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06/29/2016

Washington Utilities and Transportation Commission  
1300 South Evergreen Park Drive  
Olympia, WA 98504

RE: Annual Report for Skyline Telecom SAC 520581 In Compliance with WAC 480-123-060, WAC 480-123-070 and WAC 480-123-080

Skyline Telecom Inc submits this annual ETC report along with certifications to the Washington Utilities Transportation Commission. Per the direction of the Commission Staff, the NECA-1 report will be provided as soon as it is available and no later than August 1, 2016. The company will provide no later than August 1, 2016 the final intrastate amounts on its balance sheet and income statement. If you should have further questions, please don't hesitate to contact me. Thank you for your attention to these matters.

If you should have further questions, please don't hesitate to contact me. Thank you for your attention to these matters.

Sincerely,

Delinda Kluser  
Vice President/Manager

ETC ANNUAL REPORT PER WAC 480-123-070 AND WAC 480-123-080  
Contains Certifications Required by WAC 480-123-060 and 070  
July 1, 2016

Skyline Telecom ("Company") hereby submits the following reports in accordance with WAC 480-123-070 and WAC 480-123-080.

1. Report 1: Report on use of funds: WAC 480-123-070(1)(a):

The Company used support from the federal high-cost fund in 2015 as follows: Strictly to provide, maintain, and upgrade facilities and services for which the support is intended.

For 2015 the Company's gross capital expenditures were \$56,729. The Company's 2015 operating expenses were \$829,778. Recent major projects include the preparation for the upgrading of nodes in the Silverton exchange. This will improve the quality of service for data customers and will also allow for increased broadband speeds.

Per the direction of Commission Staff, the NECA -1 report will be provided as soon as it is available and no later than August 1, 2016.

2. Report 2: WAC 480-123-070(1)(b): The Company reports that the investments and expenses report under Report 1, above, benefited the customers as follows:

The customers served by the Company benefited from the use of high-cost fund support by continuing to receive high quality telecommunications services.

Through the expenditure of these funds, the Company was able to continue to provide services at a level that the Company believes meets the intent set forth in 47 U.S.C § 254 of providing quality telecommunications services to customers in the service area for which the Company is designated as an ETC.<sup>1</sup> The Company has made substantial investments over the past several years which allow it to provide quality telecommunications services to its customers in its designated ETC service area. Those expenditures and investments, including those reflected in Report 1 above, generally benefit all customers receiving the federal high-cost fund supported services from the Company within its designated ETC service area. The Company has expanded its network over the past several years so that it is capable of providing access to broadband services throughout most of the Company's designated ETC service area. The Company offers services that are comparable to services offered in urban areas at rates that are comparable to rates for such services in urban areas.

3. Report 3: Local Services Outage Report: WAC 480-123-070(2):

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<sup>1</sup> The term "ETC" is used in the same sense as the term is used in Chapter 480-123 WAC.

Local outages are disclosed on the FCC Form 481 as referenced in Report 6 below.

4. Report 4: Report on Failure to Provide Service: WAC 480-123-070(3):

None

5. Report 5: Report on Complaints per 1000 Connections: WAC 480-123-070(4):

None

6. Report 6: Annual Plan: WAC 480-123-080(1):

The Company has not yet started the budgeting process for 2017 and therefore does not have the final numbers prepared for investments and expense levels for the period January 1, 2017, through December 31, 2017. Major projects are disclosed on FCC Form 481 filed with the Commission on June 29, 2016 in Docket No. UT-160030. The Company expects that levels of expenses will remain relatively the same as those it experience in calendar year 2015, subject to the effects of inflation, other commonly experienced changes in cost of labor and materials, and increased depreciation on new investment placed in service. The Company does not anticipate major adjustments in staffing levels for the relevant period.

7. Report 7: Plan of Investments and Expenditures: WAC 480-123-080(2):

As they are known to the Company at the date of this Report, the planned investment and expenses related to Washington state for the period January 1, 2017, through December 31, 2017, will remain relatively the same as those it experienced in calendar year 2015, subject to the effects of inflation, other commonly experienced changes in cost of labor and materials, and increased depreciation on new investment placed in service. The Company does not anticipate major adjustments in staffing levels for the relevant period. Major projects are disclosed on FCC Form 481 as referenced in Report 6, above. The Company has not completed its budgeting process and does not have final numbers prepared for investment and expense levels for 2017. The Company expects that the continued receipt of federal high-cost support will allow the Company to continue to provide the supported services at rates that are comparable to the rates for such services in urban areas. All customer in the Company's designated ETC service area will benefit from the expected level of support by continuing to have available to them services that are comparable to the telecommunications services offered in urban areas at rates that are comparable to the rates for such services in urban areas.

