



# Pioneer Telephone Company

P.O. Box 207 • LaCrosse, WA 99143  
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*Serving LaCrosse, Endicott, Winona, Hooper, Dusty, and Hay*

July 25, 2017

Mr. Steven V. King, Executive Director and Secretary  
Washington Utilities and Transportation Commission  
1300 South Evergreen Park Drive SW  
Olympia, WA 98504-7250

Re: Petition to Receive Support from the State Universal Communications  
Services Program Pursuant to WAC 480-123-100 and 480-123-110

## CLAIM OF CONFIDENTIALITY

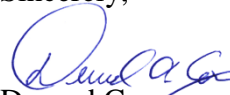
Dear Mr. King:

Pursuant to WAC 480-123-100 and WAC 480-123-110, Pioneer Telephone Company ("Company") hereby petitions the Washington Utilities and Transportation Commission ("WUTC") to receive support from the State Universal Communications Services Program for the Program year 2018.

The petition for support and exhibits that are specified in WAC 480-123-100 and WAC 480-123-110 accompany this letter and, together with this letter, are being filed electronically. The electronic filing includes .pdf format files for this letter, the petition and the exhibits. Exhibits 4 and 4.1 have also been provided in Excel format per Commission staff request.

Please note that portions of the information in the Petition and accompanying exhibits are being filed on a confidential basis pursuant to WAC 480-07-160, in that certain of the information contained therein constitutes valuable and confidential commercial information, including financial information. Both confidential (unredacted) and redacted versions of the petition and its exhibits accompany this letter.

Sincerely,



Durand Cox  
President

Enclosures

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

8 IN RE

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10 PETITION OF PIONEER TELEPHONE  
11 COMPANY TO RECEIVE SUPPORT  
12 FROM THE STATE UNIVERSAL  
13 COMMUNICATIONS SERVICES  
14 PROGRAM

DOCKET NO.  
PETITION FOR SUPPORT

15 COMES NOW Pioneer Telephone Company (the "Company") and, pursuant to Chapter  
16 480-123 of the Washington Administrative Code ("WAC") including, but not limited to, WAC 480-  
17 123-110, hereby petitions the Washington Utilities and Transportation Commission (the  
18 "Commission") to receive support from the State Universal Communications Services Program  
19 established in RCW 80.36.650 (the "Program") for the Program year 2018.

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

- 21 1. WAC 480-123-100(1)(a): The Company is a local exchange company as defined in WAC  
22 480-120-021 that serves less than forty thousand access lines within the state.  
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26 PETITION OF PIONEER TELEPHONE  
COMPANY TO RECEIVE SUPPORT  
FROM THE STATE UNIVERSAL  
COMMUNICATIONS SERVICES  
PROGRAM - 1

- 1 2. WAC 480-123-100(1)(b): The Company is an incumbent local exchange carrier as defined  
2 in 47 U.S.C. Sec. 251(h).
- 3 3. WAC 480-123-100(1)(c): The Company offers basic residential and business exchange  
4 telecommunications services as set forth in WAC 480-120-021 and RCW 80.36.630.
- 5 4. WAC 480-123-100(1)(d): The Company's rates for residential local exchange service, plus  
6 mandatory extended area service charges, are no lower than the local urban rate floor  
7 established by the Commission as the benchmark rate based on the Federal Communications  
8 Commission's national local urban rate floor pursuant to 47 C.F.R. Sec. 54.318 in effect on  
9 the date of this Petition.
- 10 11 5. WAC 480-123-100(1)(e): The Company has been designated by the Commission as an  
12 eligible telecommunications carrier for purposes of receiving federal universal services  
13 support pursuant to 47 C.F.R. Part 54 Subpart D - Universal Service Support for High Cost  
14 Areas with respect to the service area for which the Company is seeking Program support.  
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## 16 **II. Demonstration of Eligibility under WAC 480-123-110**

- 17 18 1. WAC 480-123-110(1)(a): The name of the legal entity that provides communications  
19 services and is seeking Program support is as follows: Pioneer Telephone Company.
- 20 2. WAC 480-123-110(1)(b): A corporate organization chart showing the relationship between  
21 the Company and all affiliates as defined in RCW 80.16.010, is attached hereto as Exhibit 1.  
22 A detailed description of any transactions between the Company and the affiliates named in  
23 Exhibit 1 recorded in the Company's operating accounts is attached hereto as Exhibit 2.  
24

- 1 3. WAC 480-123-110(1)(c): A service area map for the Company can be found at Sheet No.  
2 2.2 in Section IV of the Company's Tariff WN U-3.
- 3 4. WAC 480-123-110(1)(d): A demonstration that the Company's customers are at risk of rate  
4 instability or service interruption or cessation in the absence of support from the Program is  
5 attached hereto as Exhibit 3.
- 6 5. WAC 480-123-110(1)(e)(i): On the Commission's prescribed form, attached hereto as  
7 Exhibit 4, are copies of the Company's balance sheet as of December 31, 2016, and  
8 December 31, 2015, and copies of the Company's statements of income and retained  
9 earnings or margin for the years ended December 31, 2016 and December 31, 2015. In  
10 addition, certain service information requested by the Commission is included in Exhibit 4.
- 11 6. WAC 480-123-110(1)(e)(ii): A copy of the parent Company's consolidated annual financial  
12 statements for the years ended December 31, 2016 and December 31, 2015, are attached as  
13 hereto Exhibit 5.
- 14 7. WAC 480-123-110(1)(e)(iii): Information demonstrating the Company's earned rate of  
15 return on a total Washington unseparated regulated operations basis for each of the two prior  
16 years, calculated in the manner prescribed by the Commission, is provided in Exhibit 4  
17 attached hereto.
- 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 5.  
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- 1 9. WAC 480-123-110(1)(e)(v): Information detailing all of the Company's assets and revenues  
2 from the balance sheets, statements of income and retained earnings or margin in the same  
3 format and detail as is required to complete USDA-RUS Operating Report for the prior two  
4 years is presented on Exhibit 6 attached hereto.
- 5 10. WAC 480-123-110(1)(e)(vi): A statement under penalty of perjury from a Company officer  
6 with personal knowledge and responsibility certifying that no corporate operations  
7 adjustment to existing high-cost loop and interstate common line support mechanisms  
8 required by the Federal Communications Commission applied to the Company for the two  
9 prior years is attached hereto as Exhibit 7.
- 10 11. WAC 480-123-110(1)(e)(vii): Exhibit 4 contains additional supporting information  
11 requested by the Commission.
- 12 12. WAC 480-123-110(1)(e)(viii): A statement under penalty of perjury from a Company  
13 officer with personal knowledge and responsibility certifying that the Company complies  
14 with state and federal accounting, cost allocation, and cost adjustment rules pertaining to  
15 incumbent local exchange companies is attached hereto as Exhibit 8.
- 16 13. WAC 480-123-110(1)(f): A complete copy of the FCC Form 481 filed by the Company or  
17 on its behalf with the Federal Communications Commission for the calendar year preceding  
18 the current year has already been filed with the Commission. See the Company's filing in  
19 Docket No. UT-170011 filed on or about July 3, 2017.
- 20 14. WAC 480-123-110(1)(g): The number of residential local exchange access lines served by  
21 the Company as of December 31, 2016, was 478, all of which were within the geographic  
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1 area for which the Company is seeking support. The number of residential local exchange  
2 access lines served by the Company as of December 31, 2015, was 504, all of which were  
3 within the geographic area for which the Company is seeking support. The number of  
4 business local exchange access lines served by the Company as of December 31, 2016, was  
5 169, all of which were within the geographic area for which the Company is seeking  
6 support. The number of business local exchange access lines served by the Company as of  
7 December 31, 2015, was 176, all of which were within the geographic area for which the  
8 Company is seeking support.  
9

10 The monthly recurring rate charged by the Company for residential local exchange access  
11 service on December 31, 2016, was \$18.00. The monthly recurring rate charged by the  
12 Company for residential local exchange access service on December 31, 2015, was \$16.00.  
13 The rate charged by the Company for single line business local exchange access service on  
14 December 31, 2016, was \$18.00. The rate charged by the Company for single line business  
15 local exchange access service on December 31, 2015, was \$16.00. (The Company has other  
16 business local exchange service rates, but the Company understands that WAC 480-123-  
17 110(1)(g) is requesting the single line business local exchange access service rate.)  
18

19 15. WAC 480-123-110(1)(h): The specified statement is attached hereto as Exhibit 9.

20 16. The 2011 Rate of Return Carrier Base Period Revenue amount on line 4 of the CAF ICC  
21 Data Collection Report for the period of July 1, 2017 to June 30, 2018 is \$454,357 and has  
22 not changed from prior filings for Pioneer Telephone Company.  
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1 17. All exhibits attached hereto are incorporated in this Petition as though fully set forth.

2 Respectfully submitted this 25<sup>th</sup> day of July, 2017.

3  
4 PIONEER TELEPHONE COMPANY

5  
6 CERTIFICATION

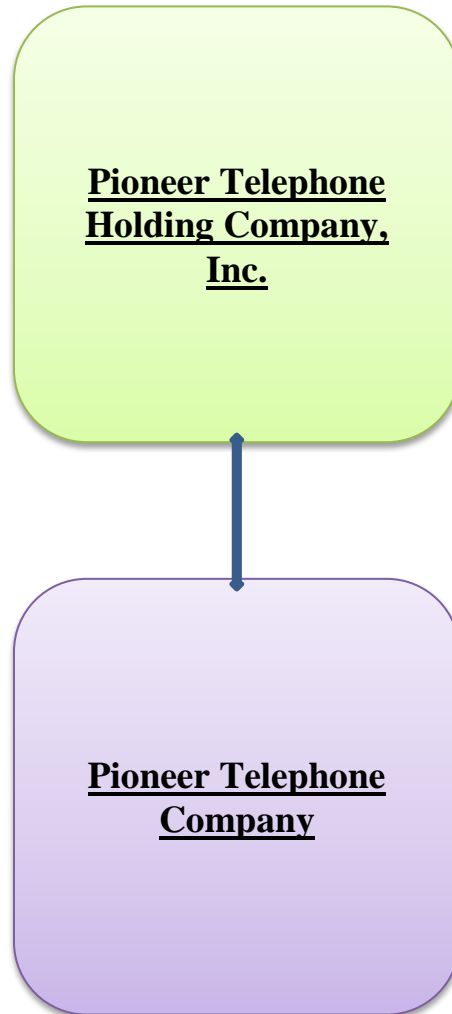
7 I, Durand Cox, an officer of Pioneer Telephone Company (the "Company") that is  
8 responsible for the Company's business and financial operations, hereby certify under penalty of  
9 perjury that the information and representations set forth in the Petition, above, are accurate and the  
10 Company has not knowingly withheld any information required to be provided to the Commission  
11 pursuant to the rules governing the Program.

