 2015, and annual disbursements from the State USF Program comprised of the Traditional USF and the disbursement of the cumulative CAF deficit support are scheduled to occur in January of the following State USF Program years, assuming Inland Telephone Company continues to be eligible under the program. The State USF Program year runs from July 1 to June 30. In 2016, Inland Telephone Company received \$356,613 from the State USF Program for the period July 1, 2016 to June 30, 2017, and recorded deferred revenue of \$178,307 for the unearned portion. In 2015, Inland Telephone Company received \$306,793 from the State USF Program for the period July 1, 2015 to June 30, 2016, and recorded deferred revenue of \$153,397 for the unearned portion. The State USF Program is scheduled to last for five program years.

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

For some of the services that Inland Telephone Company provides to its customers, Inland Telephone Company relies upon services and facilities supplied to it by other companies.

**WESTERN ELITE INCORPORATED SERVICES  
AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

December 31, 2016 and 2015

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

Any material disruption of the services or facilities supplied to Inland Telephone Company by other companies could potentially have an adverse effect upon Inland Telephone 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 19, 2017, the date the statements were issued. All identified material events or transactions have been recorded or disclosed.

**WESTERN ELITE INCORPORATED SERVICES  
AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

December 31, 2016 and 2015

**NOTE 2 - NONCONSOLIDATED VARIABLE INTEREST ENTITIES**

Generally accepted accounting principles provide a framework for identifying a variable interest entity ("VIE") and determining when a company should include the assets, liabilities, noncontrolling interests and results of activities of a VIE in its consolidated financial statements. In general, a VIE is a corporation, partnership, limited-liability corporation, trust or any other legal structure used to conduct activities or hold assets that (a) has an insufficient amount of equity to carry out its principal activities without additional subordinated financial support, (b) has a group of equity owners that are unable to direct the activities of the entity that most significantly impact its economic performance or (c) has a group of equity owners that do not have the obligation to absorb losses of the entity or the right to receive returns of the entity. A VIE should be consolidated if a party with an ownership, contractual or other financial interest in the VIE that is considered a variable interest (a variable interest holder), has the power to direct the VIE's most significant activities and the obligation to absorb losses or right to receive benefits of the VIE that could be significant to the VIE. A variable interest holder that consolidates the VIE is called the primary beneficiary. Upon consolidation, the primary beneficiary generally must initially record all of the VIE's assets, liabilities and noncontrolling interests at fair value and subsequently account for the VIE as if it were consolidated based on majority voting interest.

The stockholders of the Company own Crushe, LLC. Crushe, LLC was evaluated against the criteria for consolidation and management determined that the Company is the primary beneficiary of the investments of Crushe, LLC because Crushe, LLC has an insufficient amount of equity to carry out its principal activities without additional subordinated financial support from the Company. Therefore, the Company is required to consolidate Crushe, LLC in the Company's financial statements.

**NOTE 3 - CONCENTRATION OF CREDIT RISK**

The Company maintains cash balances at various financial institutions in central and eastern Washington, insured by the Federal Deposit Insurance Corporation ("FDIC") up to [REDACTED]. At December 31, 2016, the Company and Subsidiaries' cash balances at various institutions exceeded the FDIC insured amount by [REDACTED].

The Company has accounts with a broker-dealer with investments in cash/money accounts. Securities held at such institutions are each insured by the Securities Investor Protection Corporation up to [REDACTED] for brokerage accounts, of which [REDACTED] of the total available applied to any cash claims.

The Company's accounts receivable are subject to potential credit risks as they are unsecured.

**REDACTED**

**WESTERN ELITE INCORPORATED SERVICES  
AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 and 2015

**NOTE 4 - NOTES RECEIVABLE**

Notes receivable consists of the following:

	Current Annual Installments of Principal	<u>Principal Amount</u>	
		<u>2016</u>	<u>2015</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			
Moses Lake Views Land Company, Inc. Fixed rate note receivable in monthly principal and interest payments ██████ - due January 2017			
R&R Heights Land Company, Inc. Fixed rate notes receivable in monthly principal and interest payments ██████ - due March 2022 (interest only)			
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.

