

**FCC Form 481 - Carrier Annual Reporting
Data Collection Form**FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

<010> Study Area Code	532393
<015> Study Area Name	PIONEER TEL COOP
<020> Program Year	2017
<030> Contact Name: Person USAC should contact with questions about this data	MICHAEL WHALEN
<035> Contact Telephone Number: Number of the person identified in data line <030>	5419298256 ext.
<039> Contact Email Address: Email of the person identified in data line <030>	mikewhalen@pioneer.net
Form Type	54.313 and 54.422

(100) Service Quality Improvement Reporting Data Collection Form	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
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<110> Has your company received its ETC certification from the FCC? (yes / no)

If your answer to Line <110> is yes, do you have an existing §54.202(a) "5 year plan" filed with the FCC? (yes / no)

If your answer to Line <111> is yes, please file a progress report, on line <112> delineating the status of your company's existing § 54.202(a) "5 year plan" on file with the FCC, as it relates to your provision of voice telephony service.

<112> Attach Five-Year Service Quality Improvement Plan or, in subsequent years, your annual progress report filed pursuant to 47 C.F.R. § 54.313(a)(1). If your company is a CETC which only receives frozen support, your progress report is only required to address voice telephony service.

532393OR100.pdf

Name of Attached Document

Please select the appropriate responses below (Yes, No, Not Applicable) to confirm that the attached document(s), on line 112, contains a progress report on its five-year service quality improvement plan pursuant to §54.202(a). The information shall be submitted at the wire center level or census block as appropriate.

<113> Maps detailing progress towards meeting plan targets

<114> Report how much universal service (USF) support was received

<115> How much (USF) was used to improve service quality and how support was used to improve service quality

<116> How much (USF) was used to improve service coverage and how support was used to improve service coverage

<117> How much (USF) was used to improve service capacity and how support was used to improve service capacity

<118> Provide an explanation of network improvement targets not met in the prior calendar year.

Yes

**(300) Unfulfilled Service Request
Data Collection Form**

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<300> Unfulfilled service request (voice)

<310> Detail on attempts (voice)

Name of Attached Document

<320> Unfulfilled service request (broadband)

<330> Detail on attempts (broadband)

Name of Attached Document

(400) Number of Complaints per 1,000 customers
Data Collection Form

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<400>	Select from the drop-down list to indicate how you would like to report voice complaints (zero or greater) for voice telephony service in the prior calendar year for each service area in which you are designated an ETC for any facilities you own, operate, lease, or otherwise utilize.	Offered only fixed voice	
<410>	Complaints per 1000 customers for fixed voice	0 . 0	
<420>	Complaints per 1000 customers for mobile voice		
<430>	Select from the drop-down list to indicate how you would like to report end-user customer complaints (zero or greater) for broadband service in the prior calendar year for each service area in which you are designated an ETC for any facilities you own, operate, lease, or otherwise utilize.	Offered only fixed broadband	
<440>	Complaints per 1000 customers for fixed broadband	0 . 0	
<450>	Complaints per 1000 customers for mobile broadband		

**(500) Compliance With Service Quality Standards and Consumer Protection Rules
Data Collection Form**FCC Form 481
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<500>	Certify compliance with applicable service quality standards and consumer protection rules	Yes

532393OR510.pdf

<510> Descriptive document for Service Quality Standards & Consumer Protection Rules Compliance

**(600) Functionality in Emergency Situations
Data Collection Form**

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<600> Certify compliance regarding ability to function in emergency situations	Yes
<610> Descriptive document for Functionality in Emergency Situations	532393OR610 .pdf

**(900) Tribal Lands Reporting
Data Collection Form**

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<900> Does the filing entity offer tribal land services? (Y/N) No

<910> Tribal Land(s) on which ETC Serves

<920> Tribal Government Engagement Obligation

Name of Attached Document

If your company serves Tribal lands, please select (Yes, No, NA) for each these boxes to confirm the status described on the attached document(s), on line 920, demonstrates coordination with the Tribal government pursuant to § 54.313(a)(9) includes:

- <921> Needs assessment and deployment planning with a focus on Tribal community anchor institutions.
- <922> Feasibility and sustainability planning;
- <923> Marketing services in a culturally sensitive manner;
- <924> Compliance with Rights of way processes
- <925> Compliance with Land Use permitting requirements
- <926> Compliance with Facilities Siting rules
- <927> Compliance with Environmental Review processes
- <928> Compliance with Cultural Preservation review processes
- <929> Compliance with Tribal Business and Licensing requirements.

Select Yes or No or Not Applicable

**(1000) Voice and Broadband Service Rate Comparability
Data Collection Form**

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<1000> Voice services rate comparability certification Yes

<1010> Attach detailed description for voice services rate comparability compliance

Name of Attached Document

<1020> Broadband comparability certification Yes - Pricing is no more than the most recent applicable benchmark announced by the Wireline Competition Bureau

<1030> Attach detailed description for broadband comparability compliance

Name of Attached Document

(1100) No Terrestrial Backhaul Reporting Data Collection Form	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
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<1100> Certify whether terrestrial backhaul options exist (Y/N)

<1130> Please select the appropriate response (Yes, No, Not Applicable) to confirm the reporting carrier offers broadband service of at least 1 Mbps downstream and 256 kbps upstream within the supported area pursuant to § 54.313(g).

(1200) Terms and Condition for Lifeline Customers Lifeline Data Collection Form	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
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<1210> Terms & Conditions of Voice Telephony Lifeline Plans

Name of Attached Document

<1220> Link to Public Website

HTTP <http://www.pioneer.net/financial-assistance-programs>

"Please check these boxes below to confirm that the attached document(s), on line 1210, or the website listed, on line 1220, contains the required information pursuant to § 54.422(a)(2) annual reporting for ETCs receiving low-income support, carriers must annually report:

- <1221>
 Information describing the terms and conditions of any voice telephony service plans offered to Lifeline subscribers,
- <1222>
 Details on the number of minutes provided as part of the plan,
- <1223>
 Additional charges for toll calls, and rates for each such plan.

(2000) Price Cap Carrier Additional Documentation	FCC Form 481
Data Collection Form	OMB Control No. 3060-0986/OMB Control No. 3060-0819
<i>Including Rate-of-Return Carriers affiliated with Price Cap Local Exchange Carriers</i>	July 2013

<010> Study Area Code	532393
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Select the appropriate responses below (Yes, No, Not Applicable) to note compliance as a recipient of Incremental High Cost support, High Cost support to offset access charge reductions, and Connect America Phase II support as set forth in 47 CFR § 54.313(b),(c),(d),(e). The information reported on this form and in the documents attached below is accurate.

Incremental Connect America Phase I reporting

<2010> 2nd Year Certification 47 CFR § 54.313(b)(1)(i) - Note that for the July 1 2016 certification, this applies to Round 2 recipients of Incremental Support	<input style="width: 100%;" type="text"/>	
<2011> 3rd Year Certification 47 CFR § 54.313(b)(1)(ii) - Note that for the July 1 2016 certification, this applies to Round 1 recipients of Incremental Support	<input style="width: 100%;" type="text"/>	
<2022> Recipient certifies, representing year two after filing a notice of acceptance of funding pursuant to 54.312(c), that the locations in question are not receiving support under the Broadband Initiatives Program or the Broadband Technology Opportunities Program for projects that will provide broadband with speeds of at least 4 Mbps/1Mbps - 54.313(b)(2)(i). Round 2 recipients only.	<input style="width: 100%;" type="text"/>	
<2023> The attachment on line 2024 includes a statement of the total amount of capital funding expended in the previous year in meeting Connect America Phase I deployment obligations, accompanied by a list of census blocks indicating where funding was spent. This covers year two - 54.313(b)(2)(ii). Round 2 recipients only.	<input style="width: 100%;" type="text"/>	
<2024A> Round 2 Recipient of Incremental Support?	<input style="width: 100%;" type="text"/>	<input style="width: 100%; height: 40px;" type="text"/>
<2024B> Attach list of census blocks indicating where funding was spent in year two - 54.313(b)(2)(ii). Round 2 recipients only.	Name of Attached Document Listing Required Information	<input style="width: 100%; height: 40px;" type="text"/>
<2025A> Round 1 or Round 2 Recipient of Incremental Support?	<input style="width: 100%;" type="text"/>	
<2025B> Attach geocoded Information for Phase I milestone reports (Round 1 for year three and Round 2 for year two) - Connect America Fund , WC Docket 10-90, Report and Order, FCC 13-	Name of Attached Document Listing Required Information	<input style="width: 100%; height: 40px;" type="text"/>
<2015> 2016 and future Frozen Support Certification 47 CFR § 54.313(c)(4)		<input style="width: 100%;" type="text"/>

(2000) Price Cap Carrier Additional Documentation (Continued)

Data Collection Form

Including Rate-of-Return Carriers affiliated with Price Cap Local Exchange Carriers

FCC Form 481

OMB Control No. 3060-0986/OMB Control No. 3060-0819

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Price Cap Carrier Connect America ICC Support {47 CFR § 54.313(d)}

<2016> Certification support used to build broadband

Connect America Phase II Reporting {47 CFR § 54.313(e)}

<2017A> Connect America Fund Phase II recipient?

<2017B> Attach information for Phase II - 54.313(e)(1) - list of geocoded locations already meeting the 54.309 public interest obligations at the end of calendar year 2015 and total amount of Phase II support, if any, the price

Name of Attached Document Listing
Required Information

cap carrier used for capital expenditures in 2015.