12 Dated at LaCrosse, Washington this 25<sup>th</sup> day of July, 2017.

13 By: 

14 Title: Durand Cox, President

**EXHIBIT 1**  
**CORPORATE ORGANIZATION CHART**





## **EXHIBIT 2**

### **AFFILIATED TRANSACTIONS**

Pioneer Telephone Company ("Company") has affiliated transactions with its parent holding company Pioneer Telephone Holding Company, Inc. During 2016, these transactions consisted of the following:

- Loan advances from parent to the Company. These advances are recorded on the Company's book to an affiliated payable account.
- The Company provides wholesale DSL service to the parent and charges the parent for such services at rates set forth in the applicable tariff of the National Exchange Carrier Association, Inc. ("NECA").
- The Company provides the parent with special access service, for which the parent is charged by the Company at applicable NECA tariff rates.
- The Company provides customer service support on behalf of the parent with respect to services furnished by the parent to end user customers. The Company is reimbursed by the parent for such services, based on time devoted to such service, to which fully loaded labor rates are applied.
- The Company provides billing and collection services to the parent with respect to retail internet access service furnished by the parent to the Company's end user customers. The cost of these services is identified through the Company's FCC Part 64 procedures as a reduction of operating expenses.
- The Company purchases from the parent web hosting service, email delivery and internet access at rates equivalent to the rates the parent charges to its similarly situated retail customers.
- The parent pays federal income taxes due with respect to income earned by the Company, and is reimbursed by the Company for the Company's allocated share of such taxes.

### EXHIBIT 3

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

The operating environment in which the Company finds itself has created a climate of great financial uncertainty. The Company has been working over the past several years to address growing competition. The Company has taken steps to increase the availability and attributes of advanced services offered by the Company, including broadband. This has resulted in the Company making additional investments in regulated plant of approximately \$1,736,801 during the period January 1, 2011 through December 31, 2016. The Company paid off their significant debt obligation of approximately \$5.6 million at year-end 2012.

The overall financial condition of the Company is detailed on other Exhibits to this Petition. What this information demonstrates is that, when adjusted to eliminate the support from the state Universal Communications Services Program that the Company received or accrued in 2016, the Company's total regulated revenue decreased by 13 percent from 2011 through 2016. The Company has looked for ways to lower expenses. However, much of the Company's operating expenses are fixed obligations, such as debt-related payments.

At the same time, the Company is seeing increased competition. For example, the Company has seen some migration of customers "cutting the cord" to move to wireless or other service as their sole method of telecommunications. Since 2011, the Company has lost 61 access lines. A loss of customers equates to a loss of revenue without a corresponding reduction in expenses or corresponding increase in rates. This trend of access line loss is exacerbated by the Federal Communications Commission's requirement that the Company increase its rates to remain eligible for full federal USF support. Since 2012, the Company has increased its local exchange service rates in order to be in compliance with the national urban rate floor prescribed by the Federal Communications Commission. However, those increases have been insufficient to fully replace the revenues that have been lost due to the reduction in access lines. In addition, those rate increases have tended to stimulate a surge in disconnection of service by customers.

As an example of why state Program support is needed, the Company's receipt of revenue from the traditional Washington intrastate universal service access rate element and related pooling fund were terminated effective July 1, 2014. Since then, the loss of revenues derived from the traditional universal service access rate element has been off-set by revenues received by the Company as a result of its participation in the Program. Using 2012 as a base-line, the Company is facing a loss of traditional universal service fund revenues of approximately \$15,580 per year if its participation in the Program is not renewed.

As another example, some of the financial uncertainty that the Company faces stems from the USF/ICC Transformation Order issued by the Federal Communications Commission.<sup>1</sup> The

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<sup>1</sup> *In the Matter of Connect America Fund, A National Broadband Plan for Our Future, Establishing Just and Reasonable Rates for Local Exchange Carriers, High-Cost Universal Service Support, Developing an Unified Intercarrier Compensation Regime, Federal-State Joint Board on Universal Service, Lifeline and Link-Up,*

USF/ICC Transformation Order has built in an automatic decline in the Company's intrastate and interstate access revenues. The intercarrier compensation portion of the Transformation Order introduces a concept of a base-line year for calculating terminating access and reciprocal compensation 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 CAF support reduction began in July 2012. Projecting through the year ending June 30, 2018, including reductions that will occur July 1, 2017, the Company has seen a reduction in support from the base-line revenue of approximately \$120,363.

If applicable: On top of all this, during the six-year period ended December 31, 2016, the Company has seen its total federal high cost support undergo a significant reduction, declining from \$793,068 in 2011 to \$548,527 in 2016.

These factors, among others, have led to the strained 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 communications services program, the Company may be faced with a choice of increasing rates further or reducing service in order to be able to match expenses to revenues. Neither choice presents a viable path for providing continued high quality 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.

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*Universal Service Reform - Mobility Fun*, 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*).

STATE USF FILING  
FINANCIAL TEMPLATE  
NON-"S CORP" COMPANIES

State USF Petition Filing Requirement -WAC 480-123-110 (1)(e)  
Prior Year Balance Sheet

Company Name: (Below)  
PIONEER TELEPHONE COMPANY

ASSETS	Balance End of Year 2015 (A)	Part 64 Adj to NonReg 2015 (B)	Adj. Balance End of Year 2015 (C)	LIABILITIES AND STOCKHOLDERS' EQUITY	Balance End of Year 2015 (A)	Part 64 Adj to NonReg 2015 (B)	Adj. Balance End of Year 2015 (C)
<b>CURRENT ASSETS</b>				<b>CURRENT LIABILITIES</b>			
1. Cash and Equivalents	1,667,403		1,667,403	25. Accounts Payable	25,545		25,545
2. Cash-RUS Construction Fund			0	26. Notes Payable			0
3. Affiliates:				27. Advance Billings and Payments			0
a. Telecom, Accounts Receivable			0	28. Customer Deposits	1,114		1,114
b. Other Accounts Receivable			0	29. Current Mat. L/T Debt			0
c. Notes Receivable			0	30. Current Mat. L/T Debt Rur. Dev.			0
4. Non-Affiliates:				31. Current Mat. - Capital Leases			0
a. Telecom, Accounts Receivable	46,663		46,663	32. Income Taxes Accrued	17,461		17,461
b. Other Accounts Receivable	25,020		25,020	33. Other Taxes Accrued	64,983		64,983
c. Notes Receivable			0	34. Other Current Liabilities	81,545		81,545
5. Interest and Dividends Receivable			0	35. Total Current Liabilities (25 thru 34)	190,648	0	190,648
6. Material-Regulated	54,449		54,449	<b>LONG-TERM DEBT</b>			
7. Material-Nonregulated	3,140		3,140	36. Funded Debt-RUS Notes			0
8. Prepayments	30,456		30,456	37. Funded Debt-RTB Notes			0
9. Other Current Assets	219,475		219,475	38. Funded Debt-FFB Notes			0
10. Total Current Assets (1 Thru 9)	2,046,606	0	2,046,606	39. Funded Debt-Other			0
<b>NONCURRENT ASSETS</b>				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				44. Adv. From Affiliated Companies	81,657		81,657
a. Rural Development	0		0	45. Other Long-Term Debt			0
b. Nonrural Development	0		0	46. Total Long-Term Debt (36 thru 45)	81,657	0	81,657
13. Nonregulated Investments (B1)	35,277	3,523	38,800	<b>OTHER LIAB. &amp; DEF. CREDITS</b>			
14. Other Noncurrent Assets			0	47. Other Long-Term Liabilities			0
15. Deferred Charges			0	48. Deferred Income Taxes	512,294	(2,348)	509,946
16. Jurisdictional Differences			0	49. Other Deferred Credits (D)			0
17. Total noncurrent Assets (11 thru 16)	35,277	3,523	38,800	50. Other Jurisdictional Differences			0
<b>PLANT, PROPERTY AND EQUIPMENT</b>				51. Total Other Liab. & Def. Credits (47 thru 50)	512,294	(2,348)	509,946
18. Telecom Plant-In-Service	12,629,667	(32,636)	12,597,031	<b>EQUITY</b>			
19. Property Held for Future Use			0	52. Cap. Stock Outstanding & Subscribed	56,052		56,052
20. Plant Under Construction			0	53. Additional Paid-in-Capital			0
21. Plant Adj., Nonop Plant & Goodwill			0	54. Treasury Stock			0
22. Accumulated Depreciation (CR.)	(8,558,721)	29,113	(8,529,608)	55. Membership and Capital Certificates			0
23. Net Plant (18 thru 21 less 22)	4,070,946	(3,523)	4,067,423	56. Other Capital			0
<b>24. TOTAL ASSETS (10+17+23)</b>	<b>6,152,829</b>	<b>0</b>	<b>6,152,829</b>	57. Patronage Capital Credits			0
				58. Retained Earnings or Margins (B2)	5,312,178	2,348	5,314,526
				59. Total Equity (52 thru 58)	5,368,230	2,348	5,370,578
				<b>60. TOTAL LIABILITIES AND EQUITY (35+46+51+59)</b>	<b>6,152,829</b>	<b>0</b>	<b>6,152,829</b>

Footnotes:

- (A) - As reported on RUS Form 479
- (B) - Part 64 adjustments from regulated to nonregulated.
- (C) - Adjusted Balance after Part 64

Footnotes:

- (B1) - Part 64 offset to nonreg investment
- (B2) - Part 64 offset to retained earnings
- (D) - Excludes deferred taxes

Line 48, Column C prior year number was \$510,976 included deferred FIT for internet and ST investments in the amount of \$1,030 which also affects Line 48 and 58, Column B prior year number was \$1,318, difference of \$1,030.