**REDACTED**

**WESTERN ELITE INCORPORATED SERVICES  
AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 and 2015

**NOTE 4 - NOTES RECEIVABLE (Continued)**

At December 31, 2016, maturities of notes receivable for the next five years and thereafter are as follows:

2017	
2018	
2019	
2020	
2021	
Total	

**NOTE 5 - NOTES AND ACCOUNTS RECEIVABLE DUE FROM STOCKHOLDERS**

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

	<u>2016</u>	<u>2015</u>
R&R Cable Company Accounts receivable		
Newport Hills Land Company, Inc. Accounts receivable		
█ note receivable due January 2017		
█ note receivable due January 2017		

**NOTE 6 - INVESTMENTS**

Following is the hierarchy and fair value measurements at December 31, 2016 and 2015:

	<u>Fair Value Measurements</u>		
	<u>Quoted Prices in Active Markets For Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Other Subjective Inputs (Level 3)</u>
<u>December 31, 2016</u>			
Verizon Communications, Inc.			
ID Optics, LLC			

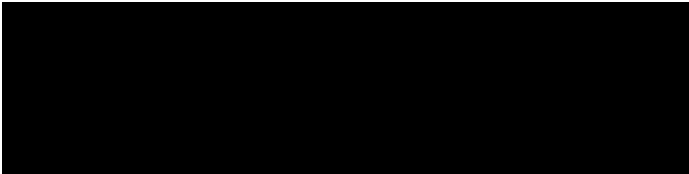


**WESTERN ELITE INCORPORATED SERVICES  
AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

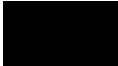
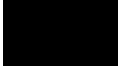
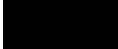
December 31, 2016 and 2015

**NOTE 6 - INVESTMENTS (Continued)**

	Fair Value Measurements		
	Quoted Prices in Active Markets For Identical Assets <u>Fair Value</u> <u>(Level 1)</u>	Significant Other Observable Inputs <u>(Level 2)</u>	Other Subjective Inputs <u>(Level 3)</u>
<u>December 31, 2015</u>			
Verizon Communications, Inc. ID Optics, LLC			

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, 2015	
Equity in ID Optics, LLC loss	
Balance at December 31, 2016	

**WESTERN ELITE INCORPORATED SERVICES  
AND SUBSIDIARIES**

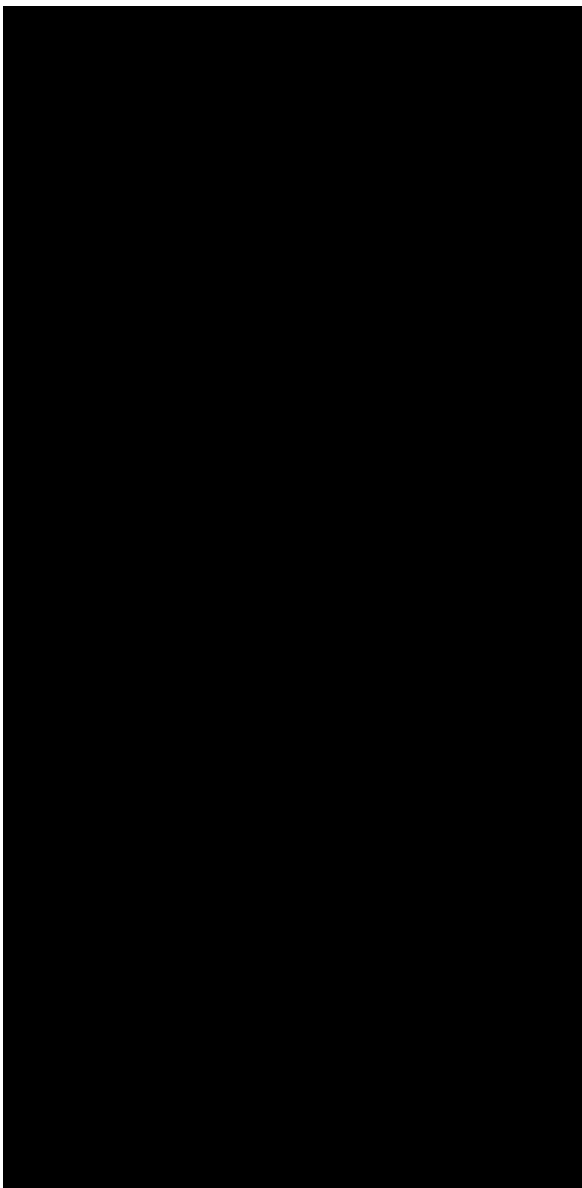
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 and 2015

