



PO Box 609/One Telephone Drive  
Mount Vernon, OR 97865

1-888-383-4132

November 7, 2011

Washington Utilities and Transportation Commission  
PO BOX 47250  
Olympia, WA 98504-7250

RE: Docket UT-110858

To Whom It May Concern:

The following information for M&L Enterprises dba Skyline Telephone is provided in response to the Data Request for Docket UT-110858. The information is confidential per WAC 480-07-160.

If you should require further information, please don't hesitate to contact me at either 541-932-4411 or [dkluser@ortelco.net](mailto:dkluser@ortelco.net).

Sincerely,

Delinda Kluser  
General Manager

Data Request

Docket UT-110585

Skyline Telecom Inc (formerly M&L Enterprises dba Skyline Telephone Inc.)

1. Modified Rural LEC Model – See Attachment 2
2. Part 64 Cost Allocation Model – Included
3. Known and Measurable Adjustments – No such adjustments have been included.
4. Corporate Operations Expense Adjustment – No such adjustments have been included.
5.
  - A. Affiliated Companies include Midvale Telephone Exchange, Inc.
  - B. Applicable Financials have been included.
  - C. Consolidated financial statements are not available due to the ownership change effective January 1, 2010.
6. Costs are apportioned to Skyline Telephone Inc through the use of a management agreement. The corporate business office was located in Midvale, OR at December 31, 2009. All accounting, billing and customer service details were handled from this office. Labor and associated overheads are direct assigned and recorded to the appropriate general ledger account per FCC Part 32 accounting rules.  
  
The current business office is located in Mt Vernon, OR. A similar management agreement is in place with Oregon Telephone Corporation.
7. Attachment C – Schedule C – See attachment
8. Bundled Service – Skyline Telephone currently does not offer bundled service packages.
9. December 31, 2009 Trial Balance – Included
10. Access Line Count – Included
11. Audited financial report – Included

**RLEC Model**

**Attachment 2**

Utility Name: **SKYLINE TELEPHONE COMPANY**

**SKYLINE TELEPHONE COMPANY**

DESCRIPTION	SOURCE	Total Company		Part 64		Total Company		Part 64		Total Company	
		Year-End 2008	Year-End 2009	Exclusions	Net Y-E 2008	Year-End 2009	Exclusions	Net Y-E 2009	Year-End 2009	Exclusions	Net Y-E 2009
<b>Investment</b>											
1 Telephone Plant in Service	Pt 32 Class B Financial Strmts	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2 Accumulated Depreciation	2110 - 2690	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
3 Accumulated Deferred Income Taxes	3100 & 3400 4340 (Plant-Related Only)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
<b>Expenses</b>											
4 Telephone Plant in Service	Line 1	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
5 Accumulated Depreciation	Line 2	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
6 Accumulated Deferred Income Taxes	Line 3	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
7											
8 NET INVESTMENT											
9 Cost of Capital	Line 8 * Line 9				11.25%						11.25%
10 Return on Investment											
11 Federal Tax Rate											
12 Authorized Return	Line 10 / (1 - Line 11)										
<b>Operating Expenses</b>											
13 Plant Specific Operations	6110 - 6410	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
14 Plant Nonspecific Operations	6510 - 6540	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
15 Depreciation & Amortization	6560 (TPIS-Related Only)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
16 Customer Operations	6610 - 6620	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
17 Corporate Operations	6720 - 6790	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
18 Operating Taxes	7200 (excluding Income Taxes)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
19 OPERATING EXPENSES											
20 TOTAL COST	Line 12 + Line 19	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
<b>Revenues</b>											
21 Local Network Services	5000	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
22 Network Access Services	5081 - 5083 (excluding FUSF)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
23 Federal Universal Service Funds (FUSF)	HCL, LSS, SNA, and ICLS	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
24 Long Distance Network Services	5100	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
25 Miscellaneous	5200	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
26 Uncollectible	5300	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
27 OPERATING REVENUES											
28 Earnings : Under or (Over)	Line 20 - Line 27	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

This schedule was populated with data provided by M&L Enterprises at the time of purchase by Beaver Creek dba Timberline plus USAC Disbursement Data (FUSF) available on line.