State USF Petition Filing Requirement -WAC 480-123-110(1)(e)  
Current Year Balance Sheet

Company Name: (Below)  
PIONEER TELEPHONE COMPANY

ASSETS	Balance End of Year 2016 (A)	Part 64 Adj to NonReg 2016 (B)	Adj. Balance End of Year 2016 (C)	LIABILITIES AND STOCKHOLDERS' EQUITY	Balance End of Year 2016 (A)	Part 64 Adj to NonReg 2016 (B)	Adj. Balance End of Year 2016 (C)
<b>CURRENT ASSETS</b>				<b>CURRENT LIABILITIES</b>			
1. Cash and Equivalents	1,683,133		1,683,133	25. Accounts Payable	19,696		19,696
2. Cash-RUS Construction Fund			0	26. Notes Payable			0
3. Affiliates:				27. Advance Billings and Payments			0
a. Telecom, Accounts Receivable			0	28. Customer Deposits	1,069		1,069
b. Other Accounts Receivable			0	29. Current Mat. L/T Debt			0
c. Notes Receivable			0	30. Current Mat. L/T Debt Rur. Dev.			0
4. Non-Affiliates:				31. Current Mat. - Capital Leases			0
a. Telecom, Accounts Receivable	27,684		27,684	32. Income Taxes Accrued	33,893		33,893
b. Other Accounts Receivable			0	33. Other Taxes Accrued	52,896		52,896
c. Notes Receivable			0	34. Other Current Liabilities	118,384		118,384
5. Interest and Dividends Receivable			0	35. Total Current Liabilities (25 thru 34)	225,938	0	225,938
6. Material-Regulated	53,983		53,983	<b>LONG-TERM DEBT</b>			
7. Material-Nonregulated	3,140		3,140	36. Funded Debt-RUS Notes			0
8. Prepayments	31,098		31,098	37. Funded Debt-RTB Notes			0
9. Other Current Assets	453,334		453,334	38. Funded Debt-FFB Notes			0
10. Total Current Assets (1 Thru 9)	2,252,372	0	2,252,372	39. Funded Debt-Other			0
<b>NONCURRENT ASSETS</b>				40. Funded Debt-Rural Develop. Loan			0
11. Investment in Affiliated Companies				41. Premium (Discount) on L/T Debt			0
a. Rural Development			0	42. Reacquired Debt			0
b. Nonrural Development			0	43. Obligations Under Capital Lease			0
12. Other Investments				44. Adv. From Affiliated Companies	95,631		95,631
a. Rural Development			0	45. Other Long-Term Debt			0
b. Nonrural Development			0	46. Total Long-Term Debt (36 thru 45)	95,631	0	95,631
13. Nonregulated Investments (B1)	35,277	4,128	39,405	<b>OTHER LIAB. &amp; DEF. CREDITS</b>			
14. Other Noncurrent Assets			0	47. Other Long-Term Liabilities			0
15. Deferred Charges			0	48. Deferred Income Taxes	516,812	(10,502)	506,310
16. Jurisdictional Differences			0	49. Other Deferred Credits (D)			0
17. Total noncurrent Assets (11 thru 16)	35,277	4,128	39,405	50. Other Jurisdictional Differences			0
<b>PLANT, PROPERTY AND EQUIPMENT</b>				51. Total Other Liab. & Def. Credits (47 thru 50)	516,812	(10,502)	506,310
18. Telecom Plant-In-Service	12,627,103	(36,282)	12,590,821	<b>EQUITY</b>			
19. Property Held for Future Use			0	52. Cap. Stock Outstanding & Subscribed	56,052		56,052
20. Plant Under Construction	66,466		66,466	53. Additional Paid-in-Capital			0
21. Plant Adj., Nonop Plant & Goodwill			0	54. Treasury Stock			0
22. Accumulated Depreciation (CR.)	(8,946,546)	32,154	(8,914,392)	55. Membership and Capital Certificates			0
23. Net Plant (18 thru 21 less 22)	3,747,023	(4,128)	3,742,895	56. Other Capital			0
<b>24. TOTAL ASSETS (10+17+23)</b>	<b>6,034,672</b>	<b>0</b>	<b>6,034,672</b>	57. Patronage Capital Credits			0
				58. Retained Earnings or Margins (B2)	5,140,239	10,502	5,150,741
				59. Total Equity (52 thru 58)	5,196,291	10,502	5,206,793
				<b>60. TOTAL LIABILITIES AND EQUITY (35+46+51+59)</b>	<b>6,034,672</b>	<b>0</b>	<b>6,034,672</b>

Footnotes:

- (A) - As reported on RUS Form 479
- (B) - Part 64 adjustments from regulated to nonregulated.
- (C) - Adjusted Balance after Part 64

Footnotes:

- (B1) - Part 64 offset to nonreg investment
- (B2) - Part 64 offset to retained earnings
- (D) - Excludes deferred taxes

State USF Petition Filing Requirement -WAC 480-123-110 (1)(e)  
 Prior and Current Year Balance Sheet

Company Name: (Below)  
PIONEER TELEPHONE COMPANY

ASSETS	Adjusted Prior Year Balance 2015	Adjusted Current Year Balance 2016	LIABILITIES AND STOCKHOLDERS' EQUITY	Adjusted Prior Year Balance 2015	Adjusted Current Year Balance 2016
<b>CURRENT ASSETS</b>			<b>CURRENT LIABILITIES</b>		
1. Cash and Equivalents	1,667,403	1,683,133	25. Accounts Payable	25,545	19,696
2. Cash-RUS Construction Fund	0	0	26. Notes Payable	0	0
3. Affiliates:			27. Advance Billings and Payments	0	0
a. Telecom, Accounts Receivable	0	0	28. Customer Deposits	1,114	1,069
b. Other Accounts Receivable	0	0	29. Current Mat. L/T Debt	0	0
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	46,663	27,684	32. Income Taxes Accrued	17,461	33,893
b. Other Accounts Receivable	25,020	0	33. Other Taxes Accrued	64,983	52,896
c. Notes Receivable	0	0	34. Other Current Liabilities	81,545	118,384
5. Interest and Dividends Receivable	0	0	35. Total Current Liabilities (25 - 34)	190,648	225,938
6. Material-Regulated	54,449	53,983	<b>LONG-TERM DEBT</b>		
7. Material-Nonregulated	3,140	3,140	36. Funded Debt-RUS Notes	0	0
8. Prepayments	30,456	31,098	37. Funded Debt-RTB Notes	0	0
9. Other Current Assets	219,475	453,334	38. Funded Debt-FFB Notes	0	0
10. Total Current Assets (1 Thru 9)	2,046,606	2,252,372	39. Funded Debt-Other	0	0
<b>NONCURRENT ASSETS</b>			40. Funded Debt-Rural Develop. Loan	0	0
11. Investment in Affiliated Companies			41. Premium (Discount) on L/T Debt	0	0
a. Rural Development	0	0	42. Reacquired Debt	0	0
b. Nonrural Development	0	0	43. Obligations Under Capital Lease	0	0
12. Other Investments			44. Adv. From Affiliated Companies	81,657	95,631
a. Rural Development	0	0	45. Other Long-Term Debt	0	0
b. Nonrural Development	0	0	46. Total Long-Term Debt (36-45)	81,657	95,631
13. Nonregulated Investments	38,800	39,405	<b>OTHER LIAB. &amp; DEF. CREDITS</b>		
14. Other Noncurrent Assets	0	0	47. Other Long-Term Liabilities	0	0
15. Deferred Charges	0	0	48. Deferred Income Taxes	509,946	506,310
16. Jurisdictional Differences	0	0	49. Other Deferred Credits	0	0
17. Total noncurrent Assets (11 thru 16)	38,800	39,405	50. Other Jurisdictional Differences	0	0
<b>PLANT, PROPERTY AND EQUIPMENT</b>			51. Total Other Liab. & Def. Credits (47 thru 50)	509,946	506,310
18. Telecom Plant-in-Service	12,597,031	12,590,821	<b>EQUITY</b>		
19. Property Held for Future Use	0	0	52. Cap. Stock Outstanding & Subscribed	56,052	56,052
20. Plant Under Construction	0	66,466	53. Additional Paid-in-Capital	0	0
21. Plant Adj., Nonop Plant & Goodwill	0	0	54. Treasury Stock	0	0
22. Accumulated Depreciation (CR.)	(8,529,608)	(8,914,392)	55. Membership and Capital Certificates	0	0
23. Net Plant (18 thru 21 less 22)	4,067,423	3,742,895	56. Other Capital	0	0
<b>24. TOTAL ASSETS (10+17+23)</b>	<b>6,152,829</b>	<b>6,034,672</b>	57. Patronage Capital Credits	0	0
			58. Retained Earnings or Margins	5,314,526	5,150,741
			59. Total Equity (52 thru 58)	5,370,578	5,206,793
			<b>59. TOTAL LIABILITIES AND EQUITY (35+46+51+59)</b>	<b>6,152,829</b>	<b>6,034,672</b>

Footnote:  
 Adjusted Balances represents balances  
 after Part 64 adjustments

**State USF Petition Filing Requirement - WAC 480-123-110 (1)(e)**  
**Prior and Current Year Rate Base**

Company Name: (Below)  
 PIONEER TELEPHONE COMPANY \_\_\_\_\_

Line #	Description	B/S Line #	Adj. Balance End of Year 2015	Adj. Balance End of Year 2016	Average Adj End of Year Balance
<b>Average Rate Base:</b>					
1	Total Regulated Adjusted Telecom Plant-In-service	18	12,597,031	12,590,821	12,593,926
2	Total Property Held for Future Use	19	0	0	0
3	Total Regulated Adjusted Accumulated Depreciation (CR)	22	(8,529,608)	(8,914,392)	(8,722,000)
4	Total Regulated Materials & Supplies	6	54,449	53,983	54,216
5	Deferred Income Taxes (CR)	48	(509,946)	(506,310)	(508,128)
6	<b>Total Regulated Rate Base</b>		<b>3,611,926</b>	<b>3,224,102</b>	<b>3,418,014</b>

Footnotes:

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



**State USF Petition Filing Requirement - WAC 480-123-110 (1)(e)**  
**Prior and Current Year Access Lines**

Company Name: (Below)

PIONEER TELEPHONE COMPANY

Line #	Description	Prior Year End of Yr. Balance - 2015	Current Year End of Yr. Balance - 2016	Difference	% Change
	<b>Access Lines:</b>				
1	Residential	504	478	(26)	-5.2%
2	Business	176	169	(7)	-4.0%
3	Total	680	647	(33)	-4.9%

Note: If 2015 does not equal last year's petition and template, explain.