<2018> Attach the number, names, and addresses of community anchor institutions to which the carrier newly began providing access to broadband service in the preceding calendar year - 54.313(e)(2)(ii)

Name of Attached Document Listing
Required Information

<2019> Recipient certifies that it bid on category one telecommunications and Internet access services in response to all FCC Form 470 postings seeking broadband service that meets the connectivity targets for the schools and libraries universal service support program for eligible schools and libraries located within any area in a census block where the carrier is receiving Phase II model-based support, and that such bids were at rates reasonably comparable to rates charged to eligible schools and libraries in urban areas for comparable offerings - 54.313(e)(2)(v)

<2020> Recipient certifies that it offered broadband meeting the requisite public interest obligations specified in §54.309 to 40% of its supported locations in the state on December 31, 2017 - 54.313(e)(3)

<2021> Recipient certifies that it offered broadband meeting the requisite public interest obligations specified in §54.309 to 60% of its supported locations in the state on December 31, 2018 - 54.313(e)(4)

<2026> Recipient certifies that it offered broadband meeting the requisite public interest obligations specified in §54.309 to 80% of its supported locations in the state on December 31, 2019 - 54.313(e)(5)

<2027> Recipient certifies that it offered broadband meeting the requisite public interest obligations specified in §54.309 to 100% of its supported locations in the state on December 31, 2020 - 54.313(e)(6)

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Complete the items below to note compliance with five year service quality plan (pursuant to 47 CFR § 54.202(a)) and, for privately held carriers, ensuring compliance with the financial reporting requirements set forth in 47 CFR § 54.313(f)(2). I further certify that the information reported on this form and in the documents attached below is accurate.

(3009) Progress Report on 5 Year Plan
Carrier certifies to 54.313(f)(1)(iii)

(3010A) Milestone Certification {47 CFR § 54.313(f)(1)(i)} Yes - Attach Certification

(3010B) Please Provide Attachment Name of Attached Document Listing Required Information

(3012A) Community Anchor Institutions {47 CFR § 54.313(f)(1)(ii)} No - No New Community Anchors

(3012B) Please Provide Attachment Name of Attached Document Listing Required Information

(3013) Is your company a Privately Held ROR Carrier {47 CFR § 54.313(f)(2)} (Yes/No)

(3014) If yes, does your company file the RUS annual report (Yes/No)

Please check these boxes to confirm that the attached PDF, on line 3017, contains the required information pursuant to § 54.313(f)(2) compliance requires:

(3015) Electronic copy of their annual RUS reports (Operating Report for Telecommunications Borrowers)

(3016) Document(s) with Balance Sheet, Income Statement and Statement of Cash Flows

(3017) If the response is yes on line 3014, attach your company's RUS annual report and all required documentation Name of Attached Document Listing Required Information

(3018) If the response is no on line 3014, is your company audited? (Yes/No)

If the response is yes on line 3018, please check the boxes below to confirm your submission on line 3026 pursuant to § 54.313(f)(2), contains:

(3019) Either a copy of their audited financial statement; or (2) a financial report in a format comparable to RUS Operating Report for Telecommunications Borrowers

(3020) Document(s) for Balance Sheet, Income Statement and Statement of Cash Flows

(3021) Management letter and/or audit opinion issued by the independent certified public accountant that performed the company's financial audit.

If the response is no on line 3018, please check the boxes below to confirm your submission on line 3026 pursuant to § 54.313(f)(2), contains:

(3022) Copy of their financial statement which has been subject to review by an independent certified public accountant; or 2) a financial report in a format comparable to RUS Operating Report for Telecommunications Borrowers

(3023) Underlying information subjected to a review by an independent certified public accountant

(3024) Underlying information subjected to an officer certification.

(3025) Document(s) for Balance Sheet, Income Statement and Statement of Cash Flows

(3026) Attach the worksheet listing required information Name of Attached Document Listing Required Information

(3005) Rate Of Return Carrier Additional Documentation (Continued)

FCC Form 481

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Financial Data Summary

(3027) Revenue	13198355
(3028) Operating Expenses	13021725
(3029) Net Income	249041
(3030) Telephone Plant In Service(TPIS)	70227593
(3031) Total Assets	29549964
(3032) Total Debt	0
(3033) Total Equity	28092611
(3034) Dividends	6883

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4005 Rural Broadband Experiment

Authorized Rural Broadband Experiment (RBE) recipients must address the certification for public interest obligations, provide a list of newly served community anchor institutions, and provide a list of locations where broadband has been deployed.

Public Interest Obligations – FCC 14-98 (paragraphs 26-29, 78)

Please address Line 4001 regarding compliance with the Commission's public interest obligations. All RBE participants must provide a response to Line 4001.

4001. Recipient certifies that it is offering broadband to the identified locations meeting the requisite public interest obligations consistent with the category for which they were selected, including broadband speed, latency, usage capacity, and rates that are reasonably comparable to rates for comparable offerings in urban areas?

Community Anchor Institutions – FCC 14-98 (paragraph 79)

4003a. RBE participants must provide the number, names, and addresses of community anchor institutions to which they newly deployed broadband service in the preceding calendar year. On this line, please respond (yes – attach new community anchors, no – no new anchors) to indicate whether this list will be provided.

If yes to 4003A, please provide a response for 4003B.

4003b. Provide the number, names and addresses of community anchor institutions to which the recipient newly began providing access to broadband service in the preceding calendar year. Name of Attached Document Listing Required Information

Broadband Deployment Locations – FCC 14-98 (paragraph 80)

4004a. Attach a list of geocoded locations to which broadband has been deployed as of the June 1st immediately preceding the July 1st filing deadline for the FCC Form 481. Name of Attached Document Listing Required Information

4004b. Attach evidence demonstrating that the recipient is meeting the relevant public service obligations for the identified locations. Materials must at least detail the pricing, offered broadband speed and data usage allowances available in the relevant geographic area. Name of Attached Document Listing Required Information

Certification - Reporting Carrier Data Collection Form	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
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TO BE COMPLETED BY THE REPORTING CARRIER, IF THE REPORTING CARRIER IS FILING ANNUAL REPORTING ON ITS OWN BEHALF:

Certification of Officer as to the Accuracy of the Data Reported for the Annual Reporting for CAF or LI Recipients	
I certify that I am an officer of the reporting carrier; my responsibilities include ensuring the accuracy of the annual reporting requirements for universal service support recipients; and, to the best of my knowledge, the information reported on this form and in any attachments is accurate.	
Name of Reporting Carrier:	PIONEER TEL COOP
Signature of Authorized Officer:	CERTIFIED ONLINE Date 06/23/2016
Printed name of Authorized Officer:	MICHAEL WHALEN
Title or position of Authorized Officer:	EXECUTIVE VP
Telephone number of Authorized Officer:	5419298256 ext.
Study Area Code of Reporting Carrier:	532393 Filing Due Date for this form: 07/01/2016
Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.	

Certification - Agent / Carrier Data Collection Form	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
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TO BE COMPLETED BY THE REPORTING CARRIER, IF AN AGENT IS FILING ANNUAL REPORTS ON THE CARRIER'S BEHALF:

Certification of Officer to Authorize an Agent to File Annual Reports for CAF or LI Recipients on Behalf of Reporting Carrier	
<p>I certify that (Name of Agent) _____ is authorized to submit the information reported on behalf of the reporting carrier. I also certify that I am an officer of the reporting carrier; my responsibilities include ensuring the accuracy of the annual data reporting requirements provided to the authorized agent; and, to the best of my knowledge, the reports and data provided to the authorized agent is accurate.</p>	
Name of Authorized Agent:	
Name of Reporting Carrier:	
Signature of Authorized Officer:	Date:
Printed name of Authorized Officer:	
Title or position of Authorized Officer:	
Telephone number of Authorized Officer:	
Study Area Code of Reporting Carrier:	Filing Due Date for this form:
<small>Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.</small>	

TO BE COMPLETED BY THE AUTHORIZED AGENT:

Certification of Agent Authorized to File Annual Reports for CAF or LI Recipients on Behalf of Reporting Carrier	
<p>I, as agent for the reporting carrier, certify that I am authorized to submit the annual reports for universal service support recipients on behalf of the reporting carrier; I have provided the data reported herein based on data provided by the reporting carrier; and, to the best of my knowledge, the information reported herein is accurate.</p>	
Name of Reporting Carrier:	
Name of Authorized Agent Firm:	
Signature of Authorized Agent or Employee of Agent:	Date:
Name of Authorized Agent Employee:	
Title or position of Authorized Agent or Employee of Agent:	
Telephone number of Authorized Agent or Employee of Agent:	
Study Area Code of Reporting Carrier:	Filing Due Date for this form:
<small>Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.</small>	

Attachments

**PIONEER TELEPHONE COOPERATIVE
2016
PROGRESS REPORT ON SERVICE QUALITY IMPROVEMENT
PLAN**

PREAMBLE

This document is an integral part of Company's 2016 Annual Report, as attached to Form 481. It is in compliance with § 54.313(a)(1) adopted in the FCC's USF/ICC Transformation Order (11-161) and incorporates all further clarifications identified in subsequent Reconsideration Orders, as applicable, that were in effect at the time the annual Report was due by Rule; to the requisite regulatory authorities.

Pioneer Telephone Cooperative advises that the environment in which the Company operates is dynamic, not static. As a result, certain network targets identified in the initial Five Year Network Improvement Plan filed in 2014, may be modified in response to regulatory decisions that have been subsequently adopted, and as their implication upon the Company's financial viability in providing the required services and service level quality became known.

Modifications to the network plan may also have been taken due to changes in market conditions, technology, support, weather, or other emergency related contingencies.

Targets not met or changed since the initial Five Year Plan filing are identified and reasons provided for those changes.

UNIVERSAL SERVICE SUPPORT RECEIVED IN 2015

Per the Universal Service Administrative Company (USAC), as available for the year 2015, Pioneer Telephone Cooperative received a total of \$3,555,305 in USF support funds. The breakdown of the funding to the point of filing is:

- \$ (2,251) High Cost Loop Support
- \$1,483,710 Connect America Fund-Intercarrier Compensation Support
- \$2,073,846 Interstate Common Line Support

Universal Service Support funds are used to: 1) maintain, upgrade, and improve the Company's network and, 2) cover operating expenses as necessary to permit it to offer a high level of service for both voice and broadband throughout its authorized service area.

USF support will continue to be included in the Company's current revenue accounts and forward-looking projections. Revenues, in the aggregate, are used for both capital expenditures as well as to cover operating expenses. The Company does not segregate USF separately for purposes of capital and operating expenditures; USF is expended in the same proportion as all other Company revenues.