**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>2016</u>	<u>2015</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			
Inland Long Distance Company, Inc.			
Software			
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			



**REDACTED**

**WESTERN ELITE INCORPORATED SERVICES  
AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 and 2015

**NOTE 7 - DEPRECIABLE PLANT AND EQUIPMENT (Continued)**

	<u>Useful Lives (Years)</u>	<u>2016</u>	<u>2015</u>
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>2016</u>	<u>2015</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.		
Inland Telephone Company		
Rural Utilities Service ("RUS") - first and		
supplemental mortgage notes, payable in monthly		
and quarterly installments.		
[REDACTED] - due May 2018		
[REDACTED] - due January 2021		
Rural Telephone Bank ("RTB") - supplemental		
mortgage notes, payable in quarterly installments.		
[REDACTED] - due January 2018		
Federal Financing Bank ("FFB") -		
supplemental mortgage note		
[REDACTED] - due December 2029		
[REDACTED] - due December 2029		
[REDACTED] - due December 2029		
[REDACTED] - due December 2029		
[REDACTED] - due December 2029		
[REDACTED] - due December 2029		
[REDACTED] - due December 2029		








**REDACTED**

**WESTERN ELITE INCORPORATED SERVICES  
AND SUBSIDIARIES**

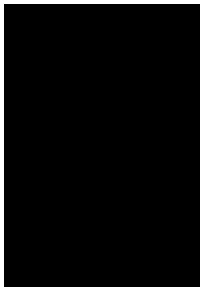
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

December 31, 2016 and 2015

**NOTE 8 - LONG-TERM DEBT (Continued)**

	<u>Principal Amount</u>	
	<u>2016</u>	<u>2015</u>
 - 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		
Less principal installments on long-term debt due within one year		

At December 31, 2016, maturities on long-term debt for the next five years and thereafter are as follows:

2017	
2018	
2019	
2020	
2021	
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.

**WESTERN ELITE INCORPORATED SERVICES  
AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

December 31, 2016 and 2015

**NOTE 8 - LONG-TERM DEBT (Continued)**

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, 2016, management believes they meet the TIER requirement.

**NOTE 9 - NOTES PAYABLE TO STOCKHOLDERS**

	<u>Principal Amount</u>	
	<u>2016</u>	<u>2015</u>
Western Elite Incorporated Services		
Notes payable to certain stockholders due on demand with a variable monthly interest rate; current rate at December 31, 2016 was [REDACTED]		
Notes payable to stockholders due on demand with a variable monthly interest rate; current rate at December 31, 2016 was [REDACTED]		
R&R Cable Company		
Note payable to a stockholder due on demand with monthly interest only payments at a rate of [REDACTED]		
Crushe, LLC		
Notes payable to stockholders due on demand with a variable monthly interest rate; current rate at December 31, 2016 was [REDACTED]		

The Company's notes payable to stockholders noted above are from stockholder amounts received as partial recognition for certain stockholders' sale of Inland Cellular, Inc. stock back to Inland Cellular, Inc. in 2015. A portion of the amounts received were in lieu of payment to Inland Cellular, Inc. for advances to R&R Cable Company and the Company which were converted to the notes payable to stockholders. A portion of the amounts received from certain stockholders were used to pay off a promissory note payable to a financial institution in 2015. All the stockholder notes payable listed above are classified as an other liability for financial statement purposes due to the intent of the stockholders not to have the notes repaid within one year of the balance sheet date.