**SKYLINE TELEPHONE COMPANY**  
**PART 64 COST ALLOCATION MANUAL**  
**EFFECTIVE JULY 1, 2011**

**Affiliated companies:**

Skyline frequently has transactions with the following companies. The companies are affiliated with Skyline through joint ownership:

Oregon Telephone Corporation – Mt. Vernon, Oregon

North-State Telephone Company – Dufur, Oregon

Direct Communications – Rockland, ID

Skyline also is affiliated with other companies in a brother – sister relationship, but has no transactions with them.

**Description of non regulated lines of business:**

Skyline Telephone Company (formerly Skyline Telephone and Beaver Creek Telephone dba Timberline Telecom) engages in the following non regulated activities:

Voice Mail

Internet Access

Pay telephones

All activities are accorded incidental accounting treatment since they, in total, provide less than 0.5% of the company's revenue.

**Accounting for regulated vs. non regulated costs:**

Costs incurred by affiliates on behalf of Skyline (labor and travel) are charged at fully loaded rates for labor or at actual cost for travel related expenses. All materials are purchased directly from vendors, not through affiliates.

Skyline directly assigns all costs to the final regulated or non regulated accounts as per §64.901(b)(2).

Skyline accounts for its non regulated investment in Account 1406 and its non regulated expenses and revenues in Account 7300.

**M&L ENTERPRISES, INC.**  
dba SKYLINE TELEPHONE, INC.

**INDEPENDENT AUDITOR'S REPORT**

**DECEMBER 31, 2009 AND 2008**

## **TABLE OF CONTENTS**

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INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Balance sheet	2-3
Statement of operations	4
Statement of stockholder's equity	5
Statement of cash flows	6-7
Notes to financial statements	8-13

**INDEPENDENT AUDITOR'S REPORT**

The Board of Directors  
M&L Enterprises, Inc.  
dba Skyline Telephone, Inc.  
Midvale, Idaho

We have audited the accompanying balance sheets of M&L Enterprises, Inc. dba Skyline Telephone, Inc. (the Company) as of December 31, 2009 and 2008, and the related statements of operations, stockholder's equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of M&L Enterprises, Inc., dba Skyline Telephone, Inc. as of December 31, 2009 and 2008, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Moss Adams LLP

Spokane, Washington  
August 5, 2010

**M&L ENTERPRISES, INC. DBA SKYLINE TELEPHONE, INC.**  
**BALANCE SHEET**

**ASSETS**

	December 31,	
	2009	2008
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ [REDACTED]	\$ [REDACTED]
Subscriber accounts receivable	[REDACTED]	[REDACTED]
Settlement and access accounts receivable	[REDACTED]	[REDACTED]
Other accounts receivable	[REDACTED]	[REDACTED]
Material and supplies	[REDACTED]	[REDACTED]
	<u>[REDACTED]</u>	<u>[REDACTED]</u>
	<u>[REDACTED]</u>	<u>[REDACTED]</u>
<b>NONCURRENT ASSETS</b>		
Other noncurrent assets	[REDACTED]	[REDACTED]
Investment in nonaffiliates	[REDACTED]	[REDACTED]
	<u>[REDACTED]</u>	<u>[REDACTED]</u>
	<u>[REDACTED]</u>	<u>[REDACTED]</u>
<b>PROPERTY, PLANT, AND EQUIPMENT</b>		
Regulated telecommunications plant in service	[REDACTED]	[REDACTED]
Nonregulated telecommunications plant in service	[REDACTED]	[REDACTED]
	<u>[REDACTED]</u>	<u>[REDACTED]</u>
	<u>[REDACTED]</u>	<u>[REDACTED]</u>
Less accumulated depreciation	[REDACTED]	[REDACTED]
	<u>[REDACTED]</u>	<u>[REDACTED]</u>
	<u>[REDACTED]</u>	<u>[REDACTED]</u>
<b>TOTAL ASSETS</b>	<u>\$ [REDACTED]</u>	<u>\$ [REDACTED]</u>