In the accompanying 2015 project detail, expenditures for network improvements sometimes involve service quality, coverage, and capacity as an integrated improvement project and are not mutually exclusive of one another. Where a project involves a single qualifier, it is so noted.

PROGRESS REPORT

The total budget for Outside Plant and Central Office for 2015 was \$2,188,000. The original estimate submitted with the 2014 Form 481 was \$2,186,000.

The Central Office budget for 2015 was \$976,000. The original estimate submitted with the 2014 Form 481 was \$813,000. The routine portion of the budget was approximately \$184,000. This portion is for upgrades and replacements that occur in the normal course of business and cannot necessarily be foreseen each year. In 2015, the actual expenditures for the routine portion of the budget was \$166,000. These projects combine service quality, coverage, and capacity increases related to DSL. Routine projects covered Pioneer's entire service area.

The Central Office budget also included \$792,000 for projects that were mainly for increasing capacity for DSL service. The \$792,000 included approximately \$156,000 for new Calix E-3 digital loop carriers. The primary purpose of this is to push fiber deeper into the network in order to provide greater DSL speeds to end users. The Five Year Plan submitted in 2014 included 16 Calix E-3's. Since that plan was submitted, we have revised the E-3 deployment. In 2015, \$147,000 was spent for the Calix E-3 deployment. The E-3 projects benefitted approximately 941 subscribers. Another project was a major upgrade to our fiber optic ring capacity at a cost of \$535,000. This project was completed at a total cost of \$492,000. This project benefitted Pioneer's entire service area by increasing capacity on its fiber optic rings. The remaining large project in the 2015 budget was for enhancements to the Meta Switch platform. The estimate for this project was \$101,000. This project was completed at a total cost of \$93,000. This project also benefitted Pioneer's entire service area.

The Outside Plant budget for 2015 is \$1,212,000. The Outside Plant budget included \$657,000 related to the Calix E-3 digital remotes included in the Central Office budget. A total of 19 Calix E-3's were placed in 2015 for a cost of \$585,000. Another project for \$183,000 was planned to improve service quality by creating a fiber optic ring. Only \$29,000 was completed on this project in 2015. This project could not be completed due to right-of-way issues with a timber company. The right-of-way was obtained in 2016 and the project will be completed. The remainder of the Outside Plant budget is related to routine items for replacements and upgrades that occur in the normal course of business and cannot necessarily be foreseen each year. The estimate for this portion of the budget was \$372,000. The total spent for this portion in 2015 was \$395,000. Routine projects covered Pioneer's entire service area.

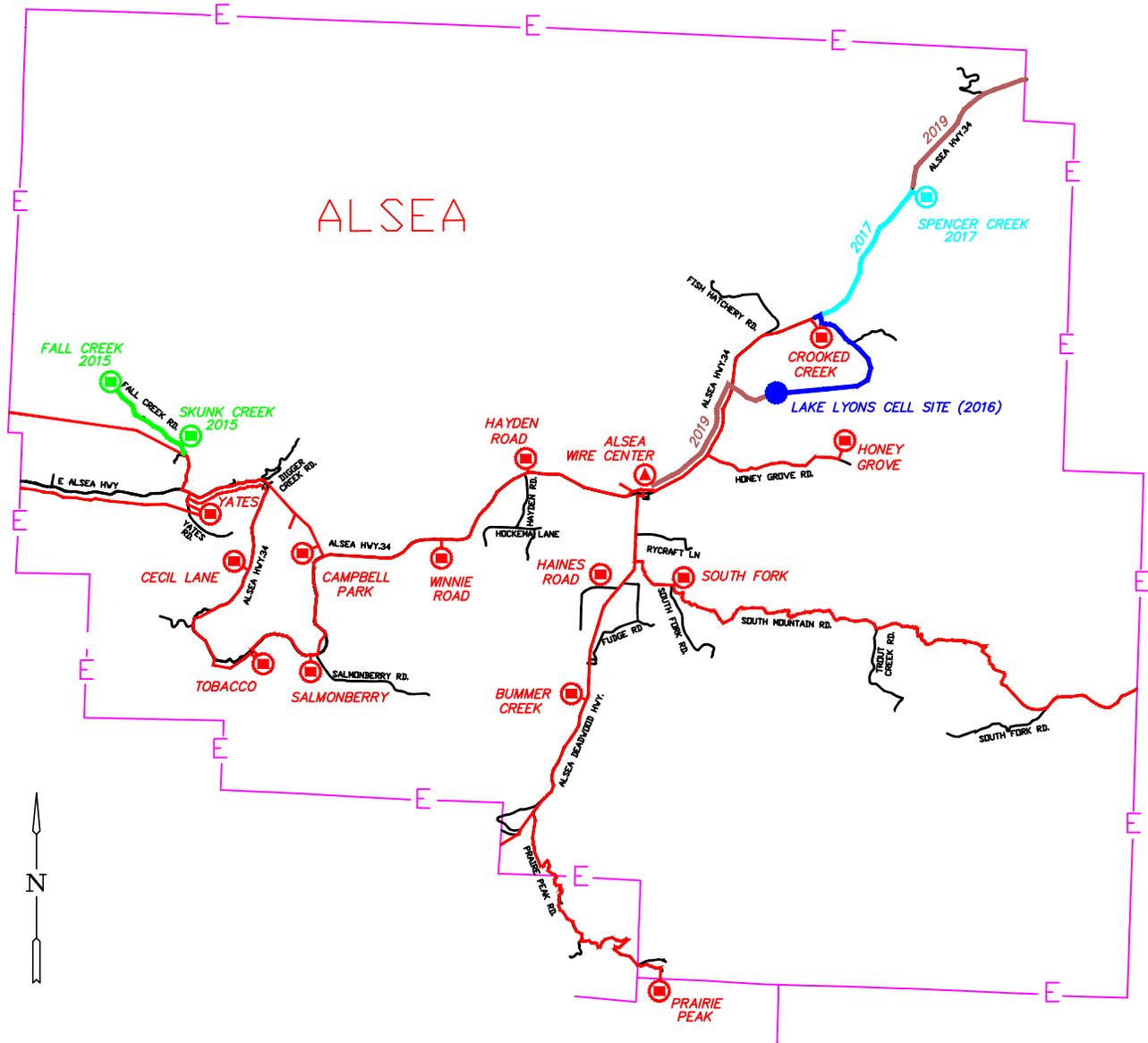
PIONEER TELEPHONE COOPERATIVE / OREGON

ALSEA WIRE CENTER

CLLI: ALSEORXXRS1

SQ. MI. 184

SAC: 532393



- EXIST FIBER CABLE / WIRE CENTER
- EXIST FIBER CABLE / REMOTE
- 2015 FIBER CABLE / REMOTE
- 2016 FIBER CABLE / REMOTE
- 2017 FIBER CABLE / REMOTE
- 2018 FIBER CABLE / REMOTE
- 2019 FIBER CABLE / REMOTE

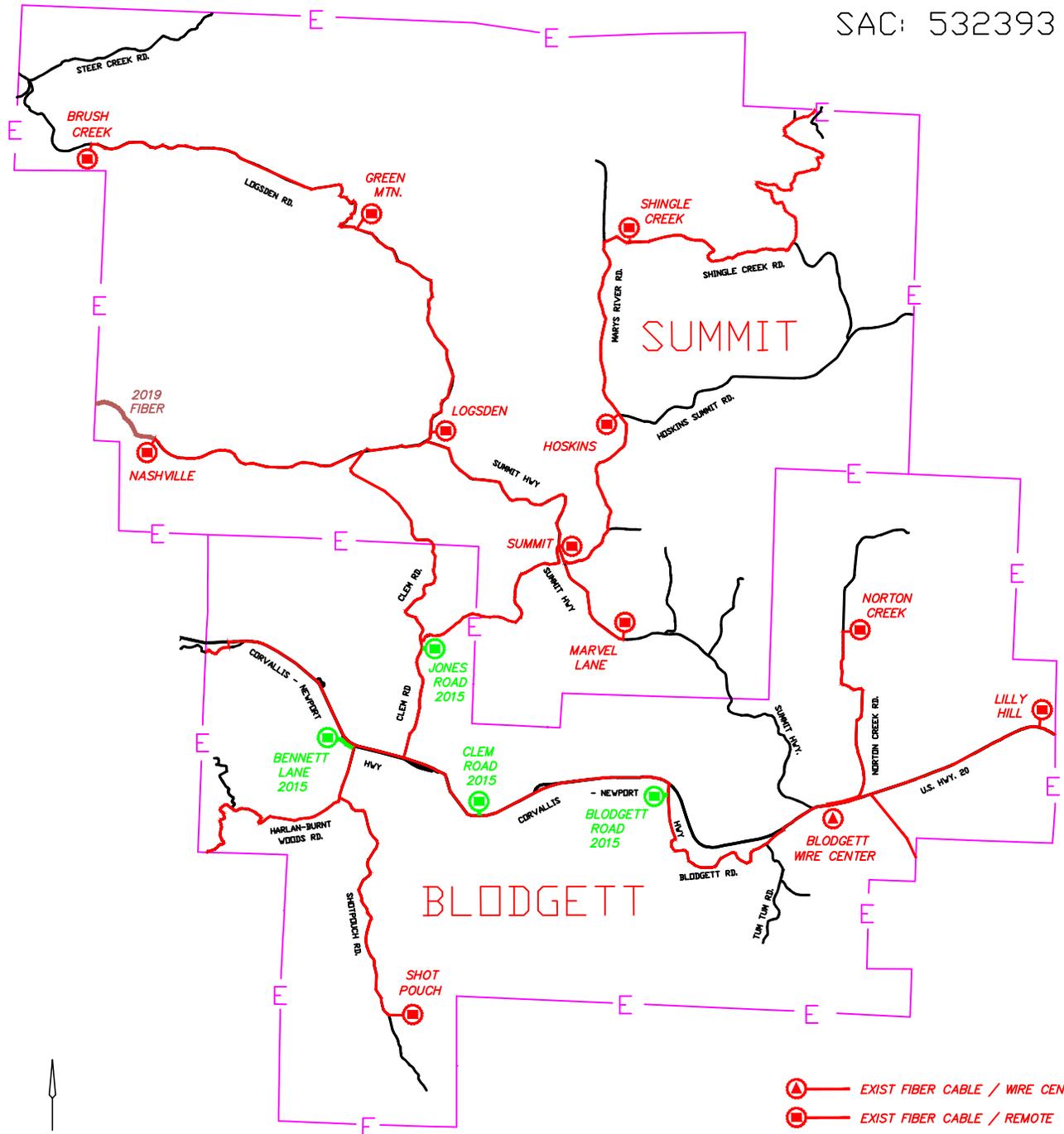
PIONEER TELEPHONE COOPERATIVE / OREGON

BLODGETT WIRE CENTER

CLLI: BLDGORXARS0

SQ. MI. 97

SAC: 532393



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-  EXIST FIBER CABLE / REMOTE
-  2015 FIBER CABLE / REMOTE
-  2016 FIBER CABLE / REMOTE
-  2017 FIBER CABLE / REMOTE
-  2018 FIBER CABLE / REMOTE
-  2019 FIBER CABLE / REMOTE

