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

8 IN RE

9
10 PETITION OF WESTERN WAHKIAKUM
11 COUNTY TELEPHONE COMPANY, TO
12 RECEIVE SUPPORT FROM THE STATE
UNIVERSAL COMMUNICATIONS
SERVICES PROGRAM

DOCKET NO.

PETITION FOR SUPPORT

13
14 COMES NOW Western Wahkiakum County Telephone Company, d/b/a Wahkiakum West
15 Telephone and d/b/a WWEST Communications, (the "Company"), and, pursuant to Chapter 480-
16 123 of the Washington Administrative Code ("WAC") including, but not limited to, WAC 480-123-
17 110, hereby petitions the Washington Utilities and Transportation Commission (the "Commission")
18 to receive support from the State Universal Communications Services Program established in RCW
19 80.36.650 (the "Program") for the fiscal year ending June 30, 2018.

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

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23 1. WAC 480-123-100(1)(a): The Company is a local exchange company as defined in WAC
24 480-120-021 that serves less than forty thousand access lines within the state.

25 PETITION OF WESTERN WAHKIAKUM
26 COUNTY TELEPHONE COMPANY, D/B/A
WAHKIAKUM WEST TELEPHONE AND
D/B/A WWEST COMMUNICATIONS,
TO RECEIVE SUPPORT FROM THE STATE
UNIVERSAL COMMUNICATIONS SERVICES
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- 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 5. WAC 480-123-100(1)(e): The Company has been designated by the Commission as an
11 eligible telecommunications carrier for purposes of receiving federal universal service
12 support pursuant to 47 C.F.R. Part 54 Subpart D - Universal Service Support for High Cost
13 Areas with respect to the service area for which the Company is seeking Program support.
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17 **II. Demonstration of Eligibility under WAC 480-123-110**

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

- 3 3. WAC 480-123-110(1)(c): A service area map for the Company can be found at Sheet
4 Nos. 21 and 21.1 of the Company's Tariff WN U-4.
- 5 4. WAC 480-123-110(1)(d): A demonstration that the Company's customers are at risk of rate
6 instability or service interruption or cessation in the absence of support from the Program is
7 attached as Exhibit 3.
- 8 5. WAC 480-123-110(1)(e)(i): On the Commission's prescribed form, attached as Exhibit 4,
9 are copies of the Company's balance sheet as of December 31, 2016, and December 31,
10 2015, and copies of the Company's statements of income and retained earnings or margin for
11 the years ended December 31, 2016 and December 31, 2015.
- 12 6. WAC 480-123-110(1)(e)(ii): A copy of the Company's consolidated annual financial
13 statements for the years ended December 31, 2016 and December 31, 2015, are attached as
14 Exhibit 5.
- 15 7. WAC 480-123-110(1)(e)(iii): Information demonstrating the Company's earned rate of
16 return on a total Washington unseparated regulated operations basis for each of the two prior
17 years, calculated in the manner prescribed by the Commission, is provided in Exhibit 4.
- 18 8. WAC 480-123-110(1)(e)(iv): Information demonstrating the Company's earned return on
19 equity on a total company (regulated and non-regulated) Washington basis for each of the
20 two prior years, calculated in the manner prescribed by the Commission, is provided in
21 Exhibit 5.
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- 1 9. WAC 480-123-110(1)(e)(v): Information detailing all of the Company's revenues from the
2 statements of income and retained earnings or margin in the same format and detail as is
3 required to complete RUS Form 479 for the prior two years is presented on Exhibit 6.
- 4 10. WAC 480-123-110(1)(e)(vi): Information detailing the amounts of any corporate
5 operations adjustments to existing high-cost loop and interstate common line support
6 mechanism required by the Federal Communications Commission applied to the Company
7 for the prior two years is attached hereto as Exhibit 7.
- 8 11. WAC 480-123-110(1)(e)(vii): Exhibit 4 and Exhibit 4.1, which is also attached and is on
9 the Commission's prescribed form, contains additional supporting information requested by
10 the Commission.
- 11 12. WAC 480-123-110(1)(e)(viii): A statement under penalty of perjury from a Company
12 officer with personal knowledge and responsibility certifying that the Company complies
13 with state and federal accounting, cost allocation, and cost adjustment rules pertaining to
14 incumbent local exchange companies is attached as Exhibit 8.
- 15 13. WAC 480-123-110(1)(f): A complete copy of the FCC Form 481 filed by the Company or
16 on its behalf with the Federal Communications Commission for the calendar year preceding
17 the current year has already been filed with the Commission. See the Company's filing in
18 Docket No. UT-170011 filed on or about June 29, 2017.
- 19 14. WAC 480-123-110(1)(g): The number of residential local exchange access lines served by
20 the Company as of December 31, 2016, was 848, all of which were within the geographic
21 area for which the Company is seeking support. The number of residential local exchange
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1 access lines served by the Company as of December 31, 2015, was 838, all of which were
2 within the geographic area for which the Company is seeking support.

3 The number of business local exchange access lines served by the Company as of December
4 31, 2016, was 194, all of which were within the geographic area for which the Company is
5 seeking support. The number of business local exchange access lines served by the
6 Company as of December 31, 2015, was 207, all of which were within the geographic area
7 for which the Company is seeking support.

8 The monthly recurring rate charged by the Company for residential local exchange access
9 service on December 31, 2016, was \$ 18.00. The monthly recurring rate charged by the
10 Company for residential local exchange access service on December 31, 2015, was \$ 16.00.

11 The rate charged by the Company for single line business local exchange access service on
12 December 31, 2016, was \$ 18.80. The rate charged by the Company for single line
13 business local exchange access service on December 31, 2015, was \$ 16.80. (The
14 Company has other business local exchange service rates, but the Company understands that
15 WAC 480-123-110(1)(g) is requesting the single line business local exchange access service
16 rate.)
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19 15. WAC 480-123-110(1)(h): The requested statement is attached as Exhibit 9.

20 16. The amount on Line 4, labeled 2011 ROR Carrier Base Period Revenue, of the CAF ICC
21 Data Collection Report for the period 7/1/2017 - 6/30/2018 is \$ 672,355 and has not
22 changed from the last filing
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24 17. All exhibits attached hereto are incorporated in this Petition as though fully set forth.

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2 Respectfully submitted this 27 day of July, 2017.
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5 Western Wahkiakum County Telephone Company
6 d/b/a Wahkiakum West Telephone
7 d/b/a WWEST Communications
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9 CERTIFICATION

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

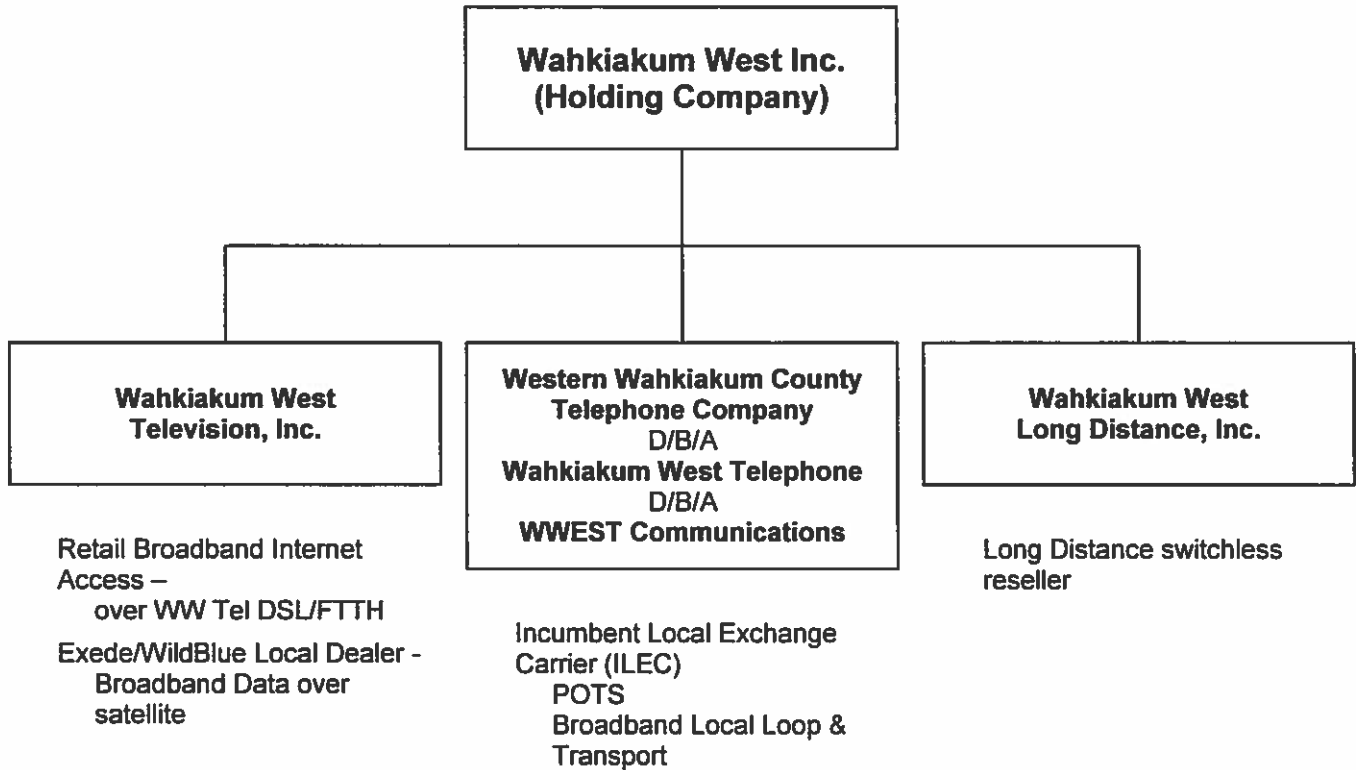
15 By: 
16 Title: President _____
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25 PETITION OF WESTERN WAHAKIACUM
26 COUNTY TELEPHONE COMPANY, D/B/A
WAHAKIACUM WEST TELEPHONE AND
D/B/A WWEST COMMUNICATIONS,
TO RECEIVE SUPPORT FROM THE STATE
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EXHIBIT 1