State USF Petition Filing Requirement - WAC 480-123-110 (1)(e)  
 Prior Year Income Statement

Company Name: (Below)  
 PIONEER TELEPHONE COMPANY

Line #	Description	Prior Year 2015 (A)	Part 64 Adj. to NonReg (B)	Prior Year Adjusted 2015 (C)
1	Local Network Services Revenues	144,597		144,597
2	Network Access Services Revenues	1,399,531		1,399,531
3	Long Distance Network Services Revenues	42,291		42,291
4	Carrier Billing and Collection Revenues	1,800		1,800
5	Miscellaneous Revenues	8,866		8,866
6	Uncollectible Revenues (Normal Balance is debit or in brackets)	(100)		(100)
7	<b>Net Operating Revenues (1 thru 6)</b>	<b>1,596,985</b>	<b>0</b>	<b>1,596,985</b>
8	Plant Specific Operations Expense	367,252	(24,230)	343,022
9	Plant Nonspecific Operations Expense (excluding Depreciation & Amort.)	54,344	13,556	67,900
10	Depreciation Expense	580,284	(701)	579,583
11	Amortization Expense			0
12	Customer Operations Expense	94,541	(7,042)	87,499
13	Corporate Operations	374,435	(13,108)	361,327
14	<b>Total Operations Expenses (8 thru 13)</b>	<b>1,470,856</b>	<b>(31,525)</b>	<b>1,439,331</b>
15	Operating Income or Margins (7 less 14)	126,129	31,525	157,654
16	Other Operating Income and Expenses ( )			0
17	State and Local Taxes	67,196	(1,037)	66,159
18	Federal Income Taxes (A1) - (LINE IS ZERO IF COMPANY IS S CORP)	23,455	(649)	22,806
19	Other Taxes			0
20	<b>Total Operating Taxes (17+18+19)</b>	<b>90,651</b>	<b>(1,686)</b>	<b>88,965</b>
21	<b>Net Operating Income or Margins (15+16-20)</b>	<b>35,478</b>	<b>33,211</b>	<b>68,689</b>
22	Interest on Funded Debt			0
23	Interest Expense - Capital Leases			0
24	Other Interest Expense			0
25	Allowance for Funds Used During Construction (CR)			0
26	<b>Total Fixed Charges (22+23+24-25)</b>	<b>0</b>	<b>0</b>	<b>0</b>
27	Nonoperating Net Income	7,173		7,173
28	Extraordinary Items			0
29	Jurisdictional Differences			0
30	Nonregulated Net Income (B1)	22,814	(33,211)	(10,397)
31	<b>Total Net Income or Margins (21+27+28+29+30-26)</b>	<b>65,465</b>	<b>0</b>	<b>65,465</b>
32	Total Taxes Based on Income			
33	Retained Earning or Margins Beginning-of-Year	5,501,527		5,501,527
34	Miscellaneous Credits Year-to-Date			0
35	Dividends Declared (Common)	250,000		250,000
36	Dividends Declared (Preferred)			0
37	Other Debits Year-to-Date	4,814		4,814
38	Transfers to Patronage Capital			0
39	<b>Retained Earnings End-of-Period ((31+33+34)-(35+36+37+38))(A2)</b>	<b>5,312,178</b>	<b>0</b>	<b>5,312,178</b>
40	Patronage Capital Beginning-of-Year			0
41	Transfers to Patronage Capital			0
42	Patronage Capital Credits Retired			0
43	<b>Patronage Capital End-of-Year (40+41-42)</b>	<b>0</b>	<b>0</b>	<b>0</b>
44	Annual Debt Service Payments			0
45	Cash Ratio ((14+20-10-11)/7)	0.6144	#DIV/0!	0.5941
46	Operating Accrual Ratio ((14+20+26)/7)	0.9778	#DIV/0!	0.9570
47	TIER ((31+26)/26)	#DIV/0!	#DIV/0!	#DIV/0!
48	DSCR ((31+26+10+11)/44)	#DIV/0!	#DIV/0!	#DIV/0!

Footnotes:

- (A) As reported on RUS Form 479
- (A1) S Corps provide effective tax rate from Cost study on Page 9, Inc. Statement Summary Schedule Footnote
- (A2) Column A, Line 39 must equal Column A, Line 58 of Page 2, Balance Sheet
- (B) Part 64 adjustment from regulated to nonregulated
- (B1) Column B, automatic offset to Nonregulated Net Income (No impact to Retained Earnings)
- (C) Adjusted balance after Part 64 adjustments

State USF Petition Filing Requirement -WAC 480-123-110 (1)(e)  
Current Year Income Statement

Company Name: (Below)  
PIONEER TELEPHONE COMPANY

Line #	Description	Current Year 2016 (A)	Part 64 Adj. to NonReg (B)	Current Year Adjusted 2016 (C)
1	Local Network Services Revenues	151,205		151,205
2	Network Access Services Revenues	1,305,023		1,305,023
3	Long Distance Network Services Revenues	41,522		41,522
4	Carrier Billing and Collection Revenues	1,800		1,800
5	Miscellaneous Revenues	10,415		10,415
6	Uncollectible Revenues (Normal Balance is debit or in brackets)	(492)		(492)
7	<b>Net Operating Revenues (1 thru 6)</b>	<b>1,509,473</b>	<b>0</b>	<b>1,509,473</b>
8	Plant Specific Operations Expense	349,684	(17,312)	332,372
9	Plant Nonspecific Operations Expense (excluding Depreciation & Amort.)	60,084	(940)	59,144
10	Depreciation Expense	531,909	(1,228)	530,681
11	Amortization Expense			0
12	Customer Operations Expense	120,818	(4,189)	116,629
13	Corporate Operations	351,650	(15,814)	335,836
14	<b>Total Operations Expenses (8 thru 13)</b>	<b>1,414,145</b>	<b>(39,483)</b>	<b>1,374,662</b>
15	Operating Income or Margins (7 less 14)	95,328	39,483	134,811
16	Other Operating Income and Expenses ( )			0
17	State and Local Taxes	48,884	(221)	48,663
18	Federal Income Taxes (A1) - (LINE IS ZERO IF COMPANY IS S CORP)	15,892	(1,996)	13,896
19	Other Taxes			0
20	<b>Total Operating Taxes (17+18+19)</b>	<b>64,776</b>	<b>(2,217)</b>	<b>62,559</b>
21	<b>Net Operating Income or Margins (15+16-20)</b>	<b>30,552</b>	<b>41,700</b>	<b>72,252</b>
22	Interest on Funded Debt			0
23	Interest Expense - Capital Leases			0
24	Other Interest Expense			0
25	Allowance for Funds Used During Construction (CR)			0
26	<b>Total Fixed Charges (22+23+24-25)</b>	<b>0</b>	<b>0</b>	<b>0</b>
27	Nonoperating Net Income	10,014		10,014
28	Extraordinary Items			0
29	Jurisdictional Differences			0
30	Nonregulated Net Income (B1)	20,099	(41,700)	(21,601)
31	<b>Total Net Income or Margins (21+27+28+29+30-26)</b>	<b>60,665</b>	<b>0</b>	<b>60,665</b>
32	Total Taxes Based on Income			
33	Retained Earning or Margins Beginning-of-Year	5,312,178		5,312,178
34	Miscellaneous Credits Year-to-Date			0
35	Dividends Declared (Common)	248,000		248,000
36	Dividends Declared (Preferred)			0
37	Other Debits Year-to-Date	(15,396)		(15,396)
38	Transfers to Patronage Capital			0
39	<b>Retained Earnings End-of-Period ((31+33+34)-(35+36+37+38))(A2)</b>	<b>5,140,239</b>	<b>0</b>	<b>5,140,239</b>
40	Patronage Capital Beginning-of-Year			0
41	Transfers to Patronage Capital			0
42	Patronage Capital Credits Retired			0
43	<b>Patronage Capital End-of-Year (40+41-42)</b>	<b>0</b>	<b>0</b>	<b>0</b>
44	Annual Debt Service Payments			0
45	Cash Ratio ((14+20-10-11)/7)	0.6274	#DIV/0!	0.6006
46	Operating Accrual Ratio ((14+20+26)/7)	0.9798	#DIV/0!	0.9521
47	TIER ((31+26)/26)	#DIV/0!	#DIV/0!	#DIV/0!
48	DSCR ((31+26+10+11)/44)	#DIV/0!	#DIV/0!	#DIV/0!

Footnotes:

- (A) As reported on RUS Form 479
- (A1) S Corps provide effective tax rate from Cost study on Page 9, Inc. Statement Summary Schedule Footnote
- (A2) Column A, Line 39 must equal Column A, Line 58 of Page 3, Balance Sheet
- (B) Part 64 adjustment from regulated to nonregulated
- (B1) Column B, automatic offset to Nonregulated Net Income (No Impact to Retained Earnings)
- (C) Adjusted balance after Part 64 adjustments

State USF Petition Filing Requirement - WAC 480-123-110 (1)(e)  
 Prior and Current Year Income Statement

