

USDA-RUS  <b>OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS</b>	This data will be used by RUS to review your financial situation. Your response is required by 7 U.S.C. 901 et seq. and, subject to federal laws and regulations regarding confidential information, will be treated as confidential. BORROWER NAME  Hood Canal Telephone Co., Inc.  (Prepared with Audited Data)
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INSTRUCTIONS-Submit report to RUS within 30 days after close of the period. For detailed instructions, see RUS Bulletin 1744-2. Report in whole dollars only.	PERIOD ENDING December, 2015	BORROWER DESIGNATION WA0541
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**CERTIFICATION**

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

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

**DURING THE PERIOD COVERED BY THIS REPORT PURSUANT TO PART 1788 OF 7CFR CHAPTER XVII**  
 (Check one of the following)

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

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DATE

PART A. BALANCE SHEET					
ASSETS	BALANCE PRIOR YEAR	BALANCE END OF PERIOD	LIABILITIES AND STOCKHOLDERS' EQUITY	BALANCE PRIOR YEAR	BALANCE END OF PERIOD
<b>CURRENT ASSETS</b>			<b>CURRENT LIABILITIES</b>		
1. Cash and Equivalents	755,017	834,550	25. Accounts Payable	201,450	315,681
2. Cash-RUS Construction Fund	0	0	26. Notes Payable		
3. Affiliates:			27. Advance Billings and Payments		
a. Telecom, Accounts Receivable			28. Customer Deposits	65,671	69,265
b. Other Accounts Receivable	97,315	92,007	29. Current Mat. L/T Debt	265,000	275,300
c. Notes Receivable			30. Current Mat. L/T Debt-Rur. Dev.		
4. Non-Affiliates:			31. Current Mat.-Capital Leases		
a. Telecom, Accounts Receivable	403,030	352,376	32. Income Taxes Accrued		
b. Other Accounts Receivable	0		33. Other Taxes Accrued	61,503	92,725
c. Notes Receivable	9,600	9,800	34. Other Current Liabilities	516,546	544,396
5. Interest and Dividends Receivable			<b>35. Total Current Liabilities (25 thru 34)</b>	<b>1,110,170</b>	<b>1,297,367</b>
6. Material-Regulated	150,988	199,209	<b>LONG-TERM DEBT</b>		
7. Material-Nonregulated	350,590	199,487	36. Funded Debt-RUS Notes	1,187,879	1,054,853
8. Prepayments	97,785	114,288	37. Funded Debt-RTB Notes		
9. Other Current Assets			38. Funded Debt-FFB Notes		
<b>10. Total Current Assets (1 Thru 9)</b>	<b>1,864,325</b>	<b>1,801,717</b>	39. Funded Debt-Other		
<b>NONCURRENT ASSETS</b>			40. Funded Debt-Rural Develop. Loan	595,391	433,411
11. Investment in Affiliated Companies			41. Premium (Discount) on L/T Debt		
a. Rural Development			42. Reacquired Debt		
b. Nonrural Development			43. Obligations Under Capital Lease		
12. Other Investments			44. Adv. From Affiliated Companies		
a. Rural Development			45. Other Long-Term Debt		
b. Nonrural Development	126,858	135,232	<b>46. Total Long-Term Debt (36 thru 45)</b>	<b>1,783,270</b>	<b>1,488,264</b>
13. Nonregulated Investments	4,400,728	4,371,870	<b>OTHER LIAB. &amp; DEF. CREDITS</b>		
14. Other Noncurrent Assets	388,566	378,790	47. Other Long-Term Liabilities		
15. Deferred Charges			48. Other Deferred Credits	276,214	230,940
16. Jurisdictional Differences			49. Other Jurisdictional Differences		
<b>17. Total Noncurrent Assets (11 thru 16)</b>	<b>4,916,152</b>	<b>4,885,892</b>	50. Total Other Liabilities and Deferred Credits (47 thru 49)	276,214	230,940
<b>PLANT, PROPERTY, AND EQUIPMENT</b>			<b>EQUITY</b>		
18. Telecom, Plant-in-Service	7,194,981	7,577,200	51. Cap. Stock Outstand. & Subscribed	50,000	50,000
19. Property Held for Future Use			52. Additional Paid-in-Capital		
20. Plant Under Construction	323,561	322,515	53. Treasury Stock		
21. Plant Adj., Nonop. Plant & Goodwill			54. Membership and Cap. Certificates		
22. Less Accumulated Depreciation	6,233,303	6,372,069	55. Other Capital	515,689	515,689
<b>23. Net Plant (18 thru 21 less 22)</b>	<b>1,285,239</b>	<b>1,527,646</b>	56. Patronage Capital Credits		
<b>24. TOTAL ASSETS (10+17+23)</b>			57. Retained Earnings or Margins	4,330,373	4,632,995
	8,065,716	8,215,255	<b>58. Total Equity (51 thru 57)</b>	<b>4,896,062</b>	<b>5,198,684</b>
			<b>59. TOTAL LIABILITIES AND EQUITY (35+46+50+58)</b>	<b>8,065,716</b>	<b>8,215,255</b>