BLODGETT 5 YEAR FCC PLAN
Drawn: 2007 MB Update: 06/13/16 MB
J:\EngShare\Budget 2016\481 FCC Maps\2016 BLDG.dwg

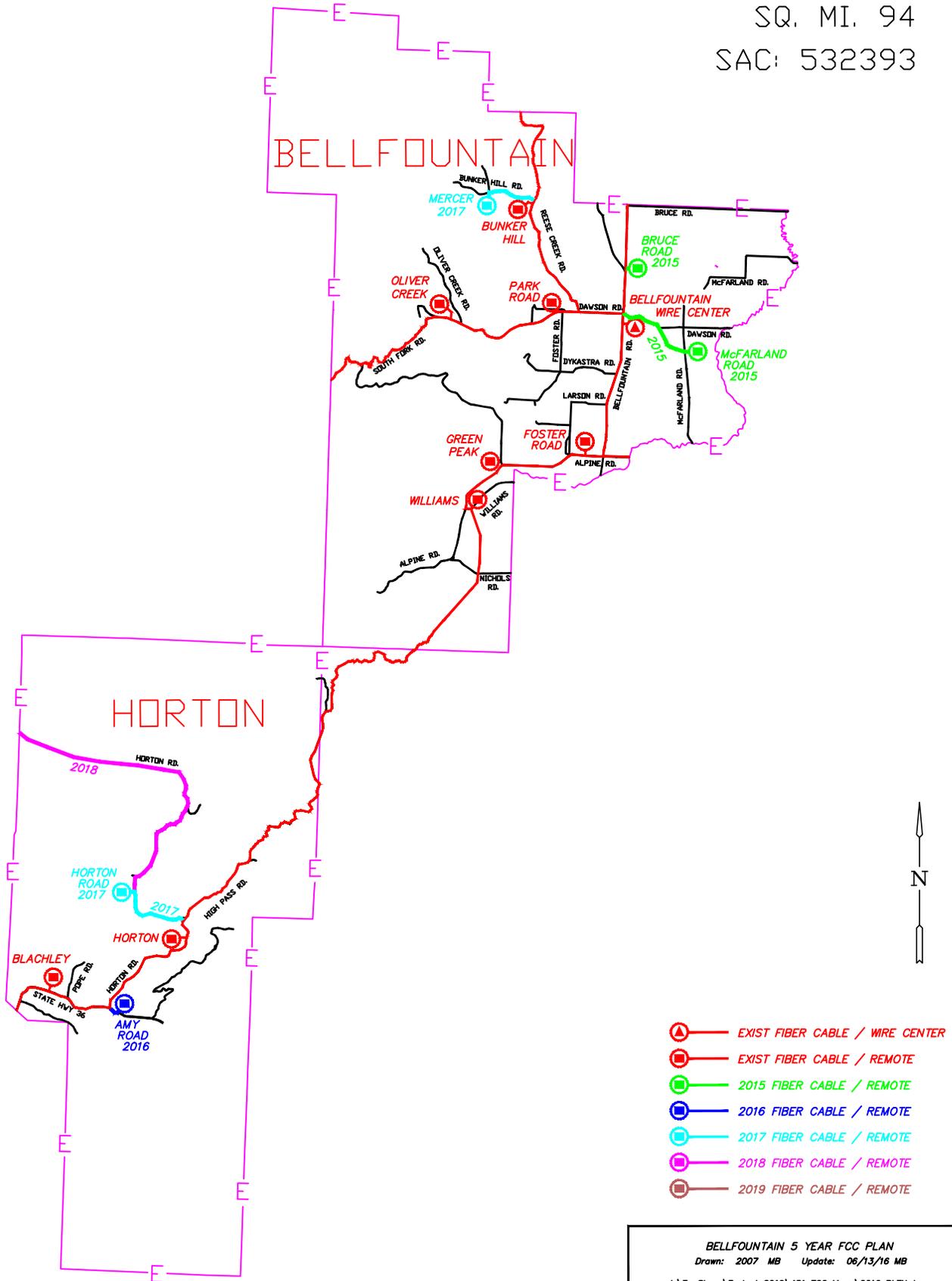
PIONEER TELEPHONE COOPERATIVE / OREGON

BELLFOUNTAIN WIRE CENTER

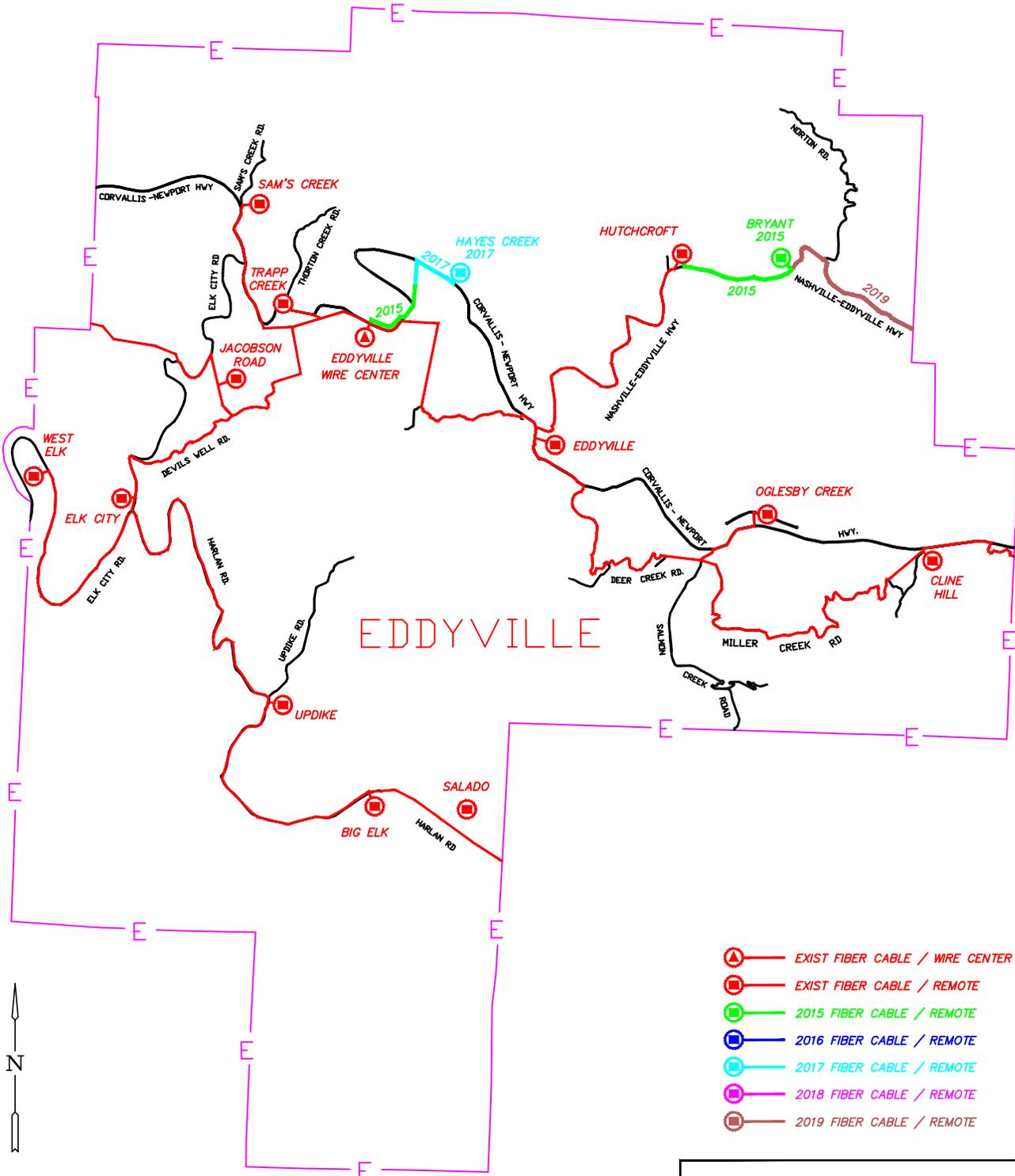
CLLI: BLFNORXXRS0

SQ. MI. 94

SAC: 532393



PIONEER TELEPHONE COOPERATIVE / OREGON
 EDDYVILLE WIRE CENTER
 CLLI: EDVLRXARS0
 SQ. MI. 115
 SAC: 532393



- ▲ — EXIST FIBER CABLE / WIRE CENTER
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- — 2015 FIBER CABLE / REMOTE
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- — 2018 FIBER CABLE / REMOTE
- — 2019 FIBER CABLE / REMOTE

