

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

2014 AUG -4 AM 8:03

IN RE

PETITION OF WESTERN WAHIAKUM
COUNTY TELEPHONE COMPANY TO
RECEIVE SUPPORT FROM THE STATE
UNIVERSAL COMMUNICATIONS
SERVICES PROGRAM

DOCKET NO.

PETITION TO RECEIVE SUPPORT

COMES NOW WESTERN WAHIAKUM COUNTY TELEPHONE COMPANY (the "Company") and, pursuant to Chapter 480-123 of the Washington Administrative Code ("WAC"), including, but not limited to, WAC 480-123-110, hereby petitions the Washington Utilities and Transportation Commission (the "Commission") to receive support from the state Universal Communications Services Program established by RCW 80.36.650 (the "Program") for the Program year 2015.

I. Demonstration of Eligibility under WAC 480-123-100

1. WAC 480-123-100(1)(a): The Company is a local exchange company as defined in WAC 480-120-021 that serves less than forty thousand access lines within the state.

PETITION OF WESTERN WAHIAKUM
COUNTY TELEPHONE COMPANY TO
RECEIVE SUPPORT FROM THE STATE
UNIVERSAL COMMUNICATIONS
SERVICES PROGRAM - 1

CONFIDENTIAL PER WAC 480-07-160
REDACTED

1 A detailed description of any transactions between the Company and the affiliates named in
2 Exhibit 1 recorded in the Company's operating accounts is attached hereto as Exhibit 2.²

- 3 3. WAC 480-123-110(1)(c): A service area map for the Company can be found at Sheet Nos.
4 21 and 21.1 of the Company's Tariff WN U-4.
- 5 4. WAC 480-123-110(1)(d): A demonstration that the Company's customers are at risk of rate
6 instability or service interruption or cessation in the absence of support from the Program is
7 attached as Exhibit 3.
- 8 5. WAC 480-123-110(1)(e)(i): On the Commission's prescribed form, attached as Exhibit 4,
9 are copies of the Company's balance sheet as of December 31, 2013, and December 31,
10 2012, and copies of the Company's statements of income and retained earnings or margin for
11 the years ended December 31, 2013, and December 31, 2012.
- 12 6. WAC 480-123-110(1)(e)(ii): A copy of the Company's audited financial statements and of
13 unaudited financial statements of each of the Company's affiliated corporations for the years
14 ended December 31, 2013, and December 31, 2012, is attached as Exhibit 5.
- 15 7. WAC 480-123-110(1)(e)(iii): Information demonstrating the Company's earned rate of
16 return on a total Washington unseparated regulated operations basis for each of the two prior
17 years, calculated in the manner prescribed by the Commission, is provided in Exhibit 4.
- 18 8. WAC 480-123-110(1)(e)(iv): Information demonstrating the Company's earned return on
19 equity on a total company (regulated and non-regulated) Washington basis for each of the
20 two prior years, calculated in the manner prescribed by the Commission, is provided in
21 Exhibit 4.

22
23
24 ² Pursuant to agreement with the Commission Staff, Exhibit 2 is limited to transactions other than
25 employment compensation and benefits pursuant to employee benefit plans.

- 1 9. WAC 480-123-110(1)(e)(v): Information detailing all of the Company's revenues from the
2 statements of income and retained earnings or margin section of RUS Form 479 for the prior
3 two years is attached as Exhibit 6.
- 4 10. WAC 480-123-110(1)(e)(vi): Information detailing the amounts of any corporate operations
5 adjustment to existing high-cost loop and interstate common line support mechanisms
6 required of the Company by the Federal Communications Commission for the past two
7 years is attached as Exhibit 7.
- 8 11. WAC 480-123-110(1)(e)(vii): Exhibit 4 contains additional supporting information
9 requested by the Commission.
- 10 12. WAC 480-123-110(1)(e)(viii): A statement under penalty of perjury from a Company
11 officer with personal knowledge and responsibility certifying that the Company complies
12 with state and federal accounting, cost allocation, and cost adjustment rules pertaining to
13 incumbent local exchange companies is attached as Exhibit 8.
- 14 13. WAC 480-123-110(1)(f): A complete copy of the FCC Form 481 filed by the Company or
15 on its behalf with the Federal Communications Commission for the calendar year preceding
16 the current year has already been filed with the Commission. See the Company's filing in
17 Docket No. UT-143013 filed on or about July 1, 2014.
- 18 14. WAC 480-123-110(1)(g): The number of residential local exchange access lines served by
19 the Company as of December 31, 2013, was 826. The number of residential local exchange
20 access lines served by the Company as of December 31, 2012, was 816. The number of
21 business local exchange access lines served by the Company as of December 31, 2013, was
22 215. The number of business local exchange access lines served by the Company as of
23 December 31, 2012, was 215. The monthly recurring rate charged by the Company for
24 residential local exchange access service on December 31, 2013, was \$14.00. The monthly
25

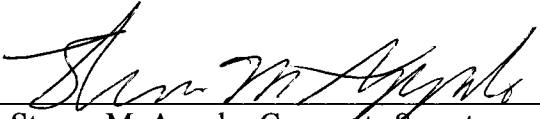
1 recurring rate charged by the Company for residential local exchange access service on
2 December 31, 2012, was \$13.40. The monthly recurring rate charged by the Company for
3 single line business local exchange access service on December 31, 2013, was \$16.80. The
4 monthly recurring rate charged by the Company for single line business local exchange
5 access service on December 31, 2012, was \$16.80. (The Company has other business local
6 exchange service rates, but the Company understands that WAC 480-123-110(1)(g) is
7 requesting the single line business local exchange access service rate.)

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

9 16. All exhibits attached hereto are incorporated into this Petition as though fully set forth.

10 Respectfully submitted this 1st day of ~~July~~^{August}, 2014.

11
12 WESTERN WAHIAKUM COUNTY
13 TELEPHONE COMPANY

14 By 
15 Steven M. Appelo, Corporate Secretary

16
17 CERTIFICATION

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

23 
24 Steven M. Appelo, Corporate Secretary

EXHIBIT 1

CORPORATE ORGANIZATION CHART

**Western Wahkiakum County Telephone Company
Corporate Structure**

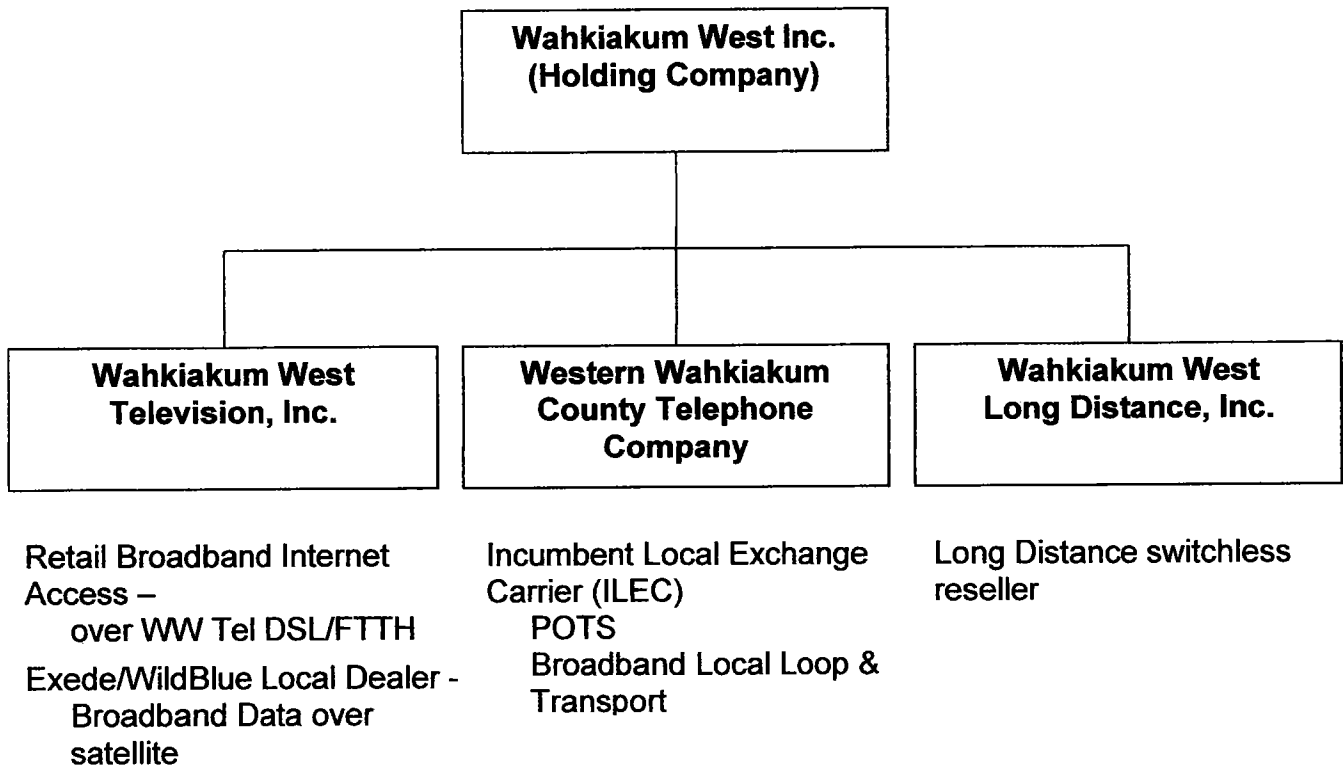


EXHIBIT 2

AFFILIATED TRANSACTIONS

Western Wahkiakum County Telephone Company, doing business as Wahkiakum West Telephone, is affiliated with Wahkiakum West Long Distance, Inc. (“WWLDI”) and Wahkiakum West Television, Inc. (“WWTVI”). All three companies are wholly-owned subsidiaries of Wahkiakum West, Inc. Wahkiakum West Telephone has transactions with each of WWLDI, WWTVI and Wahkiakum West, Inc. that are recorded on Wahkiakum West Telephone’s books of account.