**REDACTED**

**WESTERN ELITE INCORPORATED SERVICES  
AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

December 31, 2016 and 2015

**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.

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

	<u>2016</u>	<u>2015</u>
Plant and equipment	[REDACTED]	
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, \$1, [REDACTED] is from 2012 and \$[REDACTED] is from 2011 which will expire on December 31, 2036, 2035, 2034, 2033, 2032 and 2031 respectively.

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

	<u>2016</u>	<u>2015</u>
Current	[REDACTED]	
Deferred		

**REDACTED**

**WESTERN ELITE INCORPORATED SERVICES  
AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

December 31, 2016 and 2015

**NOTE 11 - LEASES**

Future lease commitments are not material; total rental and lease expense for the years ended December 31, 2016 and 2015 are less than one percent of total revenues.

**NOTE 12 - EMPLOYEE BENEFIT PLANS**

The Company and its 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 its 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 █ 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 its Subsidiaries can elect to contribute █ of eligible employees' first █ for 2016 and 2015 of regular compensation and █ of their regular compensation in excess of █ in 2016 and 2015 to the plan, but not to exceed █ per employee in 2016 and 2015. The Company and its Subsidiaries did not make a discretionary integrated pension or profit sharing contribution in 2016 or 2015. 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 2016 and 2015, 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 (see Note 9). Inland Cellular Telephone Company is the sole owner of Inland Cellular, LLC.

Due to changes in ownership of Western Elite Incorporated Services, Inland Cellular Telephone Company and its affiliate, Inland Cellular, LLC, are no longer affiliated companies at December 31, 2016.

R&R Cable Company accounts receivable due from stockholders were transferred to Western Elite Incorporated Services in 2015.

**REDACTED**

**WESTERN ELITE INCORPORATED SERVICES  
AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

December 31, 2016 and 2015

**NOTE 13 - RELATED PARTY TRANSACTIONS (Continued)**

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

	<u>2016</u>	<u>2015</u>
Inland Telephone Company		
Rental of switch space to Inland Cellular, LLC		
Administration services and work on cellular sites and switching locations charged to Inland Cellular, LLC		
Internet support services charged to R&R Cable		
Administrative overhead charged to Inland Cellular, LLC		
Special access services provided to Inland Cellular, LLC		
Western Elite Incorporated Services		
Interest paid/owed to stockholders		
R&R Cable Company		
Space rent charged to Inland Cellular, LLC		
Interest charged to Company stockholders		
Interest paid/owed to Company stockholders		
Crushe, LLC		
Interest paid/owed to Company stockholders		

**NOTE 14 - COMMITMENTS AND CONTINGENCIES**

As noted in Note 1, the FCC established a pro rata expense adjustment factor that is calculated against the actual HCLS distribution to all of the independent telephone companies that receive HCLS funding in order to meet the overall HCLS funding cap. The 2017 estimated pro rata expense adjustment factor is currently approximately 82% and this will cause a reduction of approximately \$19,100 to the Company's 2017 HCLS revenues for Washington only. As stated in Note 1, the Company has elected A-CAM support for Idaho.

In addition, the budget control mechanism as discussed in Note 1 has been calculated for the first half of 2017 and the Company's federal funding will be further reduced by approximately \$48,000.



**EXHIBIT 6**

**2016 RUS OPERATING REPORT**

**INLAND TELEPHONE COMPANY - SAC 522423**

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

INSTRUCTIONS-Submit report to RUS within 30 days after close of the period or detailed instructions, see RUS Bulletin 1744-2. Report in whole dollars only.	PERIOD ENDING December, 2016	BORROWER DESIGNATION WA0534
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**CERTIFICATION**

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

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

**DURING THE PERIOD COVERED BY THIS REPORT PURSUANT TO PART 1788 OF 7CFR CHAPTER XVII**

(Check one of the following)