Company Name:  
 PIONEER TELEPHONE COMPANY

Line #	Description	Adjusted Prior Year 2015	Adjusted Current Year 2016
1	Local Network Services Revenues	144,597	151,205
2	Network Access Services Revenues	1,399,531	1,305,023
3	Long Distance Network Services Revenues	42,291	41,522
4	Carrier Billing and Collection Revenues	1,800	1,800
5	Miscellaneous Revenues	8,866	10,415
6	Uncollectible Revenues (Normal Balance is debit or in brackets)	(100)	(492)
7	<b>Net Operating Revenues (1 thru 6)</b>	<b>1,596,985</b>	<b>1,509,473</b>
8	Plant Specific Operations Expense	343,022	332,372
9	Plant Nonspecific Operations Expense (excluding Depreciation & Amort.)	67,900	59,144
10	Depreciation Expense	579,583	530,681
11	Amortization Expense	0	0
12	Customer Operations Expense	87,499	116,629
13	Corporate Operations	361,327	335,836
14	<b>Total Operations Expenses (8 thru 13)</b>	<b>1,439,331</b>	<b>1,374,662</b>
15	Operating Income or Margins (7 less 14)	157,654	134,811
16	Other Operating Income and Expenses ( )	0	0
17	State and Local Taxes	66,159	48,663
18	Federal Income Taxes (A1) - (LINE IS ZERO IF COMPANY IS S CORP)	22,806	13,896
19	Other Taxes	0	0
20	<b>Total Operating Taxes (17+18+19)</b>	<b>88,965</b>	<b>62,559</b>
21	<b>Net Operating Income or Margins (15+16-20)</b>	<b>68,689</b>	<b>72,252</b>
22	Interest on Funded Debt	0	0
23	Interest Expense - Capital Leases	0	0
24	Other Interest Expense	0	0
25	Allowance for Funds Used During Construction	0	0
26	<b>Total Fixed Charges (22+23+24-25)</b>	<b>0</b>	<b>0</b>
27	Nonoperating Net Income	7,173	10,014
28	Extraordinary Items	0	0
29	Jurisdictional Differences	0	0
30	Nonregulated Net Income	(10,397)	(21,601)
31	<b>Total Net Income or Margins (21+27+28+29+30-26)</b>	<b>65,465</b>	<b>60,665</b>
32	Total Taxes Based on Income		
33	Retained Earning or Margins Beginning-of-Year	5,501,527	5,312,178
34	Miscellaneous Credits Year-to-Date	0	0
35	Dividends Declared (Common)	250,000	248,000
36	Dividends Declared (Preferred)	0	0
37	Other Debits Year-to-Date	4,814	(15,396)
38	Transfers to Patronage Capital	0	0
39	<b>Retained Earnings or Margins End-of-Period ((31+33+34)-(35+36+37+38))</b>	<b>5,312,178</b>	<b>5,140,239</b>
40	Patronage Capital Beginning-of-Year	0	0
41	Transfers to Patronage Capital	0	0
42	Patronage Capital Credits Retired	0	0
43	<b>Patronage Capital End-of-Year (40+41-42)</b>	<b>0</b>	<b>0</b>
44	Annual Debt Service Payments	0	0
45	Cash Ratio ((14+20-10-11)/7)	0.5941	0.6006
46	Operating Accrual Ratio ((14+20+26)/7)	0.9570	0.9521
47	TIER ((31+26)/26)	#DIV/0!	#DIV/0!
48	DSCR ((31+26+10+11)/44)	#DIV/0!	#DIV/0!

Footnote  
 (A1) S Corporation Effective Tax Rate (2 decimal places):  
 Note:  
 Adjusted Income Statement reflects Part 64 Adjustments (Regulated to Nonregulated).

2015      2016

**State USF Petition Filing Requirement - WAC 480-123-110 (1)(e)**  
**Prior and Current Year Access Revenue Detail**

Company Name: (Below)  
PIONEER TELEPHONE COMPANY

Line #	Description	Part 32 Account	Prior Year 2015	Current Year 2016
1	End User Revenue (SLC, ARC, etc.)	5081	78,692	80,655
2	Switched Access (excluding USF):	5082		
2a	Intrastate		84,707	69,872
2b	Interstate (includes CAF)		96,786	196,688
3	Special Access:	5083		
3a	Intrastate		5,390	5,390
3b	Interstate		315,359	344,708
4	Federal USF (ICLS/HCL/SN)	Varies	728,473	548,527
5	State USF		90,124	59,183
6	Other*			
7	Total (must equal line 2 of Income Stmt.)		1,399,531	1,305,023
8	Line 2 of Income Stmt.		1,399,531	1,305,023
9	Difference		0	0

Footnote:

\* - if > than 5% of Access revenue total, provide description below.

**State USF Petition Filing Requirement - WAC 480-123-110 (1)(e)**  
**Out-of-Period and Pro Forma Adjustments**

Company Name: (Below)  
 PIONEER TELEPHONE COMPANY

Description of Out-of-Period (OOP) - 2016 (As Recorded) <b>OR</b> Pro Forma (PF) Adjustment for Current Year Petition or Reversing from Prior Year	Year	OOP or PF?	Part 32 Account	
			Debit	Credit
Adjustment #1:				
Adjustment #2:				
Adjustment #3:				
Adjustment #4				
Adjustment #5				

State USF Petition Filing Requirement - WAC 480-123-110 (1)(e)  
 Rate of Return and Consolidated Return on Equity

Company Name: (Below)  
PIONEER TELEPHONE COMPANY

Line #	Description	2016 (A)	2016 (B)
1	Rate Base (Jan. 1)	3,611,926	3,611,926
2	Rate Base (Dec 31)	3,224,102	3,224,102
3	<b>Average Rate Base</b>	<b>3,418,014</b>	<b>3,418,014</b>
4	Net Operating Income	72,252	72,252
5	Out-of-Period Adjustments Net of FIT (1)		
6	<b>Adjusted Net Operating Income</b>	<b>72,252</b>	<b>72,252</b>
7	<b>Earned Regulated Rate of Return</b>	<b>2.11%</b>	<b>2.11%</b>

Footnotes:

- (1) Lines 5 & 12 will be completed by Staff
- (A) Column A to be completed by Company,**
- (B) Column B should equal Column A, but may include any Staff Adjustments**

Exhibit 4.1

Company Name: (Below)  
 PIONEER TELEPHONE COMPANY

Description	Prior Year End of Yr. Balance - 2015	Current Year End of Yr. Balance - 2016	Difference	% Change
<b>Broadband Connections:</b> Residential Business Total				
<b>Gross Regulated and Nonregulated Capital Expenditures:</b> Total Annual Amount				



Confidential per WAC 480-07-160

**PIONEER TELEPHONE HOLDING  
COMPANY, INC. AND SUBSIDIARY**

Reviewed Consolidated Financial Statements

December 31, 2016 and 2015

**PIONEER TELEPHONE HOLDING  
COMPANY, INC. AND SUBSIDIARY**

Reviewed Consolidated Financial Statements

December 31, 2016 and 2015

**INDEPENDENT ACCOUNTANT'S REVIEW REPORT ..... 1**

**REVIEWED CONSOLIDATED FINANCIAL STATEMENTS**

Consolidated Balance Sheets .....	2-3
Consolidated Statements of Income.....	4
Consolidated Statements of Comprehensive Income.....	5
Consolidated Statements of Stockholders' Equity .....	6
Consolidated Statements of Cash Flows .....	7-8
Notes to Consolidated Financial Statements.....	9-18



1501 Regents Blvd., Suite 100  
Fircrest, WA 98466-6060

## Independent Accountant's Review Report

Board of Directors  
Pioneer Telephone Holding Company, Inc. and Subsidiary  
LaCrosse, Washington

We have reviewed the accompanying consolidated financial statements of Pioneer Telephone Holding Company, Inc. and Subsidiary (a corporation) (the "Company"), which comprise the consolidated balance sheets as of December 31, 2016 and 2015, and the related consolidated statements of income, comprehensive income, stockholders' equity and cash flows for the years then ended, and the related notes to the consolidated financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the consolidated financial statements as a whole. Accordingly, we do not express such an opinion.

### ***Management's Responsibility for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement whether due to fraud or error.

### ***Accountant's Responsibility***

Our responsibility is to conduct the review engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the consolidated financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

### ***Accountant's Conclusion***

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying consolidated financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

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

January 27, 2017

REVIEWED CONSOLIDATED FINANCIAL STATEMENTS

**PIONEER TELEPHONE HOLDING  
COMPANY, INC. AND SUBSIDIARY**

**CONSOLIDATED BALANCE SHEETS**

December 31, 2016 and 2015

	2016	2015
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents		
Short-term investments		
Accounts receivable		
Materials and supplies - at average cost		
Prepaid expenses		
<b>Total Current Assets</b>		
<b>INVESTMENTS AND OTHER ASSETS</b>		
Rural Telephone Finance Co-operative capital certificates		
Investment in land and building - less accumulated depreciation of [REDACTED]		
<b>Total Investments and Other Assets</b>		
<b>PROPERTY, PLANT AND EQUIPMENT</b>		
Land		
Depreciable plant and equipment		
Allowances for depreciation (deduction)		
Plant under construction		
<b>Total Property, Plant and Equipment</b>		
<b>TOTAL ASSETS</b>		

PETITION OF PIONEER TELEPHONE COMPANY TO  
RECEIVE SUPPORT FROM THE STATE UNIVERSAL  
COMMUNICATIONS SERVICES PROGRAM –  
EXHIBIT 5, PAGE - 5

**REDACTED**

See independent accountant's review report and accompanying notes to consolidated financial statements.

**PIONEER TELEPHONE HOLDING  
COMPANY, INC. AND SUBSIDIARY**

CONSOLIDATED BALANCE SHEETS (Continued)

December 31, 2016 and 2015

	2016	2015
<b><u>LIABILITIES AND STOCKHOLDERS' EQUITY</u></b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable		
Taxes, other than income taxes		
Other current liabilities		
Deferred revenue		
<b>        Total Current Liabilities</b>		
<b>DEFERRED FEDERAL INCOME TAXES</b>		
<b>        Total Liabilities</b>		
<b>STOCKHOLDERS' EQUITY</b>		
Common stock, no par value;		
Authorized - ████████ shares		
Issued and outstanding ████████ shares		
Retained earnings		
Accumulated other comprehensive income (loss)		
<b>        Total Stockholders' Equity</b>		
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>		

PETITION OF PIONEER TELEPHONE COMPANY TO  
RECEIVE SUPPORT FROM THE STATE UNIVERSAL  
COMMUNICATIONS SERVICES PROGRAM –  
EXHIBIT 5, PAGE - 6

**REDACTED**

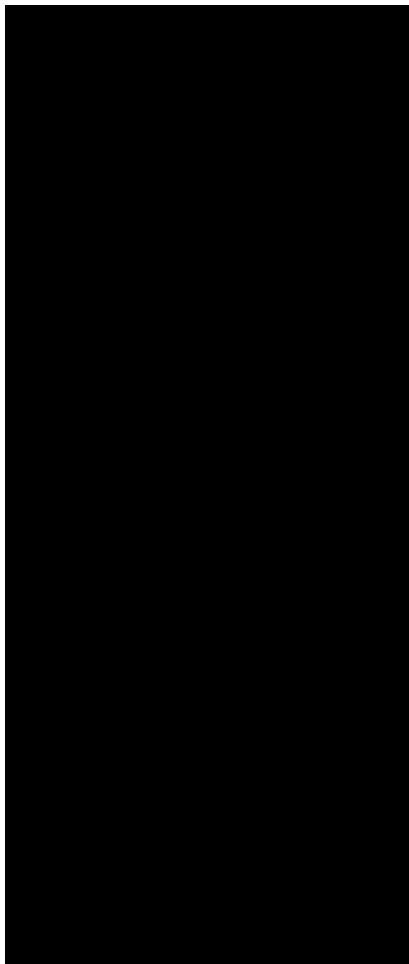
See independent accountant's review report and accompanying notes to consolidated financial statements.