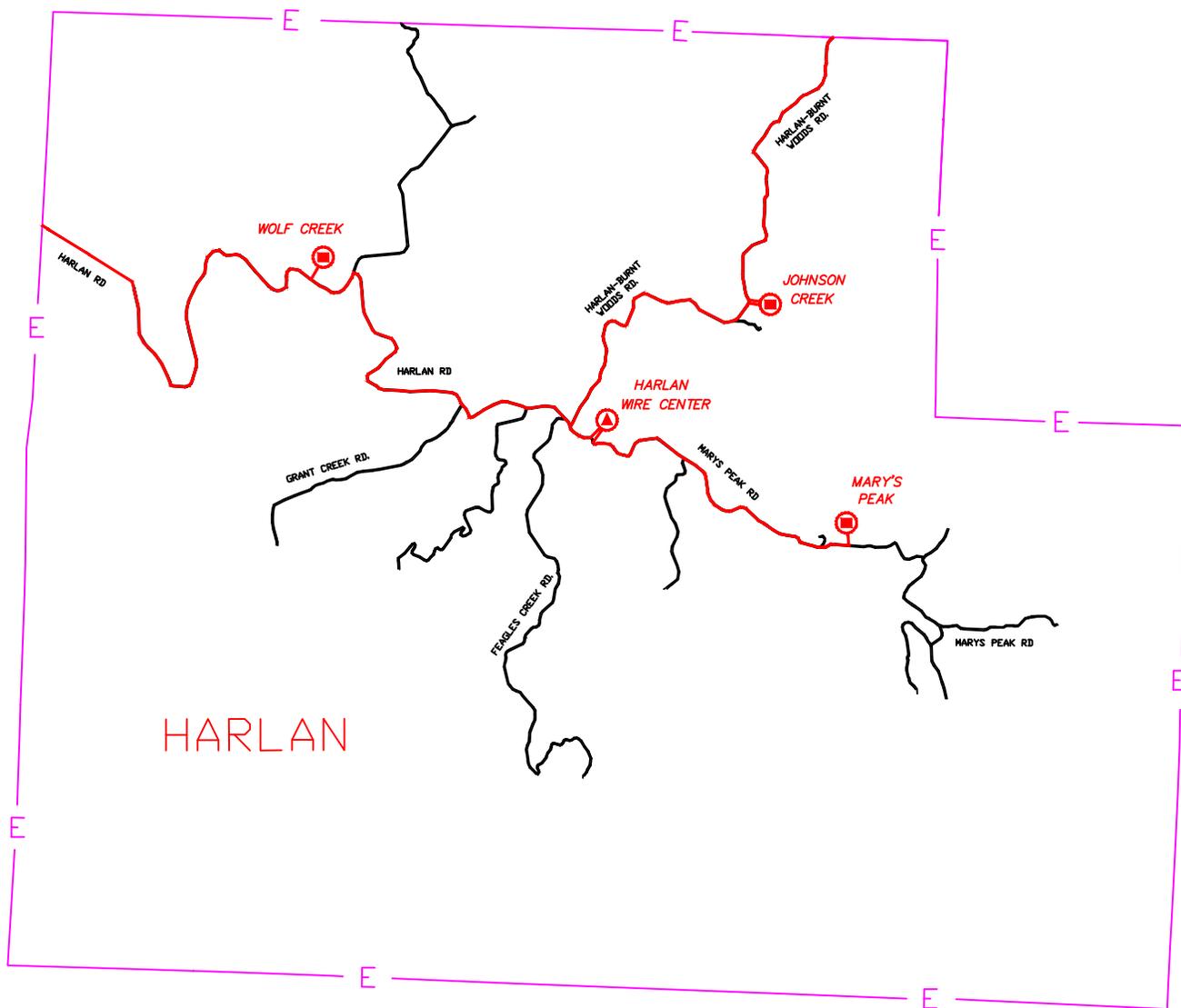
PIONEER TELEPHONE COOPERATIVE / OREGON

HARLAN WIRE CENTER

CLLI: HRLNORXXRS1

SQ. MI. 61

SAC: 532393



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-  2017 FIBER CABLE / REMOTE
-  2018 FIBER CABLE / REMOTE
-  2019 FIBER CABLE / REMOTE

