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

8 IN RE

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10 PETITION OF ST. JOHN TELEPHONE,  
11 INC. TO RECEIVE SUPPORT FROM THE  
12 UNIVERSAL SERVICE  
13 COMMUNICATIONS PROGRAM

DOCKET NO.

PETITION FOR SUPPORT

14 COMES NOW St. John Telephone, Inc. (the "Company") and, pursuant to Chapter 480-123  
15 of the Washington Administrative Code ("WAC"), including, but not limited to, WAC 480-123-  
16 110, hereby petitions the Washington Utilities and Transportation Commission (the "Commission")  
17 to receive support from the Universal Service Communications Program (the "Program") for the  
18 Program year 2015.

19  
20 **I. Demonstration of Eligibility under WAC 480-123-100**

- 21 1. WAC 480-123-100(1)(a): The Company is a local exchange company as defined in WAC  
22 480-120-021 that serves less than forty thousand access lines within the state.
- 23 2. WAC 480-123-100(1)(b): The Company is an incumbent local exchange carrier as defined  
24 in 47 U.S.C. Sec. 251(h) or has been designated as an incumbent local exchange carrier by  
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PETITION OF ST. JOHN TELEPHONE, INC.  
TO RECEIVE SUPPORT FROM THE  
UNIVERSAL SERVICE COMMUNICATIONS  
PROGRAM - 1

1 the Federal Communications Commission.

2 3. WAC 480-123-100(1)(c): The Company offers basic residential and business exchange  
3 telecommunications services as set forth in WAC 480-120-021 and RCW 80.36.630.

4 4. WAC 480-123-100(1)(d): The Company's rates for residential local exchange service, plus  
5 mandatory extended area service charges, are no lower than the local urban rate floor  
6 established by the Commission as the benchmark rate based on the Federal Communications  
7 Commission's national local urban rate floor pursuant to 47 C.F. R. Sec. 54.318 in effect on  
8 the date of this Petition.

9 5. WAC 480-123-100(1)(e): The Company has been designated by the Commission as an  
10 eligible telecommunications carrier for purposes of receiving federal universal services  
11 support pursuant to 47 C.F.R. Part 54 Subpart D - Universal Service Support for High Cost  
12 Areas with respect to the service areas for which the Company is seeking Program support.

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

14 1. WAC 480-123-110(1)(a): The name of the legal entity that provides communications  
15 services and is seeking Program support is as follows: St. John Telephone, Inc.

16 2. WAC 480-123-110(1)(b): A corporate organization chart showing the relationship between  
17 the Company and all affiliates as defined in RCW 80.16.010 is attached hereto as Exhibit 1.  
18 A detailed description of any transactions between the Company and the affiliates named in  
19 Exhibit 1 recorded in the Company's operating accounts is attached hereto as Exhibit 2.

20 3. WAC 480-123-110(1)(c): A service area map for the Company can be found at Sheet No.  
21 20 of the Company's Tariff WN U-1.

22 4. WAC 480-123-110(1)(d): A demonstration that the Company's customers are at risk of rate  
23 instability or service interruption or cessation in the absence of support from the Program is  
24 attached as Exhibit 3.

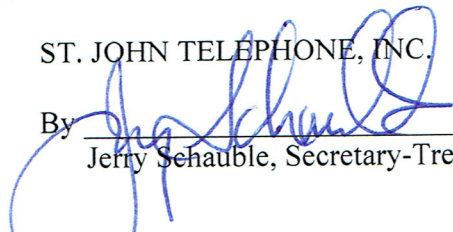
- 1 5. WAC 480-123-110(1)(e)(i): On the Commission's prescribed form, attached as Exhibit 4,  
2 are copies of the Company's balance sheet as of December 31, 2013, and December 31,  
3 2012, and copies of the Company's statements of income and retained earnings or margin for  
4 the years ended December 31, 2013, and December 31, 2012.
- 5 6. WAC 480-123-110(1)(e)(ii): A copy of the Company's consolidated annual financial  
6 statements for the years ended December 31, 2012, and December 31, 2013, are  
7 attached as Exhibit 5.
- 8 7. WAC 480-123-110(1)(e)(iii): Information demonstrating the Company's earned rate of  
9 return on a total Washington unseparated regulated operations basis for each of the two prior  
10 years, calculated in the manner prescribed by the Commission, is provided in Exhibit 4.
- 11 8. WAC 480-123-110(1)(e)(iv): Information demonstrating the Company's earned return on  
12 equity on a total company (regulated and non-regulated) Washington basis for each of the  
13 two prior years, calculated in the manner prescribed by the Commission, is provided in  
14 Exhibit 4.
- 15 9. WAC 480-123-110(1)(e)(v): Information detailing all of the Company's revenues from the  
16 statements of income and retained earnings or margin section of RUS Form 479 for the prior  
17 two years is attached as Exhibit 6.
- 18 10. WAC 480-123-110(1)(e)(vi): A statement under penalty of perjury from a Company with  
19 personal knowledge and responsibility certifying that no corporate operations adjustment to  
20 existing high-cost loop and interstate common line support mechanisms required by the  
21 Federal Communications Commission applied to the Company for the two prior years is  
22 attached hereto as Exhibit 7.
- 23 11. WAC 480-123-110(1)(e)(vii): Exhibit 4 contains additional supporting information  
24 requested by the Commission.  
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- 1 12. WAC 480-123-110(1)(e)(viii): A statement under penalty of perjury from a Company  
2 officer with personal knowledge and responsibility certifying that the Company complies  
3 with state and federal accounting, cost allocation, and cost adjustment rules pertaining to  
4 incumbent local exchange companies is attached as Exhibit 8.
- 5 13. WAC 480-123-110(1)(f): A complete copy of the FCC Form 481 filed by the Company or  
6 on its behalf with the Federal Communications Commission for the calendar year preceding  
7 the current year has already been filed with the Commission. See the Company's filing in  
8 Docket No. UT-143013 filed on or about July 1, 2014.
- 9 14. WAC 480-123-110(1)(g): The number of residential local exchange access lines served by  
10 the Company as of December 31, 2013, was 431. The number of residential local exchange  
11 access lines served by the Company as of December 31, 2012, was 443. The number of  
12 business local exchange access lines served by the Company as of December 31, 2013, was  
13 139. The number of business local exchange access lines served by the Company as of  
14 December 31, 2012, was 142. The monthly recurring rate charged by the Company for  
15 residential local exchange access service on December 31, 2013, was \$14.00. The monthly  
16 recurring rate charged by the Company for residential local exchange access service on  
17 December 31, 2012, was \$10.00. The rate charged by the Company for single line business  
18 local exchange access service on December 31, 2013, was \$16.00. The rate charged by the  
19 Company for single line business local exchange access service on December 31, 2012, was  
20 \$13.00. (The Company has other business local exchange service rates, but the Company  
21 understands that WAC 480-123-110(1)(g) is requesting the single line business local  
22 exchange access service rate.)
- 23 15. WAC 480-123-110(1)(h): The requested statement is attached as Exhibit 9.
- 24 16. All exhibits attached hereto are incorporated into this Petition as though fully set forth.
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Respectfully submitted this 31st day of July, 2014.

ST. JOHN TELEPHONE, INC.