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

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

Gregory Maras

3/31/2017

DATE

**PART A. BALANCE SHEET**

ASSETS	BALANCE PRIOR YEAR	BALANCE END OF PERIOD	LIABILITIES AND STOCKHOLDERS' EQUITY	BALANCE PRIOR YEAR	BALANCE END OF PERIOD
<b>CURRENT ASSETS</b>			<b>CURRENT LIABILITIES</b>		
1. Cash and Equivalents	282,161	391,052	25. Accounts Payable	250,669	260,605
2. Cash-RUS Construction Fund	344,772	707,373	26. Notes Payable	0	0
3. Affiliates:			27. Advance Billings and Payments	0	0
a. Telecom, Accounts Receivable	0	0	28. Customer Deposits	2,416	2,640
b. Other Accounts Receivable	0	0	29. Current Mat. L/T Debt	663,400	1,132,800
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	621,477	376,357	32. Income Taxes Accrued	0	20
b. Other Accounts Receivable	0	0	33. Other Taxes Accrued	86,445	83,701
c. Notes Receivable	0	0	34. Other Current Liabilities	504,041	519,318
5. Interest and Dividends Receivable	0	0	<b>35. Total Current Liabilities (25 thru 34)</b>	<b>1,506,971</b>	<b>1,999,084</b>
6. Material-Regulated	242,749	270,709	<b>LONG-TERM DEBT</b>		
7. Material-Nonregulated	0	0	36. Funded Debt-RUS Notes	112,070	51,428
8. Prepayments	77,094	88,993	37. Funded Debt-RTB Notes	22,721	51
9. Other Current Assets	0	0	38. Funded Debt-FFB Notes	8,947,295	14,380,555
<b>10. Total Current Assets (1 Thru 9)</b>	<b>1,568,253</b>	<b>1,834,484</b>	39. Funded Debt-Other	(3,535)	(3,715)
<b>NONCURRENT ASSETS</b>			40. Funded Debt-Rural Develop. Loan	0	0
1. Investment in Affiliated Companies			41. Premium (Discount) on L/T Debt	0	0
a. Rural Development	484,080	808,606	42. Reacquired Debt	0	0
b. Nonrural Development	0	0	43. Obligations Under Capital Lease	0	0
2. Other Investments			44. Adv. From Affiliated Companies	0	0
a. Rural Development	0	0	45. Other Long-Term Debt	0	0
b. Nonrural Development	217,985	236,241	<b>46. Total Long-Term Debt (36 thru 45)</b>	<b>9,078,551</b>	<b>14,428,319</b>
3. Nonregulated Investments	1,550,828	2,071,788	<b>OTHER LIAB. &amp; DEF. CREDITS</b>		
4. Other Noncurrent Assets	250	250	47. Other Long-Term Liabilities	0	0
5. Deferred Charges	0	0	48. Other Deferred Credits	1,011,744	1,304,210
6. Jurisdictional Differences	0	0	49. Other Jurisdictional Differences	0	0
<b>7. Total Noncurrent Assets (11 thru 16)</b>	<b>2,253,143</b>	<b>3,116,885</b>	<b>50. Total Other Liabilities and Deferred Credits (47 thru 49)</b>	<b>1,011,744</b>	<b>1,304,210</b>
<b>PLANT, PROPERTY, AND EQUIPMENT</b>			<b>EQUITY</b>		
8. Telecom, Plant-in-Service	27,040,232	37,510,983	51. Cap. Stock Outstand. & Subscribed	93,150	93,150
9. Property Held for Future Use	629,899	312,104	52. Additional Paid-in-Capital	7,175	7,175
10. Plant Under Construction	5,115,939	380,098	53. Treasury Stock	0	0
11. Plant Adj., Nonop. Plant & Goodwill	0	0	54. Membership and Cap. Certificates	0	0
12. Less Accumulated Depreciation	18,905,314	18,990,699	55. Other Capital	0	0
<b>13. Net Plant (18 thru 21 less 22)</b>	<b>13,880,756</b>	<b>19,212,486</b>	56. Patronage Capital Credits	0	0
<b>14. TOTAL ASSETS (10+17+23)</b>			57. Retained Earnings or Margins	6,004,561	6,331,917
			<b>58. Total Equity (51 thru 57)</b>	<b>6,104,886</b>	<b>6,432,242</b>
			<b>59. TOTAL LIABILITIES AND EQUITY (35+46+50+58)</b>		
	17,702,152	24,163,855		17,702,152	24,163,855