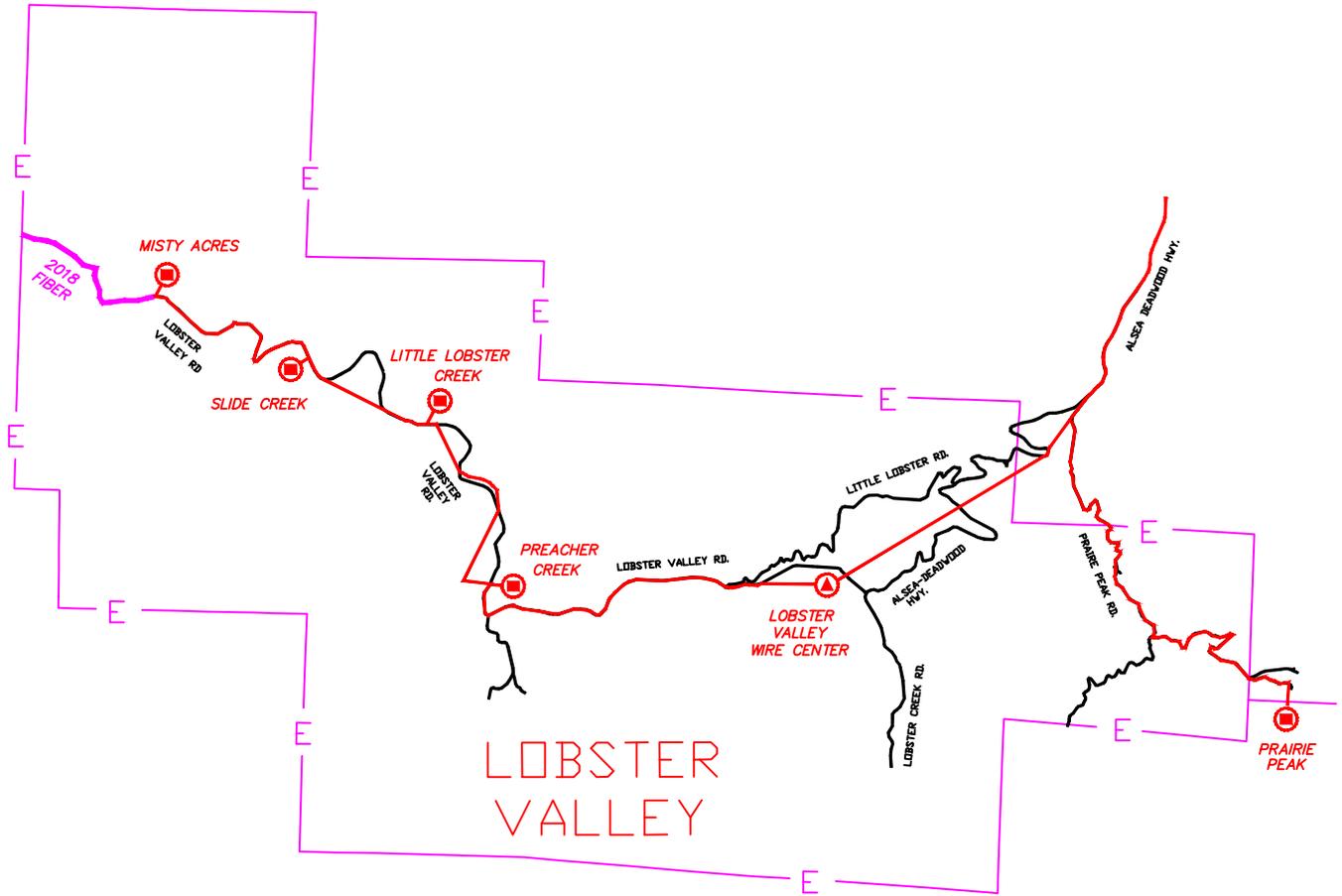
PIONEER TELEPHONE COOPERATIVE / OREGON

LOBSTER VALLEY WIRE CENTER

CLLI: LBVYORXXRS1

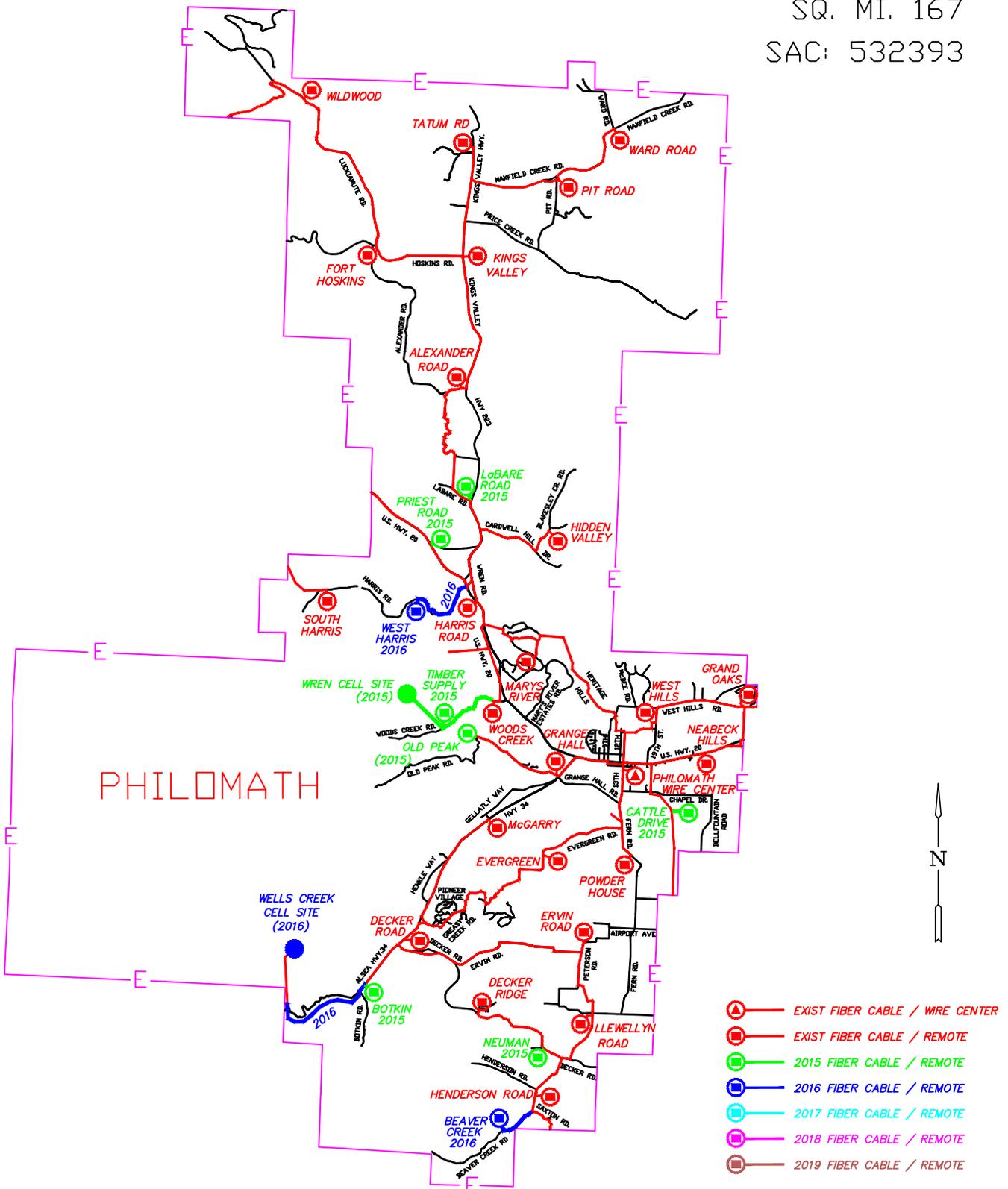
SQ. MI. 41

SAC: 532393



-  EXIST FIBER CABLE / WIRE CENTER
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-  2017 FIBER CABLE / REMOTE
-  2018 FIBER CABLE / REMOTE
-  2019 FIBER CABLE / REMOTE

PIONEER TELEPHONE COOPERATIVE / OREGON
 PHILOMATH WIRE CENTER
 CLLI: PHLMORXADS1
 SQ. MI. 167
 SAC: 532393



- ▲ — EXIST FIBER CABLE / WIRE CENTER
- — EXIST FIBER CABLE / REMOTE
- — 2015 FIBER CABLE / REMOTE
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- — 2017 FIBER CABLE / REMOTE
- — 2018 FIBER CABLE / REMOTE
- — 2019 FIBER CABLE / REMOTE

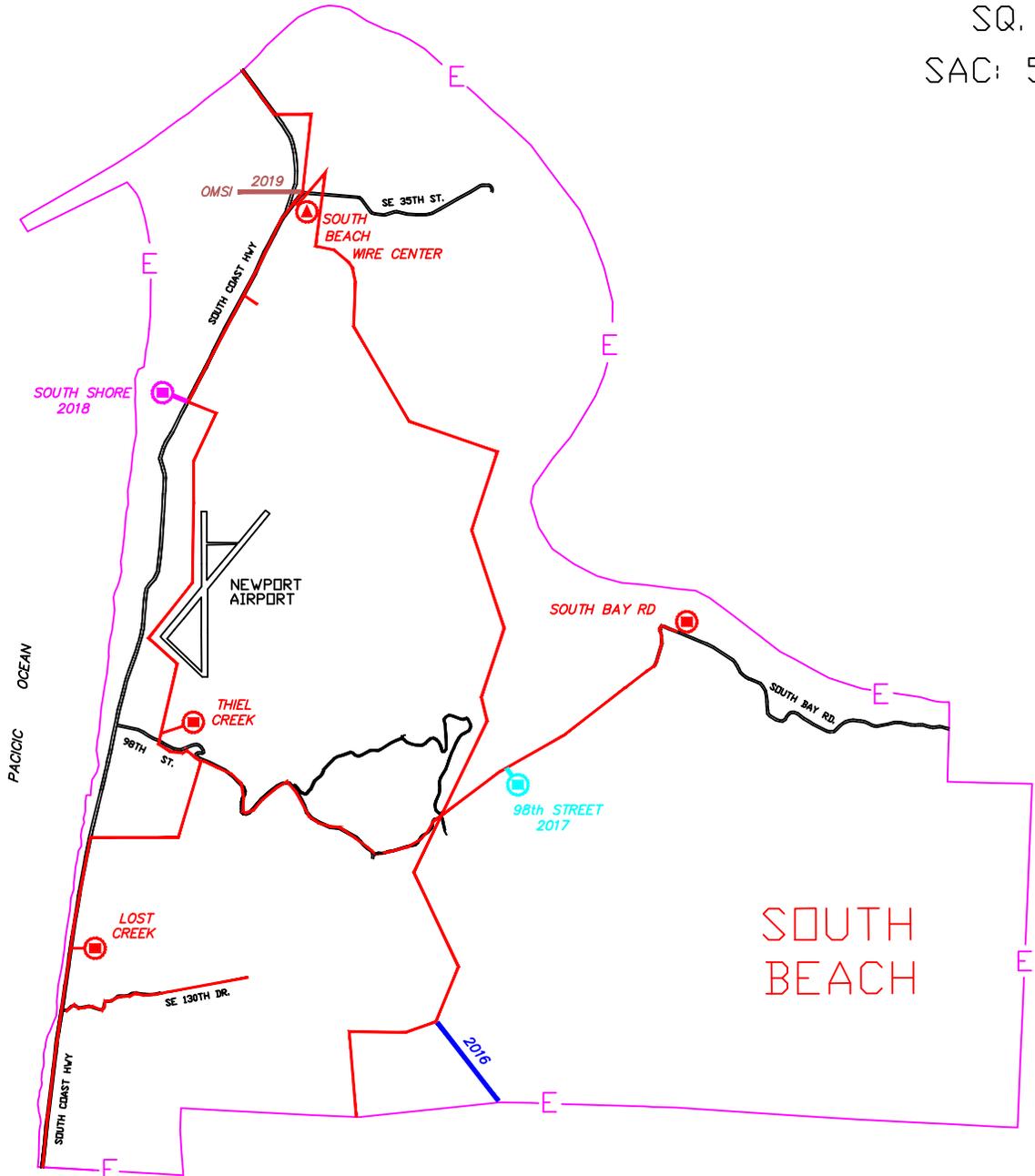
PIONEER TELEPHONE COOPERATIVE / OREGON

SOUTH BEACH WIRE CENTER

CLLI: SBCHORXXRS0

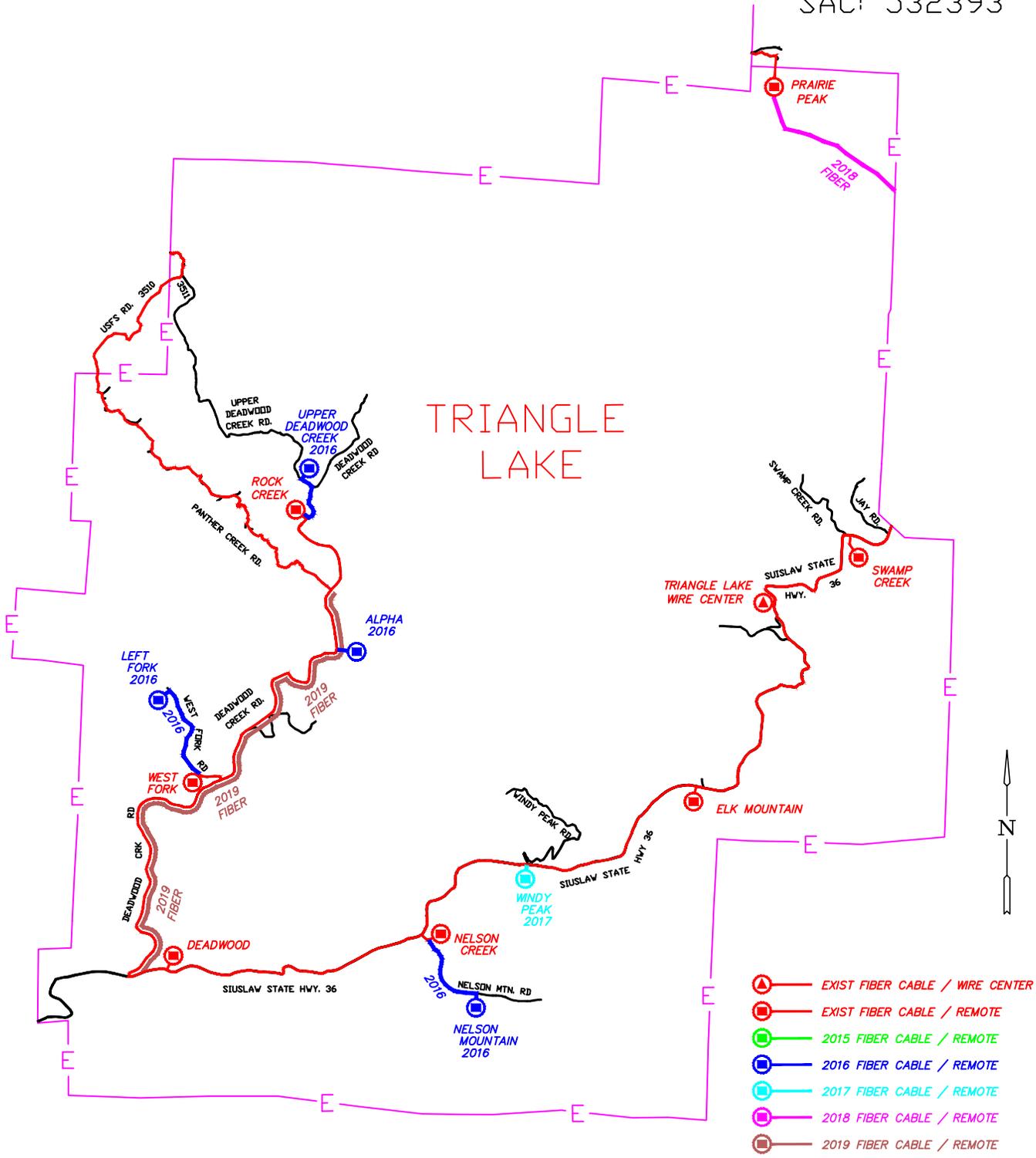
SQ. MI. 22

SAC: 532393



-  EXIST FIBER CABLE / WIRE CENTER
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-  2017 FIBER CABLE / REMOTE
-  2018 FIBER CABLE / REMOTE
-  2019 FIBER CABLE / REMOTE