CORPORATE ORGANIZATION CHART

**Western Wahkiakum County Telephone Company
Corporate Structure**



PETITION OF WESTERN WAHAKIUM COUNTY TELEPHONE COMPANY, D/B/A WAHAKIUM WEST TELEPHONE AND D/B/A WWEST COMMUNICATIONS, TO RECEIVE SUPPORT FROM THE STATE UNIVERSAL COMMUNICATIONS SERVICES PROGRAM - EXHIBIT 1

EXHIBIT 2

AFFILIATED TRANSACTIONS

Western Wahkiakum County Telephone Company ("Wahkiakum West Telephone"), doing business as Wahkiakum West Telephone and as WWEST Communications, is affiliated with Wahkiakum West Long Distance, Inc. ("WWLDI") and Wahkiakum West Television, Inc. ("WWTVI"). All three companies are wholly-owned subsidiaries of Wahkiakum West, Inc. Wahkiakum West Telephone has transactions with each of WWLDI, WWTVI and Wahkiakum West, Inc. that are recorded on Wahkiakum West Telephone's books of account.¹

Wahkiakum West Long Distance, Inc. (WWLDI)

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

¹ Wahkiakum West Telephone also pays per-meeting director's fees to the members of its board of directors for their attendance at board meetings.

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

Wahkiakum West Television, Inc. (WWTVI)

WWTVI no longer provides television services, but is a retail Internet service provider with the DBAs of Wahkiakum West Internet, Wahkiakum West, and wwest.net. WWTVI is also an Exede/WildBlue Satellite internet service retailer. Wired broadband services are purchased by WWTVI from Wahkiakum West Telephone at the NECA tariffed wholesale rates and sold by WWTVI to end users under the above Wahkiakum West Television, Inc. DBAs. Wahkiakum West Television purchases its satellite services and equipment directly from an independent third-party vendor. WWTVI pays Wahkiakum West Telephone a monthly billing and collection fee based on the number of customers billed each month. WWTVI also pays Wahkiakum West Telephone a fully loaded hourly rate for all other employee time spent on behalf of Wahkiakum West Television and any of its services. Employee time, if any, is tracked via daily time sheets and reimbursed quarterly so that all related employee benefits and taxes are included in the reimbursement. The reimbursement for loaded labor charges is booked by Wahkiakum West Telephone as a reduction to regulated customer operations expense.

WWTVI also provides a small retail computer repair service. Employee time of Wahkiakum West Telephone devoted to this activity, if any, is tracked via daily time sheets and reimbursed quarterly so that all related employee benefits and taxes are included in the reimbursement. The reimbursement for loaded labor charges is booked by Wahkiakum West Telephone as a reduction to regulated customer operations expense. WWTVI also directly purchases all of its own additional supplies and equipment.

Wahkiakum West, Inc.

Wahkiakum West, Inc. files a consolidated Federal income tax return that includes Wahkiakum West Telephone. Quarterly income tax payments are made by Wahkiakum West Telephone. Wahkiakum West Inc. and each affiliate reimburse Wahkiakum West Telephone for their respective allocated share of any Federal income tax liability.

From time to time, Wahkiakum West Telephone pays dividends with respect to its issued and outstanding common stock, with such payments being made to Wahkiakum West, Inc.

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EXHIBIT 2 - 2

Additionally, from time to time, Wahkiakum West, Inc. may lend funds, primarily for construction, to Wahkiakum West Telephone. These loans, if any, are interest-bearing and are reflected on the books of Wahkiakum West Telephone.

PETITION OF WESTERN WAHIAKUM
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EXHIBIT 2 - 3

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 \$7.9 million during the period January 1, 2011 through December 31, 2016. As a result, the Company has a substantial debt obligation to cover the investment that has been made.

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 ("Program") that the Company received or accrued in 2016, the Company's total regulated revenue increased by less than one percent (1%) from 2011 through 2016 while during the period January 1, 2011 through December 31, 2016, the Company's net regulated plant increased by \$3,096,639 (from \$5,002,347 to \$8,098,986, or approximately 62%). The Company has looked for ways to lower expenses. However, much of the Company's operating expenditures are fixed obligations, such as debt-related payments in the approximate amount of \$280,000 annually (or more) on its construction debt.

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 formerly traditional universal service fund revenues (and more recently Program revenue that was replacing those traditional universal service fund revenues) of approximately \$143,007 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.¹ The USF/ICC Transformation Order has built in an automatic decline in the Company's intrastate and

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

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 effective July 1, 2017, the Company has seen a reduction in annual support from the base line revenue of approximately \$178,113.

On top of all this, during the six-year period ended December 31, 2016, the Company has seen its total federal high cost support decline from \$2,189,682 in 2011 to \$2,020,591 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 this 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 have revenues more adequately cover revenue requirement. 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.

EXHIBIT 4

STATE USF FILING FINANCIAL TEMPLATE
NON "S CORP" COMPANY

PETITION OF WESTERN WAHKIAKUM
COUNTY TELEPHONE COMPANY, D/B/A
WAHKIAKUM WEST TELEPHONE,
D/B/A WWEST COMMUNICATIONS,
TO RECEIVE SUPPORT FROM THE STATE
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PROGRAM –
EXHIBIT 4

**STATE USE 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)
WESTERN WAHIAKUM COUNTY 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)
CURRENT ASSETS				CURRENT LIABILITIES			
1. Cash and Equivalents	865,390		865,390	25. Accounts Payable	35,462		35,462
2. Cash-RUS Construction Fund	279		279	26. Notes Payable	19,974		19,974
3. Affiliates:	390,771		390,771	27. Advance Billings and Payments	0		0
a. Telecom, Accounts Receivable	0		0	28. Customer Deposits	137,000		137,000
b. Other Accounts Receivable	0		0	29. Current Mat. LT Debt	0		0
c. Notes Receivable	0		0	30. Current Mat. LT Debt Rur. Dev.	0		0
4. Non-Affiliates:				31. Current Mat. - Capital Leases	0		0
a. Telecom, Accounts Receivable	0		0	32. Income Taxes Accrued	52,916		52,916
b. Other Accounts Receivable	0		0	33. Other Taxes Accrued	122,813		122,813
c. Notes Receivable	0		0	34. Other Current Liabilities	368,165	0	368,165
5. Interest and Dividends Receivable	0		0	35. Total Current Liabilities (25 thru 34)	0		0
6. Material-Regulated	294,331		294,331	LONG-TERM DEBT			
7. Material-Nonregulated	59		59	36. Funded Debt-RUS Notes	0		0
8. Prepayments	25,926		25,926	37. Funded Debt-RTB Notes	0		0
9. Other Current Assets	135,907		135,907	38. Funded Debt-FFB Notes	2,504,283		2,504,283
10. Total Current Assets (1 Thru 9)	1,712,663	0	1,712,663	39. Funded Debt-Other	0		0
				40. Funded Debt-Rural Develop. Loan	0		0
				41. Premium (Discount) on LT Debt	0		0
NONCURRENT ASSETS				42. Reacquired Debt	0		0
11. Investment in Affiliated Companies	0		0	43. Obligations Under Capital Lease	0		0
a. Rural Development	0		0	44. Adv. From Affiliated Companies	1,506,247		1,506,247
b. Nonrural Development	0		0	45. Other Long-Term Debt	4,010,530	0	4,010,530
12. Other Investments	0		0	46. Total Long-Term Debt (36 thru 45)	0		0
a. Rural Development	0		0	OTHER LIAB. & DEF. CREDITS			
b. Nonrural Development	0		0	47. Other Long-Term Liabilities	0		0
13. Nonregulated Investments (B1)	413,993	2,557	2,557	48. Deferred Income Taxes	1,576,834	211	1,577,045
14. Other Noncurrent Assets	0		0	49. Other Deferred Credits (D)	0		0
15. Deferred Charges	0		0	50. Other Jurisdictional Differences	0		0
16. Jurisdictional Differences	0		0	51. Total Other Liab. & Def. Credits (47 thru 50)	1,576,834	211	1,577,045
17. Total noncurrent Assets (11 thru 16)	413,993	2,557	416,550	EQUITY			
				52. Cap. Stock Outstanding & Subscribed	54,171		54,171
PLANT, PROPERTY AND EQUIPMENT				53. Additional Paid-in-Capital	279,251		279,251
18. Telecom Plant-In-Service	20,965,028	(60,235)	20,904,793	54. Treasury Stock	0		0
19. Property Held for Future Use	0		0	55. Membership and Capital Certificates	0		0
20. Plant Under Construction	85,104		85,104	56. Other Capital	0		0
21. Plant Adj., Nonop Plant & Goodwill	0		0	57. Patronage Capital Credits	0		0
22. Accumulated Depreciation (CR.)	(12,986,918)	57,678	(12,929,240)	58. Retained Earnings or Margins (B2)	3,900,919	(211)	3,900,708
23. Net Plant (18 thru 21 less 22)	8,063,214	(2,557)	8,060,657	59. Total Equity (52 thru 58)	4,234,341	(211)	4,234,130
24. TOTAL ASSETS (10+17+23)	10,189,870	0	10,189,870	60. TOTAL LIABILITIES AND EQUITY (35+46+51+59)	10,189,870	0	10,189,870

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

State USF Petition Filing Requirement -WAC 480-123-1101(e)
Current Year Balance Sheet