**PIONEER TELEPHONE HOLDING  
COMPANY, INC. AND SUBSIDIARY**

**CONSOLIDATED STATEMENTS OF INCOME**

Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>REVENUES</b>		
Telecommunications service revenues		
Other operating revenues		
<b>Total Revenues</b>		
<b>EXPENSES</b>		
Operating expenses		
General and administrative		
Depreciation and amortization		
Other operating expenses		
Taxes, other than income taxes		
<b>Total Expenses</b>		
<b>Operating Income</b>		
<b>OTHER INCOME (EXPENSE)</b>		
Interest and dividend income		
Loss on sale of investments		
Miscellaneous expense		
<b>Total Other Income</b>		
<b>Income before Income Taxes</b>		
<b>INCOME TAXES</b>		
Deferred		
<b>NET INCOME</b>		



PETITION OF PIONEER TELEPHONE COMPANY TO  
RECEIVE SUPPORT FROM THE STATE UNIVERSAL  
COMMUNICATIONS SERVICES PROGRAM –  
EXHIBIT 5, PAGE - 7

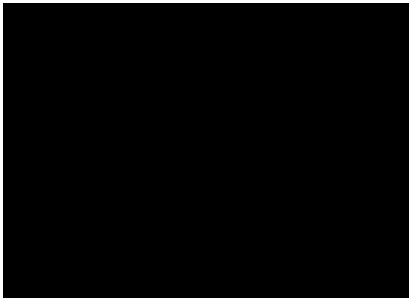
**REDACTED**

See independent accountant's review report and accompanying notes to consolidated financial statements.

**PIONEER TELEPHONE HOLDING  
COMPANY, INC. AND SUBSIDIARY**

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>NET INCOME</b>		
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>		
Unrealized gains (losses) on investments, net of deferred income taxes (benefits) (2016 - ██████; 2015 - ██████)		
<b>COMPREHENSIVE INCOME</b>		

PETITION OF PIONEER TELEPHONE COMPANY TO  
RECEIVE SUPPORT FROM THE STATE UNIVERSAL  
COMMUNICATIONS SERVICES PROGRAM -  
EXHIBIT 5, PAGE - 8

**REDACTED**

See independent accountant's review report and accompanying notes to consolidated financial statements.



**PIONEER TELEPHONE HOLDING  
COMPANY, INC. AND SUBSIDIARY**

**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**

Years Ended December 31, 2016 and 2015

	<u>Common Stock</u>		<u>Retained</u>	<u>Accumulated</u>	
	<u>Shares</u>	<u>Amount</u>	<u>Earnings</u>	<u>Other</u>	<u>Total</u>
				<u>Comprehensive</u>	
				<u>Income (Loss)</u>	
<b>BALANCE AT DECEMBER 31, 2014</b>					
Dividends paid					
Net income for the year					
Other comprehensive loss					
<b>BALANCE AT DECEMBER 31, 2015</b>					
Dividends paid					
Net income for the year					
Other comprehensive income					
<b>BALANCE AT DECEMBER 31, 2016</b>					

PETITION OF PIONEER TELEPHONE COMPANY TO  
RECEIVE SUPPORT FROM THE STATE UNIVERSAL  
COMMUNICATIONS SERVICES PROGRAM -  
EXHIBIT 5, PAGE - 9

**REDACTED**

See independent accountant's review report and accompanying notes to consolidated financial statements.

**PIONEER TELEPHONE HOLDING  
COMPANY, INC. AND SUBSIDIARY**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income		
Adjustments to reconcile net income to net cash provided by operating activities		
Loss on sale of investments		
Depreciation of plant and equipment		
Deferred federal income taxes		
Net change in operating assets and liabilities		
<b>Net Cash Provided by Operating Activities</b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of short-term investments		
Proceeds from sale of short-term investments		
Salvage from disposal of telecommunications plant		
Additions to property, plant and equipment		
<b>Net Cash Used by Investing Activities</b>		
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividends paid		
<b>Net Cash Used by Financing Activities</b>		
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		
<b>Cash and Cash Equivalents at Beginning of Year</b>		
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		

PETITION OF PIONEER TELEPHONE COMPANY TO  
RECEIVE SUPPORT FROM THE STATE UNIVERSAL  
COMMUNICATIONS SERVICES PROGRAM -  
EXHIBIT 5, PAGE - 10

**REDACTED**

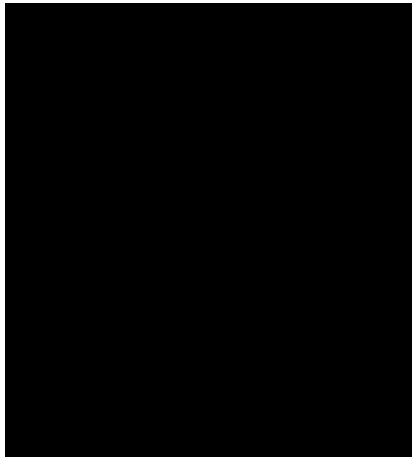
See independent accountant's review report and accompanying notes to consolidated financial statements.

**PIONEER TELEPHONE HOLDING  
COMPANY, INC. AND SUBSIDIARY**

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>COMPONENTS OF NET CHANGE IN OPERATING ASSETS AND LIABILITIES</b>		
(Increase) decrease in assets		
Accounts receivable		
Materials and supplies		
Prepaid expenses		
Increase (decrease) in liabilities		
Accounts payable		
Taxes, other than income taxes		
Other current liabilities		
Deferred revenue		
<b>NET CHANGE IN OPERATING ASSETS AND LIABILITIES</b>		



PETITION OF PIONEER TELEPHONE COMPANY TO  
RECEIVE SUPPORT FROM THE STATE UNIVERSAL  
COMMUNICATIONS SERVICES PROGRAM –  
EXHIBIT 5, PAGE - 11

**REDACTED**

See independent accountant's review report and accompanying notes to consolidated financial statements.

**PIONEER TELEPHONE HOLDING  
COMPANY, INC. AND SUBSIDIARY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

December 31, 2016 and 2015

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

The accounting and reporting policies of the Pioneer Telephone Holding Company, Inc. and Subsidiary (the "Company") conform with accounting principles generally accepted in the United States of America and practices within the telecommunications industry. The policies that materially affect financial position, results of operations and cash flows are summarized as follows:

***Organization***

Several years ago, the stockholders reorganized their interest in Pioneer Telephone Company ("Pioneer") by exchanging their stock in Pioneer for stock in Pioneer Telephone Holding Company, Inc., making Pioneer a wholly-owned subsidiary of the Company. The method used in accounting for the business combination was the pooling of interests method.

***Principles of Consolidation***

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Pioneer Telephone Company. All material intercompany accounts and transactions have been eliminated in consolidation.

***Operations***

The Company is engaged in providing telecommunications local exchange, network access, long distance, other telecommunications services, broadband access services and internet access services to customers in Adams and Whitman Counties in eastern Washington.

Pioneer is a small rate-of-return carrier. The Federal Communications Commission ("FCC") Report and Order and Further Notice of Proposed Rulemaking ("FCC 11-161") and Report and Order, Order and Order on Reconsideration, and Further Notice of Proposed Rulemaking, ("FCC 16-33") have reformed the universal service and intercarrier compensation systems. These reforms have modified the manner in which Pioneer recovers its telecommunications revenue requirements.

***Regulation***

Pioneer is subject to the accounting and rate regulation policies of the Washington Utilities and Transportation Commission ("WUTC") and adheres to the FCC Uniform System of Accounts for Class B telephone companies as prescribed by the FCC under Part 32.

***Cash and Cash Equivalents***

For purposes of the statements of cash flows, the Company considers cash to be cash on hand, in checking accounts, money market accounts and time certificates of deposit with maturities of less than one year.

**PIONEER TELEPHONE HOLDING  
COMPANY, INC. AND SUBSIDIARY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

December 31, 2016 and 2015

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

***Short-term Investments***

Short-term investments consist of investments in equities, mutual funds, bond mutual funds and bonds. The Company classifies the investments as "available for sale," and the investments are stated at fair value. Realized gains and losses are calculated using the average cost method and are included in income; unrealized gains and losses are reported in other comprehensive income (loss) on the statements of comprehensive income.

***Fair Value Measurements***

The Company measures fair value of its assets, liabilities and related disclosures in accordance with a hierarchy based on defined inputs. The hierarchy prioritizes the inputs underlying fair value measurements and requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs essentially distinguish the relative reliability of inputs to fair value measurements. Level 1 inputs are more reliable and objective than Level 2 inputs which are in turn more reliable and objective than Level 3 inputs. In arriving at a fair value measure, the Company is required to determine the level in the fair value hierarchy within which a fair value measurement ultimately falls and provide disclosure of such determinations.

***Accounts Receivable***

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. 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. 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, 2016 and 2015 as there were no accounts receivable outstanding over ninety days or more from the date invoices were first issued.

***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, 2016 and 2015, management has determined that there were no material impairment charges to be recorded as of those dates.

**PIONEER TELEPHONE HOLDING  
COMPANY, INC. AND SUBSIDIARY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

December 31, 2016 and 2015

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

***Property, Plant and Equipment***

Property, plant and equipment are stated at cost and are depreciated on a straight-line basis for accounting purposes. Lives used for calculating depreciation on telecommunications plant are in accordance with the rules of the WUTC and are based on the estimated economic useful lives of the assets. Likewise, lives used for calculating depreciation on all other property and equipment are based on the estimated economic useful lives of the assets.

***Telecommunications Plant Retirements***

When 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.

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

Services provided by the Company include primarily local network, network access services, long distance access services, digital subscriber lines and broadband access services included in telecommunications service revenues. Network access service revenues, which represent a major portion of Pioneer's operating revenues, are derived from the provision of exchange access services to interexchange carriers or to an end user of telecommunication services.

Revenues for certain interstate access services are currently received through tariffed access charges filed by the National Exchange Carrier Association ("NECA") with the Federal Communications Commission ("FCC") on behalf of the NECA member companies. These access charges are billed by Pioneer to interstate interexchange carriers and pooled with like-revenues from all NECA member companies. The pooled access charge revenues received by Pioneer are 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 Pioneer during the year in which they occur.