PIONEER TELEPHONE COOPERATIVE / OREGON
 TRIANGLE LAKE WIRE CENTER
 CLLI: TRLKORXXRS1
 SQ. MI. 144
 SAC: 532393



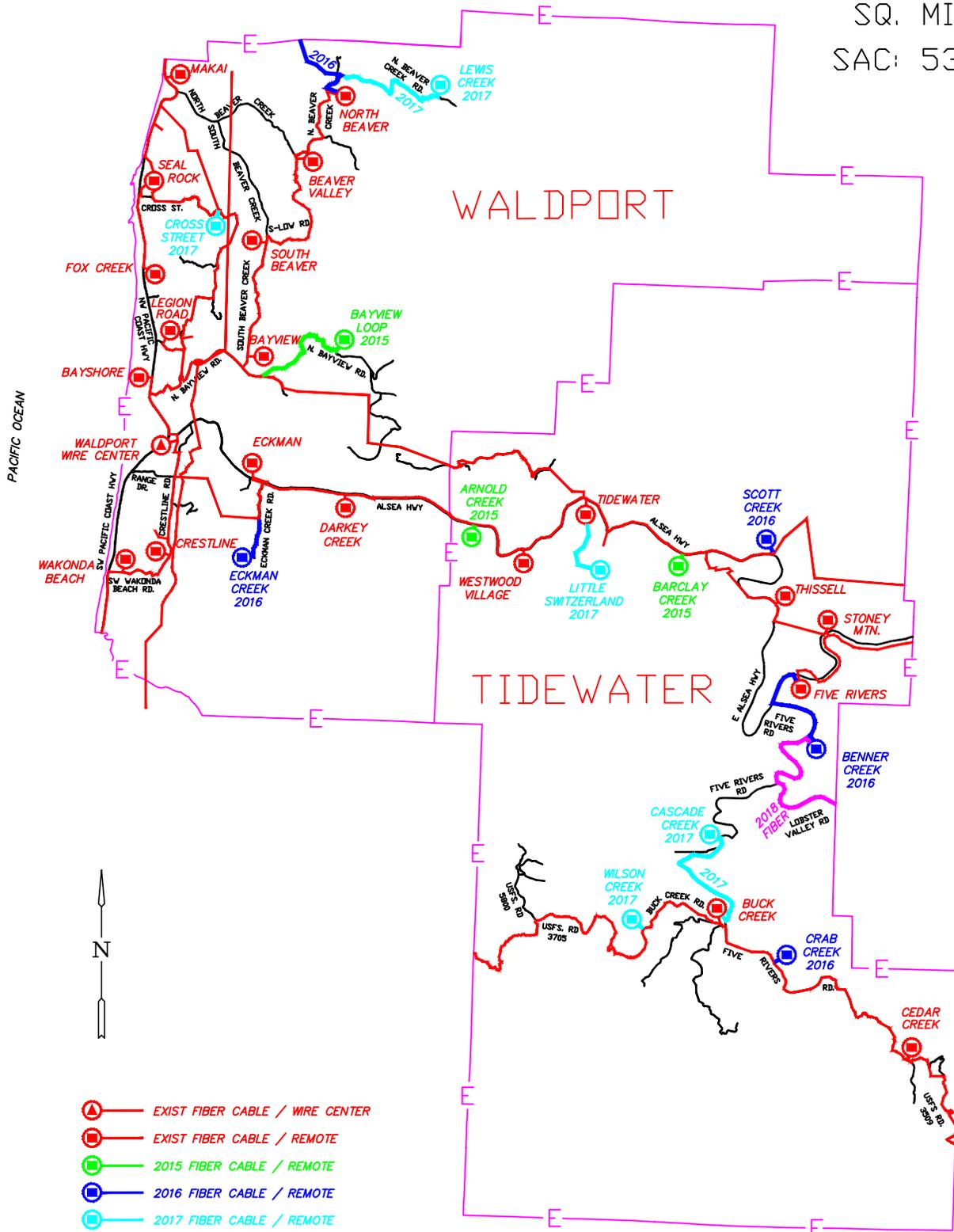
PIONEER TELEPHONE COOPERATIVE / OREGON

WALDPORT WIRE CENTER

CLLI: WLPTORXXRS0

SQ. MI. 262

SAC: 532393



-  EXIST FIBER CABLE / WIRE CENTER
-  EXIST FIBER CABLE / REMOTE
-  2015 FIBER CABLE / REMOTE
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-  2018 FIBER CABLE / REMOTE
-  2019 FIBER CABLE / REMOTE

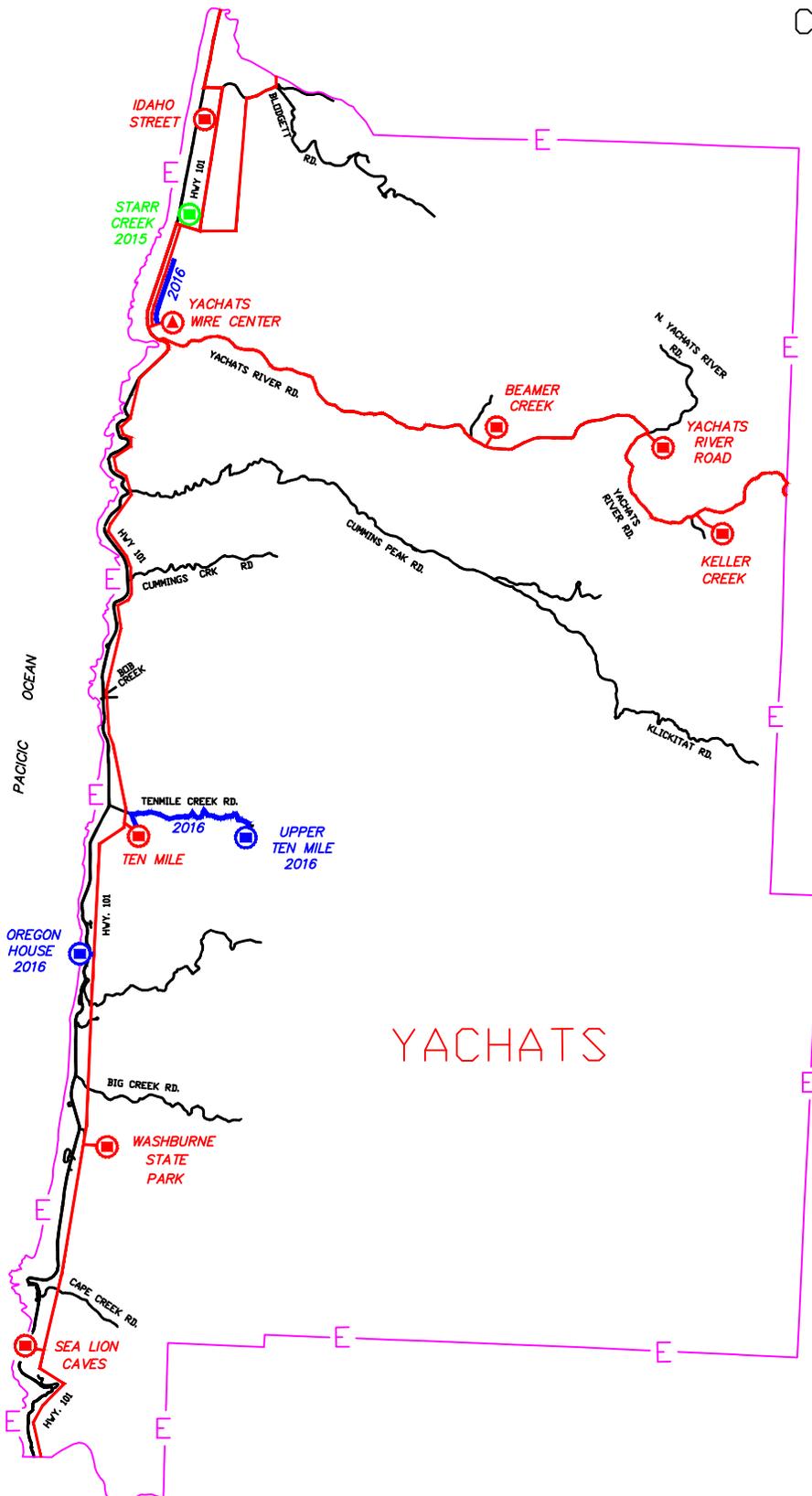
PIONEER TELEPHONE COOPERATIVE / OREGON

YACHATS WIRE CENTER

CLLI: YCHTORXXRS0

SQ. MI. 143

SAC: 532393



YACHATS



- ▲ — EXIST FIBER CABLE / WIRE CENTER
- — EXIST FIBER CABLE / REMOTE
- — 2015 FIBER CABLE / REMOTE
- — 2016 FIBER CABLE / REMOTE
- — 2017 FIBER CABLE / REMOTE
- — 2018 FIBER CABLE / REMOTE
- — 2019 FIBER CABLE / REMOTE

PIONEER TELEPHONE COOPERATIVE

2016 FCC Form 481

(510) Service Quality Standards & Consumer Protection Rules Compliance

47 CFR § 54.313(a)(5) – Pioneer Telephone Cooperative complies with applicable service quality standards as stated in Oregon Administrative Rules 860-034-0390, Retail Telecommunications Service Standards for Small Telecommunications Utilities and consumer protection rules as defined in 47 CFR Part 64 Subpart U, Customer Proprietary Network Information and the Federal Trade Commission Red Flag rules to prevent identity theft.