Company Name: (Below)
WESTERN WAHIAKUM COUNTY 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)
CURRENT ASSETS				CURRENT LIABILITIES			
1. Cash and Equivalents	2,145,546		2,145,546	25. Accounts Payable	46,214		46,214
2. Cash-RUS Construction Fund	285		285	26. Notes Payable	0		0
3. Affiliates:				27. Advance Billings and Payments	21,054		21,054
a. Telecom, Accounts Receivable	401,848		401,848	28. Customer Deposits	0		0
b. Other Accounts Receivable	0		0	29. Current Mat. LT Debt	187,700		187,700
c. Notes Receivable	0		0	30. Current Mat. LT Debt, Rur. Dev.	0		0
4. Non-Affiliates:				31. Current Mat. - Capital Leases	0		0
a. Telecom, Accounts Receivable	0		0	32. Income Taxes Accrued	56,366		56,366
b. Other Accounts Receivable	0		0	33. Other Taxes Accrued	69,491		69,491
c. Notes Receivable	0		0	34. Other Current Liabilities	323,469		323,469
5. Interest and Dividends Receivable	0		0	35. Total Current Liabilities (25 thru 34)	704,294	0	704,294
6. Material-Regulated	245,165		245,165	LONG-TERM DEBT			
7. Material-Nonregulated	0		0	36. Funded Debt-RUS Notes	0		0
8. Prepayments	14,992		14,992	37. Funded Debt-RTB Notes	0		0
9. Other Current Assets	0		0	38. Funded Debt-FFB Notes	3,128,004		3,128,004
10. Total Current Assets (1 Thru 9)	2,807,836	0	2,807,836	39. Funded Debt-Other	0		0
				40. Funded Debt-Rural Develop. Loan	0		0
NONCURRENT ASSETS				41. Premium (Discount) on LT Debt	0		0
11. Investment in Affiliated Companies				42. Recquired Debt	0		0
a. Rural Development	0		0	43. Obligations Under Capital Lease	0		0
b. Nonrural Development	0		0	44. Adv. From Affiliated Companies	0		0
12. Other Investments				45. Other Long-Term Debt	1,506,247		1,506,247
a. Rural Development	0		0	46. Total Long-Term Debt (36 thru 45)	4,634,251	0	4,634,251
b. Nonrural Development	0		0	OTHER LIAB. & DEF. CREDITS			
13. Nonregulated Investments (B1)	277,901	277,901	277,901	47. Other Long-Term Liabilities	0		0
14. Other Noncurrent Assets	553,999		553,999	48. Deferred Income Taxes	1,678,382	(4,943)	1,673,439
15. Deferred Charges	0		0	49. Other Deferred Credits (D)	0		0
16. Jurisdictional Differences	0		0	50. Other Jurisdictional Differences	0		0
17. Total noncurrent Assets (11 thru 16)	553,999	277,901	831,900	51. Total Other Liab. & Def. Credits (47 thru 50)	1,678,382	(4,943)	1,673,439
				EQUITY			
PLANT, PROPERTY AND EQUIPMENT				52. Cap. Stock Outstanding & Subscribed	54,171		54,171
18. Telecom Plant-in-Service	21,305,128	(504,667)	20,800,461	53. Additional Paid-in-Capital	279,251		279,251
19. Property Held for Future Use	0		0	54. Treasury Stock	0		0
20. Plant Under Construction	123,420		123,420	55. Membership and Capital Certificates	0		0
21. Plant Adj., Monop Plant & Goodwill	0		0	56. Other Capital	0		0
22. Accumulated Depreciation (CR.)	(13,329,562)	226,766	(13,102,796)	57. Patronage Capital Credits	4,110,472	4,943	4,115,415
23. Net Plant (18 thru 21 less 22)	8,098,986	(277,901)	7,821,085	58. Retained Earnings or Margins (B2)	4,443,894	4,943	4,448,837
				59. Total Equity (53 thru 58)	11,460,821	0	11,460,821
24. TOTAL ASSETS (10+17+23)	11,460,821	0	11,460,821	60. TOTAL LIABILITIES AND EQUITY (35+46+51+59)	11,460,821	0	11,460,821

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)
WESTERN WAHIAKUM COUNTY 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
CURRENT ASSETS			CURRENT LIABILITIES		
1. Cash and Equivalents	865,390	2,145,546	25. Accounts Payable	35,462	46,214
2. Cash-RUS Construction Fund	279	285	26. Notes Payable	0	0
3. Affiliates:			27. Advance Billings and Payments	19,974	21,054
a. Telecom, Accounts Receivable	390,771	401,848	28. Customer Deposits	0	0
b. Other Accounts Receivable	0	0	29. Current Mat. L/T Debt	137,000	187,700
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	0	0	32. Income Taxes Accrued	0	56,366
b. Other Accounts Receivable	0	0	33. Other Taxes Accrued	52,916	69,491
c. Notes Receivable	0	0	34. Other Current Liabilities	122,813	323,469
5. Interest and Dividends Receivable	0	0	35. Total Current Liabilities (25 - 34)	368,165	704,294
6. Material-Regulated	294,331	245,165	LONG-TERM DEBT		
7. Material-Nonregulated	59	0	36. Funded Debt-RUS Notes	0	0
8. Prepayments	25,926	14,992	37. Funded Debt-RTB Notes	0	0
9. Other Current Assets	135,907	0	38. Funded Debt-FFB Notes	2,504,283	3,128,004
10. Total Current Assets (1 Thru 9)	1,712,663	2,807,836	39. Funded Debt-Other	0	0
			40. Funded Debt-Rural Develop. Loan	0	0
NONCURRENT ASSETS			41. Premium (Discount) on L/T Debt	0	0
11. Investment in Affiliated Companies			42. Recquired Debt	0	0
a. Rural Development	0	0	43. Obligations Under Capital Lease	0	0
b. Nonrural Development	0	0	44. Adv. From Affiliated Companies	0	0
12. Other Investments			45. Other Long-Term Debt	1,506,247	1,506,247
a. Rural Development	0	0	46. Total Long-Term Debt (36-45)	4,010,530	4,634,251
b. Nonrural Development	0	0	OTHER LIAB. & DEF. CREDITS		
13. Nonregulated Investments	2,557	277,901	47. Other Long-Term Liabilities	0	0
14. Other Noncurrent Assets	413,993	553,999	48. Deferred Income Taxes	1,577,045	1,673,439
15. Deferred Charges	0	0	49. Other Deferred Credits	0	0
16. Jurisdictional Differences	0	0	50. Other Jurisdictional Differences	0	0
17. Total noncurrent Assets (11 thru 16)	416,550	831,900	51. Total Other Liab. & Def. Credits (47 thru 50)	1,577,045	1,673,439
			EQUITY		
PLANT, PROPERTY AND EQUIPMENT			52. Cap. Stock Outstanding & Subscribed	54,171	54,171
18. Telecom Plant-in-Service	20,904,793	20,800,461	53. Additional Paid-in-Capital	279,251	279,251
19. Property Held for Future Use	0	0	54. Treasury Stock	0	0
20. Plant Under Construction	85,104	123,420	55. Membership and Capital Certificates	0	0
21. Plant Adj., Nonop Plant & Goodwill	0	0	56. Other Capital	0	0
22. Accumulated Depreciation (CR.)	(12,929,240)	(13,102,796)	57. Patronage Capital Credits	0	0
23. Net Plant (18 thru 21 less 22)	8,060,657	7,821,085	58. Retained Earnings or Margins	3,900,708	4,115,415
			59. Total Equity (52 thru 58)	4,234,130	4,448,837
24. TOTAL ASSETS (10+17+23)	10,189,870	11,460,821	59. TOTAL LIABILITIES AND EQUITY (35+46+51+59)	10,189,870	11,460,821

Footnote:
Adjusted Balances represent 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)
 WESTERN WAHIAKUM COUNTY 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
1	Average Rate Base:				
2	Total Regulated Adjusted Telecom Plant In-service	18	20,904,793	20,800,461	20,852,627
3	Total Property Held for Future Use	19	0	0	0
4	Total Regulated Adjusted Accumulated Depreciation (CR)	22	(12,929,240)	(13,102,796)	(13,016,018)
5	Total Regulated Materials & Supplies	6	294,331	245,165	269,748
6	Deferred Income Taxes (CR)	48	(1,577,045)	(1,673,439)	(1,625,242)
	Total Regulated Rate Base		6,692,839	6,269,391	6,481,115

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)
 WESTERN WAHIAKUM COUNTY TELEPHONE COMPANY

Line #	Description	Prior Year End of Yr. Balance - 2015	Current Year End of Yr. Balance - 2016	Difference	% Change
1	Access Lines: Residential	838	848	10	1.2%
2	Business	207	194	(13)	-6.3%
3	Total	1,045	1,042	(3)	-0.3%