**M&L ENTERPRISES, INC. DBA SKYLINE TELEPHONE, INC.**  
**BALANCE SHEET**

**LIABILITIES AND STOCKHOLDERS' EQUITY**

	December 31,	
	2009	2008
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ [REDACTED]	\$ [REDACTED]
Other accrued liabilities	[REDACTED]	[REDACTED]
Current portion of long-term debt	[REDACTED]	[REDACTED]
	[REDACTED]	[REDACTED]
 <b>LONG-TERM DEBT</b>	[REDACTED]	[REDACTED]
 <b>DEFERRED INCOME TAXES</b>	[REDACTED]	[REDACTED]
 <b>STOCKHOLDER'S EQUITY</b>		
Capital stock, common; no par value, [REDACTED] shares authorized, [REDACTED] shares issued and outstanding	[REDACTED]	[REDACTED]
Additional paid-in capital	[REDACTED]	[REDACTED]
Retained deficit	[REDACTED]	[REDACTED]
	[REDACTED]	[REDACTED]
 <b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	\$ [REDACTED]	\$ [REDACTED]

**M&L ENTERPRISES, INC. DBA SKYLINE TELEPHONE, INC.**  
**STATEMENT OF OPERATIONS**

	Year Ended December 31,	
	2009	2008
<b>OPERATING REVENUES</b>		
Wireline		
Customer	\$ [REDACTED]	\$ [REDACTED]
Intercarrier		
Interstate	[REDACTED]	[REDACTED]
Intrastate	[REDACTED]	[REDACTED]
Universal service support - federal	[REDACTED]	[REDACTED]
Universal service support - state	[REDACTED]	[REDACTED]
Miscellaneous	[REDACTED]	[REDACTED]
	<u>[REDACTED]</u>	<u>[REDACTED]</u>
<b>OPERATING EXPENSES</b>		
Plant specific operations	[REDACTED]	[REDACTED]
Plant nonspecific operations	[REDACTED]	[REDACTED]
Depreciation and amortization	[REDACTED]	[REDACTED]
Customer operations	[REDACTED]	[REDACTED]
Corporate operations	[REDACTED]	[REDACTED]
Other operating taxes	[REDACTED]	[REDACTED]
Nonregulated	[REDACTED]	[REDACTED]
	<u>[REDACTED]</u>	<u>[REDACTED]</u>
	<u>[REDACTED]</u>	<u>[REDACTED]</u>
Operating income (loss)	<u>[REDACTED]</u>	<u>[REDACTED]</u>
<b>NONOPERATING INCOME (EXPENSE)</b>		
Interest expense	[REDACTED]	[REDACTED]
Other nonoperating	[REDACTED]	[REDACTED]
	<u>[REDACTED]</u>	<u>[REDACTED]</u>
	<u>[REDACTED]</u>	<u>[REDACTED]</u>
Net income (loss) before income tax	[REDACTED]	[REDACTED]
Income tax benefit	[REDACTED]	[REDACTED]
	<u>[REDACTED]</u>	<u>[REDACTED]</u>
NET INCOME (LOSS)	<u>\$ [REDACTED]</u>	<u>\$ [REDACTED]</u>

**M&L ENTERPRISES, INC. DBA SKYLINE TELEPHONE, INC.**  
**STATEMENT OF STOCKHOLDERS' EQUITY**

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	Common Stock	Additional Paid-in Capital	Retained Deficit	Total
Balance, December 31, 2007	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]
2008 net loss	-	-	[REDACTED]	[REDACTED]
Balance, December 31, 2008	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2009 net income	-	-	[REDACTED]	[REDACTED]
Balance, December 31, 2009	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]

*See accompanying notes.*

**M&L ENTERPRISES, INC. DBA SKYLINE TELEPHONE, INC.**  
**STATEMENT OF CASH FLOWS**

	Year Ended December 31,	
	2009	2008
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income (loss)	\$ [REDACTED]	\$ [REDACTED]
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	[REDACTED]	[REDACTED]
Nonregulated depreciation	[REDACTED]	[REDACTED]
Deferred income taxes	[REDACTED]	[REDACTED]
Changes in assets and liabilities:		
Accounts receivable	[REDACTED]	[REDACTED]
Materials and supplies	[REDACTED]	[REDACTED]
Accounts payable	[REDACTED]	[REDACTED]
Other accrued liabilities	[REDACTED]	[REDACTED]
Net cash provided by operating activities	[REDACTED]	[REDACTED]
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of property, plant, and equipment, net	[REDACTED]	[REDACTED]
Dividends received	[REDACTED]	[REDACTED]
Net cash provided (used) by investing activities	[REDACTED]	[REDACTED]
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Principal payments on long-term debt	[REDACTED]	[REDACTED]
Net cash used by financing activities	[REDACTED]	[REDACTED]
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	[REDACTED]	[REDACTED]
Cash and cash equivalents, beginning of year	[REDACTED]	[REDACTED]
Cash and cash equivalents, end of year	\$ [REDACTED]	\$ [REDACTED]