Wahkiakum West Long Distance, Inc. (WWLDI)

WWLDI is a switchless toll reseller, which purchases toll from various interexchange carriers and resells it to Wahkiakum West Telephone and its end user customers. The toll appears on the monthly telephone statements of end user customers who have chosen Wahkiakum West Long Distance as their toll provider. Wahkiakum West Telephone provides billing and collection services for WWLDI, for which Wahkiakum West Telephone charges WWLDI the same tariffed (intrastate service) or contracted (Interstate service) rates that Wahkiakum West Telephone charges any other carrier who uses Wahkiakum West Telephone to do their toll billing and collection. Wahkiakum West Telephone purchases the toll billing receivables from WWLDI. The billing and collection charges are collected each month by being netted against the purchase of accounts receivable. Wahkiakum West Telephone also charges Wahkiakum West Long Distance a fully loaded labor rate for any employee time spent on Wahkiakum West Long Distance’s behalf above and beyond what is included in the billing and collection function, such as providing customer service or marketing. The employee time, if any, is tracked via daily time sheets and reimbursed quarterly so that all applicable benefits and payroll taxes are included in the reimbursement. The billing and collection charges are booked by Wahkiakum West Telephone as interstate or intrastate regulated access revenue, as applicable. The reimbursement for loaded labor charges is booked by Wahkiakum West Telephone as a reduction to regulated customer operations expense.

As noted above, WWLDI also provides toll service to Wahkiakum West Telephone. Wahkiakum West Telephone pays WWLDI WWLDI’s price listed rates for such toll service, and books the amounts so incurred to the applicable expense account.

Wahkiakum West Television, Inc. (WWTVI)

WWTVI no longer provides television services, but is a retail Internet service provider with the DBAs of Wahkiakum West Internet, Wahkiakum West, and wwest.net. WWTVI is also an

Excede/WildBlue Satellite internet service retailer. Wired Internet services are purchased by WWTVI from Wahkiakum West Telephone at the NECA tariffed wholesale rates and sold by WWTVI to end users under the above Wahkiakum West Television, Inc. DBAs. Wahkiakum West Television purchases its satellite services and equipment directly from an independent third-party vendor. WWTVI pays Wahkiakum West Telephone a monthly billing and collection fee based on the number of customers billed each month. WWTVI also pays Wahkiakum West Telephone a fully loaded hourly rate for all employee time spent on behalf of Wahkiakum West Television and any of its services. Employee time, if any, is tracked via daily time sheets and reimbursed quarterly so that all related employee benefits and taxes are included in the reimbursement. The reimbursement for loaded labor charges is booked by Wahkiakum West Telephone as a reduction to regulated customer operations expense. WWTVI also provides a small retail computer repair service. Employee time, if any, is tracked via daily time sheets and reimbursed quarterly so that all related employee benefits and taxes are included in the reimbursement. The reimbursement for loaded labor charges is booked by Wahkiakum West Telephone as a reduction to regulated customer operations expense. WWTVI also directly purchases all of its own additional supplies and equipment.

Wahkiakum West, Inc.

From time to time, Wahkiakum West Television pays dividends with respect to its issued and outstanding common stock, with such payments being made to Wahkiakum West, Inc. Wahkiakum West, Inc. files a consolidated Federal income tax return that includes Wahkiakum West Telephone. Quarterly income tax payments are made by Wahkiakum West Telephone. Wahkiakum West Inc. and each affiliate reimburses Wahkiakum West Telephone for their respective allocated share of any Federal income tax liability.

EXHIBIT 3

DEMONSTRATION OF RISK OF RATE INSTABILITY OR SERVICE INTERRUPTION OR CESSATION

The operating environment in which Western Wahkiakum County Telephone Company ("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.¹ The Transformation Order has built in an automatic decline in the Company's intrastate and interstate access revenues. The inter-carrier 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 (from which the level of CAF support is derived) are reduced iteratively 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 is seeing a reduction in annual support from the base line revenue amount of approximately \$ 126,700.

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 \$ 143,007 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 expects to see 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 three year period ended December 31, 2013, the Company has seen its Federal high cost loop support undergo a significant reduction declining from \$1,199,067 in 2010 to \$1,187,352 in 2013.

¹ *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 or Transformation Order*).

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

The combination of factors noted above creates a situation in which, without support from the state universal 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.

**EXHIBIT 4
FINANCIAL TEMPLATE**

**PETITION OF WESTERN WAHIAKUM COUNTY TELEPHONE
COMPANY TO RECEIVE SUPPORT FROM THE STATE UNIVERSAL
COMMUNICATIONS SERVICES PROGRAM –
EXHIBIT 4**

Company Name: (Below)
 WESTERN WAHIAKUM COUNTY TELEPHONE COMPANY

| 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 |
|--|------------------------------------|--------------------------------------|-------------------------------------|---|-----------------------------------|--------------------------------------|-------------------------------------|
| CURRENT ASSETS | | | | CURRENT LIABILITIES | | | |
| 1. Cash and Equivalents | 1,534,932 | | 1,534,932 | 25. Accounts Payable | 40,073 | | 40,073 |
| 2. Cash-RUS Construction Fund | 288 | | 288 | 26. Notes Payable | 17,936 | | 17,936 |
| 3. Affiliates: | | | | 27. Advance Billings and Payments | 0 | | 0 |
| a. Telecom, Accounts Receivable | 0 | | 0 | 28. Customer Deposits | 216,200 | | 216,200 |
| b. Other Accounts Receivable | 0 | | 0 | 29. Current Mat. /LT Debt | 0 | | 0 |
| c. Notes Receivable | 0 | | 0 | 30. Current Mat. /LT Debt Rur. Dev. | 0 | | 0 |
| 4. Non-Affiliates: | | | | 31. Current Mat. - Capital Leases | 21,700 | | 21,700 |
| a. Telecom, Accounts Receivable | 352,698 | | 352,698 | 32. Income Taxes Accrued | 57,715 | | 57,715 |
| b. Other Accounts Receivable | 0 | | 0 | 33. Other Taxes Accrued | 24,519 | | 24,519 |
| c. Notes Receivable | 0 | | 0 | 34. Other Current Liabilities | 378,143 | | 378,143 |
| 5. Interest and Dividends Receivable | 0 | | 0 | 35. Total Current Liabilities (25 thru 34) | 309,892 | | 309,892 |
| 6. Material-Regulated | 78,061 | | 78,061 | LONG-TERM DEBT | 415,881 | | 415,881 |
| 7. Material-Nonregulated | 851 | | 851 | 36. Funded Debt-RUS Notes | 415,881 | | 415,881 |
| 8. Prepayments | 9,487 | | 9,487 | 37. Funded Debt-RTB Notes | 1,753,523 | | 1,753,523 |
| 9. Other Current Assets | 0 | | 0 | 38. Funded Debt-FFB Notes | 0 | | 0 |
| 10. Total Current Assets (1 Thru 9) | 1,976,317 | | 1,976,317 | 39. Funded Debt-Other | 0 | | 0 |
| NONCURRENT ASSETS | | | | 40. Funded Debt-Rural Develop. Loan | 0 | | 0 |
| 11. Investment in Affiliated Companies | | | | 41. Premium (Discount) on /LT Debt | 0 | | 0 |
| a. Rural Development | 0 | | 0 | 42. Recquired Debt | 0 | | 0 |
| b. Nonrural Development | 0 | | 0 | 43. Obligations Under Capital Lease | 31,006 | | 31,006 |
| 12. Other Investments | 0 | | 0 | 44. Adv. From Affiliated Companies | 0 | | 0 |
| a. Rural Development | 0 | | 0 | 45. Other Long-Term Debt | 2,510,302 | | 2,510,302 |
| b. Nonrural Development | 0 | | 0 | 46. Total Long-Term Debt (36 thru 45) | 0 | | 0 |
| 13. Nonregulated Investments (B1) | 6,916 | | 6,916 | OTHER LIAB. & DEF. CREDITS | 882,797 | | 882,797 |
| 14. Other Noncurrent Assets | 10,278 | | 10,278 | 47. Other Long-Term Liabilities | 0 | | 0 |
| 15. Deferred Charges | 0 | | 0 | 48. Other Deferred Credits (C) | 0 | | 0 |
| 16. Jurisdictional Differences | 0 | | 0 | 49. Other Jurisdictional Differences | 882,797 | (19) | 882,778 |
| 17. Total noncurrent Assets (11 thru 16) | 10,278 | 6,916 | 17,194 | 50. Total Other Liab. & Def. Credits (47 thru 49) | 54,171 | | 54,171 |
| PLANT, PROPERTY AND EQUIPMENT | | | | EQUITY | 279,251 | | 279,251 |
| 18. Telecom Plant-in-Service | 17,409,211 | (45,690) | 17,363,521 | 51. Cap. Stock Outstanding & Subscribed | 0 | | 0 |
| 19. Property Held for Future Use | 558,082 | 0 | 558,082 | 52. Additional Paid-in-Capital | 0 | | 0 |
| 20. Plant Under Construction | 0 | | 0 | 53. Treasury Stock | 0 | | 0 |
| 21. Plant Adj., Nonop Plant & Goodwill | 0 | | 0 | 54. Membership and cap. Certificates | 0 | | 0 |
| 22. Accumulated Depreciation (CR.) | (12,242,855) | 38,774 | (12,204,081) | 55. Other Capital | 3,606,369 | 19 | 3,606,388 |
| 23. Net Plant (18 thru 21 less 22) | 5,724,438 | (6,916) | 5,717,522 | 56. Patronage Capital Credits | 3,939,791 | 19 | 3,939,810 |
| 23. Net Plant (18 thru 21 less 22) | | | | 57. Retained Earnings or Margins (B2) | 0 | | 0 |
| TOTAL ASSETS (10+17+23) | 7,711,033 | 0 | 7,711,033 | 58. Total Equity (51 thru 57) | 0 | | 0 |
| | | | | 59. TOTAL LIABILITIES AND EQUITY (35+46+50+58) | 7,711,033 | 0 | 7,711,033 |

(A) - As reported on Form 481
 (B) - Part 64 adjustments to rate base from regulated to nonregulated.
 (B1) - Part 64 offset to nonreg investment
 (C) - Part 64 Adj. for line 48 is only for deferred taxes.