By   
Jerry Schauble, Secretary-Treasurer

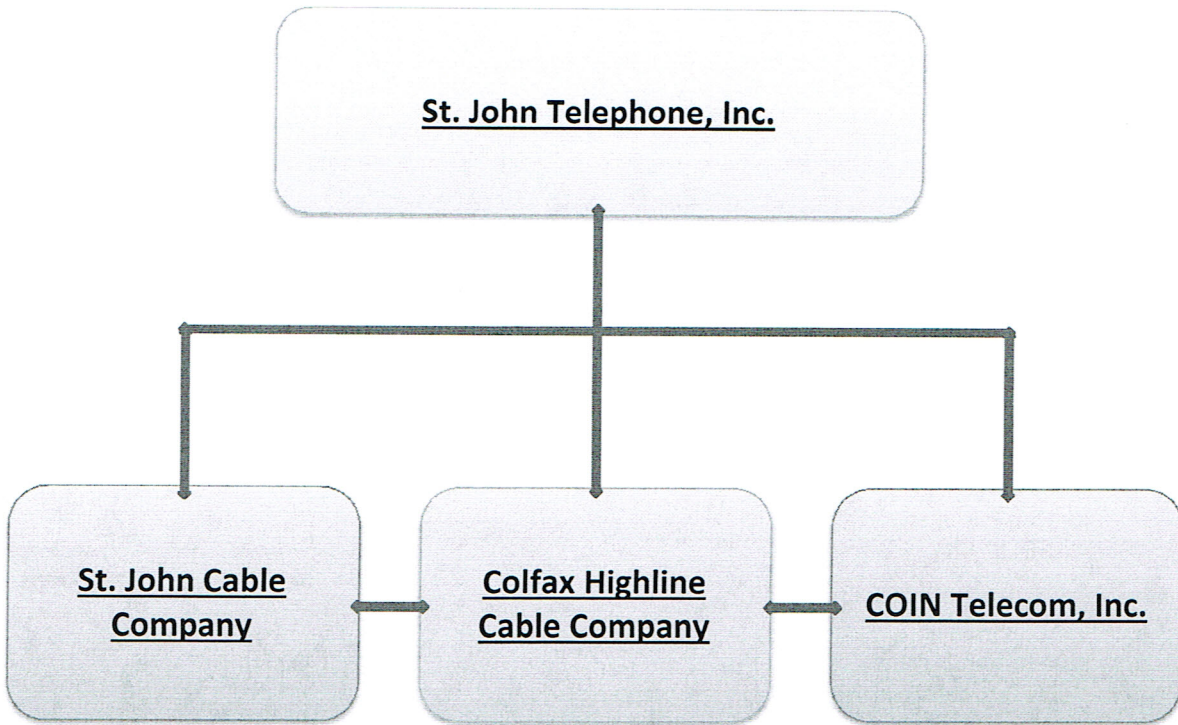
CERTIFICATION

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

  
Jerry Schauble, Secretary-Treasurer

# EXHIBIT 1

## CORPORATE ORGANIZATION CHART



## EXHIBIT 2

### AFFILIATED TRANSACTIONS

The Company has affiliated transactions with its subsidiary companies St. John Cable Company, Colfax Highline Cable Company and Coin Telecom, Inc. The nature of these transactions for 2013 among these entities consists of loan advances, telecommunication services and billing and collection services. The Company advances funds to the affiliates, provides wholesale interstate special access DSL revenues to St. John Cable Company and related interstate special access revenues, bills the Company's subscribers on behalf of St. John Cable Company for retail DSL services and COIN Telecom, Inc. for long distance services and charges interstate and intrastate billing and collection revenues to COIN Telecom, Inc. for those services. All affiliates pay their share of federal income taxes to the Company. The Company records these transactions to the proper affiliated payable or receivable account.

## EXHIBIT 3

### DEMONSTRATION OF RISK OF RATE INSTABILITY OR SERVICE INTERRUPTION OR CESSATION

The operating environment in which the Company finds itself is one of great financial uncertainty. In large part, this financial uncertainty stems from the Transformation Order issued by the Federal Communications Commission.<sup>1</sup> The 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 revenues and provides support from the Connect America Fund ("CAF") based on the base line year. However, the base line year revenues (i.e. CAF support) are reduced by five percent each year. The Company had been exploring ways of addressing access bypass to increase access revenues. However, any increase in access revenues under the Transformation Order would simply be a reduction in CAF support and no new net revenues would be produced. The CAF support reduction began July 2012. Projecting through the calendar year 2015, including additional reductions that will occur July 1, 2015, the Company has seen a reduction in support from the base line revenue amount of approximately \$ 36,700.

In addition, by order of this Commission, the traditional universal service access rate element and related pooling fund have been terminated effective July 1, 2014. Using 2012 as a base line, which is the latest year with final pool numbers, the Company is facing a loss of traditional universal service fund revenues of approximately \$ 4,575 per year.

In addition, the Company has seen some migration of customers "cutting the cord" to move to wireless or other service as their sole method of telecommunications. Further, in moving to the federal urban rate floor, the Company has seen an accelerated pace of customers giving up their land line telephone service subscribership. A loss of customers easily equates to a loss of revenue without a corresponding reduction in expenses.

In addition, during the year ended December 31, 2013, the Company has seen its Federal high cost loop support declining from \$1,223,076 in 2012 to \$1,185,072 in 2013.

These factors have led to the risky financial condition of the Company, as reflected in the financial reports that are part of the Petition.

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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 Fund*, WC Docket No. 10-90, GN Docket No. 09-51, WC Docket No. 07-135, WC Docket No. 05-337, CC Docket No. 01-92, CC Docket No. 96-45, WC Docket No. 03-109, WT Docket No. 10-208, Report and Order and Further Notice of Proposed Rulemaking, FCC 11-161 (rel. Nov. 18, 2011)(*USF/ICC Transformation Order*).



The combination of factors noted above creates a situation in which, without support from the state universal service communications program, the Company may be faced with a choice of increasing rates further, which may drive more customers away, or cutting service in order to be able to match expenses to revenues. Neither choice presents a viable path for providing good 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.

Company Name: (Below)  
ST. JOHN TELEPHONE, INC.

ASSETS	Balance End of Year 2012 (A)	Part 64 Adj to NonReg 2012 (B)	Adj. Balance End of Year 2012	LIABILITIES AND STOCKHOLDERS' EQUITY	Balance Prior Year 2012 (A)	Part 64 Adj to NonReg 2012 (B)	Adj. Balance End of Year 2012
<b>CURRENT ASSETS</b>				<b>CURRENT LIABILITIES</b>			
1. Cash and Equivalents	3,359,504		3,359,504	25. Accounts Payable	96,093		96,093
2. Cash-RUS Construction Fund	0		0	26. Notes Payable	0		0
3. Affiliates:				27. Advance Billings and Payments	0		0
a. Telecom, Accounts Receivable	0		0	28. Customer Deposits	100		100
b. Other Accounts Receivable	0		0	29. Current Mat. L/T Debt	340,324		340,324
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	17,255		17,255	32. Income Taxes Accrued	16,229		16,229
b. Other Accounts Receivable	249,551		249,551	33. Other Taxes Accrued	0		0
c. Notes Receivable	0		0	34. Other Current Liabilities	0		0
5. Interest and Dividends Receivable	0		0	35. Total Current Liabilities (25 thru 34)	452,746		452,746
6. Material-Regulated	44,985		44,985	<b>LONG-TERM DEBT</b>			
7. Material-Nonregulated	1,314		1,314	36. Funded Debt-RUS Notes	6,783,522		6,783,522
8. Prepayments	39,906		39,906	37. Funded Debt-RTB Notes	0		0
9. Other Current Assets	0		0	38. Funded Debt-FFB Notes	0		0
10. Total Current Assets (1 Thru 9)	3,712,515		3,712,515	39. Funded Debt-Other	0		0
				40. Funded Debt-Rural Develop. Loan	0		0
<b>NONCURRENT ASSETS</b>				41. Premium (Discount) on L/T Debt	0		0
11. Investment in Affiliated Companies	0		0	42. Reacquired Debt	0		0
a. Rural Development	0		0	43. Obligations Under Capital Lease	0		0
b. Nonrural Development	924,698		924,698	44. Adv. From Affiliated Companies	0		0
12. Other Investments	0		0	45. Other Long-Term Debt	0		0
a. Rural Development	0		0	46. Total Long-Term Debt (36 thru 45)	6,783,522		6,783,522
b. Nonrural Development	311,159		311,159	<b>OTHER LIAB. &amp; DEF. CREDITS</b>			
13. Nonregulated Investments (B1)	57,700	102,066	159,766	47. Other Long-Term Liabilities	0		0
14. Other Noncurrent Assets	0		0	48. Other Deferred Credits (C)	1,090,417	(22,626)	1,067,791
15. Deferred Charges	0		0	49. Other Jurisdictional Differences	0		0
16. Jurisdictional Differences	0		0	50. Total Other Liab. & Def. Credits (47 thru 49)	1,090,417	(22,626)	1,067,791
17. Total noncurrent Assets (11 thru 16)	1,293,557	102,066	1,395,623	<b>EQUITY</b>			
<b>PLANT, PROPERTY AND EQUIPMENT</b>				51. Cap. Stock Outstanding & Subscribed	37,680		37,680
18. Telecom Plant-In-Service	12,967,282	(194,002)	12,773,280	52. Additional Paid-in-Capital	0		0
19. Property Held for Future Use	0		0	53. Treasury Stock	0		0
20. Plant Under Construction	0		0	54. Membership and cap. Certificates	0		0
21. Plant Adj., Nonop Plant & Goodwill	0		0	55. Other Capital	0		0
22. Accumulated Depreciation (Cr.)	(4,019,870)	91,936	(3,927,934)	56. Patronage Capital Credits	5,589,119	22,626	5,611,745
23. Net Plant (18 thru 21 less 22)	8,947,412	(102,066)	8,845,346	57. Retained Earnings or Margins (B2)	5,626,799	22,626	5,649,425
<b>TOTAL ASSETS (10+17+23)</b>	13,953,484	0	13,953,484	58. Total Equity (51 thru 57)	13,953,484	0	13,953,484
				<b>59. TOTAL LIABILITIES AND EQUITY (35+46+50+58)</b>			

(A) - As reported on Form 481

(B) - Part 64 adjustments to rate base from regulated to nonregulated.

(B1) - Part 64 offset to nonreg investment

(B2) - Part 64 offset to retained earnings

(C) - Part 64 Adj. for line 48 is only for deferred taxes.

2014 State USF Petition Filing Requirement - WAC 480-123-110(e)  
Current Year Balance Sheet

Company Name: (Below)  
ST. JOHN TELEPHONE, INC.