Total Equity = 26.62% % of Total Assets

**OPERATING REPORT FOR  
TELECOMMUNICATIONS BORROWERS**

WA0534

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	684,380	706,702
2. Network Access Services Revenues	4,170,260	4,791,978
3. Long Distance Network Services Revenues	(449)	510
4. Carrier Billing and Collection Revenues	49,928	46,965
5. Miscellaneous Revenues	36,574	42,002
6. Uncollectible Revenues	157	2,437
<b>7. Net Operating Revenues (1 thru 5 less 6)</b>	<b>4,940,536</b>	<b>5,585,720</b>
8. Plant Specific Operations Expense	1,592,338	1,453,646
9. Plant Nonspecific Operations Expense (Excluding Depreciation & Amortization)	471,850	446,603
10. Depreciation Expense	1,294,047	1,312,366
11. Amortization Expense	182	182
12. Customer Operations Expense	539,664	561,806
13. Corporate Operations Expense	1,001,800	943,198
<b>14. Total Operating Expenses (8 thru 13)</b>	<b>4,899,881</b>	<b>4,717,801</b>
15. Operating Income or Margins (7 less 14)	40,655	867,919
16. Other Operating Income and Expenses	0	0
17. State and Local Taxes	142,942	159,343
18. Federal Income Taxes	(38,430)	200,367
19. Other Taxes		0
<b>20. Total Operating Taxes (17+18+19)</b>	<b>104,512</b>	<b>359,710</b>
21. Net Operating Income or Margins (15+16-20)	(63,857)	508,209
22. Interest on Funded Debt	214,726	288,365
23. Interest Expense - Capital Leases	0	0
24. Other Interest Expense	191	3,580
25. Allowance for Funds Used During Construction	67,703	109,525
<b>26. Total Fixed Charges (22+23+24-25)</b>	<b>147,214</b>	<b>182,420</b>
27. Nonoperating Net Income	11,931	9,067
28. Extraordinary Items	0	0
29. Jurisdictional Differences	0	0
30. Nonregulated Net Income	98,148	(11,540)
<b>31. Total Net Income or Margins (21+27+28+29+30-26)</b>	<b>(100,992)</b>	<b>323,316</b>
32. Total Taxes Based on Income		
33. Retained Earnings or Margins Beginning-of-Year	6,105,869	6,004,561
34. Miscellaneous Credits Year-to-Date	0	4,040
35. Dividends Declared (Common)	0	0
36. Dividends Declared (Preferred)	0	0
37. Other Debits Year-to-Date	316	0
38. Transfers to Patronage Capital	0	
<b>39. Retained Earnings or Margins End-of-Period [(31+33+34) - (35+36+37+38)]</b>	<b>6,004,561</b>	<b>6,331,917</b>
40. Patronage Capital Beginning-of-Year	0	0
41. Transfers to Patronage Capital	0	
42. Patronage Capital Credits Retired	0	0
<b>43. Patronage Capital End-of-Year (40+41-42)</b>	<b>0</b>	<b>0</b>
44. Annual Debt Service Payments	740,499	1,069,871
45. Cash Ratio [(14+20-10-11) / 7]	0.7510	0.6740
46. Operating Accrual Ratio [(14+20+26) / 7]	1.0427	0.9417
47. TIER [(31+26) / 26]	0.3140	2.7724
48. DSCR [(31+26+10+11) / 44]	1.8102	1.6995

**OPERATING REPORT FOR  
TELECOMMUNICATIONS BORROWERS**

INSTRUCTIONS - See RUS Bulletin 1744-2

BORROWER DESIGNATION

WA0534

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)
DEWATTO	27.00	22.60	16	286	302	157.60	53.42
PRESCOTT	26.50	18.00	39	106	145	208.09	53.15
ROSLYN	24.00	18.00	194	1,161	1,355	219.73	96.11
UNIONTOWN	25.00	18.00	178	285	463	309.21	64.25
LEON	40.68	25.76	1	25	26	20.37	13.14
LENORE	40.68	25.75	18	217	235	178.34	12.00
MobileWireless					0		
Route Mileage Outside Exchange Area						18.07	0.00
Total			446	2,080	2,526	1,111.41	292.07
No. Exchanges	6						