Company Name: (Below)
 WESTERN WAHIAKUM COUNTY TELEPHONE COMPANY

| 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 |
|--|------------------------------------|--------------------------------------|-------------------------------------|---|-----------------------------------|--------------------------------------|-------------------------------------|
| CURRENT ASSETS | | | | CURRENT LIABILITIES | | | |
| 1. Cash and Equivalents | 1,282,175 | | 1,282,175 | 25. Accounts Payable | 23,363 | | 23,363 |
| 2. Cash-RUS Construction Fund | 278 | | 278 | 26. Notes Payable | 18,398 | | 18,398 |
| 3. Affiliates: | | | | 27. Advance Billings and Payments | 112,300 | | 112,300 |
| a. Telecom, Accounts Receivable | 0 | | 0 | 28. Customer Deposits | | | 0 |
| b. Other Accounts Receivable | 0 | | 0 | 29. Current Mat. L/T Debt | | | 0 |
| c. Notes Receivable | 0 | | 0 | 30. Current Mat. L/T Debt Rur. Dev. | | | 0 |
| 4. Non-Affiliates: | | | | 31. Current Mat. - Capital Leases | | | 0 |
| a. Telecom, Accounts Receivable | 334,361 | | 334,361 | 32. Income Taxes Accrued | 50,943 | | 50,943 |
| b. Other Accounts Receivable | 0 | | 0 | 33. Other Taxes Accrued | 4,061 | | 4,061 |
| c. Notes Receivable | 0 | | 0 | 34. Other Current Liabilities | | | 0 |
| 5. Interest and Dividends Receivable | 0 | | 0 | 35. Total Current Liabilities (25 thru 34) | 209,065 | | 209,065 |
| 6. Material-Regulated | 333,112 | | 333,112 | LONG-TERM DEBT | | | |
| 7. Material-Nonregulated | 555 | | 555 | 36. Funded Debt-RUS Notes | | | 0 |
| 8. Prepayments | 21,151 | | 21,151 | 37. Funded Debt-RTB Notes | | | 0 |
| 9. Other Current Assets | 24,358 | | 24,358 | 38. Funded Debt-FFB Notes | 2,093,250 | | 2,093,250 |
| 10. Total Current Assets (1 Thru 9) | 1,995,990 | | 1,995,990 | 39. Funded Debt-Other | | | 0 |
| NONCURRENT ASSETS | | | | 40. Funded Debt-Rural Develop. Loan | | | 0 |
| 11. Investment in Affiliated Companies | | | | 41. Premium (Discount) on L/T Debt | | | 0 |
| a. Rural Development | 0 | | 0 | 42. Reacquired Debt | | | 0 |
| b. Nonrural Development | 0 | | 0 | 43. Obligations Under Capital Lease | | | 0 |
| 12. Other Investments | 0 | | 0 | 44. Adv. From Affiliated Companies | 29,695 | | 29,695 |
| a. Rural Development | 0 | | 0 | 45. Other Long-Term Debt | | | 0 |
| b. Nonrural Development | (783) | | (783) | 46. Total Long-Term Debt (36 thru 45) | 2,122,945 | | 2,122,945 |
| 13. Nonregulated Investments (B1) | 0 | | 0 | OTHER LIAB. & DEF. CREDITS | | | 0 |
| 14. Other Noncurrent Assets | 9,189 | | 9,189 | 47. Other Long-Term Liabilities | | | 0 |
| 15. Deferred Charges | 0 | | 0 | 48. Other Deferred Credits (C) | 935,704 | 5 | 935,709 |
| 16. Jurisdictional Differences | 0 | | 0 | 49. Other Jurisdictional Differences | | | 0 |
| 17. Total noncurrent Assets (11 thru 16) | 9,189 | (783) | 8,406 | 50. Total Other Liab. & Def. Credits (47 thru 49) | 935,704 | 5 | 935,709 |
| PLANT, PROPERTY AND EQUIPMENT | | | | EQUITY | | | |
| 18. Telecom Plant-in-Service | 18,028,553 | (45,698) | 17,982,855 | 51. Cap. Stock Outstanding & Subscribed | 54,171 | | 54,171 |
| 19. Property Held for Future Use | 210,768 | 0 | 210,768 | 52. Additional Paid-in-Capital | 279,251 | | 279,251 |
| 20. Plant Under Construction | 0 | | 0 | 53. Treasury Stock | 0 | | 0 |
| 21. Plant Adj., Nonop Plant & Goodwill | (12,737,183) | 46,481 | (12,690,702) | 54. Membership and cap. Certificates | 0 | | 0 |
| 22. Accumulated Depreciation (CR.) | 5,502,138 | 783 | 5,502,921 | 55. Other Capital | 0 | | 0 |
| 23. Net Plant (18 thru 21 less 22) | 7,507,317 | 0 | 7,507,317 | 56. Patronage Capital Credits | 3,906,181 | (5) | 3,906,176 |
| TOTAL ASSETS (10+17+23) | 7,507,317 | 0 | 7,507,317 | 57. Retained Earnings or Margins (B2) | 4,239,603 | (5) | 4,239,598 |
| | | | | 58. Total Equity (51 thru 57) | | | |
| | | | | 59. TOTAL LIABILITIES AND EQUITY (35+46+50+58) | 7,507,317 | 0 | 7,507,317 |

(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)
 Adjusted Prior and Current Year Balance Sheet

Company Name: (Below)
 WESTERN WAHIAKUMI COUNTY TELEPHONE COMPANY

| 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 |
|--|----------------------------------|------------------------------------|---|----------------------------------|----------------------------------|
| CURRENT ASSETS | | | CURRENT LIABILITIES | | |
| 1. Cash and Equivalents | 1,534,932 | 1,282,175 | 25. Accounts Payable | 40,073 | 23,363 |
| 2. Cash-RUS Construction Fund | 288 | 278 | 26. Notes Payable | 0 | 0 |
| 3. Affiliates: | | | 27. Advance Billings and Payments | 17,936 | 18,398 |
| a. Telecom, Accounts Receivable | 0 | 0 | 28. Customer Deposits | 0 | 0 |
| b. Other Accounts Receivable | 0 | 0 | 29. Current Mat. L/T Debt | 216,200 | 112,300 |
| 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 | 352,698 | 334,361 | 32. Income Taxes Accrued | 21,700 | 0 |
| b. Other Accounts Receivable | 0 | 0 | 33. Other Taxes Accrued | 57,715 | 50,943 |
| c. Notes Receivable | 0 | 0 | 34. Other Current Liabilities | 24,519 | 4,061 |
| 5. Interest and Dividends Receivable | 0 | 0 | 35. Total Current Liabilities (25 - 34) | 378,143 | 209,065 |
| 6. Material-Regulated | 78,061 | 333,112 | LONG-TERM DEBT | | |
| 7. Material-Nonregulated | 851 | 555 | 36. Funded Debt-RUS Notes | 309,892 | 0 |
| 8. Prepayments | 9,487 | 21,151 | 37. Funded Debt-RTB Notes | 415,881 | 0 |
| 9. Other Current Assets | 0 | 24,358 | 38. Funded Debt-FFB Notes | 1,753,523 | 2,093,250 |
| 10. Total Current Assets (1 Thru 9) | 1,976,317 | 1,995,990 | 39. Funded Debt-Other | 0 | 0 |
| NONCURRENT ASSETS | | | 40. Funded Debt-Rural Develop. Loan | 0 | 0 |
| 11. Investment in Affiliated Companies | | | 41. Premium (Discount) on L/T Debt | 0 | 0 |
| a. Rural Development | 0 | 0 | 42. Reacquired Debt | 0 | 0 |
| b. Nonrural Development | 0 | 0 | 43. Obligations Under Capital Lease | 0 | 0 |
| 12. Other Investments | 0 | 0 | 44. Adv. From Affiliated Companies | 31,006 | 29,695 |
| a. Rural Development | 0 | 0 | 45. Other Long-Term Debt | 0 | 0 |
| b. Nonrural Development | 0 | 0 | 46. Total Long-Term Debt (36-45) | 2,510,302 | 2,122,945 |
| 13. Nonregulated Investments | 6,916 | (783) | OTHER LIAB. & DEF. CREDITS | | |
| 14. Other Noncurrent Assets | 10,278 | 9,189 | 47. Other Long-Term Liabilities | 0 | 0 |
| 15. Deferred Charges | 0 | 0 | 48. Other Deferred Credits (B) | 882,778 | 935,709 |
| 16. Jurisdictional Differences | 0 | 0 | 49. Other Jurisdictional Differences | 0 | 0 |
| 17. Total noncurrent Assets (11 thru 16) | 17,194 | 8,406 | 50. Total Other Liab. & Def. Credits (47 thru 49) | 882,778 | 935,709 |
| PLANT, PROPERTY AND EQUIPMENT | | | EQUITY | | |
| 18. Telecom Plant-In-Service | 17,363,521 | 17,982,855 | 51. Cap. Stock Outstanding & Subscribed | 54,171 | 54,171 |
| 19. Property Held for Future Use | 0 | 0 | 52. Additional Paid-In-Capital | 279,251 | 279,251 |
| 20. Plant Under Construction | 558,082 | 210,768 | 53. Treasury Stock | 0 | 0 |
| 21. Plant Adj., Nonop Plant & Goodwill | 0 | 0 | 54. Membership and cap. Certificates | 0 | 0 |
| 22. Accumulated Depreciation (CR.) | (12,204,081) | (12,690,702) | 55. Other Capital | 0 | 0 |
| 23. Net Plant (18 thru 21 less 22) | 5,717,522 | 5,502,921 | 56. Patronage Capital Credits | 0 | 0 |
| | | | 57. Retained Earnings or Margins | 3,606,388 | 3,906,176 |
| | | | 58. Total Equity (51 thru 57) | 3,939,810 | 4,239,598 |
| TOTAL ASSETS (10+17+23) | 7,711,033 | 7,507,317 | 59. TOTAL LIABILITIES AND EQUITY (35+46+50+58) | 7,711,033 | 7,507,317 |