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)
 WESTERN WAHIAKUM COUNTY TELEPHONE COMPANY

Line #	Description	Prior Year 2015 (A)	Part 64 Adj to NonReg (B)	Prior Year Adjusted 2015 (C)
1	Local Network Services Revenues	245,707		245,707
2	Network Access Services Revenues	3,049,185		3,049,185
3	Long Distance Network Services Revenues			0
4	Carrier Billing and Collection Revenues	22,894		22,894
5	Miscellaneous Revenues	973		973
6	Uncollectible Revenues (Normal Balance is debit or in brackets)	(316)		(316)
7	Net Operating Revenues (1 thru 6)	3,318,443	0	3,318,443
8	Plant Specific Operations Expense	520,123	(772)	519,351
9	Plant Nonspecific Operations Expense (excluding Depreciation & Amort)	482,485		482,485
10	Depreciation Expense	605,044	(1,090)	603,954
11	Amortization Expense			0
12	Customer Operations Expense	173,926		173,926
13	Corporate Operations	903,594		903,594
14	Total Operations Expenses (8 thru 13)	2,685,172	(1,862)	2,683,310
15	Operating Income or Margins (7 less 14)	633,271	1,862	635,133
16	Other Operating Income and Expenses ()			0
17	State and Local Taxes	75,861		75,861
18	Federal Income Taxes (A1) - (UNE IS ZERO IF COMPANY IS S CORP)	152,471		152,471
19	Other Taxes			0
20	Total Operating Taxes (17+18+19)	228,332	0	228,332
21	Net Operating Income or Margins (15+16-20)	404,939	1,862	406,801
22	Interest on Funded Debt	55,419		55,419
23	Interest Expense - Capital Leases			0
24	Other Interest Expense	63,265		63,265
25	Allowance for Funds Used During Construction (CR)			0
26	Total Fixed Charges (22+23+24-25)	118,684	0	118,684
27	Nonoperating Net Income	2,757		2,757
28	Extraordinary Items			0
29	Jurisdictional Differences			0
30	Nonregulated Net Income (B1)	(31,328)	(1,862)	(33,190)
31	Total Net Income or Margins (21+27+28+29+30-26)	257,684	0	257,684
32	Total Taxes Based on Income			
33	Retained Earning or Margins Beginning-of-Year	4,129,620		4,129,620
34	Miscellaneous Credits Year-to-Date			0
35	Dividends Declared (Common)	243,000		243,000
36	Dividends Declared (Preferred)			0
37	Other Debits Year-to-Date	243,395		243,395
38	Transfers to Patronage Capital			0
39	Retained Earnings End-of-Period ((31+33+34)-(35+36+37+38))(A2)	3,900,909	0	3,900,909
40	Patronage Capital Beginning-of-Year			0
41	Transfers to Patronage Capital			0
42	Patronage Capital Credits Retired			0
43	Patronage Capital End-of-Year (40+41-42)	0	0	0
44	Annual Debt Service Payments	181,639		181,639
45	Cash Ratio ((14+20-10-11)/7)	0.6956	#DIV/0!	0.6954
46	Operating Accrual Ratio ((14+20+26)/7)	0.9137	#DIV/0!	0.9132
47	TIER ((31+26)/26)	3.1712	#DIV/0!	3.1712
48	DSCR ((31+26+10+11)/44)	5.4031	#DIV/0!	5.3971

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)
WESTERN WAHIAKUM COUNTY TELEPHONE COMPANY

Line #	Description	Current Year 2016 (A)	Part 64 Adj to NonReg (B)	Current Year Adjusted 2016 (C)
1	Local Network Services Revenues	253,580		253,580
2	Network Access Services Revenues	3,301,264		3,301,264
3	Long Distance Network Services Revenues			0
4	Carrier Billing and Collection Revenues	22,864		22,864
5	Miscellaneous Revenues	1,550		1,550
6	Uncollectible Revenues (Normal Balance is debit or in brackets)	(3)		(3)
7	Net Operating Revenues (1 thru 6)	3,579,255	0	3,579,255
8	Plant Specific Operations Expense	457,931	(4,228)	453,703
9	Plant Nonspecific Operations Expense (excluding Depreciation & Amort.)	469,478	6,842	476,320
10	Depreciation Expense	937,493	(25,904)	911,589
11	Amortization Expense			0
12	Customer Operations Expense	170,948		170,948
13	Corporate Operations	902,620	(8,200)	894,420
14	Total Operations Expenses (8 thru 13)	2,938,470	(31,490)	2,906,980
15	Operating Income or Margins (7 less 14)	640,785	31,490	672,275
16	Other Operating Income and Expenses ()			0
17	State and Local Taxes	104,163		104,163
18	Federal Income Taxes (A1) - (LINE IS ZERO IF COMPANY IS S CORP)	140,340		140,340
19	Other Taxes			0
20	Total Operating Taxes (17+18+19)	244,503	0	244,503
21	Net Operating Income or Margins (15+16-20)	396,282	31,490	427,772
22	Interest on Funded Debt	56,422		56,422
23	Interest Expense - Capital Leases			0
24	Other Interest Expense	60,250		60,250
25	Allowance for Funds Used During Construction (CR)			0
26	Total Fixed Charges (22+23+24-25)	116,672	0	116,672
27	Nonoperating Net Income	(4,018)		(4,018)
28	Extraordinary Items			0
29	Jurisdictional Differences			0
30	Nonregulated Net Income (B1)	(15,354)	(31,490)	(46,844)
31	Total Net Income or Margins (21+27+28+29+30-26)	260,238	0	260,238
32	Total Taxes Based on Income			
33	Retained Earning or Margins Beginning-of-Year	3,900,919		3,900,919
34	Miscellaneous Credits Year-to-Date	107,315		107,315
35	Dividends Declared (Common)	158,000		158,000
36	Dividends Declared (Preferred)			0
37	Other Debits Year-to-Date			0
38	Transfers to Patronage Capital			0
39	Retained Earnings End-of-Period ((31+33+34)-(35+36+37+38))(A2)	4,110,472	0	4,110,472
40	Patronage Capital Beginning-of-Year			0
41	Transfers to Patronage Capital			0
42	Patronage Capital Credits Retired			0
43	Patronage Capital End-of-Year (40+41-42)	0	0	0
44	Annual Debt Service Payments	279,529		279,529
45	Cash Ratio ((14+20-10-11)/7)	0.6274	#DIV/0!	0.6258
46	Operating Accrual Ratio ((14+20+26)/7)	0.9219	#DIV/0!	0.9131
47	TIER ((31+26)/26)	3.2305	#DIV/0!	3.2305
48	DSCR ((31+26+10+11)/44)	4.7022	#DIV/0!	4.6095

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:
 WESTERN WAHIAKUM COUNTY TELEPHONE COMPANY

Line #	Description	Adjusted Prior Year 2015	Adjusted Current Year 2016
1	Local Network Services Revenues	245,707	253,580
2	Network Access Services Revenues	3,049,185	3,301,264
3	Long Distance Network Services Revenues	0	0
4	Carrier Billing and Collection Revenues	22,894	22,864
5	Miscellaneous Revenues	973	1,550
6	Uncollectible Revenues (Normal Balance is debit or in brackets)	(316)	(3)
7	Net Operating Revenues (1 thru 6)	3,318,443	3,579,255
8	Plant Specific Operations Expense	519,351	453,703
9	Plant Nonspecific Operations Expense (excluding Depreciation & Amort.)	482,485	476,320
10	Depreciation Expense	603,954	911,589
11	Amortization Expense	0	0
12	Customer Operations Expense	173,926	170,948
13	Corporate Operations	903,594	894,420
14	Total Operations Expenses (8 thru 13)	2,683,310	2,906,980
15	Operating Income or Margins (7 less 14)	635,133	672,275
16	Other Operating Income and Expenses ()	0	0
17	State and Local Taxes	75,861	104,163
18	Federal Income Taxes (A1) - (LINE IS ZERO IF COMPANY IS S CORP)	152,471	140,340
19	Other Taxes	0	0
20	Total Operating Taxes (17+18+19)	228,332	244,503
21	Net Operating Income or Margins (15+16-20)	406,801	427,772
22	Interest on Funded Debt	55,419	56,422
23	Interest Expense - Capital Leases	0	0
24	Other Interest Expense	63,265	60,250
25	Allowance for Funds Used During Construction	0	0
26	Total Fixed Charges (22+23+24-25)	118,684	116,672
27	Nonoperating Net Income	2,757	(4,018)
28	Extraordinary Items	0	0
29	Jurisdictional Differences	0	0
30	Nonregulated Net Income	(33,190)	(46,844)
31	Total Net Income or Margins (21+27+28+29+30-26)	257,684	260,238
32	Total Taxes Based on Income		
33	Retained Earning or Margins Beginning-of-Year	4,129,620	3,900,919
34	Miscellaneous Credits Year-to-Date	0	107,315
35	Dividends Declared (Common)	243,000	158,000
36	Dividends Declared (Preferred)	0	0
37	Other Debits Year-to-Date	243,395	0
38	Transfers to Patronage Capital	0	0
39	Retained Earnings or Margins End-of-Period ((31+33+34)-(35+36+37+38))	3,900,909	4,110,472
40	Patronage Capital Beginning-of-Year	0	0
41	Transfers to Patronage Capital	0	0
42	Patronage Capital Credits Retired	0	0
43	Patronage Capital End-of-Year (40+41-42)	0	0
44	Annual Debt Service Payments	181,639	279,529
45	Cash Ratio ((14+20-10-11)/7)	0.6954	0.6258
46	Operating Accrual Ratio ((14+20+26)/7)	0.9132	0.9131
47	TIER ((31+26)/26)	3.1712	3.2305
48	DSCR ((31+26+10+11)/44)	5.40	4.6095

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)
WESTERN WAHIAKUM COUNTY TELEPHONE COMPANY

Line #	Description	Part 32 Account	Prior Year 2015	Current Year 2016
1	End User Revenue (SLC, ARC, etc.)	5081	138,919	149,448
2	Switched Access (excluding USF):	5082		
2a	Intrastate		82,249	58,390
2b	Interstate (includes CAF)		490,567	612,745
3	Special Access:	5083		
3a	Intrastate		27,810	16,699
3b	Interstate		151,244	169,075
4	Federal USF (ICLS/HCL/SIN)	Varies	1,915,308	2,020,591
5	State USF		243,088	274,316
6	Other*			
7	Total (must equal line 2 of Income Stmt.)		3,049,185	3,301,264
8	Line 2 of Income Stmt.		3,049,185	3,301,264
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)
 WESTERN WAHIAKUM COUNTY TELEPHONE COMPANY

Pro Forma (PF)/Adjustment for Current Year Petition or Reversing from Prior Year	Year	ODP or PF?	Part 32 Account	
			Debit	Credit
Adjustment #1: Increase to 2015 Interstate Access Revenue recorded in 2016 (Account 2082) to reflect (i) increase in CAF-ICC support due to revision to 10/1/2010-09/30/11 base amount and (ii) decrease in CAF-ICC support due to revision to CAF-ICC reported intrastate terminating revenue to include revenue associated with intrastate originating 800-type traffic	2015 PF		\$	47,682
Adjustment #2: Increase to 2015 Interstate Access Revenue recorded in 2015 (Account 2082) to reflect transfer to 2014 of reduction in CAF-ICC support due to revision to 10/1/2010-09/30/11 base amount	2015 OOP		\$	142,470
Adjustment #3: Increase to 2015 Interstate Access Revenue recorded in 2015 (Account 2082) to reflect transfer to years preceding 2014 of reduction in CAF-ICC support due to revision to 10/1/2010-09/30/11 base amount	2015 OOP		\$	226,310
Adjustment #4				
Adjustment #5				

NOTE: The above amounts have not been adjusted to reflect the effect of Federal Income Taxes.