ASSETS	Balance End of Year 2013 (A)	Part 64 Adj to NonReg 2013 (B)	Adj. Balance End of Year 2013	LIABILITIES AND STOCKHOLDERS' EQUITY	Balance Prior Year 2013 (A)	Part 64 Adj to NonReg 2013 (B)	Adj. Balance End of Year 2013
<b>CURRENT ASSETS</b>				<b>CURRENT LIABILITIES</b>			
1. Cash and Equivalents	3,099,818		3,099,818	25. Accounts Payable	93,120		93,120
2. Cash--RUS Construction Fund	0		0	26. Notes Payable	0		0
3. Affiliates:				27. Advance Billings and Payments	0		0
a. Telecom, Accounts Receivable	0		0	28. Customer Deposits	100		100
b. Other Accounts Receivable	0		0	29. Current Mat. L/T Debt	292,385		292,385
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	13,345		13,345	32. Income Taxes Accrued	86,370		86,370
b. Other Accounts Receivable	274,556		274,556	33. Other Taxes Accrued	19,580		19,580
c. Notes Receivable	0		0	34. Other Current Liabilities	15,815		15,815
5. Interest and Dividends Receivable	0		0	35. Total Current Liabilities (25 thru 34)	507,370		507,370
6. Material-Regulated	42,039		42,039	<b>LONG-TERM DEBT</b>			
7. Material-Nonregulated	1,238		1,238	36. Funded Debt-RUS Notes	6,105,496		6,105,496
8. Prepayments	32,928		32,928	37. Funded Debt-RTB Notes	0		0
9. Other Current Assets	0		0	38. Funded Debt-FFB Notes	0		0
10. Total Current Assets (1 Thru 9)	3,463,924	-	3,463,924	39. Funded Debt-Other	0		0
<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	0		0	42. Recquired Debt	0		0
b. Nonrural Development	1,164,844		1,164,844	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	288,431		288,431	46. Total Long-Term Debt (36 thru 45)	6,105,496		6,105,496
13. Nonregulated Investments (B1)	57,700	129,108	186,808	<b>OTHER LIAB. &amp; DEF. CREDITS</b>			
14. Other Noncurrent Assets	0		0	47. Other Long-Term Liabilities	0		0
15. Deferred Charges	0		0	48. Other Deferred Credits (C)	1,178,542	(36,072)	1,142,470
16. Jurisdictional Differences	0		0	49. Other Jurisdictional Differences	0		0
17. Total noncurrent Assets (11 thru 16)	1,510,975	129,108	1,640,083	50. Total Other Liab. & Def. Credits (47 thru 49)	1,178,542	(36,072)	1,142,470
<b>PLANT, PROPERTY AND EQUIPMENT</b>				<b>EQUITY</b>			
18. Telecom Plant-in-Service	13,003,134	(271,235)	12,731,899	51. Cap. Stock Outstanding & Subscribed	36,760		36,760
19. Property Held for Future Use	0		0	52. Additional Paid-in-Capital	0		0
20. Plant Under Construction	202,394		202,394	53. Treasury Stock	0		0
21. Plant Adj., Nonop Plant & Goodwill	0		0	54. Membership and cap. Certificates	0		0
22. Accumulated Depreciation (CR.)	(4,497,631)	142,127	(4,355,504)	55. Other Capital	0		0
23. Net Plant (18 thru 21 less 22)	8,707,897	(129,108)	8,578,789	56. Patronage Capital Credits	0		0
<b>TOTAL ASSETS (10+17+23)</b>	<b>13,682,796</b>	<b>0</b>	<b>13,682,796</b>	57. Retained Earnings or Margins (B2)	5,854,628	36,072	5,890,700
				58. Total Equity (51 thru 57)	5,891,388	36,072	5,927,460
				<b>59. TOTAL LIABILITIES AND EQUITY (35+46+50+58)</b>	<b>13,682,796</b>	<b>0</b>	<b>13,682,796</b>

(A) - As reported on Form 481

(B) - Part 64 adjustments to rate base from regulated to nonregulated.

(B1) - Part 64 offset to nonreg investment

(B2) - Part 64 offset to retained earnings

(C) - Part 64 Adj. for line 48 is only for deferred taxes.

PETITION OF ST. JOHN TELEPHONE, INC.  
TO RECEIVE SUPPORT FROM THE UNIVERSAL  
SERVICE COMMUNICATIONS PROGRAM -  
EXHIBIT 4-2

2014 State USF Petition Filing Requirement - WAC 480-123-110(e)  
Adjusted Prior and Current Year Balance Sheet

Company Name: (Below)  
ST. JOHN TELEPHONE, INC.

ASSETS	Adjusted Prior Year Balance 2012	Adjusted Current Year Balance 2013	LIABILITIES AND STOCKHOLDERS' EQUITY	Adjusted Prior Year Balance 2012	Adjusted Prior Year Balance 2013
<b>CURRENT ASSETS</b>			<b>CURRENT LIABILITIES</b>		
1. Cash and Equivalents	3,359,504	3,099,818	25. Accounts Payable	96,093	93,120
2. Cash-RUS Construction Fund	0	0	26. Notes Payable	0	0
3. Affiliates:			27. Advance Billings and Payments	0	0
a. Telecom, Accounts Receivable	0	0	28. Customer Deposits	100	100
b. Other Accounts Receivable	0	0	29. Current Mat. L/T Debt	340,324	292,385
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	17,255	13,345	32. Income Taxes Accrued	16,229	86,370
b. Other Accounts Receivable	249,551	274,556	33. Other Taxes Accrued	0	19,580
c. Notes Receivable	0	0	34. Other Current Liabilities	0	15,815
5. Interest and Dividends Receivable	0	0	35. Total Current Liabilities (25 - 34)	452,746	507,370
6. Material-Regulated	44,985	42,039	<b>LONG-TERM DEBT</b>		
7. Material-Nonregulated	1,314	1,238	36. Funded Debt-RUS Notes	6,783,522	6,105,496
8. Prepayments	39,906	32,928	37. Funded Debt-RTB Notes	0	0
9. Other Current Assets	0	0	38. Funded Debt-FFB Notes	0	0
10. Total Current Assets (1 Thru 9)	3,712,515	3,463,924	39. Funded Debt-Other	0	0
<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	0	0	42. Reacquired Debt	0	0
b. Nonrural Development	924,698	1,164,844	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	311,159	288,431	46. Total Long-Term Debt (36-45)	6,783,522	6,105,496
13. Nonregulated Investments	159,766	186,808	<b>OTHER LIAB. &amp; DEF. CREDITS</b>		
14. Other Noncurrent Assets	0	0	47. Other Long-Term Liabilities	0	0
15. Deferred Charges	0	0	48. Other Deferred Credits (B)	1,067,791	1,142,470
16. Jurisdictional Differences	0	0	49. Other Jurisdictional Differences	0	0
17. Total noncurrent Assets (11 thru 16)	1,395,623	1,640,083	50. Total Other Liab. & Def. Credits (47 thru 49)	1,067,791	1,142,470
<b>PLANT, PROPERTY AND EQUIPMENT</b>			<b>EQUITY</b>		
18. Telecom Plant-in-Service	12,773,280	12,731,899	51. Cap. Stock Outstanding & Subscribed	37,680	36,760
19. Property Held for Future Use	0	0	52. Additional Paid-in-Capital	0	0
20. Plant Under Construction	0	202,394	53. Treasury Stock	0	0
21. Plant Adj., Nonop Plant & Goodwill	0	0	54. Membership and cap. Certificates	0	0
22. Accumulated Depreciation (CR.)	(3,927,934)	(4,355,504)	55. Other Capital	0	0
23. Net Plant (18 thru 21 less 22)	8,845,346	8,578,789	56. Patronage Capital Credits	0	0
			57. Retained Earnings or Margins	5,611,745	5,890,700
			58. Total Equity (51 thru 57)	5,649,425	5,927,460
<b>TOTAL ASSETS (10+17+23)</b>	<b>13,953,484</b>	<b>13,682,796</b>	<b>59. TOTAL LIABILITIES AND EQUITY (35+46+50+58)</b>	<b>13,953,484</b>	<b>13,682,796</b>

Note:  
Adjusted Balances represents balances  
after current year Part 64 adjustments  
(B) - Provide Deferred Taxes on  
separate rate base schedule

PETITION OF ST. JOHN TELEPHONE, INC.  
TO RECEIVE SUPPORT FROM THE UNIVERSAL  
SERVICE COMMUNICATIONS PROGRAM -  
EXHIBIT 4-3

2014 State USF Petition Filing Requirement - WAC 480-123-110(e)  
 Prior and Current Year Rate Base

Company Name: (Below)  
 ST. JOHN TELEPHONE, INC.

Line #	Adj. Balance End of Year 2012	Adj. Balance End of Year 2013	Average Adj End of Year Balance
18	12,773,280	12,731,899	12,752,590
19	0	0	0
22	(3,927,934)	(4,355,504)	(4,141,719)
6	44,985	42,039	43,512
	(1,067,791)	(1,142,470)	(1,105,131)
	7,822,540	7,275,964	7,549,252

Note:

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

2014 State USF Petition Filing Requirement - WAC 480-123-110(e)  
 Statistics - Prior and Current Year

Company Name: (Below)  
 ST. JOHN TELEPHONE, INC.