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

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

Company Name: (Below)
Western Wahkiakum County Telephone Company

| | Line # | Adj. Balance End of Year 2012 | Adj. Balance End of Year 2013 | Average Adj. End of Year Balance |
|--|--------|-------------------------------|-------------------------------|----------------------------------|
| Average Rate Base: | | | | |
| Total Regulated Adjusted Telecom Plant-In-service | 18 | 17,363,521 | 17,982,855 | 17,673,188 |
| Total Property Held for Future Use | 19 | 0 | 0 | 0 |
| Total Regulated Adjusted Accumulated Depreciation (CR) | 22 | (12,204,081) | (12,690,702) | (12,447,392) |
| Total Regulated Materials & Supplies | 6 | 78,061 | 333,112 | 205,587 |
| Deferred Income Taxes (CR) | | | | 0 |
| Total Regulated Rate Base | | 5,237,501 | 5,625,265 | 5,431,383 |

- 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)
 Western Wahkiakum County Telephone Company

| Description | Prior Year End of Yr. Balance - 2012 | Current Year End of Yr Balance - 2013 | Difference | % Change |
|------------------------------|--|---|------------|-------------|
| Access Lines: | | | | |
| Residential | 816 | 826 | 10 | 1.2% |
| Business | 215 | 215 | 0 | 0.0% |
| Total | 1,031 | 1,041 | 10 | 1.0% |
| | | | | |
| | End of Yr. Balance - 2012 | End of Year Balance -2013 | Difference | % Change |
| Broadband Connections | 666 | 711 | 45 | 6.8% |
| | | | | |
| | Prior Yr. 2012 | Current Yr. 2013 | Difference | % Change |
| Total Annual Amount: | | | | |
| Gross Capital Expenditures | 1,484,410 | 680,359 | (804,051) | -54.2% |
| | | | | |

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)

Western Wahkiakum County Telephone Company

| Line # | Item | Prior Year 2012 (A) | Part 64 Adj. to NonReg (B) | Prior Year Adjusted 2012 |
|--------|--|---------------------------|----------------------------------|--------------------------------|
| 1 | Local Network Services Revenues | 222,043 | | 222,043 |
| 2 | Network Access Services Revenues | 3,085,807 | | 3,085,807 |
| 3 | Long Distance Network Services Revenues | | | 0 |
| 4 | Carrier Billing and Collection Revenues | 23,182 | | 23,182 |
| 5 | Miscellaneous Revenues | 5 | | 5 |
| 6 | Uncollectible Revenues (Normal Balance is debit or in brackets) | (279) | | (279) |
| 7 | Net Operating Revenues (1 thru 6) | 3,330,758 | 0 | 3,330,758 |
| 8 | Plant Specific Operations Expense | 489,579 | | 489,579 |
| 9 | Plant Nonspecific Operations Expense (excluding Depreciation & Amort.) | 583,873 | | 583,873 |
| 10 | Depreciation Expense | 988,354 | (1,366) | 986,988 |
| 11 | Amortization Expense | | | 0 |
| 12 | Customer Operations Expense | 136,737 | | 136,737 |
| 13 | Corporate Operations | 993,023 | | 993,023 |
| 13a | Less: Corporate Operations Adjustment (FCC 36.621) report in () | | | 0 |
| 13b | Adjusted Corporate Operations Expense (Line 13 minus Line 13a) | 993,023 | 0 | 993,023 |
| 14 | Total Operations Expenses (8 thru 12 +13b) | 3,191,566 | (1,366) | 3,190,200 |
| 15 | Operating Income or Margins (7 less 14) | 139,192 | 1,366 | 140,558 |
| 16 | Other Operating Income and Expenses () | | | 0 |
| 17 | State and Local Taxes | 75,783 | | 75,783 |
| 18 | Federal Income Taxes (A1) | 4,743 | | 4,743 |
| 19 | Other Taxes | | | 0 |
| 20 | Total Operating Taxes (17+18+19) | 80,526 | 0 | 80,526 |
| 21 | Net Operating Income or Margins (15+16-20) | 58,666 | 1,366 | 60,032 |
| 22 | Interest on Funded Debt | 64,157 | | 64,157 |
| 23 | Interest Expense - Capital Leases | | | 0 |
| 24 | Other Interest Expense | 1,089 | | 1,089 |
| 25 | Allowance for Funds Used During Construction (CR) | (6,931) | | (6,931) |
| 26 | Total Fixed Charges (22+23+24-25) | 58,315 | 0 | 58,315 |
| 27 | Nonoperating Net Income | 9,025 | | 9,025 |
| 28 | Extraordinary Items | | | 0 |
| 29 | Jurisdictional Differences | | | 0 |
| 30 | Nonregulated Net Income (B1) | (25,297) | (1,366) | (26,663) |
| 31 | Total Net Income or Margins (21+27+28+29+30-26) | (15,921) | 0 | (15,921) |
| 32 | Total Taxes Based on Income | | | 0 |
| 33 | Retained Earning or Margins Beginning-of-Year | 3,622,290 | | 3,622,290 |
| 34 | Miscellaneous Credits Year-to-Date | | | 0 |
| 35 | Dividends Declared (Common) | | | 0 |
| 36 | Dividends Declared (Preferred) | | | 0 |
| 37 | Other Debits Year-to-Date | | | 0 |
| 38 | Transfers to Patronage Capital | | | 0 |
| 39 | Retained Earnings or Margins End-of-Period ((31+33+34)-(35+36+37+38)) | 3,606,369 | 0 | 3,606,369 |
| 40 | Patronage Capital Beginning-of-Year | | | 0 |
| 41 | Transfers to Patronage Capital | | | 0 |
| 42 | Patronage Capital Credits Retired | | | 0 |
| 43 | Patronage Capital End-of-Year (40+41-42) | 0 | 0 | 0 |
| 44 | Annual Debt Service Payments | 225,711 | | 225,711 |
| 45 | Cash Ratio ((14+20-10-11)/7) | 0.6857 | #DIV/0! | 0.6857 |
| 46 | Operating Accrual Ratio ((14+20+26)/7) | 0.9999 | #DIV/0! | 0.9995 |
| 47 | TIER ((31+26)/26) | 0.7270 | #DIV/0! | 0.7270 |
| 48 | DSCR ((31+26+10+11)/44) | 4.5667 | #DIV/0! | 4.5606 |

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)

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

Company Name: (Below)

Western Wahkiakum County Telephone Company

| Line # | Item | Prior Year 2013 (A) | Part 64 Adj. to NonReg (B) | Prior Year Adjusted 2013 |
|--------|--|---------------------------|----------------------------------|--------------------------------|
| 1 | Local Network Services Revenues | 219,575 | | 219,575 |
| 2 | Network Access Services Revenues | 3,037,205 | | 3,037,205 |
| 3 | Long Distance Network Services Revenues | | | 0 |
| 4 | Carrier Billing and Collection Revenues | 22,142 | | 22,142 |
| 5 | Miscellaneous Revenues | | | 0 |
| 6 | Uncollectible Revenues (Normal Balance is debit or in brackets) | (185) | | (185) |
| 7 | Net Operating Revenues (1 thru 6) | 3,278,737 | 0 | 3,278,737 |
| 8 | Plant Specific Operations Expense | 465,023 | | 465,023 |
| 9 | Plant Nonspecific Operations Expense (excluding Depreciation & Amort.) | 582,320 | | 582,320 |
| 10 | Depreciation Expense | 604,736 | (1,846) | 602,890 |
| 11 | Amortization Expense | | | 0 |
| 12 | Customer Operations Expense | 144,091 | | 144,091 |
| 13 | Corporate Operations | 910,916 | | 910,916 |
| 13a | Less: Corporate Operations Adjustment (FCC 36.621) report in () | | | 0 |
| 13b | Adjusted Corporate Operations Expense (Line 13 minus Line 13a) | 910,916 | 0 | 910,916 |
| 14 | Total Operations Expenses (8 thru 12 +13b) | 2,707,086 | (1,846) | 2,705,240 |
| 15 | Operating Income or Margins (7 less 14) | 571,651 | 1,846 | 573,497 |
| 16 | Other Operating Income and Expenses () | | | 0 |
| 17 | State and Local Taxes | 57,000 | | 57,000 |
| 18 | Federal Income Taxes (A1) | 153,302 | | 153,302 |
| 19 | Other Taxes | | | 0 |
| 20 | Total Operating Taxes (17+18+19) | 210,302 | 0 | 210,302 |
| 21 | Net Operating Income or Margins (15+16-20) | 361,349 | 1,846 | 363,195 |
| 22 | Interest on Funded Debt | 37,304 | | 37,304 |
| 23 | Interest Expense - Capital Leases | | | 0 |
| 24 | Other Interest Expense | 1,089 | | 1,089 |
| 25 | Allowance for Funds Used During Construction (CR) | (9,469) | | (9,469) |
| 26 | Total Fixed Charges (22+23+24-25) | 28,924 | 0 | 28,924 |
| 27 | Nonoperating Net Income | 511 | | 511 |
| 28 | Extraordinary Items | | | 0 |
| 29 | Jurisdictional Differences | | | 0 |
| 30 | Nonregulated Net Income (B1) | (33,124) | (1,846) | (34,970) |
| 31 | Total Net Income or Margins (21+27+28+29+30-26) | 299,812 | 0 | 299,812 |
| 32 | Total Taxes Based on Income | | | 0 |
| 33 | Retained Earning or Margins Beginning-of-Year | 3,606,369 | | 3,606,369 |
| 34 | Miscellaneous Credits Year-to-Date | | | 0 |
| 35 | Dividends Declared (Common) | | | 0 |
| 36 | Dividends Declared (Preferred) | | | 0 |
| 37 | Other Debits Year-to-Date | | | 0 |
| 38 | Transfers to Patronage Capital | | | 0 |
| 39 | Retained Earnings or Margins End-of-Period ((31+33+34)-(35+36+37+38)) | 3,906,181 | 0 | 3,906,181 |
| 40 | Patronage Capital Beginning-of-Year | | | 0 |
| 41 | Transfers to Patronage Capital | | | 0 |
| 42 | Patronage Capital Credits Retired | | | 0 |
| 43 | Patronage Capital End-of-Year (40+41-42) | 0 | 0 | 0 |
| 44 | Annual Debt Service Payments | 1,004,455 | | 1,004,455 |
| 45 | Cash Ratio ((14+20-10-11)/7) | 0.7053 | #DIV/0! | 0.7053 |
| 46 | Operating Accrual Ratio ((14+20+26)/7) | 0.8986 | #DIV/0! | 0.8980 |
| 47 | TIER ((31+26)/26) | 11.3655 | #DIV/0! | 11.3655 |
| 48 | DSCR ((31+26+10+11)/44) | 0.9293 | #DIV/0! | 0.9275 |