**M&L ENTERPRISES, INC. DBA SKYLINE TELEPHONE, INC.**  
**STATEMENT OF CASH FLOWS**

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Year Ended December 31,

2009

2008

SUPPLEMENTAL DISCLOSURES OF CASH  
FLOW INFORMATION

Cash paid during the year for:

Interest

\$

[REDACTED]

\$

[REDACTED]

**M&L ENTERPRISES, INC. DBA SKYLINE TELEPHONE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

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**Note 1 - Summary of Significant Accounting Policies**

***Description of entity:***

M&L Enterprises, Inc., dba Skyline Telephone, Inc. (the Company), is a wholly-owned subsidiary of Midvale Telephone Exchange, Inc. The Company provides local telephone services in Washington. ~~Effective December 31, 2011, the Company sold its stock to Skyline~~. The financial statements have been prepared up to the date of the sale.

***Accounting policies:***

The financial statements of the Company have been prepared in conformity with accounting principles generally accepted in the United States of America, applicable to rate-regulated public utilities. Such accounting principles are consistent, in all material respects, with accounting principles prescribed by the Federal Communications Commission (FCC) under Part 32, *Uniform System of Accounts for Telecommunications Companies*.

***Accounting estimates:***

The preparation of the 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 revenue and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include depreciation expense and interstate access revenue settlements.

***Cash and cash equivalents:***

The Company considers its short-term, highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

***Accounts receivable:***

Accounts receivable are stated at the amount management expects to collect on outstanding balances. The Company reviews the collectability of accounts receivable annually based upon an analysis of outstanding receivables, historic collection information, and existing economic conditions. Receivables from subscribers are due 30 days after issuance of the subscriber bill. Receivables from other exchange carriers are typically outstanding 30 to 60 days before payment is received. Delinquent accounts are charged to uncollectible expense when it is determined the accounts will not be collected. Due to the immaterial nature of the Company's uncollectible accounts, an allowance for uncollectible accounts is not deemed necessary and the result of this method does not materially differ from accounting principles generally accepted in the United States of America.

***Material and supplies:***

Material and supplies inventories are valued at the lower of cost or market. Cost is determined by the first-in, first-out method, and market represents the lower of replacement cost or estimated net realizable value.

**M&L ENTERPRISES, INC. DBA SKYLINE TELEPHONE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

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**Note 1 - Summary of Significant Accounting Policies (Continued)**

***Investment in nonaffiliates:***

Investments consist primarily of equity interests in lending cooperatives at cost as the investments do not have readily determinable fair values.

***Property, plant, and equipment:***

Property, plant, and equipment are stated at cost. The cost of additions and substantial betterments of property, plant, and equipment is capitalized. The cost of maintenance and repairs is charged to operating expenses. The Company records as income and capitalizes as a cost of construction the cost of financing large construction projects spanning a period greater than two months. The Company uses a weighted-average interest rate based on total Company long-term debt.

Property, plant, and equipment are depreciated using straight-line methods over their estimated useful lives. In accordance with composite group depreciation methodology, when a portion of the Company's depreciable property, plant, and equipment is retired in the ordinary course of business, the original cost is charged to accumulated depreciation.

***Income taxes:***

Deferred taxes are provided on a liability method whereby deferred tax liabilities are recognized for deductible temporary differences and deferred tax assets are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax basis. Deferred tax liabilities relate primarily to the use of accelerated depreciation methods for tax purposes. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not some portion or all of the deferred tax will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

Effective in 2009, the Company made uncertain tax positions if the likelihood the position will be sustained upon examination is less than 50%. Prior to 2009, the effect of company uncertainty would be recorded if the outcome was considered probable and would be reasonably estimated. As of December 31, 2009 and 2008, the Company had no accrued amounts related to uncertain tax positions.