Description	Prior Year End of Yr. Balance - 2012	Current Year End of Yr Balance - 2013	Difference	% Change
<b>Access Lines:</b>				
Residential	443	431	(12)	-2.7%
Business	142	139	(3)	-2.1%
<b>Total</b>	<b>585</b>	<b>570</b>	<b>(15)</b>	<b>-2.6%</b>
<hr/>				
	End of Yr. Balance - 2012	End of Year Balance -2013	Difference	% Change
<b>Broadband Connections</b>	333	348	15	4.5%
<hr/>				
	Prior Yr. 2012	Current Yr. 2013	Difference	% Change
<b>Total Annual Amount:</b>				
Gross Capital Expenditures	10,341	239,563	229,222	2216.6%
<hr/>				

PETITION OF ST. JOHN TELEPHONE, INC.  
 TO RECEIVE SUPPORT FROM THE UNIVERSAL  
 SERVICE COMMUNICATIONS PROGRAM -  
 EXHIBIT 4-5

2014 State USF Petition Filing Requirement - WAC 480-123-110(e)  
 Prior year Adjusted Income Statement

FCC Form 481  
 Part B Statement of Income and Retained Earnings Statement

Company Name: (Below)  
 ST. JOHN TELEPHONE, INC.

Line #	Item	Prior Year 2012 (A)	Part 64 Adj. to NonReg (B)	Prior Year Adjusted 2012
1	Local Network Services Revenues	96,569		96,569
2	Network Access Services Revenues	2,306,508		2,306,508
3	Long Distance Network Services Revenues	0	0	0
4	Carrier Billing and Collection Revenues	0	12,788	12,788
5	Miscellaneous Revenues	54,797	(12,788)	42,009
6	Uncollectible Revenues (Normal Balance is debit or in brackets)	(1,984)	0	(1,984)
7	<b>Net Operating Revenues (1 thru 6)</b>	<b>2,455,890</b>	<b>0</b>	<b>2,455,890</b>
8	Plant Specific Operations Expense	519,451	(141,703)	377,748
9	Plant Nonspecific Operations Expense (excluding Depreciation & Amort.)	23,881	19,169	43,050
10	Depreciation Expense	616,084	(7,054)	609,030
11	Amortization Expense	0	0	0
12	Customer Operations Expense	168,439	(58,895)	109,544
13	Corporate Operations	308,571	(29,797)	278,774
13a	Less: Corporate Operations Adjustment (FCC 36.621) report in ( )	0	0	0
13b	Adjusted Corporate Operations Expense (Line 13 minus Line 13a)	308,571	(29,797)	278,774
14	<b>Total Operations Expenses (8 thru 12 +13b)</b>	<b>1,636,426</b>	<b>(218,280)</b>	<b>1,418,146</b>
15	Operating Income or Margins (7 less 14)	819,464	218,280	1,037,744
16	Other Operating Income and Expenses ( )	0		0
17	State and Local Taxes	0	111,341	111,341
18	Federal Income Taxes (A1)	(76,852)	27,767	(49,085)
19	Other Taxes	296,005	-120432	175,573
20	Total Operating Taxes (17+18+19)	219,153	18,676	237,829
21	Net Operating Income or Margins (15+16-20)	600,311	199,604	799,915
22	Interest on Funded Debt	399,517		399,517
23	Interest Expense - Capital Leases	0		0
24	Other Interest Expense	0		0
25	Allowance for Funds Used During Construction (CR)	0		0
26	Total Fixed Charges (22+23+24-25)	399,517	0	399,517
27	Nonoperating Net Income	25,022		25,022
28	Extraordinary Items	0		0
29	Jurisdictional Differences	0		0
30	Nonregulated Net Income (B1)	125,947	(199,604)	(73,657)
31	Total Net Income or Margins (21+27+28+29+30-26)	351,763	0	351,763
32	Total Taxes Based on Income	0	0	0
33	Retained Earning or Margins Beginning-of-Year	5,275,036		5,275,036
34	Miscellaneous Credits Year-to-Date	0		0
35	Dividends Declared (Common)	37,680		37,680
36	Dividends Declared (Preferred)	0		0
37	Other Debits Year-to-Date	0		0
38	Transfers to Patronage Capital	0		0
39	Retained Earnings or Margins End-of-Period ((31+33+34)-(35+36+37+38))	5,589,119	0	5,589,119
40	Patronage Capital Beginning-of-Year	0		0
41	Transfers to Patronage Capital	0		0
42	Patronage Capital Credits Retired	0		0
43	Patronage Capital End-of-Year (40+41-42)	0	0	0
44	Annual Debt Service Payments	735,081		735,081
45	Cash Ratio ((14+20-10-11)/7)	0.5047	#DIV/0!	0.4263
46	Operating Accrual Ratio ((14+20+26)/7)	0.9182	#DIV/0!	0.8370
47	TIER ((31+26)/26)	1.8805	#DIV/0!	1.8805
48	DSCR ((31+26+10+11)/44)	1.8602	#DIV/0!	1.8506

Notes:

- (A) As reported on Form 481
- (A1) S Corporations provide effective tax rate on Income Statement Summary Schedule footnote, Page 8
- (B) Part 64 adjustment from regulated to nonregulated
- (B1) Part 64 offset to nonregulated income (No Impact to retained earnings)

PETITION OF ST. JOHN TELEPHONE, INC.  
 TO RECEIVE SUPPORT FROM THE UNIVERSAL  
 SERVICE COMMUNICATIONS PROGRAM -  
 EXHIBIT 4-6

2014 State USF Petition Filing Requirement - WAC 480-123-110(e)  
 Current Year Adjusted Income Statement

Company Name: (Below)  
 ST. JOHN TELEPHONE, INC.

Line #	Item	Prior Year 2013 (A)	Part 64 Adj. to NonReg (B)	Prior Year Adjusted 2013
1	Local Network Services Revenues	116,244		116,244
2	Network Access Services Revenues	2,295,465		2,295,465
3	Long Distance Network Services Revenues	0	0	0
4	Carrier Billing and Collection Revenues	0	12,038	12,038
5	Miscellaneous Revenues	38,177	(12,038)	26,139
6	Uncollectible Revenues (Normal Balance is debit or in brackets)	(105,903)	0	(105,903)
7	<b>Net Operating Revenues (1 thru 6)</b>	<b>2,343,983</b>	<b>0</b>	<b>2,343,983</b>
8	Plant Specific Operations Expense	581,724	(183,401)	398,323
9	Plant Nonspecific Operations Expense (excluding Depreciation & Amort.)	18,697	18,984	37,681
10	Depreciation Expense	477,761	(8,561)	469,200
11	Amortization Expense	0	0	0
12	Customer Operations Expense	172,036	(44,954)	127,082
13	Corporate Operations	341,451	(35,516)	305,935
13a	Less: Corporate Operations Adjustment (FCC 36.621) report in ( )	0	0	0
13b	Adjusted Corporate Operations Expense (Line 13 minus Line 13a)	341,451	(35,516)	305,935
14	<b>Total Operations Expenses (8 thru 12 +13b)</b>	<b>1,591,669</b>	<b>(253,448)</b>	<b>1,338,221</b>
15	Operating Income or Margins (7 less 14)	752,314	253,448	1,005,762
16	Other Operating Income and Expenses ( )	0		0
17	State and Local Taxes	0	113,739	113,739
18	Federal Income Taxes (A1)	4,940	(1,545)	3,395
19	Other Taxes	200,945	-120,787	80,158
20	Total Operating Taxes (17+18+19)	205,885	(8,593)	197,292
21	Net Operating Income or Margins (15+16-20)	546,429	262,041	808,470
22	Interest on Funded Debt	383,151		383,151
23	Interest Expense - Capital Leases	0		0
24	Other Interest Expense	0		0
25	Allowance for Funds Used During Construction (CR)	0		0
26	Total Fixed Charges (22+23+24-25)	383,151	0	383,151
27	Nonoperating Net Income	35,853		35,853
28	Extraordinary Items	0		0
29	Jurisdictional Differences	0		0
30	Nonregulated Net Income (B1)	122,416	(262,041)	(139,625)
31	Total Net Income or Margins (21+27+28+29+30-26)	321,547	0	321,547
32	Total Taxes Based on Income	0	0	0
33	Retained Earning or Margins Beginning-of-Year	5,589,119		5,589,119
34	Miscellaneous Credits Year-to-Date	0		0
35	Dividends Declared (Common)	37,600		37,600
36	Dividends Declared (Preferred)	0		0
37	Other Debits Year-to-Date	18,438		18,438
38	Transfers to Patronage Capital	0		0
39	Retained Earnings or Margins End-of-Period ((31+33+34)-(35+36+37+38))	5,854,628	0	5,854,628
40	Patronage Capital Beginning-of-Year	0		0
41	Transfers to Patronage Capital	0		0
42	Patronage Capital Credits Retired	0		0
43	Patronage Capital End-of-Year (40+41-42)	0	0	0
44	Annual Debt Service Payments	713,419		713,419
45	Cash Ratio ((14+20-10-11)/7)	0.5631	#DIV/0!	0.4549
46	Operating Accrual Ratio ((14+20+26)/7)	0.9303	#DIV/0!	0.8185
47	TIER ((31+26)/26)	1.8392	#DIV/0!	1.8392
48	DSCR ((31+26+10+11)/44)	1.6575	#DIV/0!	1.6455

Notes:

- (A) As reported on Form 481
- (A1) S Corporations provide effective tax rate on Income Statement Summary Schedule footnote, Page 8
- (B) Part 64 adjustment from regulated to nonregulated
- (B1) Part 64 offset to nonregulated income (No Impact to retained earnings)

PETITION OF ST. JOHN TELEPHONE, INC.  
 TO RECEIVE SUPPORT FROM THE UNIVERSAL  
 SERVICE COMMUNICATIONS PROGRAM -  
 EXHIBIT 4-7



2014 State USF Petition Filing Requirement - WAC 480-123-110(e)  
 Prior and Current Year Income Statement

Company Name:  
 ST. JOHN TELEPHONE, INC.