The FCC 11-161 modified and replaced the existing universal service system and intercarrier compensation systems with universal service reform and intercarrier compensation reform. A Connect America Fund ("CAF") has been established to replace all existing high-cost support mechanisms and set broadband service requirements. Alongside the broadband service rules, reforms to establish a framework to limit reimbursements for excessive capital and operating expenses were implemented as of July 1, 2012 and phase outs of certain support payments occurred. Intercarrier compensation reform adopts a uniform bill-and-keep framework as the ultimate end state for all telecommunications traffic exchanged with Pioneer. Intercarrier compensation rates are capped and the disparity between intrastate and interstate terminating

**PIONEER TELEPHONE HOLDING  
COMPANY, INC. AND SUBSIDIARY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

December 31, 2016 and 2015

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

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

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.

In July 2015, the FCC froze the National Average Cost per Loop ("NACPL") that serves as the threshold for support calculations of the High Cost Loop Support ("HCLS") revenues in order to satisfy the annual funding cap established in 2015. The actual NACPL compared to the frozen NACPL is just one factor that impacts Pioneer's HCLS revenues negatively. In 2016, due to continued efforts to meet the overall HCLS funding cap, a pro rata adjustment factor was established. This pro rata adjustment factor is multiplied by Pioneer's initial HCLS funding amount, causing a reduction in revenues of approximately \$42,000 for 2016.

In September 2016, the FCC implemented a budget control mechanism for rate-of-return telecommunication carriers designed to ensure that federal support disbursements remain within the specified budget. This budget control mechanism further reduces HCLS, Safety Net Additive Support and Interstate Common Line Support, now renamed Connect America Fund Broadband Loop Support, funding for Pioneer by approximately \$7,000 in 2016. Included in the budget control mechanism were an operating expense limitation calculation and a capital expenditure allowance calculation, none of which impacted Pioneer.

As part of FCC 16-33 Universal Service Reform order, rate-of-return telecommunication carriers have been given an option of remaining on a legacy support mechanism that includes broadband data only service funding or electing a model based support funding mechanism with an emphasis on broadband obligation deployment to begin implementation January 1, 2017. Pioneer has elected the model based support mechanism called Alternative Connect America Model ("A-CAM") and current calculations indicate a positive impact on revenues. In order to receive A-CAM support Pioneer must meet certain build out requirements of its telecommunications plant network and be able to offer certain broadband speeds by the end of the ten year period.

The established rate of return of 11.25% used for interstate pooled settlements and other interstate revenue requirements are to be transitioned over six years to 9.75% by July 2021 by a rate of return reduction of .25% each July per FCC order. As of July 2016, the rate of return was reduced to 11%.

**PIONEER TELEPHONE HOLDING  
COMPANY, INC. AND SUBSIDIARY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

December 31, 2016 and 2015

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

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

Pioneer continues to review the reforms and modifications to the support that it receives and understands that those reforms and modifications could have an adverse effect on Pioneer's revenues and cash flow. Revenue impacts are subject to change based on future data submissions and further clarification from the FCC.

Revenues for intrastate access services are received through tariffed access charges filed by Pioneer at the WUTC. Once filed, the tariffed access charges become effective if specifically approved by the WUTC or allowed to become effective by operation of law. The intrastate switched access charges are billed by Pioneer to intrastate interexchange carriers. Intrastate special access charges are also billed to intrastate interexchange carriers that order such services and, in some cases, to retail customers that order special access services.

The WUTC implemented a state universal communications service program ("State USF Program") that temporarily replaced the terminated universal service support pool ("Traditional USF") and also replaced the cumulative reduction in support Pioneer received from the federal CAF. The State USF Program began January 2015, and annual disbursements from the State USF Program comprised of the Traditional USF and the disbursement of the cumulative CAF deficit support are scheduled to occur in January of the following State USF Program years, assuming Pioneer continues to be eligible under the program. The State USF Program year runs from July 1 to June 30. In 2016, Pioneer received \$118,366 from the State USF Program for the period July 1, 2016 to June 30, 2017, and recorded deferred revenue of \$59,183 for the unearned portion. In 2015, Pioneer received \$99,862 from the State USF Program for the period July 1, 2015 to June 30, 2016, and recorded deferred revenue of \$49,931 for the unearned portion. The State USF Program is scheduled to last for five program years.

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

***Federal Income Taxes***

The Company 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 and its subsidiary file federal income taxes on a consolidated basis. The consolidated tax liability of the affiliated group is allocated based on each company's contribution to consolidated taxable income.



**PIONEER TELEPHONE HOLDING  
COMPANY, INC. AND SUBSIDIARY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

December 31, 2016 and 2015

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

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

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 is recorded when it is more likely than not that some of the deferred tax assets will not be realized.

The Company's federal income tax returns for the tax years previous to December 31, 2013 are closed to examination.

***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates and assumptions used in preparing the accompanying consolidated financial statements.

***Subsequent Events***

The management of the Company evaluated for subsequent events and transactions for potential recognition and disclosure through January 27, 2017 the date of completion of the accountant's review procedures. All identified material events or transactions have been recorded or disclosed.

**NOTE 2 - CONCENTRATION OF CREDIT RISK**

The Company maintains cash balances and certificates of deposit at six financial institutions in eastern Washington, insured by the Federal Deposit Insurance Corporation ("FDIC") up to [REDACTED]. The Company periodically maintains cash balances in excess of the federally insured limits. At December 31, 2016, the Company's cash balances exceeded the federally insured limit by [REDACTED].

In addition, at December 31, 2016, the Company has deposits totaling [REDACTED] in money market funds with a broker-dealer. The funds are insured by the Securities Investor Protection Corporation up to [REDACTED] for brokerage accounts with a limit of [REDACTED] for claims of uninvested cash balances and additional brokerage insurance through the broker-dealer's underwriters as stated in the broker-dealer account agreement.

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

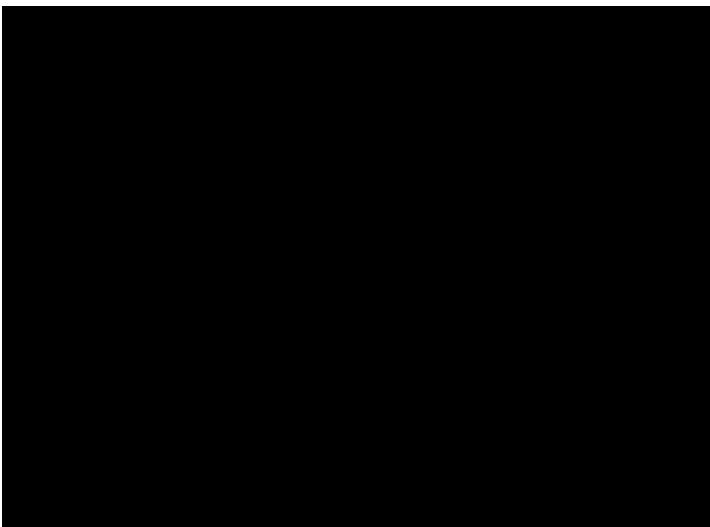
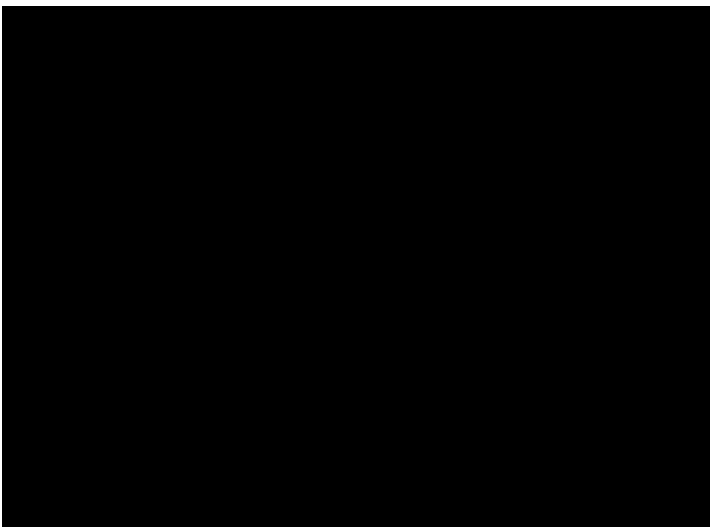
**PIONEER TELEPHONE HOLDING  
COMPANY, INC. AND SUBSIDIARY**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 and 2015

**NOTE 3 - FAIR VALUE DISCLOSURES**

Fair value of assets measured on a recurring basis at December 31, 2016 and 2015 were as follows:

	Fair Value Measurements		
	Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Other Subjective Inputs (Level 3)
<u>Fair Value</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
<u>December 31, 2016</u>			
Fixed Income Investments			
Corporate bonds			
Equities			
Bond mutual funds			
Mutual funds			
<u>December 31, 2015</u>			
Fixed Income Investments			
Corporate bonds			
Equities			
Bond mutual funds			
Mutual funds			

Investments valued using Level 1 inputs are based on unadjusted quoted market prices within active markets. Investments valued using Level 2 inputs are based primarily on quoted prices for similar assets in active or inactive markets. Level 3 inputs are based on the Company's own assumptions on how knowledgeable parties would price assets or liabilities, and are developed using the best information available in the circumstances.

During 2016, the Company sold some of its investments resulting in a loss of [REDACTED] with proceeds received of [REDACTED].

During 2015, the Company sold some of its investments resulting in a loss of [REDACTED] with proceeds received of [REDACTED].

**PIONEER TELEPHONE HOLDING  
COMPANY, INC. AND SUBSIDIARY**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 and 2015

**NOTE 4 - DEPRECIABLE PLANT AND EQUIPMENT**

The following is a summary of asset classifications and estimated useful lives for depreciable plant and equipment:

	<u>Useful Lives (Years)</u>	<u>2016</u>	<u>2015</u>
Pioneer Telephone Holding Company, Inc. Internet access equipment			
Pioneer Telephone Company Support assets Central office assets Cable and wire facilities Nonregulated equipment			
Total			

***Depreciation Expense***

The provision for depreciation on depreciable plant and equipment in service for the years ended December 31, 2016 and 2015 was [REDACTED] and [REDACTED], respectively.

**NOTE 5 - 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 income tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. The differences relate to the following:

- Depreciable assets' lives and methods of calculating depreciation for financial and income tax reporting.
- Accounting for short-term investments at fair market value for financial reporting purposes and cost for income tax purposes.
- Carryforward of a net operating loss for income tax purposes.