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

Company Name: (Below)
WESTERN WAHIAKUM COUNTY TELEPHONE COMPANY

Line #	Description	2016 (A)	2016 (B)
1	Rate Base (Jan. 1)	6,692,839	6,692,839
2	Rate Base (Dec 31)	6,269,391	6,269,391
3	Average Rate Base	6,481,115	6,481,115
4	Net Operating Income	427,772	427,772
5	Out-of-Period Adjustments: Net of FIT (1)		
6	Adjusted Net Operating Income	427,772	427,772
7	Earned Regulated Rate of Return	6.60%	6.60%

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)
 WESTERN WAHIAKUM COUNTY TELEPHONE COMPANY

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

EXHIBIT 5
FINANCIAL STATEMENTS

REDACTED

**PETITION OF WESTERN WAHIAKUM
COUNTY TELEPHONE COMPANY, D/B/A
WAHIAKUM WEST TELEPHONE AND
D/B/A WWEST COMMUNICATIONS,
TO RECEIVE SUPPORT FROM THE STATE
UNIVERSAL SERVICE COMMUNICATIONS
PROGRAM –
EXHIBIT 5**

Confidential per WAC 480-07-160

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

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

Audited Financial Statements

December 31, 2016 and 2015

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

Audited Financial Statements

December 31, 2016 and 2015

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

Independent Auditor's Report

Board of Directors
Western Wahkiakum County Telephone Company
Rosburg, Washington

Report on the Financial Statements

We have audited the accompanying financial statements of Western Wahkiakum County Telephone Company (a wholly-owned subsidiary of Wahkiakum West, Inc.) (the "Company"), which comprise the balance sheets as of December 31, 2016 and 2015, and the statements of income, stockholder's equity and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2016 and 2015, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Correction of Error

As discussed in Note 11 to the financial statements, certain errors resulting in understatement of amounts previously reported for operating revenues and receivables as of December 31, 2015, were discovered by management during the current year. Accordingly, amounts reported for operating revenues and receivables have been restated in the 2015 financial statements now presented, and an adjustment has been made to retained earnings as of January 1, 2015, to correct the error. Our opinion is not modified with respect to that matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2017 on our consideration of Western Wahkiakum County Telephone Company's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Western Wahkiakum County Telephone Company's internal control over financial reporting and compliance.



JOHNSON, STONE & PAGANO, P.S.

March 16, 2017

AUDITED FINANCIAL STATEMENTS

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

BALANCE SHEETS

December 31, 2016 and 2015 (Restated)

	<u>2016</u>	<u>2015</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash		
Cash - construction fund		
Telecommunications accounts receivable		
Due from Connect America Fund		
Materials and supplies - at average cost		
Nonregulated materials and supplies - at average cost		
Prepaid expenses		
Recoverable federal income taxes		
Total Current Assets		
DUE FROM AFFILIATED COMPANIES		
PROPERTY, PLANT AND EQUIPMENT		
Telecommunications plant in service		
Less allowances for depreciation		
 Telecommunications plant under construction		
Total Telecommunications Plant		
TOTAL ASSETS		

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

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

REDACTED

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

BALANCE SHEETS (Continued)

December 31, 2016 and 2015 (Restated)

	<u>2016</u>	<u>2015</u>
<u>LIABILITIES AND STOCKHOLDER'S EQUITY</u>		
CURRENT LIABILITIES		
Accounts payable		
Advanced billings and payments		
Taxes, other than income taxes		
Other current liabilities		
Deferred revenue		
Dividend payable		
Federal income taxes payable		
Installments on long-term debt due within one year		
Total Current Liabilities		
LONG-TERM DEBT , less portion classified as current liability		
DEFERRED FEDERAL INCOME TAXES		
Total Liabilities		
STOCKHOLDER'S EQUITY		
Common stock, par value \$1 per share		
Authorized - [REDACTED] shares		
Issued and outstanding - [REDACTED] shares		
Additional paid-in capital		
Retained earnings		
Total Stockholder's Equity		
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY		

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

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

REDACTED

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

STATEMENTS OF INCOME

Years Ended December 31, 2016 and 2015 (Restated)

	<u>2016</u>	<u>2015</u>
OPERATING REVENUES		
Local network service revenues		
Network access service revenues		
Miscellaneous revenues		
Uncollectible revenues (deduction)		
Total Operating Revenues		
OPERATING EXPENSES		
Plant specific operations		
Plant nonspecific operations		
Depreciation		
Customer operations		
Corporate operations		
Total Operating Expenses		
OPERATING TAXES		
Taxes, other than income		
Federal income taxes		
Total Operating Taxes		
Net Operating Income		
FIXED CHARGES		
Interest on FFB notes		
Interest on related party notes		
Total Fixed Charges		
OTHER INCOME (EXPENSE)		
Interest and dividend income		
Miscellaneous expense		
Nonregulated expense - net		
Nonoperating federal income tax benefits		
Total Other Expense		
NET INCOME		

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

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

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

STATEMENTS OF STOCKHOLDER'S EQUITY

Years Ended December 31, 2016 and 2015 (Restated)

	Common Stock	Additional Paid-in Capital	Retained Earnings	Total
BALANCE AT DECEMBER 31, 2014 as previously reported				
Prior period adjustment - correction of error (see Note 11)				
BALANCE AT DECEMBER 31, 2014, as restated				
Dividends paid				
Net income				
BALANCE AT DECEMBER 31, 2015				
Dividends declared				
Net income				
BALANCE AT DECEMBER 31, 2016				

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

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

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

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2016 and 2015 (Restated)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income		
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation of telecommunications plant		
Deferred federal income taxes		
Net change in operating assets and liabilities		
Net Cash Provided by Operating Activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Salvage on retired telecommunications plant		
Cost of removal		
Extension and replacement of telecommunications plant		
Net Cash Used by Investing Activities		
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings from FFB		
Payments on long-term debt		
Dividends paid		
Net decrease in due from affiliated companies		
Net Cash Provided (Used) by Financing Activities		
NET INCREASE (DECREASE) IN CASH		
Cash at Beginning of Year		
CASH AT END OF YEAR		
COMPONENTS OF CASH AT END OF YEAR		
Cash		
Cash - construction fund		

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

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

REDACTED

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

STATEMENTS OF CASH FLOWS (Continued)

Years Ended December 31, 2016 and 2015 (Restated)

	<u>2016</u>	<u>2015</u>
COMPONENTS OF NET CHANGE IN OPERATING ASSETS AND LIABILITIES		
(Increase) decrease in assets		
Telecommunications accounts receivable		
Due from Connect America Fund		
Materials and supplies		
Nonregulated materials and supplies		
Prepaid expenses		
Recoverable federal income taxes		
Increase (decrease) in liabilities		
Accounts payable		
Due to Connect America Fund		
Advanced billings and payments		
Taxes, other than income taxes		
Other current liabilities		
Deferred revenue		
Federal income taxes payable		
Net Change in Operating Assets and Liabilities		
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid for interest		
Cash paid for federal income taxes		
SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING TRANSACTIONS		
Noncash transfer of federal income taxes, due to affiliated companies		
Dividend declared		

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

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

REDACTED

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

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

Organization

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

Telephone Industry

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

The Company is a small rate-of-return carrier operating in the state of Washington. The Federal Communications Commission ("FCC") Report and Order and Further Notice of Proposed Rulemaking, ("FCC 11-161") 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 the Company recovers its telecommunications revenue requirements.

Regulation

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

Cash

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

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.

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

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

Telecommunications Plant

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

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

Revenue Recognition, Major Customers and Services

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

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

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

The FCC 11-161 modified and replaced the existing universal service 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 sets broadband service requirements. Alongside the broadband service rules, reforms to establish a framework to limit reimbursements for excessive capital and operating expenses were implemented as of July 1, 2012, and phase outs of certain support payments occurred. Intercarrier compensation reform adopts a uniform bill-and-keep framework as the ultimate end state for all telecommunications traffic exchanged with the Company.

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

NOTES TO 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)

Intercarrier compensation rates are capped, and the disparity between intrastate and interstate terminating end office rates are being brought to parity in two steps as outlined in FCC 11-161. The state's public utilities commissions will be overseeing the modifications to rates in intrastate tariffs. Limits on carriers' total eligible recovery will reflect existing downward trends on intercarrier compensation revenues with declining switching costs and minutes of use.

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 the Company'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 the Company's initial HCLS funding amount, causing a reduction in revenues of approximately \$168,000 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 the Company by approximately \$25,000 in 2016. Included in the budget control mechanism were an operating expense limitation calculation and a capital expenditure allowance calculation, none of which impacted the Company.

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. The Company will remain with the legacy support option.

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%.

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

NOTES TO 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)

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

Revenues for intrastate access services are received through tariffed access charges filed by the Company 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 the Company 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") and also replaced the cumulative reduction in support the Company received from the federal CAF. The State USF Program began January 2015 and subsequent annual disbursements 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 the Company continues to be eligible under the program. The State USF Program year runs from July 1 to June 30. The Company received \$315,562 from the State USF Program for the period July 1, 2016 to June 30, 2017, and recorded deferred revenue of \$157,781 for the unearned portion. In 2015, the Company received \$233,070 from the State USF Program, for the period July 1, 2015 to June 30, 2016, and recorded deferred revenue of \$116,535 for the unearned portion. The State USF Program is scheduled to last for five program years.