Line #	Item	Adjusted Prior Year 2012	Adjusted Current Year 2013
1	Local Network Services Revenues	96,569	116,244
2	Network Access Services Revenues	2,306,508	2,295,465
3	Long Distance Network Services Revenues	0	0
4	Carrier Billing and Collection Revenues	12,788	12,038
5	Miscellaneous Revenues	42,009	26,139
6	Uncollectible Revenues (Normal Balance is debit or in brackets)	(1,984)	(105,903)
7	<b>Net Operating Revenues (1 thru 6)</b>	<b>2,455,890</b>	<b>2,343,983</b>
8	Plant Specific Operations Expense	377,748	398,323
9	Plant Nonspecific Operations Expense (excluding Depreciation & Amort.)	43,050	37,681
10	Depreciation Expense	609,030	469,200
11	Amortization Expense	0	0
12	Customer Operations Expense	109,544	127,082
13	Corporate Operations	278,774	305,935
13a	Less: Corporate Operations Adjustment (FCC 36.621) report in ( )	0	0
13b	Adjusted Corporate Operations Expense (Line 13 minus Line 13a)	278,774	305,935
14	<b>Total Operations Expenses (8 thru 12 +13b)</b>	<b>1,418,146</b>	<b>1,338,221</b>
15	Operating Income or Margins (7 less 14)	1,037,744	1,005,762
16	Other Operating Income and Expenses ( )	0	0
17	State and Local Taxes	111,341	113,739
18	Federal Income Taxes	(49,085)	3,395
19	Other Taxes	175,573	80,158
20	Total Operating Taxes (17+18+19)	237,829	197,292
21	Net Operating Income or Margins (15+16-20)	799,915	808,470
22	Interest on Funded Debt	399,517	383,151
23	Interest Expense - Capital Leases	0	0
24	Other Interest Expense	0	0
25	Allowance for Funds Used During Construction	0	0
26	Total Fixed Charges (22+23+24-25)	399,517	383,151
27	Nonoperating Net Income	25,022	35,853
28	Extraordinary Items	0	0
29	Jurisdictional Differences	0	0
30	Nonregulated Net Income	(73,657)	(139,625)
31	Total Net Income or Margins (21+27+28+29+30-26)	351,763	321,547
32	Total Taxes Based on Income	0	0
33	Retained Earning or Margins Beginning-of-Year	5,275,036	5,589,119
34	Miscellaneous Credits Year-to-Date	0	0
35	Dividends Declared (Common)	37,680	37,600
36	Dividends Declared (Preferred)	0	0
37	Other Debits Year-to-Date	0	18,438
38	Transfers to Patronage Capital	0	0
39	Retained Earnings or Margins End-of-Period ((31+33+34)-(35+36+37+38))	5,589,119	5,854,628
40	Patronage Capital Beginning-of-Year	0	0
41	Transfers to Patronage Capital	0	0
42	Patronage Capital Credits Retired	0	0
43	Patronage Capital End-of-Year (40+41-42)	0	0
44	Annual Debt Service Payments	735,081	713,419
45	Cash Ratio ((14+20-10-11)/7)	0.4263	0.4549
46	Operating Accrual Ratio ((14+20+26)/7)	0.8370	0.8185
47	TIER ((31+26)/26)	1.8805	1.8392
48	DSCR ((31+26+10+11)/44)	1.85	1.6455

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

2012                      2013

PETITION OF ST. JOHN TELEPHONE, INC.  
 TO RECEIVE SUPPORT FROM THE UNIVERSAL  
 SERVICE COMMUNICATIONS PROGRAM -  
 EXHIBIT 4-8

2014 State USF Petition Filing requirement - WAC 480-123-110 (e)  
 Network Access Services Revenue  
 Prior and Current Year

Company Name: (Below)  
ST. JOHN TELEPHONE, INC.

Description	Part 32 Account	2012	2013
End User Revenue (SLC, ARC, etc.)	5081	70,638	73,046
Switched Access (excluding USF):	5082		
Intrastate		127,394	92,645
Interstate		25,884	92,539
Special Access:	5083		
Intrastate		5,304	9,163
Interstate		94,744	114,318
Federal USF (ICLS/CAF/HCL/SN)	Varies	1,982,544	1,913,754
Total (must equal line 2 of Income Stmt.)		2,306,508	2,295,465
Line 2 of Income Stmt.		2,306,508	2,295,465
Difference		0	0

PETITION OF ST. JOHN TELEPHONE, INC.  
 TO RECEIVE SUPPORT FROM THE UNIVERSAL  
 SERVICE COMMUNICATIONS PROGRAM -  
 EXHIBIT 4-9

**WASHINGTON 533 ST. JOHN  
ST. JOHN CO-OPERATIVE TELEPHONE  
AND TELEGRAPH COMPANY  
AND SUBSIDIARIES**

Audited Consolidated Financial Statements

December 31, 2013 and 2012

**WASHINGTON 533 ST. JOHN  
ST. JOHN CO-OPERATIVE TELEPHONE  
AND TELEGRAPH COMPANY AND SUBSIDIARIES**

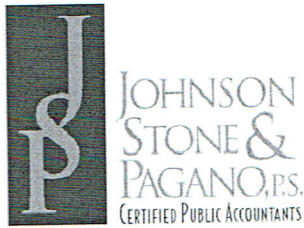
Audited Consolidated Financial Statements

December 31, 2013 and 2012

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

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS**

Consolidated Balance Sheets .....	3-4
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1501 Regents Blvd., Suite 100  
Fircrest, WA 98466-6060

## Independent Auditor's Report

Board of Directors  
St. John Co-Operative Telephone  
and Telegraph Company  
St. John, Washington

### **Report on Financial Statements**

We have audited the accompanying consolidated financial statements of St. John Co-Operative Telephone and Telegraph Company and Subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2013 and 2012, and the consolidated statements of income, stockholders' equity and cash flows for the years then ended, and the related notes to the financial statements.

#### ***Management's Responsibility for the 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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.

***Auditor's Responsibility (Continued)***

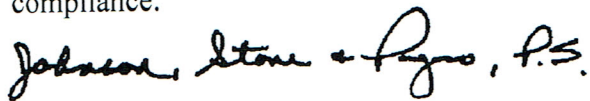
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of St. John Co-Operative Telephone and Telegraph Company and Subsidiaries as of December 31, 2013 and 2012 and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2014 on our consideration of the Company's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Company's internal control over financial reporting and compliance.



**JOHNSON, STONE & PAGANO, P.S.**

March 15, 2014

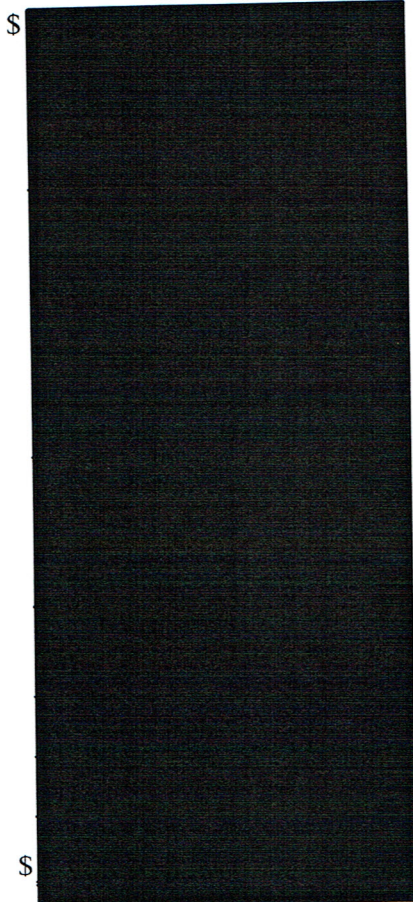
AUDITED CONSOLIDATED FINANCIAL STATEMENTS

**WASHINGTON 533 ST. JOHN  
ST. JOHN CO-OPERATIVE TELEPHONE  
AND TELEGRAPH COMPANY AND SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEETS**

December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents		
Accounts receivable, less allowances for doubtful accounts		
Materials and supplies		
Nonregulated materials inventory		
Prepaid expenses		
<b>Total Current Assets</b>		
<b>INVESTMENTS</b>		
Investments in stocks		
<b>PROPERTY, PLANT AND EQUIPMENT</b>		
Telecommunications plant in service		
Less allowances for depreciation		
<b>Total Telecommunications Plant</b>		
Nonregulated plant		
Less allowances for depreciation		
Plant under construction		
<b>Total Nonregulated Plant</b>		
<b>Total Property, Plant and Equipment</b>		
<b>TOTAL ASSETS</b>		





**WASHINGTON 533 ST. JOHN  
ST. JOHN CO-OPERATIVE TELEPHONE  
AND TELEGRAPH COMPANY AND SUBSIDIARIES**

CONSOLIDATED BALANCE SHEETS (Continued)