***Revenue recognition:***

Monthly service fees derived from local wireline are billed one month in advance, but recognized in the month that service is provided.

Usage sensitive revenues such as access (revenues earned for originating/terminating long distance calls) are generally billed as a per-minute charge. Although these revenues are billed in arrears, an estimate of unbilled revenues is accrued in the month service is provided.

**M&L ENTERPRISES, INC. DBA SKYLINE TELEPHONE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

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**Note 1 - Summary of Significant Accounting Policies (Continued)**

***Revenue recognition (continued):***

Interstate access revenues also include settlements based on the Company's participation in the revenue pools administered by the National Exchange Carrier Association (NECA). Revenues are determined by annually prepared separations and interstate access cost studies. Revenues for the current year are based on estimates prior to the submission of the cost study reporting actual results of operations. Additionally, the studies are subject to a 24-month pool adjustment period and final review and acceptance by the pool administrators. Management does not anticipate significant adjustments to recorded revenues for the years ended December 31, 2009 and 2008.

The Company's wireline universal service support revenue is intended to compensate the Company for the high cost of providing rural telephone service. Universal service support revenue includes funds received for high-cost loop support, interstate common line support, local switching support, and other miscellaneous programs. Wireline support revenues are based on the Company's relative level of operating expense and plant investment.

***Regulation:***

The Company's services are subject to rate regulation as follows:

- Local telephone and intrastate access revenues are regulated by the State Public Utilities Commission.
- Interstate access revenues are regulated by the FCC through its regulation of rates and settlements procedures as administered by NECA.
- Universal service support revenues are administered by Universal Service Administration Company (USAC), based on rules established by the FCC. The state program is governed by the Washington Public Utilities Commission.

Other sources of revenues are not rate regulated, and include equipment sales, rents, and other incidental services.

Pending and future regulatory actions may have a significant impact on the Company's future operations and financial condition.

Nonregulated expenses and nonregulated plant are directly attributable to the following nonregulated services: miscellaneous revenues.

All other operating expenses and telecommunications plant are related primarily to wireline revenues. However, some of these costs jointly relate to regulated and nonregulated services. For interstate access settlements, universal service support, rate case, and other regulatory purposes, the portion of these common costs related to nonregulated activities are removed from these accounts in accordance with Part 64 of the FCC rules in order to ensure regulated revenues are based on costs of providing regulated services.



**M&L ENTERPRISES, INC. DBA SKYLINE TELEPHONE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

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**Note 1 - Summary of Significant Accounting Policies (Continued)**

***Regulation (continued):***

Access revenues are classified in the statement of operations as follows:

- Customer revenues include end user charges such as the Subscriber Line Charge (SLC), the Federal Universal Service Charge (FUSC), and special access billed to end users.
- Universal service support includes the High Cost Loop Support, Local Switching Support (LSS), and Interstate Common Line Support (ICLS).
- All access charge and settlement revenue except as described above is classified as intercarrier revenue.

***Subsequent events:***

Subsequent events are events or transactions that occur after the balance sheet date but before the financial statements are available to be issued. The Company recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing financial statements. The Company's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the balance sheet but arose after the balance sheet date and before the financial statements are available to be issued.

The Company has evaluated subsequent events through August 5, 2010, which is the date the financial statements are available to be issued.

**Note 2 - Investment in Nonaffiliates**

Investments in nonaffiliated organizations consist primarily of nonmarketable patronage capital or stock of telephone industry corporations. Investments in nonaffiliated organizations are carried at cost, as the investments do not have readily determinable fair values, and consist of the following:

	<u>2009</u>	<u>2008</u>
	\$ 	\$ 

**M&L ENTERPRISES, INC. DBA SKYLINE TELEPHONE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 3 - Property, Plant, and Equipment**

Telecommunications plant balances together with accumulated depreciation consist of the following at December 31, 2009 and 2008:

	<u>Depreciable Life</u>	<u>Plant Account</u>	<u>Accumulated Depreciation</u>	<u>2009 Net Balance</u>	<u>2008 Net Balance</u>
Regulated plant:					
General support assets	5 - 33 years	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]
Central office equipment	8 - 12 years	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Cable and wire facilities	24 years	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
		[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Nonregulated plant:					
Voicemail	8 years	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
		\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]