**OPERATING REPORT FOR  
TELECOMMUNICATIONS BORROWERS**

INSTRUCTIONS - See RUS Bulletin 1744-2

BORROWER DESIGNATION

WA0534

PERIOD ENDED

December, 2016

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

**4. BROADBAND SERVICE**

EXCHANGE	No. Access Lines with BB available (a)	No Of Broadband Subscribers (b)	Details on Least Expensive Broadband Service					
			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)
DEWATTO	302	232	48	768	512	39.95	Package	DSL
PRESCOTT	145	64	18	768	512	39.95	Package	DSL
ROSLYN	1,355	1,075	387	6,000	1,500	49.95	Package	DSL
UNIONTOWN	463	235	169	6,000	1,500	49.95	Package	DSL
LEON	26	19	13	6,000	1,500	49.95	Package	DSL
LENORE	235	124	80	768	512	39.95	Package	DSL
Total	2,526	1,749						

USDA-RUS <b>OPERATING REPORT FOR          TELECOMMUNICATIONS BORROWERS</b>	BORROWER DESIGNATION WA0534
<i>INSTRUCTIONS- See RUS Bulletin 1744-2</i>	PERIOD ENDING December, 2016

PART D. SYSTEM DATA				
1. No. Plant Employees 15	2. No. Other Employees 30	3. Square Miles Served 463	4. Access Lines per Square Mile 5.46	5. Subscribers per Route Mile 2.27

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	6,600,674
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)	684,813
6. Salvaged Materials	
7. Contribution in Aid to Construction	
8. Gross Additions to Telecom. Plant (1 thru 7)	7,285,487

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	324,526		808,606	
2. Investment in Affiliated Companies - Nonrural Development					

USDA-RUS

BORROWER DESIGNATION

WA0534

**OPERATING REPORT FOR  
TELECOMMUNICATIONS BORROWERS**

PERIOD ENDED

December, 2016

INSTRUCTIONS – See help in the online application.

**PART I – STATEMENT OF CASH FLOWS**

<b>1. Beginning Cash (Cash and Equivalents plus RUS Construction Fund)</b>	626,933
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
<b>2. Net Income</b>	323,316
<i>Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities</i>	
<b>3. Add: Depreciation</b>	1,312,366
<b>4. Add: Amortization</b>	182
<b>5. Other (Explain)</b> See Notes Section	308,249
<i>Changes in Operating Assets and Liabilities</i>	
<b>6. Decrease/(Increase) in Accounts Receivable</b>	245,120
<b>7. Decrease/(Increase) in Materials and Inventory</b>	(27,960)
<b>8. Decrease/(Increase) in Prepayments and Deferred Charges</b>	(11,899)
<b>9. Decrease/(Increase) in Other Current Assets</b>	0
<b>10. Increase/(Decrease) in Accounts Payable</b>	9,936
<b>11. Increase/(Decrease) in Advance Billings &amp; Payments</b>	0
<b>12. Increase/(Decrease) in Other Current Liabilities</b>	12,553
<b>13. Net Cash Provided/(Used) by Operations</b>	2,171,863
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
<b>14. Decrease/(Increase) in Notes Receivable</b>	0
<b>15. Increase/(Decrease) in Notes Payable</b>	0
<b>16. Increase/(Decrease) in Customer Deposits</b>	224
<b>17. Net Increase/(Decrease) in Long Term Debt (Including Current Maturities)</b>	5,819,168
<b>18. Increase/(Decrease) in Other Liabilities &amp; Deferred Credits</b>	292,466
<b>19. Increase/(Decrease) in Capital Stock, Paid-in Capital, Membership and Capital Certificates &amp; Other Capital</b>	0
<b>20. Less: Payment of Dividends</b>	0
<b>21. Less: Patronage Capital Credits Retired</b>	0
<b>22. Other (Explain)</b> See Notes Section	(292,690)
<b>23. Net Cash Provided/(Used) by Financing Activities</b>	5,819,168
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
<b>24. Net Capital Expenditures (Property, Plant &amp; Equipment)</b>	(5,417,115)
<b>25. Other Long-Term Investments</b>	(863,742)
<b>26. Other Noncurrent Assets &amp; Jurisdictional Differences</b>	0
<b>27. Other (Explain)</b> See Notes Section	(1,238,682)
<b>28. Net Cash Provided/(Used) by Investing Activities</b>	(7,519,539)
<b>29. Net Increase/(Decrease) in Cash</b>	471,492
<b>30. Ending Cash</b>	1,098,425