**PIONEER TELEPHONE HOLDING  
COMPANY, INC. AND SUBSIDIARY**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 and 2015

**NOTE 5 - INCOME TAXES** (Continued)

The tax effects of temporary differences that give rise to significant portions of deferred tax (assets) liabilities consist of the following:

	<u>2016</u>	<u>2015</u>
Property, plant and equipment		
Short-term investments		
Net operating loss carryforward		

Components of consolidated federal income taxes are as follows:

	<u>2016</u>	<u>2015</u>
Deferred		

The Company has a consolidated net operating loss carryforward of approximately [REDACTED] as of December 31, 2016 from 2011 that is available for 20 years from the year of loss.

The Company has not established a valuation allowance at December 31, 2016 and 2015 for the deferred tax benefit that existed at that date related to the net operating loss carryforward. Management believes that the Company's future taxable income will be enough to absorb and to prevent the net operating loss carryforward from expiring unused.

**NOTE 6 - LEASES**

Pioneer leases certain bandwidth and transport services from a local telecommunications provider with a one year term starting January 2016, switching to a month-to-month basis at the end of one year. Lease payments will be [REDACTED] per month.

Pioneer leases certain telecommunications facilities and power from CenturyTel of Washington, Inc. on a month to month basis. Pioneer pays a monthly rate of [REDACTED] and applicable taxes.

**PIONEER TELEPHONE HOLDING  
COMPANY, INC. AND SUBSIDIARY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

December 31, 2016 and 2015

**NOTE 7 - RETIREMENT PLAN**

Pioneer has a 401(k) profit sharing plan (the "Plan"). Eligibility for participation in the Plan begins after one year of service and attainment of age 21. The Plan allows for employee elective deferrals up to the maximum allowed by law. The Plan provides for discretionary matching contributions and discretionary profit sharing contributions as determined by Pioneer. Such contributions have a 6 year graded vesting schedule with any forfeitures used to reduce the Pioneer contributions to either the discretionary matching or profit sharing contributions. Pioneer's contributions were [REDACTED] of participation elective contributions with a maximum of [REDACTED] and [REDACTED] of eligible employee compensation in 2016 and 2015. Pioneer's discretionary contributions charged to expense were [REDACTED] and [REDACTED] in 2016 and 2015, respectively.

## EXHIBIT 6

OPERATING REPORT FOR TELECOMMUNICATIONS COMPANIES			COMPANY NAME  PIONEER TELEPHONE COMPANY		
			PERIOD ENDING December 31, 2016		
<b>CERTIFICATION</b>					
<i>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.</i>					
_____ DATE					
<b>PART A BALANCE SHEET</b>					
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	1,667,403	1,683,133	25. Accounts Payable	25,545	19,696
2. Cash-RUS Construction Fund			26. Notes Payable		
3. Affiliates:			27. Advance Billings and Payments		
a. Telecom, Accounts Receivable			28. Customer Deposits	1,114	1,069
b. Other Accounts Receivable			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	46,663	27,684	32. Income Taxes Accrued	17,461	33,893
b. Other Accounts Receivable	25,020	0	33. Other Taxes Accrued	64,983	52,896
c. Notes Receivable			34. Other Current Liabilities	81,545	118,384
5. Interest and Dividends Receivable			35. <b>Total Current Liabilities</b>	190,648	225,938
6. Material-Regulated	54,449	53,983	<b>LONG-TERM DEBT</b>		
7. Material-Nonregulated	3,140	3,140	36. Funded Debt-RUS Notes		
8. Prepayments	30,456	31,098	37. Funded Debt-RTB Notes		
9. Other Current Assets	219,475	453,334	38. Funded Debt-FFB Notes		
10. <b>Total Current Assets (1 Thru 9)</b>	2,046,606	2,252,372	39. Funded Debt-Other		
<b>NONCURRENT ASSETS</b>			40. Funded Debt-Rural Develop. Loan		
11. Investment in Affiliated Companies			41. Premium (Discount) on L/T Debt		
a. Rural Development			42. Reaquired Debt		
b. Nonrural Development			43. Obligations Under Capital Lease		
12. Other Investments			44. Adv. From Affiliated Companies	81,657	95,631
a. Rural Development			45. Other Long-Term Debt		
b. Nonrural Development			46. <b>Total Long-Term Debt (36 thru 45)</b>	81,657	95,631
13. Nonregulated Investments	35,277	35,277	<b>OTHER LIAB. &amp; DEF. CREDITS</b>		
14. Other Noncurrent Assets			47. Other Long-Term Liabilities		
15. Deferred Charges			48. Other Deferred Credits	512,294	516,812
16. Jurisdictional Differences			49. Other Jurisdictional Differences		
17. <b>Total Noncurrent Assets (11 thru 16)</b>	35,277	35,277	50. <b>Total Other Liabilities and Deferred Credits (47 thru 49)</b>	512,294	516,812
<b>PLANT, PROPERTY AND EQUIPMENT</b>			<b>EQUITY</b>		
18. Telecom, Plant-in-Service	12,629,667	12,627,103	51. Cap. Stock Outstand. & Subscribed	56,052	56,052
19. Property Held for Future Use			52. Additional Paid-in-Capital		
20. Plant Under Construction		66,466	53. Treasury Stock		
21. Plant Adj. Nonop, Plant & Goodwill			54. Membership and Cap. Certificates		
22. Less Accumulated Depreciation	8,558,721	8,946,546	55. Other Capital		
23. Net Plant (18 thru 21 less 22)	4,070,946	3,747,023	56. Patronage Capital Credits		
24. <b>TOTAL ASSETS (10+17+23)</b>	6,152,829	6,034,672	57. Retained Earnings or Margins	5,312,178	5,140,239
			58. <b>Total Equity (51 thru 57)</b>	5,368,230	5,196,291
			59. <b>TOTAL LIABILITIES AND EQUITY (35+46+50+58)</b>	6,152,829	6,034,672

OPERATING REPORT FOR  
TELECOMMUNICATIONS  
COMPANIES

Company Name: PIONEER TELEPHONE COMPANY

PERIOD ENDING: December 31, 2016

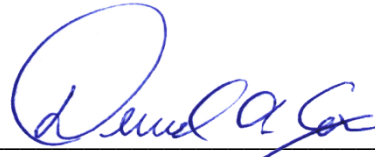
**PART B. STATEMENTS OF INCOME AND RETAINED EARNINGS OR MARGINS**

ITEM	PRIOR YEAR	THIS YEAR
1. Local Network Services Revenues	144,597	151,205
2. Network Access Services Revenues	1,399,531	1,305,023
3. Long Distance Network Services Revenues	42,291	41,522
4. Carrier Billing and Collection Revenues	1,800	1,800
5. Miscellaneous Revenues	8,866	10,415
6. Uncollectible Revenues	100	492
<b>7. Net Operating Revenues (1 thru 5 less 6)</b>	<b>1,596,985</b>	<b>1,509,473</b>
8. Plant Specific Operations Expense	367,252	349,684
9. Plant Nonspecific Operations Expense (Excluding Depreciation & Amortization)	54,344	60,084
10. Depreciation Expense	580,284	531,909
11. Amortization Expense		
12. Customer Operations Expense	94,541	120,818
13. Corporate Operations Expense	374,435	351,650
<b>14. Total Operating Expenses (8 thru 13)</b>	<b>1,470,856</b>	<b>1,414,145</b>
15. Operating Income or Margins (7 less 14)	126,129	95,328
16. Other Operating Income and Expenses		
17. State and Local Taxes	67,196	48,884
18. Federal Income Taxes	23,455	15,892
19. Other Taxes		
<b>20. Total Operating Taxes (17+18+19)</b>	<b>90,651</b>	<b>64,776</b>
21. Net Operating Income or Margins (15+16-20)	35,478	30,552
22. Interest on Funded Debt		
23. Interest Expense - Capital Leases		
24. Other Interest Expense		
25. Allowance for Funds Used During Construction		
<b>26. Total Fixed Charges (22+23+24-25)</b>	<b>0</b>	<b>0</b>
27. Nonoperating Net Income	7,173	10,014
28. Extraordinary Items		
29. Jurisdictional Differences		
30. Nonregulated Net Income	22,814	20,099
<b>31. Total Net Income or Margins (21+27+28+29+30-26)</b>	<b>65,465</b>	<b>60,665</b>
32. Total Taxes Based on Income		
33. Retained Earnings or Margins Beginning-of-Year	5,501,527	5,312,178
34. Miscellaneous Credits Year-to-Date - Other Comprehensive Income		
35. Dividends Declared (Common)	(250,000)	(248,000)
36. Dividends Declared (Preferred)		
37. Other Debits Year-to-Date - Other Comprehensive Loss	(4,814)	15,396
38. Transfers to Patronage Capital		
<b>39. Retained Earnings or Margins End-of-Period [(31+33+31) - (35+35+37+38)]</b>	<b>5,312,178</b>	<b>5,140,239</b>

**EXHIBIT 7**  
**CORPORATE OPERATIONS EXPENSE ADJUSTMENT CERTIFICATE**

I, Durand Cox, an officer of Pioneer Telephone Company, with personal knowledge and responsibility, under penalty of perjury, hereby certify that no corporate operations adjustment(s) to existing high-cost loop and/or interstate common line support mechanisms, as required by the Federal Communications Commission, applied to the Company in 2016 and 2015.

Dated this 25<sup>th</sup> day of July, 2017



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Durand Cox, President

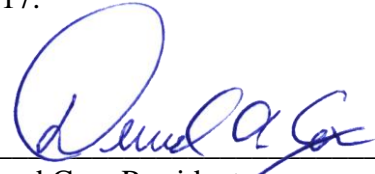


**EXHIBIT 8**

**FINANCIAL ACCOUNTING CERTIFICATE**

I, Durand Cox, an officer of Pioneer Telephone Company (the "Company") with personal knowledge and responsibility, based upon my discussions with the outside consultants retained by the Company to handle such matters, under penalty of perjury, state that the Company complies with state and federal accounting, cost allocation and cost adjustment rules pertaining to incumbent local exchange companies.

Dated at LaCrosse, Washington this 25th day of July, 2017.



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Durand Cox, President

**EXHIBIT 9**

**CONTINUED OPERATIONS CERTIFICATE**

I, Durand Cox, an officer of Pioneer Telephone Company (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 2018.

Dated at LaCrosse, Washington this 25<sup>th</sup> day of July, 2017.

  
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Durand Cox, President