December 31, 2013 and 2012

	2013	2012
<b><u>LIABILITIES AND STOCKHOLDERS' EQUITY</u></b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable		
Customers' deposits		
Taxes, other than income taxes		
Other current liabilities		
Federal income taxes payable		
Installments on long-term debt due within one year		
<b>Total Current Liabilities</b>		
<b>LONG-TERM DEBT</b> , less portion classified as a current liability		
<b>OTHER LIABILITIES</b>		
Deferred income taxes		
<b>Total Liabilities</b>		
<b>STOCKHOLDERS' EQUITY</b>		
Common stock, par value [REDACTED] per share;		
Authorized - [REDACTED] shares		
Issued and outstanding - (2013 [REDACTED] shares;		
2012 [REDACTED] shares)		
Retained earnings		
<b>Total Stockholders' Equity</b>		
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>		

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

**WASHINGTON 533 ST. JOHN  
ST. JOHN CO-OPERATIVE TELEPHONE  
AND TELEGRAPH COMPANY AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF INCOME**

Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<b>OPERATING REVENUES</b>		
Local network service revenues		
Network access service revenues		
Long distance network service revenues		
Miscellaneous revenues		
Cable television revenues and installations		
Uncollectible revenues (deduction)		
<b>Total Operating Revenues</b>		
<b>OPERATING EXPENSES</b>		
Plant specific operations		
Plant nonspecific operations		
Depreciation and amortization		
Customer operations		
Corporate operations		
Taxes, other than income taxes		
Other operating expenses		
<b>Total Operating Expenses</b>		
<b>Net Operating Income</b>		
<b>FIXED CHARGES</b>		
<b>OTHER INCOME</b>		
Interest and dividend income		
Other income - net		
<b>Total Other Income</b>		
<b>INCOME TAXES</b>		
Currently payable		
Deferred taxes		
<b>Total Income Taxes</b>		
<b>NET INCOME</b>		

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

**WASHINGTON 533 ST. JOHN  
ST. JOHN CO-OPERATIVE TELEPHONE  
AND TELEGRAPH COMPANY AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**

Years Ended December 31, 2013 and 2012

	<u>Common Stock</u>	<u>Retained Earnings</u>	<u>Total</u>
<b>BALANCE AT DECEMBER 31, 2011</b>	[REDACTED]		
Dividends declared - net			
Net income for the year			
<b>BALANCE AT DECEMBER 31, 2012</b>			
Dividends declared - net			
Redemption of stock			
Net income for the year			
<b>BALANCE AT DECEMBER 31, 2013</b>			

The accompanying notes are an integral part of these consolidated financial statements.  
 PETITION OF ST. JOHN TELEPHONE, INC. TO RECEIVE  
 SUPPORT FROM THE UNIVERSAL SERVICE  
 COMMUNICATIONS PROGRAM - EXHIBIT 5 -9

**WASHINGTON 533 ST. JOHN  
ST. JOHN CO-OPERATIVE TELEPHONE  
AND TELEGRAPH COMPANY AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income		
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation of telecommunications plant		
Depreciation and amortization of nonregulated plant and other assets		
Deferred income taxes		
Net change in operating assets and liabilities		
<b>Net Cash Provided by Operating Activities</b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Additions to telecommunications plant		
Additions to nonregulated plant		
<b>Net Cash Used by Investing Activities</b>		
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividends paid		
Payments on long-term debt		
Advance payments unapplied - net		
Redemption of stock		
<b>Net Cash Used by Financing Activities</b>		
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		
<b>Cash and Cash Equivalents at Beginning of Year</b>		
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		

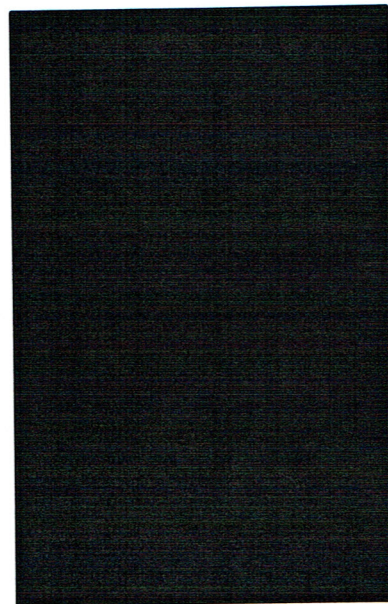
The accompanying notes are an integral part of these consolidated financial statements.

**WASHINGTON 533 ST. JOHN  
ST. JOHN CO-OPERATIVE TELEPHONE  
AND TELEGRAPH COMPANY AND SUBSIDIARIES**

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<b>COMPONENTS OF NET CHANGE IN OPERATING ASSETS AND LIABILITIES</b>		
(Increase) decrease in assets		
Accounts receivable		
Materials and supplies		
Nonregulated materials inventory		
Prepaid expenses		
Increase (decrease) in liabilities		
Accounts payable		
Taxes, other than income taxes		
Other current liabilities		
Federal income taxes payable		
<b>Net Change in Operating Assets and Liabilities</b>		
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>		
Cash paid during the year for		
Interest		



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

**WASHINGTON 533 ST. JOHN  
ST. JOHN CO-OPERATIVE TELEPHONE  
AND TELEGRAPH COMPANY AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

December 31, 2013 and 2012

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

***Principles of Consolidation and Operations***

The consolidated financial statements include the accounts of St. John Co-Operative Telephone and Telegraph Company (the "Company") and its wholly-owned subsidiaries, St. John Cable Company, Colfax Highline Cable Company and Coin Telecom, Inc. (the "Subsidiaries"). All material intercompany accounts and transactions have been eliminated in consolidation.

St. John Co-Operative Telephone and Telegraph Company is a local exchange telecommunications company. The Company, together with its subsidiary Coin Telecom, Inc., provides local exchange, network access, long distance access, other telecommunications services and broadband access services to customers in St. John and the surrounding vicinity in rural Whitman County in eastern Washington State. St. John Cable Company provides cable television and broadband access services to customers in St. John and the surrounding vicinity. Colfax Highline Cable Company provides cable television and broadband access services to customers in Colfax and the surrounding vicinity in eastern Washington State.

The Company is a small rate-of-return carrier operating in eastern Washington State. The Federal Communications Commission ("FCC") Report and Order and Further Notice of Proposed Rulemaking, ("FCC 11-161"), reformed the universal service and intercarrier compensation systems. These reforms modify the manner in which the Company recovers its telecommunications revenue requirements.

***Regulation***

The Company and Coin Telecom, Inc. are subject to the accounting and rate regulation policies of the Washington Utilities and Transportation Commission ("WUTC") and adhere to the FCC Uniform System of Accounts for Class B telephone companies as prescribed by the FCC under Part 32.

***Cash and Cash Equivalents***

For purposes of the statements of cash flows, the Company considers cash to be cash on hand, in checking accounts, in construction fund accounts and in certificates of deposit with original maturities of three months or less.

***Materials and Supplies***

Materials and supplies are stated at the lower of cost (first-in, first-out) or market.

***Investments in Stocks***

Investments in stocks are stated at fair market value.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

December 31, 2013 and 2012

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

***Fair Value Measurements***

The Company measures fair value of its assets, liabilities and related disclosures in accordance with a hierarchy 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 is required to determine the level in the fair value hierarchy within which a fair value measurement ultimately falls and provide disclosure of such determinations.

***Accounting for Long-Lived Assets***

The Company periodically reviews its long-lived assets such as property, plant and equipment for 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, 2013 and 2012, management has determined that there were no material impairment charges to be recorded as of those dates.

***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 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 allowances 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.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

December 31, 2013 and 2012

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

***Advertising Costs***

Costs incurred for advertising are expensed as incurred. Advertising expenses were \$ [REDACTED] in 2013 and \$ [REDACTED] in 2012.

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

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

Network access service revenues, which represent a major portion of the Company's operating revenues, are derived from the provision of exchange access services to interexchange carriers or to an end user of telecommunication services.

Revenues for certain interstate access services are currently received through tariffed access charges filed by the National Exchange Carrier Association ("NECA") with the Federal Communication Commission ("FCC") on behalf of the NECA member companies. These access charges currently are billed by the Company to interstate interexchange carriers and pooled with like-revenues from all NECA member companies. The pooled access charge revenues received by the Company are currently based upon the actual cost of providing interstate access services, plus a return on the investment dedicated to providing these services. Pooled access charge revenues are estimated at December 31 each year and are subject to adjustment. Such adjustments are normal occurrences and are recorded by the Company during the year in which they occur.

The FCC 11-161 modifies and replaces the existing universal service and intercarrier compensation systems with universal service reform and intercarrier compensation reform. A Connect America Fund has been established to replace all existing high-cost support mechanisms and set broadband service requirements. Alongside the broadband service rules, reforms to establish a framework to limit reimbursements for excessive capital and operating expenses were implemented as of July 1, 2012 and phase outs of certain support payments occurred. Intercarrier compensation reform adopts a uniform bill-and-keep framework as the ultimate end state for all telecommunications traffic exchanged with the Company. Intercarrier compensation rates are capped and the disparity between intrastate and interstate terminating end office rates are being brought to parity in two steps as outlined in FCC 11-161. The state's public utilities commissions will be overseeing the modifications to rates in intrastate tariffs. Limits on carriers' total eligible recovery will reflect existing downward trends on intercarrier compensation revenues with declining switching costs and minutes of use.