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)

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

Company Name:

WESTERN WAHIAKUM COUNTY TELEPHONE COMPANY

| Line # | Item | Adjusted Prior Year 2012 | Adjusted Current Year 2013 |
|--------|--|--------------------------------|----------------------------------|
| 1 | Local Network Services Revenues | 222,043 | 219,575 |
| 2 | Network Access Services Revenues | 3,085,807 | 3,037,205 |
| 3 | Long Distance Network Services Revenues | 0 | 0 |
| 4 | Carrier Billing and Collection Revenues | 23,182 | 22,142 |
| 5 | Miscellaneous Revenues | 5 | 0 |
| 6 | Uncollectible Revenues (Normal Balance is debit or in brackets) | (279) | (185) |
| 7 | Net Operating Revenues (1 thru 6) | 3,330,758 | 3,278,737 |
| 8 | Plant Specific Operations Expense | 489,579 | 465,023 |
| 9 | Plant Nonspecific Operations Expense (excluding Depreciation & Amort.) | 583,873 | 582,320 |
| 10 | Depreciation Expense | 986,988 | 602,890 |
| 11 | Amortization Expense | 0 | 0 |
| 12 | Customer Operations Expense | 136,737 | 144,091 |
| 13 | Corporate Operations | 993,023 | 910,916 |
| 13a | Less: Corporate Operations Adjustment (FCC 36.621) report in () | 0 | 0 |
| 13b | Adjusted Corporate Operations Expense (Line 13 minus Line 13a) | 993,023 | 910,916 |
| 14 | Total Operations Expenses (8 thru 12 +13b) | 3,190,200 | 2,705,240 |
| 15 | Operating Income or Margins (7 less 14) | 140,558 | 573,497 |
| 16 | Other Operating Income and Expenses () | 0 | 0 |
| 17 | State and Local Taxes | 75,783 | 57,000 |
| 18 | Federal Income Taxes | 4,743 | 153,302 |
| 19 | Other Taxes | 0 | 0 |
| 20 | Total Operating Taxes (17+18+19) | 80,526 | 210,302 |
| 21 | Net Operating Income or Margins (15+16-20) | 60,032 | 363,195 |
| 22 | Interest on Funded Debt | 64,157 | 37,304 |
| 23 | Interest Expense - Capital Leases | 0 | 0 |
| 24 | Other Interest Expense | 1,089 | 1,089 |
| 25 | Allowance for Funds Used During Construction | (6,931) | (9,469) |
| 26 | Total Fixed Charges (22+23+24-25) | 58,315 | 28,924 |
| 27 | Nonoperating Net Income | 9,025 | 511 |
| 28 | Extraordinary Items | 0 | 0 |
| 29 | Jurisdictional Differences | 0 | 0 |
| 30 | Nonregulated Net Income | (26,663) | (34,970) |
| 31 | Total Net Income or Margins (21+27+28+29+30-26) | (15,921) | 299,812 |
| 32 | Total Taxes Based on Income | 0 | 0 |
| 33 | Retained Earning or Margins Beginning-of-Year | 3,622,290 | 3,606,369 |
| 34 | Miscellaneous Credits Year-to-Date | 0 | 0 |
| 35 | Dividends Declared (Common) | 0 | 0 |
| 36 | Dividends Declared (Preferred) | 0 | 0 |
| 37 | Other Debits Year-to-Date | 0 | 0 |
| 38 | Transfers to Patronage Capital | 0 | 0 |
| 39 | Retained Earnings or Margins End-of-Period ((31+33+34)-(35+36+37+38)) | 3,606,369 | 3,906,181 |
| 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 | 225,711 | 1,004,455 |
| 45 | Cash Ratio ((14+20-10-11)/7) | 0.6857 | 0.7053 |
| 46 | Operating Accrual Ratio ((14+20+26)/7) | 0.9995 | 0.8980 |
| 47 | TIER ((31+26)/26) | 0.7270 | 11.3655 |
| 48 | DSCR ((31+26+10+11)/44) | 4.56 | 0.9275 |

Footnote (A1)

S Corporation Effective Tax Rate (2 decimal places):

2012 2013

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

Company Name: (Below)
Western Wahkikum County Telephone Co

| Description | Part 32 Account | 2012 | 2013 |
|---|-----------------|-----------|-----------|
| End User Revenue (SLC, ARC, etc.) | 5081 | 118,093 | 111,270 |
| Switched Access (excluding USF): | 5082 | | |
| Intrastate | | 374,744 | 278,194 |
| Interstate | | 152,485 | 84,061 |
| Special Access: | 5083 | | |
| Intrastate | | 59,375 | 24,668 |
| Interstate | | 146,188 | 147,940 |
| Federal USF (ICLS/CAF/HCL/SN) | Varies | 2,234,922 | 2,391,072 |
| Total (must equal line 2 of Income Stmt.) | | 3,085,807 | 3,037,205 |
| Line 2 of Income Stmt. | | 3,085,807 | 3,037,205 |
| Difference | | 0 | 0 |

EXHIBIT 5

FINANCIAL STATEMENTS

**WASHINGTON 535 DEEP RIVER
WESTERN WAHKIAKUM COUNTY
TELEPHONE COMPANY**

(A Wholly-Owned Subsidiary of
Wahkiakum West, Inc.)

Audited Financial Statements

December 31, 2013 and 2012

**WASHINGTON 535 DEEP RIVER
WESTERN WAHAKIUM COUNTY
TELEPHONE COMPANY**
(A Wholly-Owned Subsidiary of Wahkiakum West, Inc.)

Audited Financial Statements

December 31, 2013 and 2012

| | |
|---|------|
| INDEPENDENT AUDITOR'S REPORT | 1-2 |
| AUDITED FINANCIAL STATEMENTS | |
| Balance Sheets..... | 3-4 |
| Statements of Income | 5 |
| Statements of Stockholder's Equity | 6 |
| Statements of Cash Flows | 7-8 |
| Notes to Financial Statements | 9-18 |



1501 Regents Blvd., Suite 100

Fircrest, WA 98466-6060

Independent Auditor's Report

Board of Directors
Western Wahkiakum County Telephone Company
Rosburg, Washington

Report on the Financial Statements

We have audited the accompanying financial statements of Western Wahkiakum County Telephone Company (a wholly-owned subsidiary of Wahkiakum West, Inc.) (the "Company"), which comprise the balance sheets as of December 31, 2013 and 2012, and the statements of income, stockholder's 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 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 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

Board of Directors
Western Wahkiakum County Telephone Company

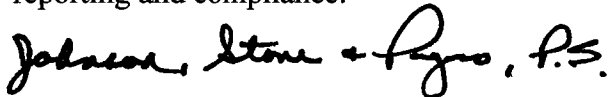
Page 2

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2013 and 2012, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 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 grant agreements 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 20, 2014

Confidential per WAC 480-07-160

AUDITED FINANCIAL STATEMENTS

**WASHINGTON 535 DEEP RIVER
WESTERN WAHIAKUM COUNTY
TELEPHONE COMPANY**
(A Wholly-Owned Subsidiary of Wahkiakum West, Inc.)

BALANCE SHEETS

December 31, 2013 and 2012

| | <u>2013</u> | <u>2012</u> |
|---|-------------|-------------|
| <u>ASSETS</u> | | |
| CURRENT ASSETS | | |
| Cash | | |
| Cash - construction fund | | |
| Telecommunications accounts receivable | | |
| Materials and supplies - at average cost | | |
| Nonregulated materials and supplies - at average cost | | |
| Prepaid expenses | | |
| Recoverable federal income taxes | | |
| Total Current Assets | | |
| NONCURRENT ASSETS | | |
| Unamortized debt issuance expense | | |
| Total Noncurrent Assets | | |
| PROPERTY, PLANT AND EQUIPMENT | | |
| Telecommunications plant in service | | |
| Less allowances for depreciation | | |
| Telecommunications plant under construction | | |
| Total Telecommunications Plant | | |
| TOTAL ASSETS | | |

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

**WASHINGTON 535 DEEP RIVER
WESTERN WAHKIAKUM COUNTY
TELEPHONE COMPANY**
(A Wholly-Owned Subsidiary of Wahkiakum West, Inc.)

BALANCE SHEETS (Continued)

December 31, 2013 and 2012

| | <u>2013</u> | <u>2012</u> |
|--|-------------|-------------|
| <u>LIABILITIES AND STOCKHOLDER'S EQUITY</u> | | |
| CURRENT LIABILITIES | | |
| Accounts payable | | |
| Interest payable | | |
| Advanced billings and payments | | |
| Taxes, other than income taxes | | |
| Other current liabilities | | |
| Federal income taxes payable | | |
| Installments on long-term debt due within one year | | |
| Total Current Liabilities | | |
| DUE TO AFFILIATED COMPANIES | | |
| LONG-TERM DEBT , less portion classified as current liability | | |
| DEFERRED FEDERAL INCOME TAXES | | |
| Total Liabilities | | |
| STOCKHOLDER'S EQUITY | | |
| Common stock, par value ■■■ per share | | |
| Authorized - ■■■ shares | | |
| Issued and outstanding - ■■■ shares | | |
| Additional paid-in capital | | |
| Retained earnings | | |
| Total Stockholder's Equity | | |
| TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY | | |

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

**WASHINGTON 535 DEEP RIVER
WESTERN WAHKIAKUM COUNTY
TELEPHONE COMPANY**
(A Wholly-Owned Subsidiary of Wahkiakum West, Inc.)