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

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

NOTES TO 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, if any, 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 ended previous to December 31, 2013 are closed to examination.

Advertising Costs

Costs incurred for advertising are expensed as incurred. Advertising expense for the years ended December 31, 2016 and 2015 was [REDACTED] and [REDACTED], respectively.

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 financial statements.

Subsequent Events

The management of the Company evaluated for subsequent events and transactions for potential recognition and disclosure through March 16, 2017, the date the financial statements were available to be issued. All identified material events or transactions have been recorded or disclosed.

NOTE 2 - CONCENTRATION OF CREDIT RISK

The Company maintains cash balances at two financial institutions in southwestern Washington State, 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 insured amount by [REDACTED].

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

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

NOTE 3 - TELECOMMUNICATIONS ACCOUNTS RECEIVABLE

The telecommunications accounts receivable balance at December 31, 2016 and 2015 consists of:

	<u>2016</u>	<u>2015</u>
Due from customers and agents		
Due from exchange carriers and exchange carrier associations		
Miscellaneous		
Total		

The Company extends credit to its business and residential customers based upon a written credit policy. Service interruption is the primary vehicle for controlling losses. Telecommunications accounts receivable are recorded when subscriber bills, carrier access bills and exchange carrier associations settlement statements are rendered. Certain exchange carrier associations' settlements are subject to out-of-period adjustments and are recorded during the year in which they become determinable. Telecommunications accounts receivable are written off when they are determined to be uncollectible. The Company believes no allowance for doubtful accounts is necessary at December 31, 2016 and 2015.

As of December 31, 2016, less than [REDACTED] of the accounts receivable were outstanding ninety days or more after the date of invoice on which they were first billed.

NOTE 4 - TELECOMMUNICATIONS PLANT IN SERVICE AND DEPRECIATION

Telecommunications plant in service is stated at cost. Listed below are the major classes of the telecommunications plant as of December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
General support facilities		
Central office equipment		
Cable and wire facilities		
Intangibles		
Total		

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

NOTE 4 - TELECOMMUNICATIONS PLANT IN SERVICE AND DEPRECIATION
(Continued)

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

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



Depreciation Expense

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

	<u>2016</u>	<u>2015</u>
Telecommunications plant		

NOTE 5 - LONG-TERM DEBT

Long-term debt consists of the following:

	<u>Current Annual Installments of Principal</u>	<u>Principal Amount</u>	
		<u>2016</u>	<u>2015</u>
Federal Financing Bank ("FFB") - Supplemental Mortgage Notes			
- due January 2033			
- due January 2033			
- due January 2033			
- due January 2033			
- due January 2033			
- due January 2033			
- due January 2033			
- due January 2033			



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

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

NOTE 5 - LONG-TERM DEBT (Continued)

	Current Annual Installments of Principal	<u>Principal Amount</u>	
		2016	2015
<div style="background-color: black; width: 50px; height: 20px; display: inline-block;"></div> - due January 2033 <div style="background-color: black; width: 50px; height: 20px; display: inline-block;"></div> - due January 2033 <div style="background-color: black; width: 50px; height: 20px; display: inline-block;"></div> - due January 2033			
<p>Wahkiakum West, Inc. Notes payable at <div style="background-color: black; width: 20px; height: 10px; display: inline-block;"></div>; interest only payments required; due September 2021</p> <p>Less principal installments of long-term debt due within one year</p>			

At December 31, 2016, maturities on long-term debt for the next five years and thereafter are as follows:

2017	
2018	
2019	
2020	
2021	
Thereafter	

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

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

NOTE 5 - LONG-TERM DEBT (Continued)

Pursuant to the FFB Loan Agreement dated June 10, 2011, Section 5.12, TIER Requirement, the Company "will endeavor, but not be required, to maintain a TIER of at least 1.5." At December 31, 2016, the Company exceeded the TIER required.

During 2014, the Company borrowed [REDACTED] from the parent company, Wahkiakum West, Inc., which consisted of two [REDACTED] notes. The notes are due in full in September 2021 and require quarterly interest only payments. In 2015, the Company paid [REDACTED] of principal. The Company did not make any principal payments in 2016. In 2016 and 2015, the Company paid [REDACTED] and [REDACTED] in interest on these notes, respectively.

NOTE 6 - FEDERAL INCOME TAXES

The Company recognizes deferred federal income taxes for differences between the basis of assets and liabilities for financial statement and income tax purposes. The deferred tax assets and liabilities represent future federal income tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. The differences relate to the depreciable assets' lives and methods of calculating depreciation and the deduction for the accrual of compensated time off for financial reporting and income tax reporting.

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

	2016	2015
Telecommunications plant	[REDACTED]	[REDACTED]
Accrued compensated time off	[REDACTED]	[REDACTED]
Connect America Fund refund	[REDACTED]	[REDACTED]

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

	2016	2015
Operating Federal Income Taxes	[REDACTED]	[REDACTED]
Current (benefits)	[REDACTED]	[REDACTED]
Deferred	[REDACTED]	[REDACTED]
Nonoperating Federal Income Taxes	[REDACTED]	[REDACTED]
Current benefits	[REDACTED]	[REDACTED]

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

NOTE 6 - FEDERAL INCOME TAXES (Continued)

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

	<u>2016</u>	<u>2015</u>
Current (benefits)		
Deferred		

NOTE 7 - LEASES

Future lease commitments are not material; total rental and lease expense for the years ended December 31, 2016 and 2015 is less than one percent of revenues.

NOTE 8 - PENSION PLAN

The Company has adopted a 401(k) profit sharing plan. Employees become eligible to participate in the plan upon reaching age 21 and having one year of service. Each plan year, employees are allowed to defer [REDACTED] of their compensation or the maximum as established by Internal Revenue Service regulations. Employees may also make voluntary after-tax contributions to the profit sharing plan each year. The Company has a matching provision as defined in the plan for the deferred employee compensation amounts. The plan also allows the Company to make discretionary profit sharing contributions to the plan each year, subject to limitations provided by the plan and Internal Revenue Service rules and regulations. For the years ended December 31, 2016 and 2015, the Company's discretionary profit sharing contributions amounted to [REDACTED] and [REDACTED], respectively.

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

NOTE 9 - RELATED PARTY TRANSACTIONS

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

	Wahkiakum West, Inc.	Wahkiakum West Television, Inc.	Wahkiakum West Long Distance, Inc.	Total Due From (To) Affiliated Companies
Balance December 31, 2014	[REDACTED]			
Advances to affiliates				
Transfer of federal income taxes				
Revenues billed on behalf of the affiliated company				
Telecommunications services provided				
Repayment of advances				
Balance December 31, 2015				
Advances to affiliates				
Transfer of federal income taxes				
Revenues billed on behalf of the affiliated company				
Telecommunications services provided				
Repayment of advances				
Balance December 31, 2016	[REDACTED]			

See Note 5, long-term debt for a description of the long-term notes payable due to Wahkiakum West, Inc.

NOTE 10 - CONTINGENCIES

As noted in Note 1, the FCC established a pro rata expense adjustment factor that is calculated against the actual HCLS distribution to all of the independent telephone companies that receive HCLS funding in order to meet the overall HCLS funding cap. The 2017 estimated pro rata expense adjustment factor is currently approximately 82% and this will cause a reduction of approximately [REDACTED] to the Company's 2017 HCLS revenues.

In addition, the budget control mechanism as discussed in Note 1 has been calculated for the first half of 2017 and the Company's federal funding will be further reduced by approximately [REDACTED].

Confidential per WAC 480-07-160

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

NOTE 11 - PRIOR PERIOD ADJUSTMENT

During the current year management determined there was an error in the calculation of the amounts due to be received for intrastate terminating revenues from the Connect America Fund for the years 2012 through 2015. The accompanying financial statements for 2015 have been restated to correct this error. The effect of the restatement was to increase retained earnings at the beginning of 2015 by [REDACTED] net of deferred income taxes of [REDACTED], increase net income for 2015 by [REDACTED], net of federal income tax of [REDACTED], increase the amount due from Connect America Fund by [REDACTED], and increase deferred federal income taxes by [REDACTED] as of December 31, 2015.

1:16 PM
07/18/17
Accrual Basis

WAHKIAKUM WEST, INC.
Summary Balance Sheet
As of December 31, 2016

	<u>Dec 31, 16</u>
ASSETS	
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
TOTAL ASSETS	[REDACTED]
LIABILITIES & EQUITY	
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
TOTAL LIABILITIES & EQUITY	[REDACTED]

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07/17/17
Accrual Basis

WAHIAKUM WEST TELEVISION, INC
Summary Balance Sheet
As of December 31, 2016

	<u>Dec 31, 16</u>
ASSETS	
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
TOTAL ASSETS	[REDACTED]
LIABILITIES & EQUITY	
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
TOTAL LIABILITIES & EQUITY	[REDACTED]

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07/17/17
Cash Basis

WAHKIAKUM WEST LONG DISTANCE, INC
Summary Balance Sheet
As of December 31, 2016

	<u>Dec 31, 16</u>
ASSETS	
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
TOTAL ASSETS	[REDACTED]
LIABILITIES & EQUITY	
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
TOTAL LIABILITIES & EQUITY	[REDACTED]

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Cash Basis

WAHKIAKUM WEST LONG DISTANCE, INC
Profit & Loss
January through December 2016

Jan - Dec 16

Income

[REDACTED]

[REDACTED]

Total Income

[REDACTED]

Expense

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Total Expense

[REDACTED]

Net Income

[REDACTED]