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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

December 31, 2013 and 2012

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

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

The Company continues to review the reforms and modifications to the support that the Company receives, and understands that those reforms and modifications could have an adverse effect on the Company's revenues and cash flow. Revenue impacts are subject to change based upon the outcome of numerous petitions and legal challenges, as well as future data collections and further clarification from the FCC.

Revenues for intrastate access services are received through tariffed access charges filed by the Company and the Washington Exchange Carrier Association ("WECA") and approved by the WUTC. The access charges are billed by the Company to intrastate interexchange carriers. The carrier common line and state universal service fund revenues are pooled with all WECA member companies and are redistributed to the Company based upon the Company's proportionate share of cost to provide those services plus a return on investment as compared with the other participating WECA member companies. The traffic sensitive revenues are considered bill-and-keep based on tariffed rates.

For some of the services that the Company provides to its customers, the Company relies upon services and facilities supplied to it by other companies. Any material disruption of the services or facilities supplied to the Company by other companies could potentially have an adverse effect upon the Company's operating results.

***Federal Income Taxes***

The Company and Subsidiaries provide federal 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 Subsidiaries file federal income taxes on a consolidated basis. The consolidated tax liability of the affiliated group is based on each company's contributions to consolidated taxable income.

The Company and Subsidiaries utilize 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.

The Company and Subsidiaries are required to recognize, measure and disclose uncertain tax positions in the financial statements. Management is of the opinion that the income tax positions taken by the Company and Subsidiaries meet the more-likely-than-not threshold that the tax returns filed by the Company and Subsidiaries have greater than a ■ percent chance of being sustained under examination by the Internal Revenue Service.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

December 31, 2013 and 2012

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

***Federal Income Taxes (Continued)***

The Company's federal income tax returns for the tax years ended previous to December 31, 2010 are closed to examination.

***Use of Estimates***

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount 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. Significant accounting estimates include the recoverability of long-term assets, estimate of useful lives of property, plant and equipment, future maturities of long-term debt and the recognition of certain network access service revenues.

***Subsequent Events***

The management of the Company and Subsidiaries evaluated for subsequent events and transactions for potential recognition and disclosure through March 15, 2014, the date the financial statements were available to be issued. All identified material events or transactions have been recorded or disclosed.

**NOTE 2 - CONCENTRATION OF CREDIT RISK**

The Company and Subsidiaries maintain cash balances at various financial institutions in eastern Washington. Accounts at each of the institutions are insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation up to \$250,000. The Company and Subsidiaries periodically maintain cash balances in excess of the federally insured limits. At December 31, 2013, the Company's and Subsidiaries' cash balances exceeded the insured amount by \$ [REDACTED].

The Company and Subsidiaries accounts receivable are subject to potential credit risk as they are concentrated in and around St. John and Colfax, Washington, and are unsecured.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

December 31, 2013 and 2012

**NOTE 3 - ACCOUNTS AND NOTE RECEIVABLE**

The accounts receivable balance at December 31 consists of:

	<u>2013</u>	<u>2012</u>
Due from customers		
Due from exchange carriers and exchange carrier associations		
Allowances for doubtful accounts (deduction)		

The Company and Subsidiaries extend credit to its business and residential customers based upon a written credit policy. Service interruption is the primary vehicle for controlling losses. Accounts receivable are recorded when subscriber bills, carrier access bills and exchange carrier associations settlement statements are rendered and are presented in the balance sheets net of the allowances 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 allowances for doubtful accounts are estimated based on the Company and Subsidiaries historical losses, the existing economic conditions in the telecommunications and cable television industry and the financial stability of its customers. Approximately █% of accounts receivable were outstanding ninety days or more after the date of the invoice on which they were first billed.

In 2013, the Company determined that interexchange carrier access billings totaling \$█ were uncollectible from October 2009 to July 2011 due to the lack of filing of an access order request. The Company continues to pursue collection from the interexchange carrier as well as the long distance reseller that did not file the access order request. The Company is not certain of collection from either carrier at this time.

**NOTE 4 - INVESTMENTS IN STOCKS**

Investments consist of the following:

	<u>2013</u>	<u>2012</u>
<u>Investments in Stocks</u>		
St. John Co-Operative Telephone and Telegraph Company		
Grange Patronage Stock Dividend		
Pioneer Telephone Holding Company, Inc.		
Total Investments in Stocks		

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

December 31, 2013 and 2012

**NOTE 4 - INVESTMENTS IN STOCKS (Continued)**

Investments in stocks are stated at fair market value.

Following is the hierarchy and fair value measurements at December 31, 2013 and 2012:

	Fair Value Measurements		
	Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Other Subjective Inputs (Level 3)
<u>December 31, 2013</u> Equities			
<u>December 31, 2012</u> Equities			

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.

There were no unrealized gains or losses included in the valuation of investments measured in accordance with level 3 inputs.

**NOTE 5 - PROPERTY, PLANT AND EQUIPMENT**

***Telecommunications Plant in Service***

Telecommunications plant in service is stated at cost. Listed below are the major classes of the telecommunications plant as of December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
General support facilities		
Central office equipment		
Cable and wire facilities		
	\$	\$

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

December 31, 2013 and 2012

**NOTE 5 - PROPERTY, PLANT AND EQUIPMENT (Continued)**

Provisions have been made for depreciation of major classes of the telecommunications plant at straight-line rates as follows:

- General support facilities
- Buildings
- Furniture and office equipment
- Vehicles and other work equipment
- Central office equipment
- Cable and wire facilities



***Nonregulated Plant***

Nonregulated plant is recorded at original cost. Listed below are the major classes of nonregulated plant as of December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
St. John Co-Operative Telephone and Telegraph Company		
Land		
Nonregulated telecommunications equipment		
Internet equipment		
Paging equipment		
Motel building		
Mini storage building		
St. John Cable Company		
Cable television equipment		
Colfax Highline Cable Company		
General support assets		
Cable television equipment		
 Total Nonregulated Plant		



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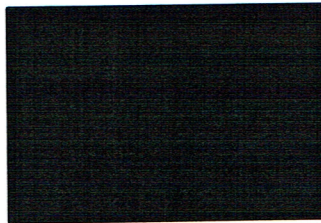
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

December 31, 2013 and 2012

**NOTE 5 - PROPERTY, PLANT AND EQUIPMENT (Continued)**

Provisions have been made for depreciation of major classes of nonregulated plant at straight-line rates as follows:

Nonregulated telecommunications equipment  
Internet equipment  
Paging equipment  
Motel and mini storage building  
Cable television equipment  
General support assets



***Depreciation Expense***

The provision for depreciation on telecommunications plant and nonregulated plant in service is as follows:

	<u>2013</u>	<u>2012</u>
Telecommunications plant		
Nonregulated plant		
Total Depreciation Expense		

**NOTE 6 - LONG-TERM DEBT**

Long-term debt consists of the following:

	<u>Current Annual Installments of Principal</u>	<u>Principal Amount 2013</u>	<u>2012</u>
Rural Utilities Service ("RUS") - first mortgage notes			
% - due September 2013			
% - due September 2013			
% - due September 2029			
Advance payments unapplied - net			
Less principal installments on long-term debt due within one year			
Total Long-term Debt			

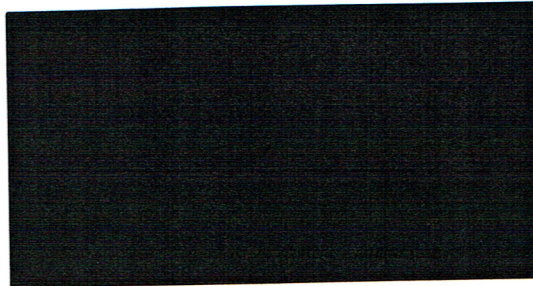
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

December 31, 2013 and 2012

**NOTE 6 - LONG-TERM DEBT (Continued)**

At December 31, 2013, maturities on long-term debt for the next five years and thereafter are as follows:



Substantially all of the Company's telecommunications plant now owned and hereafter acquired is subject to first and supplemental mortgage agreements executed to the Rural Utilities Service. The terms of the mortgage agreements restrict distributions to stockholders, redemptions of capital stock and investments in affiliated companies. Allowable distributions are based on minimum net worth requirements defined in the agreements. The Company must also maintain certain interest coverage under the mortgage agreements.

The Advance payment unapplied - net, represents voluntary unscheduled payments by the Company in excess of amounts due and payable under the Cushion of Credits Payments Program noted in the Rural Electrification Act. The cushion of credit is intended to enable the Company to deposit funds and have those funds available to make scheduled debt payments or installments. If the Company made less than or no payment when their debt payment was due, the cushion of credit would automatically add to or make the Company's debt payment systematically for the Company. By law, cushion of credit accounts earn five percent interest annually, accrued daily and recorded quarterly. In 2013, the Company added \$ [REDACTED] to its cushion of credit, which included interest earned on the cushion of credit of \$ [REDACTED]. In 2012, the Company added \$ [REDACTED] to its cushion of credit, which included interest earned on the cushion of credit of \$ [REDACTED].