STATEMENTS OF INCOME

Years Ended December 31, 2013 and 2012

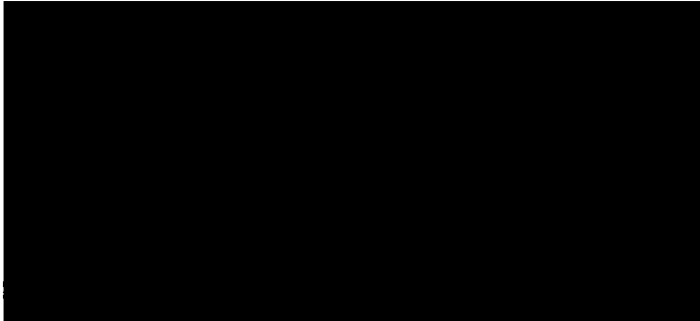
| | <u>2013</u> | <u>2012</u> |
|--|-------------|-------------|
| OPERATING REVENUES | | |
| Local network service revenues | | |
| Network access service revenues | | |
| Miscellaneous revenues | | |
| Uncollectible revenues (deduction) | | |
| Total Operating Revenues | | |
| OPERATING EXPENSES | | |
| Plant specific operations | | |
| Plant nonspecific operations | | |
| Depreciation | | |
| Customer operations | | |
| Corporate operations | | |
| Total Operating Expenses | | |
| OPERATING TAXES | | |
| Taxes, other than income | | |
| Federal income taxes | | |
| Total Operating Taxes | | |
| Net Operating Income | | |
| FIXED CHARGES | | |
| Interest on RUS, RTB and FFB notes | | |
| Amortization of long-term debt expense | | |
| Total Fixed Charges | | |
| OTHER INCOME (EXPENSE) | | |
| Interest and dividend income | | |
| Miscellaneous expense | | |
| Nonregulated expense - net | | |
| Nonoperating federal income tax benefits | | |
| Total Other Expense | | |
| NET INCOME (LOSS) | | |

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

**WASHINGTON 535 DEEP RIVER
WESTERN WAHIAKUM COUNTY
TELEPHONE COMPANY**
(A Wholly-Owned Subsidiary of Wahkiakum West, Inc.)

STATEMENTS OF STOCKHOLDER'S EQUITY

Years Ended December 31, 2013 and 2012

| | <u>Common Stock</u> | <u>Additional Paid-in Capital</u> | <u>Retained Earnings</u> | <u>Total</u> |
|-------------------------------------|--|---|------------------------------|--------------|
| BALANCE AT DECEMBER 31, 2011 |  | | | |
| Net loss | | | | |
| BALANCE AT DECEMBER 31, 2012 | | | | |
| Net income | | | | |
| BALANCE AT DECEMBER 31, 2013 | | | | |

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

**WASHINGTON 535 DEEP RIVER
WESTERN WAHAKIYAKUM COUNTY
TELEPHONE COMPANY**
(A Wholly-Owned Subsidiary of Wahkiakum West, Inc.)

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2013 and 2012

| | <u>2013</u> | <u>2012</u> |
|---|-------------|-------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net income (loss) | | |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities | | |
| Depreciation of telecommunications plant | | |
| Depreciation and amortization of other assets | | |
| Deferred federal income taxes | | |
| Net change in operating assets and liabilities | | |
| Net Cash Provided by Operating Activities | | |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Salvage on retired telecommunications plant | | |
| Extension and replacement of telecommunications plant | | |
| Net Cash Used by Investing Activities | | |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from long-term debt | | |
| Payments on long-term debt | | |
| Net decrease in due to affiliated companies | | |
| Net Cash Provided (Used) by Financing Activities | | |
| NET INCREASE (DECREASE) IN CASH | | |
| Cash at Beginning of Year | | |
| CASH AT END OF YEAR | | |
| COMPONENTS OF CASH AT END OF YEAR | | |
| Cash | | |
| Cash - construction fund | | |

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

**WASHINGTON 535 DEEP RIVER
WESTERN WAHIAKUM COUNTY
TELEPHONE COMPANY**
(A Wholly-Owned Subsidiary of Wahkiakum West, Inc.)

STATEMENTS OF CASH FLOWS (Continued)

Years Ended December 31, 2013 and 2012

| | <u>2013</u> | <u>2012</u> |
|---|-------------|-------------|
| COMPONENTS OF NET CHANGE IN OPERATING ASSETS AND LIABILITIES | | |
| (Increase) decrease in assets | | |
| Telecommunications accounts receivable | | |
| Materials and supplies | | |
| Nonregulated materials and supplies | | |
| Prepaid expenses | | |
| Recoverable federal income taxes | | |
| Increase (decrease) in liabilities | | |
| Accounts payable | | |
| Interest payable | | |
| Advanced billings and payments | | |
| Taxes, other than income taxes | | |
| Other current liabilities | | |
| Federal income taxes payable | | |
| Net Change in Operating Assets and Liabilities | | |
| SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION | | |
| Cash paid for interest | | |
| Cash paid for federal income taxes | | |
| SUPPLEMENTAL DISCLOSURE OF NONCASH OPERATING TRANSACTIONS | | |
| Noncash transfer of telecommunications plant under construction to materials and supplies | | |
| SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING TRANSACTIONS | | |
| Noncash transfer of federal income taxes to, due to (from) affiliated companies | | |

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

**WASHINGTON 535 DEEP RIVER
WESTERN WAHIAKUM COUNTY
TELEPHONE COMPANY**
(A Wholly-Owned Subsidiary of Wahkiakum West, Inc.)

NOTES TO FINANCIAL STATEMENTS

December 31, 2013 and 2012

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

Organization

Western Wahkiakum County Telephone Company (the "Company") is a wholly-owned subsidiary of Wahkiakum West, Inc.

Telephone Industry

The Company is a local exchange telecommunications company providing local exchange, network access, broadband access and other telecommunications services to customers in Pacific and Wahkiakum Counties in southwestern Washington.

The Company is a small rate-of-return carrier operating in the state of Washington. 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 is subject to the accounting rules and rate regulation policies of the Washington Utilities and Transportation Commission ("WUTC") and adheres to the FCC Uniform System of Accounts for a Class B telephone company as prescribed by the FCC under Part 32.

Cash

For purposes of the statements of cash flows, the Company considers cash to be cash on hand, in checking accounts, in money market accounts of a broker-dealer and cash restricted for plant construction purposes.

Unamortized Debt Issuance Expense

Costs incurred to obtain financing for telephone plant additions are capitalized and amortized over the respective loan period.

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.

**WASHINGTON 535 DEEP RIVER
WESTERN WAHIAKUM COUNTY
TELEPHONE COMPANY**
(A Wholly-Owned Subsidiary of Wahkiakum West, Inc.)

NOTES TO FINANCIAL STATEMENTS

December 31, 2013 and 2012

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

Telecommunications Plant

Telecommunications plant is stated at cost and is depreciated on a straight-line basis for accounting purposes. Lives used for calculating depreciation are in accordance with the rules of the WUTC and are based on the estimated economic useful lives of the assets.

When an asset is retired or otherwise disposed of, the cost of the asset is removed from the asset account and charged to the related allowance for depreciation. Similarly, the cost of removal and salvage proceeds are charged or credited to the allowance for depreciation. Consequently, no gain or loss upon disposition is recognized.

Allowance for Funds Used During Construction

Interest applicable to funds used for long-term construction projects is capitalized as a part of the cost of the asset and depreciated over the asset's estimated useful life. Interest capitalized totaled \$ [REDACTED] and \$ [REDACTED] in 2013 and 2012, respectively.

Revenue Recognition, Major Customers and Services

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

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

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

**WASHINGTON 535 DEEP RIVER
WESTERN WAHIAKUM COUNTY
TELEPHONE COMPANY**

(A Wholly-Owned Subsidiary of Wahkiakum West, Inc.)

NOTES TO 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 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 sets broadband service requirements. Alongside the broadband service rules, reforms to establish a framework to limit reimbursements for excessive capital and operating expenses were implemented as of July 1, 2012, and phase outs of certain support 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.

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 on the outcome of numerous petitions and legal challenges, as well as future data submissions and further clarification from the FCC.

Revenues for intrastate access service 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.

**WASHINGTON 535 DEEP RIVER
WESTERN WAHAKIYAKUM COUNTY
TELEPHONE COMPANY**
(A Wholly-Owned Subsidiary of Wahkiakum West, Inc.)

NOTES TO FINANCIAL STATEMENTS

December 31, 2013 and 2012

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

Federal Income Taxes

The Company provides 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 files a consolidated federal income tax return with Wahkiakum West, Inc. and affiliated subsidiaries. The consolidated tax liability of the affiliated group is allocated based upon each company's contributions to consolidated taxable income.

The Company utilizes the liability method of accounting for income taxes. Under the liability method, deferred taxes are determined based on the temporary differences between the financial statement and tax basis of assets and liabilities using tax rates expected to be in effect during the years in which the basis differences reverse. A valuation allowance, if any, is recorded when it is more likely than not that some of the deferred tax assets will not be realized.

The Company is 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 meet the more-likely-than-not threshold that the tax returns filed by the Company have greater than a ■ percent chance of being sustained under examination by the Internal Revenue Service. The Company's federal income tax returns for the tax years ended previous to December 31, 2010 are closed to examination.

Advertising Costs

Costs incurred for advertising are expensed as incurred. Advertising expense for the years ended December 31, 2013 and 2012 was \$■ and \$■, respectively.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates and assumptions used in preparing the accompanying financial statements. Significant accounting estimates include the estimate of the recoverability of long-term assets, estimate of useful lives of property, plant and equipment, future maturities of long-term debt, property taxes and the recognition of certain network access service revenues.