EXHIBIT 6

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

PETITION OF WESTERN WAHAKIYAKUM
COUNTY TELEPHONE COMPANY, D/B/A
WAHAKIYAKUM WEST TELEPHONE AND
D/B/A WWEST COMMUNICATIONS,
TO RECEIVE SUPPORT FROM THE STATE
UNIVERSAL SERVICE COMMUNICATIONS
PROGRAM –
EXHIBIT 6

USDA-RUS OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS	<i>This data will be used by RUS to review your financial situation. Your response is required by 7 U.S.C. 901 et seq and, subject to federal laws and regulations regarding confidential information, will be treated as confidential.</i> BORROWER NAME Western Wahkiakum County Telephone Company
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INSTRUCTIONS-Submit report to RUS within 30 days after close of the period. For detailed instructions, see RUS Bulletin 1744-2. Report in whole dollars only.	PERIOD ENDING December, 2016	BORROWER DESIGNATION WA0535
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CERTIFICATION

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

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

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

All of the obligations under the RUS loan documents have been fulfilled in all material respects

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

DATE

PART A. BALANCE SHEET					
ASSETS	BALANCE PRIOR YEAR	BALANCE END OF PERIOD	LIABILITIES AND STOCKHOLDERS' EQUITY	BALANCE PRIOR YEAR	BALANCE END OF PERIOD
CURRENT ASSETS			CURRENT LIABILITIES		
1. Cash and Equivalents	865,390	2,145,546	25. Accounts Payable	35,462	46,214
2. Cash-RUS Construction Fund	279	285	26. Notes Payable		
3. Affiliates:			27. Advance Billings and Payments	19,974	21,054
a. Telecom. Accounts Receivable			28. Customer Deposits		
b. Other Accounts Receivable			29. Current Mat. L/T Debt	137,000	187,700
c. Notes Receivable			30. Current Mat. L/T Debt-Rur. Dev.		
4. Non-Affiliates:			31. Current Mat.-Capital Leases		
a. Telecom. Accounts Receivable	390,771	401,848	32. Income Taxes Accrued		56,366
b. Other Accounts Receivable			33. Other Taxes Accrued	52,916	69,491
c. Notes Receivable			34. Other Current Liabilities	122,813	323,469
5. Interest and Dividends Receivable			35. Total Current Liabilities (25 thru 34)	368,165	704,294
6. Material-Regulated	294,331	245,165	LONG-TERM DEBT		
7. Material-Nonregulated	59	0	36. Funded Debt-RUS Notes		
8. Prepayments	25,926	14,992	37. Funded Debt-RTB Notes		
9. Other Current Assets	135,907		38. Funded Debt-FFB Notes	2,504,283	3,128,004
10. Total Current Assets (1 Thru 9)	1,712,663	2,807,836	39. Funded Debt-Other		
NONCURRENT ASSETS			40. Funded Debt-Rural Develop. Loan		
11. Investment in Affiliated Companies			41. Premium (Discount) on L/T Debt		
a. Rural Development			42. Recquired Debt		
b. Nonrural Development			43. Obligations Under Capital Lease		
12. Other Investments			44. Adv. From Affiliated Companies		
a. Rural Development			45. Other Long-Term Debt	1,506,247	1,506,247
b. Nonrural Development			46. Total Long-Term Debt (36 thru 45)	4,010,530	4,634,251
13. Nonregulated Investments			OTHER LIAB. & DEF. CREDITS		
14. Other Noncurrent Assets	413,993	553,999	47. Other Long-Term Liabilities		
15. Deferred Charges			48. Other Deferred Credits	1,576,834	1,678,382
16. Jurisdictional Differences			49. Other Jurisdictional Differences		
17. Total Noncurrent Assets (11 thru 16)	413,993	553,999	50. Total Other Liabilities and Deferred Credits (47 thru 49)	1,576,834	1,678,382
PLANT, PROPERTY, AND EQUIPMENT			EQUITY		
18. Telecom. Plant-in-Service	20,965,028	21,305,128	51. Cap. Stock Outstand. & Subscribed	54,171	54,171
19. Property Held for Future Use			52. Additional Paid-in-Capital	279,251	279,251
20. Plant Under Construction	85,104	123,420	53. Treasury Stock		
21. Plant Adj., Nonop. Plant & Goodwill			54. Membership and Cap. Certificates		
22. Less Accumulated Depreciation	12,996,918	13,329,562	55. Other Capital		
23. Net Plant (18 thru 21 less 22)	8,063,214	8,098,986	56. Patronage Capital Credits		
24. TOTAL ASSETS (10+17+23)			57. Retained Earnings or Margins	3,900,919	4,110,472
	10,189,870	11,460,821	58. Total Equity (51 thru 57)	4,234,341	4,443,894
			59. TOTAL LIABILITIES AND EQUITY (35+46+50+58)	10,189,870	11,460,821

Total Equity = 38.77% of Total Assets

USDA-RUS		BORROWER DESIGNATION	
OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS		WA0535	
		PERIOD ENDING	
INSTRUCTIONS- See RUS Bulletin 1744-2		December, 2016	
PART B. STATEMENTS OF INCOME AND RETAINED EARNINGS OR MARGINS			
ITEM	PRIOR YEAR	THIS YEAR	
1. Local Network Services Revenues	245,707	253,580	
2. Network Access Services Revenues	3,049,185	3,301,264	
3. Long Distance Network Services Revenues			
4. Carrier Billing and Collection Revenues	22,894	22,864	
5. Miscellaneous Revenues	973	1,550	
6. Uncollectible Revenues	316	3	
7. Net Operating Revenues (1 thru 5 less 6)	3,318,443	3,579,255	
8. Plant Specific Operations Expense	520,123	457,931	
9. Plant Nonspecific Operations Expense (Excluding Depreciation & Amortization)	482,485	469,478	
10. Depreciation Expense	605,044	937,493	
11. Amortization Expense			
12. Customer Operations Expense	173,926	170,948	
13. Corporate Operations Expense	903,594	902,620	
14. Total Operating Expenses (8 thru 13)	2,685,172	2,938,470	
15. Operating Income or Margins (7 less 14)	633,271	640,785	
16. Other Operating Income and Expenses			
17. State and Local Taxes	75,861	104,163	
18. Federal Income Taxes	152,471	140,340	
19. Other Taxes			
20. Total Operating Taxes (17+18+19)	228,332	244,503	
21. Net Operating Income or Margins (15+16-20)	404,939	396,282	
22. Interest on Funded Debt	55,419	56,422	
23. Interest Expense - Capital Leases			
24. Other Interest Expense	63,265	60,250	
25. Allowance for Funds Used During Construction			
26. Total Fixed Charges (22+23+24-25)	118,684	116,672	
27. Nonoperating Net Income	2,767	(4,018)	
28. Extraordinary Items			
29. Jurisdictional Differences			
30. Nonregulated Net Income	(31,328)	(15,354)	
31. Total Net Income or Margins (21+27+28+29+30-26)	257,694	260,238	
32. Total Taxes Based on Income			
33. Retained Earnings or Margins Beginning-of-Year	4,129,620	3,900,919	
34. Miscellaneous Credits Year-to-Date		107,315	
35. Dividends Declared (Common)	243,000	158,000	
36. Dividends Declared (Preferred)			
37. Other Debits Year-to-Date	243,395		
38. Transfers to Patronage Capital			
39. Retained Earnings or Margins End-of-Period [(31+33+34) - (35+36+37+38)]	3,900,919	4,110,472	
40. Patronage Capital Beginning-of-Year			
41. Transfers to Patronage Capital			
42. Patronage Capital Credits Retired			
43. Patronage Capital End-of-Year (40+41-42)	0	0	
44. Annual Debt Service Payments	181,639	279,529	
45. Cash Ratio [(14+20-10-11) / 7]	0.6956	0.6274	
46. Operating Accrual Ratio [(14+20+26) / 7]	0.9137	0.9219	
47. TIER [(31+26) / 26]	3.1713	3.2305	
48. DSCR [(31+26+10+11) / 44]	5.4031	4.7022	

USDA-RUS

**OPERATING REPORT FOR
TELECOMMUNICATIONS BORROWERS**

INSTRUCTIONS - See RUS Bulletin 1744-2

BORROWER DESIGNATION

WA0535

PERIOD ENDED

December, 2016

Part C. SUBSCRIBER (ACCESS LINE), ROUTE MILE, & HIGH SPEED DATA INFORMATION

EXCHANGE	1. RATES		2. SUBSCRIBERS (ACCESS LINES)			3. ROUTE MILES	
	B-1 (a)	R-1 (b)	BUSINESS (a)	RESIDENTIAL (b)	TOTAL (c)	TOTAL (including fiber) (a)	FIBER (b)
Grays River 485	18.80	18.00	42	329	371	207.73	104.41
Naselle 464	18.80	18.00	127	519	646	181.07	107.43
MobileWireless					0		
Route Mileage Outside Exchange Area						2.00	2.00
Total			169	848	1,017	390.80	213.84
No. Exchanges	2						

USDA-RUS

**OPERATING REPORT FOR
TELECOMMUNICATIONS BORROWERS**

INSTRUCTIONS - See RUS Bulletin 1744-2

BORROWER DESIGNATION

WA0535

PERIOD ENDED

December, 2016

Part C. SUBSCRIBER (ACCESS LINE), ROUTE MILE, & HIGH SPEED DATA INFORMATION

4. BROADBAND SERVICE

Details on Least Expensive Broadband Service								
EXCHANGE	No. Access Lines with BB available (a)	No Of Broadband Subscribers (b)	Number Of Subscribers (c)	Advertised Download Rate (Kbps) (d)	Advertised Upload Rate (Kbps) (e)	Price Per Month (f)	Standalone/Pckg (f)	Type Of Technology (g)
Grays River 465	371	294	82	1,500	768	29.95	Package	DSL
Naselle 464	646	498	137	1,500	768	29.95	Package	DSL
Total	1,017	792						