**NOTE 7 - FEDERAL INCOME TAXES**

The Company and Subsidiaries recognize 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.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

December 31, 2013 and 2012

**NOTE 7 - FEDERAL INCOME TAXES (Continued)**

- 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 liabilities (assets) consist of the following:

	<u>2013</u>	<u>2012</u>
Plant and equipment		
Net operating loss carryforward		

Components of the provisions for income taxes are as follows:

	<u>2013</u>	<u>2012</u>
Current		
Deferred		

At December 31, 2013, the Company does not have any net operating loss carryforward available. At December 31, 2012, the Company had a net operating loss carryforward of \$[REDACTED] from 2010.

**NOTE 8 - LEASES**

The Company leases certain telecommunications facilities, bandwidth and transport services from a local telecommunications provider. The terms of the lease consist of a three-year lease commencing June 2010 and expiring June 2013 at \$[REDACTED] per month. The Company is negotiating a new lease as of the date of this report. The Company is currently leasing other facilities on a month-to-month basis at \$[REDACTED] per month. Total lease expense was \$[REDACTED] in 2013 and \$[REDACTED] in 2012. The Company subleases certain of these facilities to another telecommunications provider and a customer outside of its local exchange boundary. The current sublease agreements are month-to-month with current monthly income of \$[REDACTED].



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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

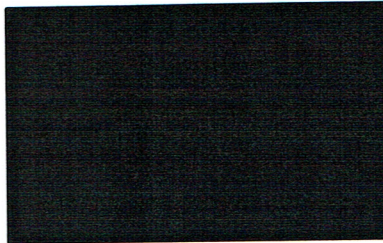
December 31, 2013 and 2012

**NOTE 8 - LEASES (Continued)**

The Company also leases certain telecommunications facilities from the Port of Whitman County. The term of the lease consists of a twenty-year lease commencing August 31, 2004 and expiring August 31, 2024, unless terminated earlier by either party pursuant to the lease agreement. The Company pays monthly rents of \$[REDACTED] and monthly taxes of \$[REDACTED]. Expense for this agreement was \$[REDACTED] for 2013 and 2012. The Company leases certain telecommunications facilities under a separate ten-year lease with the Port of Whitman County that expires November 2022 for \$[REDACTED] per year.

The Company and Subsidiaries have various other land and building leases that run month-to-month, year-to-year, or expire on or before January, 2022. The annual amounts paid under these leases were \$[REDACTED] in 2013 and \$[REDACTED] in 2012. The Company has several sublease agreements that run month-to-month or expire on or before September 2020. The amounts received under these subleases were \$[REDACTED] for 2013 and 2012. The Company leases certain real property to its subsidiary, Colfax Highline Cable Company, on a month-to-month basis at \$550 per month.

Future minimum payments for the next five years under the terms of the agreements referred to above in this Note 8, as determined by the current monthly or scheduled payments, are as follows:



**NOTE 9 - PENSION PLAN**

The Company has a pension plan covering all of its eligible employees. All employees over 21 years of age and after one year of service with the Company are covered under the plan. Company contributions are [REDACTED]% of the qualified employees' wages. All accrued pension costs are funded through a trust. The fund covers all vested benefits under the plan. The costs for the years ended December 31, 2013 and 2012 were \$[REDACTED] and \$[REDACTED], respectively.

USDA-RUS

**OPERATING REPORT FOR  
TELECOMMUNICATIONS BORROWERS**

BORROWER DESIGNATION

WA0533 St. John Telephone, Inc.

PERIOD ENDING

December, 2013

INSTRUCTIONS- See RUS Bulletin 1744-2

**PART B. STATEMENTS OF INCOME AND RETAINED EARNINGS OR MARGINS**

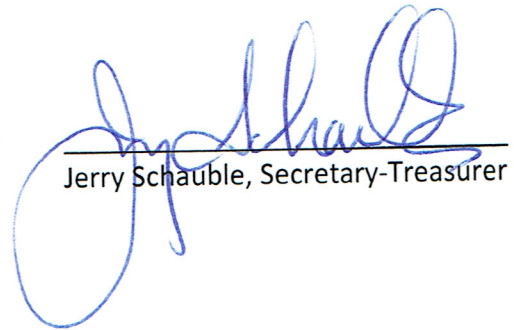
ITEM	PRIOR YEAR	THIS YEAR
1. Local Network Services Revenues	96,569	116,245
2. Network Access Services Revenues	214,172	241,899
3. Long Distance Network Services Revenues	2,092,336	2,053,566
4. Carrier Billing and Collection Revenues	54,797	38,176
5. Miscellaneous Revenues	1,984	105,903
6. Uncollectible Revenues	2,455,890	2,343,983
<b>7. Net Operating Revenues (1 thru 5 less 6)</b>	<b>519,451</b>	<b>581,724</b>
8. Plant Specific Operations Expense	23,881	18,697
9. Plant Nonspecific Operations Expense (Excluding Depreciation & Amortization)	616,084	477,761
10. Depreciation Expense		
11. Amortization Expense	168,439	172,036
12. Customer Operations Expense	308,571	341,451
13. Corporate Operations Expense	1,636,426	1,591,669
<b>14. Total Operating Expenses (8 thru 13)</b>	<b>819,464</b>	<b>752,314</b>
15. Operating Income or Margins (7 less 14)		
16. Other Operating Income and Expenses		
17. State and Local Taxes		
18. Federal Income Taxes	(76,852)	4,940
19. Other Taxes	296,005	200,945
<b>20. Total Operating Taxes (17+18+19)</b>	<b>219,153</b>	<b>205,885</b>
21. Net Operating Income or Margins (15+16-20)	600,311	546,429
22. Interest on Funded Debt	399,517	383,151
23. Interest Expense - Capital Leases		
24. Other Interest Expense		
25. Allowance for Funds Used During Construction	399,517	383,151
<b>26. Total Fixed Charges (22+23+24-25)</b>	<b>25,022</b>	<b>35,853</b>
27. Nonoperating Net Income		
28. Extraordinary Items		
29. Jurisdictional Differences		
30. Nonregulated Net Income	125,947	122,416
<b>31. Total Net Income or Margins (21+27+28+29+30-26)</b>	<b>351,763</b>	<b>321,547</b>
32. Total Taxes Based on Income		
33. Retained Earnings or Margins Beginning-of-Year	5,275,036	5,589,119
34. Miscellaneous Credits Year-to-Date		
35. Dividends Declared (Common)	37,680	37,600
36. Dividends Declared (Preferred)		
37. Other Debits Year-to-Date		18,438
38. Transfers to Patronage Capital		
<b>39. Retained Earnings or Margins End-of-Period [(31+33+34) - (35+36+37+38)]</b>	<b>5,589,119</b>	<b>5,854,628</b>
40. Patronage Capital Beginning-of-Year		
41. Transfers to Patronage Capital		
42. Patronage Capital Credits Retired		
<b>43. Patronage Capital End-of-Year (40+41-42)</b>	<b>0</b>	<b>0</b>
44. Annual Debt Service Payments	735,081	713,419
45. Cash Ratio [(14+20-10-11) / 7]	0.5047	0.5631
46. Operating Accrual Ratio [(14+20+26) / 7]	0.9182	0.9303
47. TIER [(31+26) / 26]	1.8805	1.8392
48. DSCR [(31+26+10+11) / 44]	1.8602	1.6575

EXHIBIT 7

CORPORATE OPERATIONS EXPENSE ADJUSTMENT CERTIFICATE

I, Jerry Schauble, an officer of St. John Telephone, Inc. 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 2013 and 2012.

Dated this 31st day of July, 2014.



Jerry Schauble, Secretary-Treasurer

EXHIBIT 8

FINANCIAL ACCOUNTING CERTIFICATE

I, Jerry Schauble, an officer of St. John Telephone, Inc. with personal knowledge and responsibility, based upon my discussions with the outside consultants retained by the Company to 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 31st day of July, 2014.

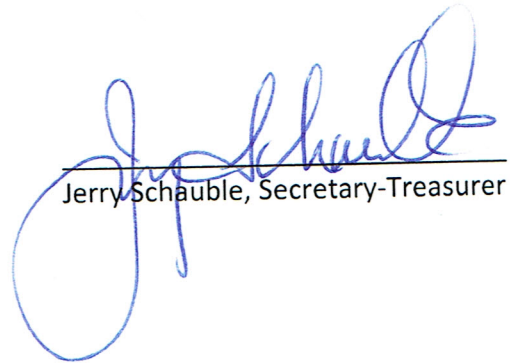
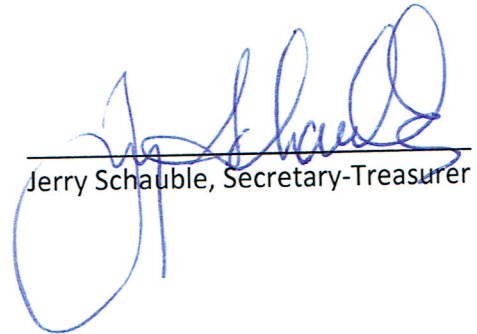
  
Jerry Schauble, Secretary-Treasurer

EXHIBIT 9

CONTINUED OPERATIONS CERTIFICATE

I, Jerry Schauble, an officer of the 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 2015.

Dated this 31st day of July, 2014.



Jerry Schauble, Secretary-Treasurer