**WASHINGTON 535 DEEP RIVER
WESTERN WAHIAKUM COUNTY
TELEPHONE COMPANY**
(A Wholly-Owned Subsidiary of Wahkiakum West, Inc.)

NOTES TO FINANCIAL STATEMENTS

December 31, 2013 and 2012

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

Subsequent Events

The management of the Company evaluated for subsequent events and transactions for potential recognition and disclosure through March 20, 2014, the date the financial statements were available to be issued. All indentified material events or transactions have been recorded or disclosed.

NOTE 2 - CONCENTRATION OF CREDIT RISK

The Company maintains cash balances at two financial institutions in southwestern Washington State, insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. The Company periodically maintains cash balances in excess of the federally insured limits. At December 31, 2013, the Company's cash balances exceeded the insured amount by \$[REDACTED]. The Company also maintains a balance at a financial institution insured by Securities Investor Protection Corporation ("SIPC") up to \$500,000. At December 31, 2013, the Company's balance did not exceed the insured amount.

The Company's accounts receivable are subject to potential credit risk as they are concentrated in and around Naselle and Grays River, Washington and are unsecured.

NOTE 3 - TELECOMMUNICATIONS ACCOUNTS RECEIVABLE

The telecommunications accounts receivable balance at December 31, 2013 and 2012 consists of:

| | <u>2013</u> | <u>2012</u> |
|--|-------------|-------------|
| Due from customers and agents | [REDACTED] | |
| Due from exchange carriers and exchange carrier associations | | |
| Total | | |

The Company extends credit to its business and residential customers based upon a written credit policy. Service interruption is the primary vehicle for controlling losses. Telecommunications accounts receivable are recorded when subscriber bills, carrier access bills and exchange carrier associations settlement statements are rendered. Certain exchange carrier associations' settlements are subject to out-of-period adjustments and are recorded during the year in which they become determinable. Telecommunications accounts receivable are written off when they are determined to be uncollectible. The Company believes no allowance for doubtful accounts is necessary at December 31, 2013 and 2012.

**WASHINGTON 535 DEEP RIVER
WESTERN WAHIAKUM COUNTY
TELEPHONE COMPANY**
(A Wholly-Owned Subsidiary of Wahkiakum West, Inc.)

NOTES TO FINANCIAL STATEMENTS

December 31, 2013 and 2012

NOTE 3 - TELECOMMUNICATIONS ACCOUNTS RECEIVABLE (Continued)

As of December 31, 2013, less than █% of the accounts receivable were outstanding ninety days or more after the date of invoice on which they were first billed.

NOTE 4 - TELECOMMUNICATIONS PLANT IN SERVICE AND DEPRECIATION

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 | REDACTED | |
| Central office equipment | | |
| Cable and wire facilities | | |
| Intangibles | | |
| Total | | |

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

| | |
|-----------------------------------|----------|
| General support facilities | REDACTED |
| Buildings | |
| Furniture and office equipment | |
| Vehicles and other work equipment | |
| Central office equipment | |
| Cable and wire facilities | |
| Intangible assets | |

Depreciation Expense

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

| | <u>2013</u> | <u>2012</u> |
|-------------------------|-------------|-------------|
| Telecommunication plant | REDACTED | |

**WASHINGTON 535 DEEP RIVER
WESTERN WAHIAKUM COUNTY
TELEPHONE COMPANY**

(A Wholly-Owned Subsidiary of Wahkiakum West, Inc.)

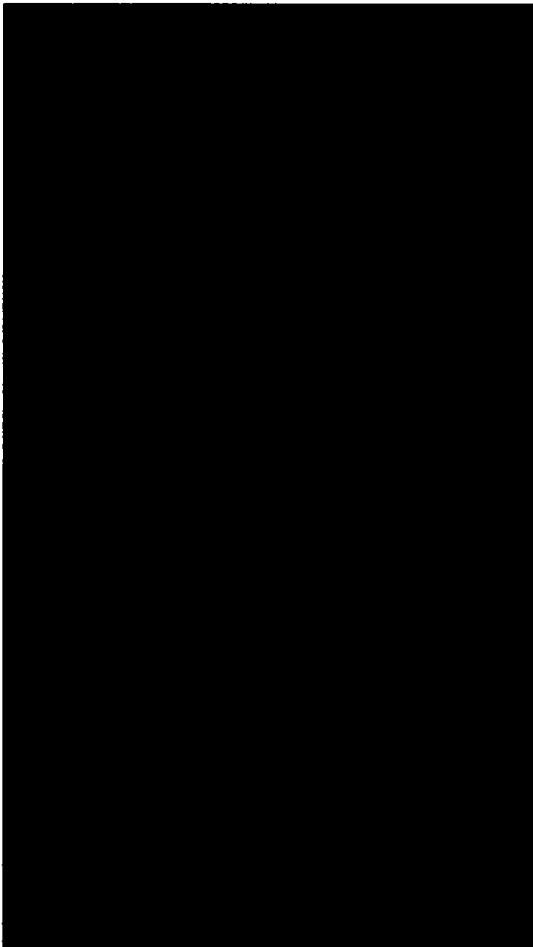
NOTES TO FINANCIAL STATEMENTS

December 31, 2013 and 2012

NOTE 5 - LONG-TERM DEBT

Long-term debt consists of the following:

| | <u>Current Annual Installments of Principal</u> | <u>Principal Amount</u> | |
|---|---|-------------------------|-------------|
| | | <u>2013</u> | <u>2012</u> |
| Rural Utilities Service ("RUS") - First and supplemental mortgage notes █% - Due August 2023 Advance payments (deduction) | | | |
| Rural Telephone Bank ("RTB") - Supplemental mortgage notes █% - due May 2016 █% - due May 2019 █% - due July 2022 █% - due June 2015 █% - due June 2015 █% - due June 2015 | | | |
| Federal Financing Bank ("FFB") - Supplemental mortgage notes █% - due January 2033 █% - due January 2033 █% - due January 2033 █% - due January 2033 █% - due January 2033 █% - due January 2033 | | | |
| Less principal installments of long-term debt due within one year | | | |



**WASHINGTON 535 DEEP RIVER
WESTERN WAHIAKUM COUNTY
TELEPHONE COMPANY**
(A Wholly-Owned Subsidiary of Wahkiakum West, Inc.)

NOTES TO FINANCIAL STATEMENTS

December 31, 2013 and 2012

NOTE 5 - LONG-TERM DEBT (Continued)

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

2014
2015
2016
2017
2018
Thereafter



Substantially all of the Company's telecommunications plant now owned and hereafter acquired is subject to first and supplemental mortgage agreements executed to the Federal Financing Bank. The terms of the mortgage agreements restrict distributions to the stockholder, redemptions of capital stock and investments in affiliated companies. Allowable distributions are based on minimum net worth requirements defined in the agreements.

The Company has available \$ [REDACTED] for future borrowings from Federal Financing Bank for approved telephone plant expenditures.

Pursuant to the FFB Loan Agreement dated June 10, 2011, Section 5.12, TIER Requirement, the Company "will endeavor, but not be required, to maintain a TIER of at least 1.0." At December 31, 2013, the Company exceeded the TIER required.

During 2013, the Company paid off the amounts due to the Rural Utilities Service and Rural Telephone Bank.

NOTE 6 - FEDERAL INCOME TAXES

The Company recognizes deferred federal 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 federal 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 depreciable assets' lives and methods of calculating depreciation and the deduction for the accrual of compensated time off for financial reporting and income tax reporting.

**WASHINGTON 535 DEEP RIVER
WESTERN WAHIAKUM COUNTY
TELEPHONE COMPANY**
(A Wholly-Owned Subsidiary of Wahkiakum West, Inc.)

NOTES TO FINANCIAL STATEMENTS

December 31, 2013 and 2012

NOTE 6 - FEDERAL INCOME TAXES (Continued)

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> |
|------------------------------|-------------|-------------|
| Telecommunications plant | | |
| Accrued compensated time off | | |

The provision for federal income taxes (benefits) is allocated between operating and nonoperating income as follows:

| | <u>2013</u> | <u>2012</u> |
|--|-------------|-------------|
| Operating Federal Income Taxes | | |
| Currently payable | | |
| Deferred income tax payable (benefits) | | |
| Nonoperating Federal Income Taxes | | |
| Current benefits | | |

Components of provision for federal income taxes (benefits) are as follows:

| | <u>2013</u> | <u>2012</u> |
|----------------------------------|-------------|-------------|
| Currently payable | | |
| Deferred income taxes (benefits) | | |

NOTE 7 - LEASES

Future lease commitments are not material; total rental and lease expense for the years ended December 31, 2013 and 2012 is less than ████ percent of revenues.

**WASHINGTON 535 DEEP RIVER
WESTERN WAHIAKUM COUNTY
TELEPHONE COMPANY**
(A Wholly-Owned Subsidiary of Wahkiakum West, Inc.)

NOTES TO FINANCIAL STATEMENTS

December 31, 2013 and 2012

NOTE 8 - PENSION PLAN

The Company has adopted a 401(k) profit sharing plan. Employees become eligible to participate in the plan upon reaching age 21 and having one year of service. Each plan year, employees are allowed to defer █% of their compensation or the maximum as established by Internal Revenue Service regulations. Employees may also make voluntary after-tax contributions to the profit sharing plan each year. The Company has a matching provision as defined in the plan for the deferred employee compensation amounts. The plan also allows the Company to make discretionary profit sharing contributions to the plan each year, subject to limitations provided by the plan and Internal Revenue Service rules and regulations. For the years ended December 31, 2013 and 2012, the Company's discretionary profit sharing contributions amounted to █ and █, respectively.