USDA-RUS OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS	BORROWER DESIGNATION WA0535
	PERIOD ENDING December, 2016

INSTRUCTIONS- See RUS Bulletin 1744-2

PART D. SYSTEM DATA

1 No Plant Employees	7	2 No Other Employees	5	3 Square Miles Served	314	4 Access Lines per Square Mile	3.24	5 Subscribers per Route Mile	2.60
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PART E. TOLL DATA

1. Study Area ID Code(s) a 522451 b _____ c _____ d _____ e _____ f _____ g _____ h _____ i _____ j _____	2. Types of Toll Settlements (Check one) Interstate <input type="checkbox"/> Average Schedule <input checked="" type="checkbox"/> Cost Basis Intrastate <input type="checkbox"/> Average Schedule <input checked="" type="checkbox"/> Cost Basis
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PART F. FUNDS INVESTED IN PLANT DURING YEAR

1. RUS, RTB, & FFB Loan Funds Expended	837,278
2. Other Long-Term Loan Funds Expended	
3. Funds Expended Under RUS Interim Approval	
4. Other Short-Term Loan Funds Expended	
5. General Funds Expended (Other than Interim)	124,098
6. Salvaged Materials	1,300
7. Contribution in Aid to Construction	
8. Gross Additions to Telecom. Plant (1 thru 7)	962,676

PART G. INVESTMENTS IN AFFILIATED COMPANIES

INVESTMENTS	CURRENT YEAR DATA		CUMULATIVE DATA		
	Investment This Year (b)	Income/Loss This Year (c)	Cumulative Investment To Date (d)	Cumulative Income/Loss To Date (e)	Current Balance (f)
1. Investment in Affiliated Companies - Rural Development	0	0	0	0	0
2. Investment in Affiliated Companies - Nonrural Development	0	0	0	0	0

USDA-RUS
OPERATING REPORT FOR
TELECOMMUNICATIONS BORROWERS

BORROWER DESIGNATION

WA0535

PERIOD ENDING

December, 2016

PART H. CURRENT DEPRECIATION RATES

Are corporation's depreciation rates approved by the regulatory authority with jurisdiction over the provision of telephone services? (Check one)

YES NO

EQUIPMENT CATEGORY	DEPRECIATION RATE
1. Land and support assets - Motor Vehicles	16.00%
2. Land and support assets - Aircraft	
3. Land and support assets - Special purpose vehicles	
4. Land and support assets - Garage and other work equipment	16.00%
5. Land and support assets - Buildings	4.00%
6. Land and support assets - Furniture and Office equipment	20.00%
7. Land and support assets - General purpose computers	20.00%
8. Central Office Switching - Digital	9.00%
9. Central Office Switching - Analog & Electro-mechanical	
10. Central Office Switching - Operator Systems	
11. Central Office Transmission - Radio Systems	13.00%
12. Central Office Transmission - Circuit equipment	11.19%
13. Information origination/termination - Station apparatus	
14. Information origination/termination - Customer premises wiring	
15. Information origination/termination - Large private branch exchanges	
16. Information origination/termination - Public telephone terminal equipment	
17. Information origination/termination - Other terminal equipment	
18. Cable and wire facilities - Poles	7.59%
19. Cable and wire facilities - Aerial cable - Metal	20.40%
20. Cable and wire facilities - Aerial cable - Fiber	7.11%
21. Cable and wire facilities - Underground cable - Metal	6.00%
22. Cable and wire facilities - Underground cable - Fiber	5.00%
23. Cable and wire facilities - Buried cable - Metal	6.00%
24. Cable and wire facilities - Buried cable - Fiber	5.00%
25. Cable and wire facilities - Conduit systems	4.55%
26. Cable and wire facilities - Other	

USDA-RUS		BORROWER DESIGNATION WA0535
OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS		PERIOD ENDED December, 2016
INSTRUCTIONS – See help in the online application.		
PART I – STATEMENT OF CASH FLOWS		
1. Beginning Cash (Cash and Equivalents plus RUS Construction Fund)		865,669
CASH FLOWS FROM OPERATING ACTIVITIES		
2. Net Income		260,238
<i>Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities</i>		
3. Add: Depreciation		937,493
4. Add: Amortization		0
5. Other (Explain) Other items allocated to and from financing activities, includes prior period adjustment		(85,044)
<i>Changes in Operating Assets and Liabilities</i>		
6. Decrease/(Increase) in Accounts Receivable		(11,077)
7. Decrease/(Increase) in Materials and Inventory		49,225
8. Decrease/(Increase) in Prepayments and Deferred Charges		10,934
9. Decrease/(Increase) in Other Current Assets		135,907
10. Increase/(Decrease) in Accounts Payable		10,752
11. Increase/(Decrease) in Advance Billings & Payments		1,080
12. Increase/(Decrease) in Other Current Liabilities		273,597
13. Net Cash Provided/(Used) by Operations		1,583,105
CASH FLOWS FROM FINANCING ACTIVITIES		
14. Decrease/(Increase) in Notes Receivable		0
15. Increase/(Decrease) in Notes Payable		0
16. Increase/(Decrease) in Customer Deposits		0
17. Net Increase/(Decrease) in Long Term Debt (Including Current Maturities)		674,421
18. Increase/(Decrease) in Other Liabilities & Deferred Credits		101,548
19. Increase/(Decrease) in Capital Stock, Paid-in Capital, Membership and Capital Certificates & Other Capital		0
20. Less: Payment of Dividends		(158,000)
21. Less: Patronage Capital Credits Retired		0
22. Other (Explain) Other items allocated to and from operating and investment activities		52,353
23. Net Cash Provided/(Used) by Financing Activities		670,322
CASH FLOWS FROM INVESTING ACTIVITIES		
24. Net Capital Expenditures (Property, Plant & Equipment)		(378,416)
25. Other Long-Term Investments		0
26. Other Noncurrent Assets & Jurisdictional Differences		(140,006)
27. Other (Explain) Plant adjustments not on line 24 and other items allocated to financing activities		(454,843)
28. Net Cash Provided/(Used) by Investing Activities		(973,265)
29. Net Increase/(Decrease) in Cash		1,280,162
30. Ending Cash		2,145,831

Revision Date 2010

<p style="text-align: center;">USDA-RUS</p> <p style="text-align: center;">OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS</p>	<p style="text-align: center;">BORROWER DESIGNATION</p> <p style="text-align: center;">WA0535</p>
<p>INSTRUCTIONS - See RUS Bulletin 1744-2</p>	<p>PERIOD ENDED</p> <p style="text-align: center;">December, 2016</p>
<p>NOTES TO THE OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS</p>	
<p>Part 1 - Statement of Cash Flows, line 20, dividends declared on the income statement automatically populated line 20 payment of dividends. Even though dividends were declared in 2016, they were not paid in 2016.</p>	


<p>USDA-RUS</p> <p>OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS</p>	<p>BORROWER DESIGNATION</p> <p>WA0535</p>
<p>INSTRUCTIONS - See RUS Bulletin 1744-2</p>	<p>PERIOD ENDED</p> <p>December, 2016</p>
<p>CERTIFICATION LOAN DEFAULT NOTES TO THE OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS</p>	

Exhibit 7
(Option 2 – Report Corporate Operations Expense Adjustment and Certify)
As Required in WAC 480-123-110(e)(vi)

I, Steven M. Appelo, an officer of Western Wahkiakum County Telephone Company with personal knowledge and responsibility, under penalty of perjury, hereby certify that a 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 the amount of \$64,577 in 2016 and \$84,519 in 2015.*

	<u>2015*</u>	<u>2016</u>
1. High Cost Loop Support	\$ 50,333	\$ 39,134
2. Interstate Common Line Support	\$ 19,132	\$ 14,041
3. Total (line1 & 2)	(\$ 69,465)	(\$ 53,175)
4. Decrease to Corporate Operations Expense (Line 3)	(\$ 69,465)	(\$ 53,175)
5. Line 4 * 65% (Net of FIT)	(\$45,152)	(\$ 34,564)

Dated this 27 day of July, 2017


Steven M. Appelo
President

*2015 updated as per cost study

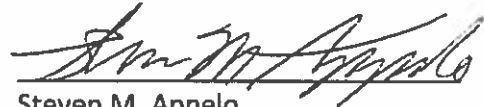
PETITION OF WESTERN WAHIAKUM
COUNTY TELEPHONE COMPANY, D/B/A
WAHIAKUM WEST TELEPHONE AND
D/B/A WWEST COMMUNICATIONS,
TO RECEIPT SUPPORT FROM THE STATE
UNIVERSAL COMMUNICATIONS SERVICES
PROGRAM-
EXHIBIT 7

EXHIBIT 8

FINANCIAL ACCOUNTING CERTIFICATE

I, Steven M. Appelo, an officer of Western Wahkiakum County Telephone Company with personal knowledge and responsibility, based upon my discussions with Company staff that handle such matters, under penalty of perjury, state that the Company complies with state and federal accounting, cost allocation and cost adjustment rules pertaining to incumbent local exchange companies.

Dated this 27th day of July, 2017.



Steven M. Appelo

President _____

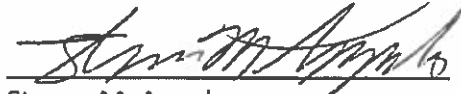
PETITION OF WESTERN WAHAKIACUM
COUNTY TELEPHONE COMPANY, D/B/A
WAHAKIACUM WEST TELEPHONE AND
D/B/A WWEST COMMUNICATIONS,
TO RECEIVE SUPPORT FROM THE STATE
UNIVERSAL SERVICE COMMUNICATIONS
PROGRAM –
EXHIBIT 8

EXHIBIT 9

CONTINUED OPERATIONS CERTIFICATE

I, Steven M. Appelo, an officer of Western Wahkiakum County Telephone 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 this 27th day of July, 2017.



Steven M. Appelo
President