Total Equity = 63.28% % of Total Assets

**OPERATING REPORT FOR  
TELECOMMUNICATIONS BORROWERS**

WA0541

PERIOD ENDING

December, 2015

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	185,015	197,205
2. Network Access Services Revenues	1,645,250	1,609,461
3. Long Distance Network Services Revenues		204,176
4. Carrier Billing and Collection Revenues	377	0
5. Miscellaneous Revenues	20,660	20,582
6. Uncollectible Revenues	(1,798)	(1,536)
<b>7. Net Operating Revenues (1 thru 5 less 6)</b>	<b>1,853,100</b>	<b>2,032,960</b>
8. Plant Specific Operations Expense	1,248,392	1,236,062
9. Plant Nonspecific Operations Expense (Excluding Depreciation & Amortization)	127,367	141,765
10. Depreciation Expense	373,431	265,637
11. Amortization Expense	6,560	6,560
12. Customer Operations Expense	657,386	647,884
13. Corporate Operations Expense	792,919	855,139
<b>14. Total Operating Expenses (8 thru 13)</b>	<b>3,206,055</b>	<b>3,153,047</b>
15. Operating Income or Margins (7 less 14)	(1,352,955)	(1,120,087)
16. Other Operating Income and Expenses		
17. State and Local Taxes	116,726	169,689
18. Federal Income Taxes		
19. Other Taxes		
<b>20. Total Operating Taxes (17+18+19)</b>	<b>116,726</b>	<b>169,689</b>
21. Net Operating Income or Margins (15+16-20)	(1,469,681)	(1,289,776)
22. Interest on Funded Debt	74,505	65,565
23. Interest Expense - Capital Leases		
24. Other Interest Expense	4,880	6,744
25. Allowance for Funds Used During Construction		
<b>26. Total Fixed Charges (22+23+24-25)</b>	<b>79,385</b>	<b>72,309</b>
27. Nonoperating Net Income	13,146	10,563
28. Extraordinary Items		
29. Jurisdictional Differences		
30. Nonregulated Net Income	1,861,557	2,078,439
<b>31. Total Net Income or Margins (21+27+28+29+30-26)</b>	<b>325,637</b>	<b>726,917</b>
32. Total Taxes Based on Income		
33. Retained Earnings or Margins Beginning-of-Year	4,004,736	4,330,373
34. Miscellaneous Credits Year-to-Date		
35. Dividends Declared (Common)		424,295
36. Dividends Declared (Preferred)		
37. Other Debits Year-to-Date		
38. Transfers to Patronage Capital		
<b>39. Retained Earnings or Margins End-of-Period [(31+33+34) - (35+36+37+38)]</b>	<b>4,330,373</b>	<b>4,632,995</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	352,825	350,781
45. Cash Ratio [(14+20-10-11) / 7]	1.5880	1.5005
46. Operating Accrual Ratio [(14+20+26) / 7]	1.8359	1.6700
47. TIER [(31+26) / 26]	5.1020	11.0529
48. DSCR [(31+26+10+11) / 44]	2.2249	3.0544