**Note 4 - Long-Term Debt**

Long-term debt is as follows as of December 31:

	<u>Interest Rates</u>	<u>Maturity Dates</u>	<u>2009</u>	<u>2008</u>
[REDACTED]	[REDACTED]	[REDACTED]	\$ [REDACTED]	\$ [REDACTED]
Less current portion			[REDACTED]	[REDACTED]
			\$ [REDACTED]	\$ [REDACTED]

Substantially all assets are pledged as collateral on this debt. The loan agreements contain provisions and restrictions pertaining to, among other things, the maintenance of defined ratios for debt service coverage, times interest earned, equity to assets, and working capital and limitations on dividend payments to stockholders.

Subsequent to year end, the debt balances were paid off.

**M&L ENTERPRISES, INC. DBA SKYLINE TELEPHONE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

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**Note 5 - Income Taxes**

The provision for income tax consists of the following at December 31:

	2009	2008
Current		
Federal	\$ [REDACTED]	\$ [REDACTED]
Deferred		
Federal	[REDACTED]	[REDACTED]
	\$ [REDACTED]	\$ [REDACTED]

The income tax provision differs from the amount computed by applying federal statutory rates to pretax income. The primary differences result from deferred income taxes that are based on average tax rates and do not include the benefit of graduated tax rates, certain expenses that are not tax deductible, and state income taxes.

The components of the net long-term deferred tax liability recorded in the accompanying balance sheet at December 31 are:

	2009	2008
Tax depreciation and amortization greater than book	\$ [REDACTED]	\$ [REDACTED]

**Note 6 - Subsequent Events**

[REDACTED]

LEC Name: Skyline Telecom

Date: October, 2011

**ITEM C SCHEDULE  
LIST ALL RETAIL-COMMUNICATIONS-RELATED PRODUCTS OR SERVICES  
(INCLUDING INFORMATION SERVICES PROVIDED BY THE REGULATED COMPANY AND EACH OF ITS AFFILIATES)**

Please check (i.e., X) if the company and/or its affiliates offers these services

	Products and Services	Yes - Directly by the Company	Yes - By an Affiliate	Name of Affiliate
1	Long Distance - Facilities Based			
2	Long Distance - Resale			
3	High Speed Internet - Satellite			
4	High Speed Internet - DSL			
5	Other Broadband (Please specify the technology (e.g., PON)			
6	a. Fiber-to-the-Home			
7	b. Cable Modem			
8	Wireless Broadband (e.g., Motorola)			
9	Enhanced and/or Accelerated Dial-Up			
10	Satellite Radio			
11	Web Hosting			
12	Voice Mail	X		
13	Custom Calling Services	X		
14	Voice Wireless - Cellular			
15	PCS			
16	IPTV (e.g., PON)			
17	Cable TV			
18	Satellite TV			
19	Customer Provided Equipment	X		
20	Inside Wiring			
21	Billing and Collections			
22	Wi-Fi			
23	Wi-MAX			
24	VoIP			
25	Other Services (please list)			
	a. Private Line Service	X		
	b. Retail Special Access	X		
	c.			
	d.			
	e.			
	f.			

TRIAL BALANCE SUMMARY REPORT  
Skyline Telephone Company

Period: 13 to 13  
Year: 2009

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--- Current Period Activity ---  
Debit      Credit