**AFFIDAVIT CONTAINING CERTIFICATIONS  
PURSUANT TO WAC 480-123-060 AND WAC 480-123-070**

I, Delinda Kluser, being of lawful age, state that I am Vice-Pres, Manager of Skyline Telecom Inc. ("Company"), that I am authorized to execute this Affidavit on behalf of the Company, and that the facts set forth in this Affidavit are true to the best of my knowledge, information and belief. On this basis, I hereby certify to the Washington Utilities and Transportation Commission ("Commission") for use by the Commission in providing the certification to the Federal Communications Commission and Universal Service Administrative Company required by 47 C.F.R. §54.314, as follows:

- (1) That the Company in 2015 used and in the coming calendar year will use federal high-cost universal service fund support provided to the Company in the State of Washington only for the provision, maintenance and upgrading of the facilities and services for which the support is intended;
- (2) That during the 2015 calendar year, the Company met substantially the applicable service quality standard and consumer protection rules found in WAC 480-123-030(1)(h);
- (3) That during the 2015 calendar year, the Company maintained the ability to function in emergency situations under the standard found in WAC 480-123-030(1)(g), as such standard relates to functionality of wireline carriers in emergency situations; and
- (4) That during the 2015 calendar year, the Company publicized the availability of its applicable telephone assistance programs in a manner reasonably designed to reach those likely to qualify for service and in a manner which, in the Company's judgment, included advertisements likely to reach those who are not current customers of the Company within the Company's designated service area.

I certify under penalty of perjury under the laws of the State of Washington that the foregoing is true and correct.

Dated this <sup>29<sup>th</sup></sup> day of June, 2016, at MT Vernon, Oregon.

Company: Skyline Telecom Inc.

By: \_\_\_\_\_

Type Name: Delinda Kluser

Its: Vice-Pres, Manager

# SCHEDULE 1

## Washington State Data

(All companies must provide)

### Part A. Services

Does your company provide local exchange services in WA?

YES  NO

If response is yes, Part C MUST be completed, even if response is zero (0).

### Part B. Access Lines in service as of December 31, 2015

1 The total number of voice grade equivalent lines

112

This should be the same as the FCC Form 477 Part II. A. 1.

2 How many of the lines listed in C.1. above, have access to E-911

112

### Part C. Revenue Confirmation

	Total Company	Total WA	WA Intrastate
Annual Revenue for the twelve months ended December 31, 2015	\$963,810	\$963,810	\$154,627

### Rate Base

Line #	Description	B/S Line #	Adj Balance End of Year 2014 (A)	Adj Balance End of Year 2015 (B)	Average Adj End of Year Balance (C)
	<b>Average Rate Base:</b>				
1	Total Regulated Adjusted Telecom Plant-In-service	18	\$2,963,013	\$3,019,742	\$2,991,378
2	Total Property Held for Future Use	19		\$0	\$0
3	Total Regulated Adjusted Accumulated Depreciation (CR)	22	\$1,855,980	\$2,045,030	\$1,950,505
4	Total Regulated Materials & Supplies	6			\$0
5	Deferred Income Taxes (CR)		-\$72,694	-\$75,870	-\$74,282
6	<b>Total Regulated Rate Base</b>		\$4,746,299	\$4,988,902	\$4,867,601

*Footnotes:*

1. Normal balance of deferred income taxes and accumulated depreciation is a credit.
2. Source of Column (A) is prior year annual report
3. Source of Column (B) is current year annual report Balance Sheet