Revision Date 2010

**INLAND TELEPHONE COMPANY**  
**CASH FLOW RECONCILING EXPLANATIONS**  
**RUS OPERATING REPORT 2016**

**Description Amount**

Line 5 Other

Depreciation and amortization on nonregulated investments	125,453.00
Change in deposits	224.00
Cash surrender value of life insurance	(8,540.00)
Less plant in AP	(5,621.00)
Deferred FIT	200,347.00
Non-cash transfer of state income taxes	(20.00)
Non-cash stock dividend	<u>(3,594.00)</u>
Total Amount of Adjustment	308,249.00

Line 22 Other

Operating deferred FIT on Investments	(2,081.00)
Non-cash transfer of deferred FIT	(90,038.00)
Change in deposits	(224.00)
Operating deferred FIT	<u>(200,347.00)</u>
Total Amount of Adjustment	(292,690.00)

Line 27 Other

Retirements/Transfers in Net Plant	(1,226,709.00)
Operating cash flow in long-term investments	15,740.00
Deferred FIT on investments	2,081.00
Plant in AP	5,621.00



Non-cash transfer of deferred FIT	90,038.00
Operating depreciation on long-term investments	<u>(125,453.00)</u>
Total Amount of Adjustment	(1,238,682.00)

**EXHIBIT 7**

**CORPORATE OPERATIONS CERTIFICATE**

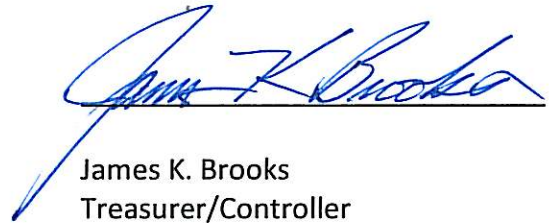
**INLAND TELEPHONE COMPANY - SAC 522423**

**EXHIBIT 7**

**CORPORATE OPERATIONS EXPENSE ADJUSTMENT CERTIFICATE**

I, James K. Brooks, an officer of Inland Telephone Company with personal knowledge and responsibility, under penalty of perjury, hereby certify that no corporate operations adjustment to existing high-cost loop and interstate common line support mechanisms, as required by the Federal Communications Commission, applied to the Company for 2016 and 2015.

Dated this 20th day of July, 2017.



James K. Brooks  
Treasurer/Controller

**EXHIBIT 8**

**FINANCIAL ACCOUNTING CERTIFICATE**

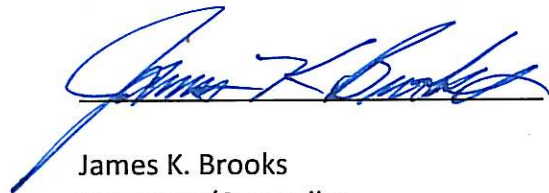
**INLAND TELEPHONE COMPANY - SAC 522423**

**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 20th day of July, 2017.



James K. Brooks  
Treasurer/Controller

**EXHIBIT 9**

**CONTINUED OPERATIONS CERTIFICATE**

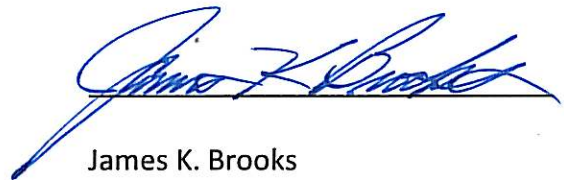
**INLAND TELEPHONE COMPANY - SAC 522423**

**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 2018.

Dated this 20th day of July, 2017.

A handwritten signature in blue ink, appearing to read "James K. Brooks", written over a horizontal line.

James K. Brooks  
Treasurer/Controller