Beginning  
Balance

New Balance

Com Sub Div	Account	Description	Beginning Balance	Debit	Credit	New Balance
	1120.1	CASH-BANK OF THE CASCADES				
	1180	A/R SUBSCRIBERS				
	1190.5	A/R NECA				
	1190.7	A/R-MACC CABS				
	1220	MATERIALS AND SUPPLIES				
	1220.1	EXEMPT INV MATERIALS				
	1402.1	RTFC INVESTMENT				
	1406.10	VOICE MAIL SYSTEM				
	1406.10.1	ALLOW FOR DEPR-VOICE MAIL				
	1406.10.2	FAIR MARKET VALUE IN EXCESS OF B/				
	2110.2	GENERAL SUPPORT-BUILDINGS				
	2110.4	GENERAL SUPPORT-COMPUTER EQUIP				
	2110.7	GENERAL SUPPORT-WORK EQUIP				
	2210	COE-SWITCHING				
	2230	COE-TRANSMISSION				
	2410.41	CABLE & WIRE-BURIED CABLE				
	2501	NEW COMPANY START-UP FEES				
	2501.1	ACCUM AMORT - LOAN FEES				
	3101.1	ALLOW FOR DEPR-BUILDINGS				
	3101.3	ALLOW FOR DEPR-COMPUTER EQUIP				
	3101.6	ALLOW FOR DEPR-WORK EQUIPMENT				
	3102.1	ALLOW FOR DEPR-COE				
	3102.4	ALLOW FOR DEPR-COE TRANS				
	3104.4	ALLOW FOR DEPR-BURIED CABLE				
	4010.1	A/P GENERAL				
	4010.3	A/P FEDERAL EXCISE				
	4010.4	A/P STATE 911				
	4010.50	A/P-911 COUNTY TAX				
	4010.8.1	A/P-WTAP				
	4010.9	A/P - AFFILIATED COMPANIES				
	4040	CUSTOMER DEPOSITS				
	4120.3	ACCRUED INTEREST PAYABLE				
	4130.2	ACCRUED VACATION				
	4210.4	NOTE PAYABLE-RTFC				
	4340	DEFERRED OPER INCOME TAX				
	4510	CAPITAL STOCK				

TRIAL BALANCE SUMMARY REPORT  
Skyline Telephone Company

Period: 13 to 13  
Year: 2009

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--- Current Period Activity ---  
Debit      Credit

Beginning  
Balance

New Balance

Com Sub Div	Account	Description	Beginning Balance	Debit	Credit	New Balance
	4540	OTHER CAPITAL				
	4550.1	RETAINED EARNINGS				
	5000	LOCAL SERVICE REVENUE				
	5000.01	LOCAL REVENUE-USAC SLC SUPPORT				
	5060	OTHER LOCAL SERVICE				
	5081.11	INTERSTATE FUSC REVENUE				
	5082.1	I/S CARRIER COMMON LINE				
	5082.1.1	I/S CCL-PRIOR YEAR				
	5082.2	I/S TRAFFIC SENSITIVE				
	5082.3	I/S HIGH COST LOOP FUND				
	5084.1	STATE-CARRIER COMMON LINE				
	5084.2	STATE-TRAFFIC SENSITIVE				
	5084.5	STATE VOLUNTARY POOL				
	5202	DIRECTORY REVENUE				
	5300	UNCOLLECTIBLE REVENUE				
	6120	GENERAL SUPPORT EXPENSE				
	6124	GENERAL PURPOSE COMPUTER EXPE				
	6210	COE EXPENSE				
	6230.1	COE CXR EXPENSE				
	6230.11.1	COE EXPENSE - INTERNET				
	6410	CABLE & WIRE EXPENSE				
	6530.2	NETWORK OPERATIONS - ENGINEERIN				
	6560.1	DEPRECIATION EXPENSE				
	6620.2	CUSTOMER OPERATIONS - DIRECTOR				
	6620.3	CUSTOMER OPERATIONS - CUSTOMER				
	6620.5	CUSTOMER OPERATIONS - REVENUE				
	6620.6	CUSTOMER OPERATIONS - REVENUE (				
	6620.7	CUSTOMER OPERATIONS - CABS				
	6710.1	CORPORATE OPERATIONS - EXECUTIV				
	6720.1	CORP OPER - GENERAL ACCOUNTING				
	6720.4	CORP OPER - OTHER				
	7200.1	OPERATING TAXES - PROPERTY				
	7202.1	OPERATING TAXES - FEDERAL INCOMI				
	7500.3	INTEREST EXPENSE - OTHER				
	7990.18.1	NON-REG VOICE MAIL EXPENSE				
	7990.41	NON-REG REV - CPE SALES				

Com Sub Div	Account	Description	Beginning Balance	Current Period Activity	New Balance
				Debit Credit	

7999.99		NON-REG INCOME SUMMARY CURREN			
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Selection Criteria:  
 Account No. Begin: 0000.000  
 Account No. End: 99999.99999

Grand Totals:  
 Period: 13 to 13  
 Year: 2009

Suppress Zero Balances: Yes  
 Suppress Inactive Zero Balances: No