Company Name:  
Skyline Telecom Inc

For the Period Ending:  
December 31, 2015

ASSETS	Total Company (1) (A)	Total Washington (B)	Washington Intrastate (2) (C)	LIABILITIES AND STOCKHOLDERS' EQUITY	Total Company (1) (A)	Total Washington (B)	Washington Intrastate (2) (C)
<b>CURRENT ASSETS</b>				<b>CURRENT LIABILITIES</b>			
1. Cash and Equivalents		305158		25. Accounts Payable		52146	
2. Cash-RUS Construction Fund				26. Notes Payable			
3. Affiliates:				27. Advance Billings and Payments		665	
a. Telecom, Accounts Receivable		5296		28. Customer Deposits		117102	
b. Other Accounts Receivable		98941		29. Current Mat. L/T Debt			
c. Notes Receivable				30. Current Mat. L/T Debt Rur. Dev.			
4. Non-Affiliates:				31. Current Mat. - Capital Leases			
a. Telecom, Accounts Receivable				32. Income Taxes Accrued			
b. Other Accounts Receivable				33. Other Taxes Accrued			
c. Notes Receivable				34. Other Current Liabilities			
5. Interest and Dividends Receivable				35. Total Current Liabilities (25 thru 34)	0	169,913	
6. Material-Regulated				<b>LONG-TERM DEBT</b>			
7. Material-Nonregulated		581		36. Funded Debt-RUS Notes		336048	
8. Prepayments		43293		37. Funded Debt-RTB Notes		201091	
9. Other Current Assets				38. Funded Debt-FFB Notes			
10. Total Current Assets (1 Thru 9)	0	453,269		39. Funded Debt-Other			
				40. Funded Debt-Rural Develop. Loan			
<b>NONCURRENT ASSETS</b>				41. Premium (Discount) on L/T Debt			
11. Investment in Affiliated Companies				42. Reacquired Debt			
a. Rural Development				43. Obligations Under Capital Lease			
b. Nonrural Development				44. Adv. From Affiliated Companies			
12. Other Investments				45. Other Long-Term Debt			
a. Rural Development				46. Total Long-Term Debt (36 thru 45)	0	537,139	
b. Nonrural Development				<b>OTHER LIAB. &amp; DEF. CREDITS</b>			
13. Nonregulated Investments (B1)		18175		47. Other Long-Term Liabilities		75,870	
14. Other Noncurrent Assets				48. Other Deferred Credits (A)			
15. Deferred Charges				49. Other Jurisdictional Differences			
16. Jurisdictional Differences				50. Total Other Liab. & Def. Credits (47 thru 49)	0	75,870	
17. Total noncurrent Assets (11 thru 16)	0	18,175		<b>EQUITY</b>			
				51. Cap. Stock Outstanding & Subscribed		262582	
<b>PLANT, PROPERTY AND EQUIPMENT</b>				52. Additional Paid-in-Capital			
18. Telecom Plant-in-Service		3,019,742		53. Treasury Stock			
19. Property Held for Future Use				54. Membership and cap. Certificates			
20. Plant Under Construction				55. Other Capital			
21. Plant Adj., Nonop Plant & Goodwill				56. Patronage Capital Credits			
22. Accumulated Depreciation (CR.)		(2,045,030)		57. Retained Earnings or Margins (B2)		400,652	
23. Net Plant (18 thru 21 less 22)	0	974,712	0	58. Total Equity (51 thru 57)	0	663,234	
<b>24. TOTAL ASSETS (10+17+23)</b>	0	1,446,156		<b>59. TOTAL LIABILITIES AND EQUITY (35+46+50+58)</b>	0	1,446,156	

Footnotes:

(1) - Only complete if different than Total Washington (Column B)

(2) - Only complete for lines 18 - 22 + 48

Note:

Column B should equal Column A of the State USF Program template which is required to be submitted to the commission no later than August 1.

Company Name: (Below)

Skyline Telecom Inc

For the 12 months ending:

December 31, 2015

Line #	Description	Total Company (1) (A)	Total Washington (B)	Washington Intrastate (C)
1	Local Network Services Revenues		28,841	
2	Network Access Services Revenues		935,382	
3	Long Distance Network Services Revenues			
4	Carrier Billing and Collection Revenues			
5	Miscellaneous Revenues			
6	Uncollectible Revenues (Normal Balance is debit or in brackets)		(536)	
7	<b>Net Operating Revenues (1 thru 6)</b>	<b>0</b>	<b>963,687</b>	<b>0</b>
8	Plant Specific Operations Expense		255,327	
9	Plant Nonspecific Operations Expense (excluding Depreciation & Amort.)		14,095	
10	Depreciation Expense		189,051	
11	Amortization Expense		1,540	
12	Customer Operations Expense		14,723	
13	Corporate Operations		355,042	
14	<b>Total Operations Expenses (8 thru 12 +13)</b>	<b>0</b>	<b>829,778</b>	<b>0</b>
15	Operating Income or Margins (7 less 14)	0	133,909	0
16	Other Operating Income and Expenses ( )		142	
17	State and Local Taxes			
18	Federal Income Taxes - (LINE IS ZERO IF COMPANY IS S CORP)		33,520	
19	Other Taxes		5,402	
20	<b>Total Operating Taxes (17+18+19)</b>	<b>0</b>	<b>38,922</b>	<b>0</b>
21	<b>Net Operating Income or Margins (15+16-20)</b>	<b>0</b>	<b>95,129</b>	<b>0</b>
22	Interest on Funded Debt		33677	
23	Interest Expense - Capital Leases			
24	Other Interest Expense			
25	Allowance for Funds Used During Construction (CR)			
26	<b>Total Fixed Charges (22+23+24-25)</b>	<b>0</b>	<b>33,677</b>	
27	Nonoperating Net Income		21665	
28	Extraordinary Items			
29	Jurisdictional Differences			
30	Nonregulated Net Income		(63,741)	
31	<b>Total Net Income or Margins (21+27+28+29+30-26)</b>	<b>0</b>	<b>19,376</b>	

Footnote:

(1) Only complete if different than Total Washington, Column (B)

Note:

Column B should equal Column A of the State USF Program template which is required to be submitted to the commission no later than August 1.