NOTE 9 - RELATED PARTY TRANSACTIONS

The Company is affiliated with Wahkiakum West Television, Inc. and Wahkiakum West Long Distance, Inc. through common ownership by Wahkiakum West, Inc.

| | <u>Wahkiakum West Television, Inc.</u> | <u>Wahkiakum West Long Distance, Inc.</u> | <u>Total Due From (To) Affiliated Companies</u> |
|--|--|---|---|
| Balance December 31, 2011 | | | |
| Advances to affiliates | | | |
| Transfer of federal income taxes | | | |
| Revenues billed on behalf of the affiliated company | | | |
| Telecommunications services provided | | | |
| Repayment of advances | | | |
| Balance December 31, 2012 | | | |
| Advances to affiliates | | | |
| Transfer of federal income taxes | | | |
| Revenues billed on behalf of the affiliated company | | | |
| Telecommunications services provided | | | |
| Repayment of advances | | | |
| Balance December 31, 2013 | | | |

WAHKIAKUM WEST LONG DISTANCE, INC

Balance Sheet

As of December 31, 2013

| | <u>Dec 31, 13</u> |
|---------------------------------------|-------------------|
| ASSETS | |
| [REDACTED] | [REDACTED] |
| [REDACTED] | [REDACTED] |
| [REDACTED] | [REDACTED] |
| TOTAL ASSETS | [REDACTED] |
| LIABILITIES & EQUITY | |
| [REDACTED] | [REDACTED] |
| [REDACTED] | [REDACTED] |
| [REDACTED] | [REDACTED] |
| [REDACTED] | [REDACTED] |
| [REDACTED] | [REDACTED] |
| [REDACTED] | [REDACTED] |
| TOTAL LIABILITIES & EQUITY | [REDACTED] |

WAHKIAKUM WEST LONG DISTANCE, INC
Balance Sheet
As of December 31, 2012

| | <u>Dec 31, 12</u> |
|---------------------------------------|-------------------|
| ASSETS | |
| [REDACTED] | [REDACTED] |
| [REDACTED] | [REDACTED] |
| [REDACTED] | [REDACTED] |
| TOTAL ASSETS | [REDACTED] |
| LIABILITIES & EQUITY | |
| [REDACTED] | [REDACTED] |
| [REDACTED] | [REDACTED] |
| [REDACTED] | [REDACTED] |
| [REDACTED] | [REDACTED] |
| [REDACTED] | [REDACTED] |
| [REDACTED] | [REDACTED] |
| TOTAL LIABILITIES & EQUITY | [REDACTED] |

WAHKIAKUM WEST TELEVISION, INC

Balance Sheet

As of December 31, 2013

Dec 31, 13

ASSETS

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

TOTAL ASSETS

[REDACTED]

LIABILITIES & EQUITY

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

TOTAL LIABILITIES & EQUITY

[REDACTED]

WAHKIAKUM WEST TELEVISION, INC

Balance Sheet

As of December 31, 2012

Dec 31, 12

ASSETS

| | |
|------------|------------|
| [REDACTED] | [REDACTED] |
| [REDACTED] | [REDACTED] |
| [REDACTED] | [REDACTED] |
| [REDACTED] | [REDACTED] |

TOTAL ASSETS

[REDACTED]

LIABILITIES & EQUITY

| | |
|------------|------------|
| [REDACTED] | [REDACTED] |
| [REDACTED] | [REDACTED] |
| [REDACTED] | [REDACTED] |
| [REDACTED] | [REDACTED] |
| [REDACTED] | [REDACTED] |
| [REDACTED] | [REDACTED] |

TOTAL LIABILITIES & EQUITY

[REDACTED]

WAHKIAKUM WEST, INC.
Balance Sheet
As of December 31, 2013

| | <u>Dec 31, 13</u> |
|---------------------------------------|-------------------|
| ASSETS | |
| [REDACTED] | [REDACTED] |
| [REDACTED] | [REDACTED] |
| [REDACTED] | [REDACTED] |
| TOTAL ASSETS | [REDACTED] |
| LIABILITIES & EQUITY | |
| [REDACTED] | [REDACTED] |
| [REDACTED] | [REDACTED] |
| [REDACTED] | [REDACTED] |
| [REDACTED] | [REDACTED] |
| [REDACTED] | [REDACTED] |
| TOTAL LIABILITIES & EQUITY | [REDACTED] |

WAHKIAKUM WEST, INC.
Balance Sheet
As of December 31, 2012

| ASSETS | <u>Dec 31, 12</u> |
|---------------------------------------|-------------------|
| [REDACTED] | [REDACTED] |
| [REDACTED] | [REDACTED] |
| [REDACTED] | [REDACTED] |
| TOTAL ASSETS | [REDACTED] |
| LIABILITIES & EQUITY | |
| [REDACTED] | [REDACTED] |
| [REDACTED] | [REDACTED] |
| [REDACTED] | [REDACTED] |
| [REDACTED] | [REDACTED] |
| [REDACTED] | [REDACTED] |
| TOTAL LIABILITIES & EQUITY | [REDACTED] |

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Accrual Basis

WAHKIAKUM WEST, INC.
Profit & Loss
January through December 2012

| | <u>Jan - Dec 12</u> |
|----------------------|---------------------|
| Income | |
| [REDACTED] | [REDACTED] |
| [REDACTED] | [REDACTED] |
| [REDACTED] | [REDACTED] |
| [REDACTED] | [REDACTED] |
| Total Income | [REDACTED] |
| Expense | |
| [REDACTED] | [REDACTED] |
| [REDACTED] | [REDACTED] |
| Total Expense | [REDACTED] |
| Net Income | [REDACTED] |

EXHIBIT 6

STATEMENTS OF INCOME AND RETAINED EARNINGS OR MARGINS
OF FCC FORM 479

| USDA-RUS | | BORROWER DESIGNATION | |
|---|------------|---------------------------------|--|
| OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS | | WA0535 | |
| | | 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 | 222,043 | 219,575 | |
| 2. Network Access Services Revenues | 3,085,807 | 3,037,205 | |
| 3. Long Distance Network Services Revenues | | | |
| 4. Carrier Billing and Collection Revenues | 23,182 | 22,142 | |
| 5. Miscellaneous Revenues | 5 | | |
| 6. Uncollectible Revenues | 279 | 185 | |
| 7. Net Operating Revenues (1 thru 5 less 6) | 3,330,758 | 3,278,737 | |
| 8. Plant Specific Operations Expense | 489,579 | 465,023 | |
| 9. Plant Nonspecific Operations Expense (Excluding Depreciation & Amortization) | 583,873 | 582,320 | |
| 10. Depreciation Expense | 988,354 | 604,736 | |
| 11. Amortization Expense | | | |
| 12. Customer Operations Expense | 136,737 | 144,091 | |
| 13. Corporate Operations Expense | 993,023 | 910,916 | |
| 14. Total Operating Expenses (8 thru 13) | 3,191,566 | 2,707,086 | |
| 15. Operating Income or Margins (7 less 14) | 139,192 | 571,651 | |
| 16. Other Operating Income and Expenses | | | |
| 17. State and Local Taxes | 75,783 | 57,000 | |
| 18. Federal Income Taxes | 4,743 | 153,302 | |
| 19. Other Taxes | | | |
| 20. Total Operating Taxes (17+18+19) | 80,526 | 210,302 | |
| 21. Net Operating Income or Margins (15+16-20) | 58,666 | 361,349 | |
| 22. Interest on Funded Debt | 64,157 | 37,304 | |
| 23. Interest Expense - Capital Leases | | | |
| 24. Other Interest Expense | 1,089 | 1,089 | |
| 25. Allowance for Funds Used During Construction | 6,931 | 9,469 | |
| 26. Total Fixed Charges (22+23+24-25) | 58,315 | 28,924 | |
| 27. Nonoperating Net Income | 9,025 | 511 | |
| 28. Extraordinary Items | | | |
| 29. Jurisdictional Differences | | | |
| 30. Nonregulated Net Income | (25,297) | (39,124) | |
| 31. Total Net Income or Margins (21+27+28+29+30-26) | (15,921) | 299,812 | |
| 32. Total Taxes Based on Income | | | |
| 33. Retained Earnings or Margins Beginning-of-Year | 3,622,290 | 3,606,369 | |
| 34. Miscellaneous Credits Year-to-Date | | | |
| 35. Dividends Declared (Common) | | | |
| 36. Dividends Declared (Preferred) | | | |
| 37. Other Debits Year-to-Date | | | |
| 38. Transfers to Patronage Capital | | | |
| 39. Retained Earnings or Margins End-of-Period [(31+33+34) - (35+36+37+38)] | 3,606,369 | 3,906,181 | |
| 40. Patronage Capital Beginning-of-Year | | | |
| 41. Transfers to Patronage Capital | | | |
| 42. Patronage Capital Credits Retired | | | |
| 43. Patronage Capital End-of-Year (40+41-42) | 0 | 0 | |
| 44. Annual Debt Service Payments | 225,711 | 1,004,455 | |
| 45. Cash Ratio [(14+20-10-11) / 7] | 0.6857 | 0.7053 | |
| 46. Operating Accrual Ratio [(14+20+26) / 7] | 0.9999 | 0.8986 | |
| 47. TIER [(31+28) / 26] | 0.7270 | 11.3655 | |
| 48. DSCR [(31+26+10+11) / 44] | 4.5667 | 0.9293 | |

EXHIBIT 7

CORPORATE OPERATIONS EXPENSE ADJUSTMENT(S)

For 2013: _\$114,233_____

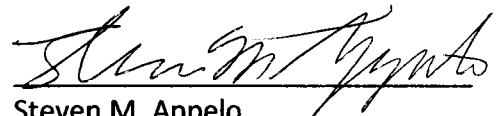
For 2012: _\$207,398_____

EXHIBIT 8

FINANCIAL ACCOUNTING CERTIFICATE

I, Steven M. Appelo, an officer of Western Wahkiakum County Telephone Company, with personal knowledge and responsibility, based upon my discussions with company staff and 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 1st day of ~~July~~^{August}, 2014.



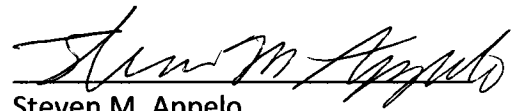
Steven M. Appelo
Corporate Secretary

EXHIBIT 9

CONTINUED OPERATIONS CERTIFICATE

I, Steven M. Appelo, 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 1 day of ^{August} ~~July~~, 2014.



Steven M. Appelo
Corporate Secretary