BROADBAND

Pioneer Telephone Cooperative follows the service standards noted in NECA Tariff #5 and is committed to provide the highest quality service to its broadband customers.

PIONEER TELEPHONE COOPERATIVE

2016 FCC Form 481

(600) Functionality in Emergency Situations

Back-up Power

Pioneer Telephone Cooperative has the following back-up power capabilities:

Switches (stand alone and/or host), Remote Central Offices, Subscriber Carrier, DLC:

See next page for the list of back-up power capabilities

Network Interface Devices (NIDs)

Pioneer Telephone Cooperative has 9,974 access lines with metallic (copper) connections to the Central Office and their NIDs are powered from the Central Office.

Pioneer Telephone Cooperative has 288 access lines with non-metallic (fiber optic) connections to the Central Office. Of these, 116 NIDs are battery powered in case of emergency, with batteries rated at 8 hours based on Telcordia GR-909 specifications, and 172 NIDs are powered from the Central Office with SureReach technology by Generonix®.

Ability to reroute traffic around damaged facilities:

Pioneer Telephone Cooperative has built redundant facilities between its exchanges and its connecting company. This redundant facility is in the form of a SONET ring with alternate physical facilities between **Pioneer Telephone Cooperative** and **CenturyLink**, its interconnection to the Public Switched Telephone Network.

Capability to manage traffic spikes resulting from emergency situations

Pioneer Telephone Cooperative has 8,752 customers, switching capacity of 10,262 simultaneous calls, and transport capacity for 1,080 simultaneous calls. **Pioneer Telephone Cooperative** takes no responsibility for the capabilities of interconnected networks to manage traffic spikes resulting from emergency situations, but will continue its best efforts for its networks during such events.

Pioneer Telephone Cooperative
Back-up Power

Philomath

	200	Diesel	520	52 HR.	4180	8.69 HR.
Alsea	30	Diesel	550	183 HR.	1000	12 HR.
Bellfountain	25	Diesel	30	30 HR.	2090	22 HR.
Blodgett	25	Diesel	30	30 HR.	930	16.5 HR.
Chitwood	25	Diesel	30	30 HR.	1000	14.50 HR.
Deadwood	15	Diesel	220	183 HR.	400	8.9 HR.
South Beach	80	Diesel	250	48 HR.	2090	22.25 HR.
Waldport	75	Diesel	280	60 HR.	2090	14.25 HR.
Yachats	30	Diesel	250	104 HR.	2090	17 HR.
Harlan	15	Diesel	132	121 HR.	500	16 HR.
Lobster Valley	15	Diesel	132	121 HR.	775	29 HR.
Horton	25	DIESEL	30	30 HR.	310	82.5 HR.
Tidewater	13	PROPANE	120	85 HR.	465	31.5 HR.
Triangle Lake	30	DIESEL	550	229 HR.	465	74.25 HR.
Alexander Road					155	77 HR.
Arnold Creek				Line Powered From Tidewater	31.5 HR. (+ Generator)	
Barclay Creek				Line Powered From Tidewater	31.5 HR. (+ Generator)	
Bayshore					620	24.75 HR.
Bayview					290	37.25 HR.
Bayview Loop				Line Powered From Bayview	37.25 HR.	
Beamer Creek					155	88.5 HR.
Beaver Valley					290	46.25 HR.
Bennett Lane					125	50.0 HR.
Big Elk Creek					155	62 HR.
Blachly					170	18.60 HR.
Blodgett Road				Line Powered From Blodgett	16.5 HR. (+ Generator)	
Botkin Road				Line Powered From Decker Road	13.75 HR.	
Brush Creek					225	163 HR.
Bruce Road				Line Powered From Bellfountain	22.5 HR. (+ Generator)	
Bryant				Line Powered From Hutchcroft	82.5 HR.	
Buck Creek					290	55 HR.
Bummer Creek					300	68.5 HR.
Bunker Hill					125	24.25 HR.
Campbell Park					155	77.5 HR.
Cattle Drive				Line Powered From Philomath	8.69 HR. (+ Generator)	
Cecil Lane				Line Powered From Tobacco Road	72 HR.	
Cedar Creek					245	115 HR.
Clem Road				Line Powered From Bennet Lane	50 HR.	
Cline Hill				Line Powered From Oglesby Creek	22.2 HR.	
Crestline Shop				Line Powered From Waldport	14.25 HR. (+ Generator)	
Crooked Creek					290	38.6 HR.
Darkey Creek					290	31.6 HR.
Decker Ridge					145	72.5 HR.
Decker Road					155	13.75 HR.
Eckman					465	32.6 HR.
Eddyville					100	13.25 HR.
Elk City					155	72.75 HR.
Elk Mountain Rd.					145	46.4 HR.
Ervin Road					290	15.3 HR.
Evergreen Rd					125	31.25 HR.
Five Rivers					155	41.3 HR.
Foster Road					255	12.9 HR.
Fox Creek				Line Powered From Seal Rock	29 HR.	
Grand Oaks					600	43.0 HR.
Green Mountain				Line Powered From Summit	82.5 HR.	
Green Peak				Line Powered From Foster Road	12.9 HR.	
Harris Road					290	32 HR.
Henderson Rd					290	33.6 HR.
Hidden Valley					290	38.5 HR.
Honeygrove					125	90.75 HR.
Hoskins Road				Line Powered From Summit	82.5 HR.	
Hutchcroft Road					155	82.5 HR.
Idaho St.					435	33 HR.

Pioneer Telephone Cooperative
Back-up Power

Jacobson Road	Line Powered From Blodgett 16.5 HR. (+ Generator)		
Johnson Creek		155	112 HR.
Jones Road	Line Powered From Sams Creek 33.5 HR.		
Keller Creek		155	47.5 HR.
Kings Valley		620	66.00 HR.
Fall Creek	Line Powered From Yates Road 12 HR.		
Fort Hoskins	Line Powered From Kings valley 66.00 HR.		
Grange Hall	Line Powered From Philomath 8.69 HR. (+ Generator)		
Legion Road		435	31.5 HR.
Little Lobster Creek	Line Powered From Slide Creek 41.3 HR.		
Lilly Hill	Line Powered From Blodgett 16.5 HR. (+ Generator)		
Llewellyn Road	Line Powered From Ervin Road 15.3 HR.		
Logsdan Road	Line Powered From Summit 82.5 HR.		
Lost Creek		465	47.5 HR.
Hayden Road	Line Powered From Alsea 12.12 HR. (+ Generator)		
Haynes Road	Line Powered From Alsea 12.12 HR. (+ Generator)		
LaBarre Road	Line Powered From Harris Road 32 HR.		
Makai		310	27.5 HR.
Marvel Road	Line Powered From Summit 82.5 HR.		
Mary's Peak		290	225 HR.
Marys River Est		290	18.5 HR.
McGarry		310	31 HR.
McFarland	Line Powered From Bellfountain 22.5 HR. (+ Generator)		
Misty Acres Rd.	Line Powered From Slide Creek 41.3 HR.		
Nashville		100	80 HR.
Neabeack Hill		375	27.25 HR.
Nelson Creek		155	47.5 HR.
North Beaver		145	72.5 HR
Norton Creek		125	40 HR.
Neuman Road	Line Powered From Henderson Road 33.6 HR.		
Oglesby Creek		125	22.20 HR.
Old Peak	Line Powered From Philomath 8.69 HR. (+ Generator)		
Oliver Creek		155	77.50 HR.
Park Road	Line Powered From Bellfountain 22.5 HR. (+ Generator)		
Pioneer Village	Line Powered From Decker Road 13.75 HR.		
Pit Road		125	76.75 HR.
Powder House	Line Powered From Philomath 8.69 HR. (+ Generator)		
Preacher Creek		145	82.86
Priest Road	Line Powered From Harris Road 32 HR.		
Rock Creek		155	77.50 HR.
Salmonberry	Line Powered From Campbell Park 77.5 HR.		
Sam's Creek		80	33.5 HR.
Sea Lion Caves		300	50 HR.
Seal Rock		600	29 HR.
Shingle Creek		300	140 HR.
Shotpouch		155	112 HR.
Skunk Creek	Line Powered From Yates Road 12 HR.		
Slide Creek		155	41.3 HR.
Solado	Line Powered From Big Elk 62 HR.		
South Bay Rd		145	96.5 HR.
South Beaver		290	46.25 HR.
South Harris		145	105 HR.
South Fork	Line Powered From Alsea 12.12 HR. (+ Generator)		
Star Creek		290	17.5HR.
Stoney Mountain	Line Powered From Five Rivers 41.3 HR.		
Summit		620	82.50 HR.
Swamp Creek Rd.		155	77.5 HR.
Tatum Lane	Line Powered From Kings Valley 66.00 HR.		
Ten Mile		500	31.50 HR.
Thiel Creek		435	30.5 HR.
Thissell		155	42.75 HR.
Timber Supply	Line Powered From Woods Creek 35 HR.		
Tobacco Road		270	72 HR.

Pioneer Telephone Cooperative
Back-up Power

Trap Creek	Line Powered From Chitwood 14.50 HR. (+ Generator)		
Updike	Line Powered From Elk City 72.5 HR.		
Waconda Beach		600	47.5 HR.
Ward Road		145	77.25 HR.
Washburne S.P.		300	80 HR.
West Elk		145	77.25 HR.
West Fork		155	82.5 HR.
West Hills		290	20.1 HR.
Westwood Village		375	31.5 HR.
Wildwood		270	54 HR.
Williams Road	Line Powered From Foster Road 12.91 HR.		
Winnie Road	Line Powered From Campbell Park 77.5 HR.		
Wolfe Creek		290	210 HR.
Woods Creek		290	35 HR.
Yachats River Rd		290	46.25 HR.
Yates		120	12 HR.



Attachment for Line 3010

Date: June 23, 2016

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
9300 East Hampton Drive
Capitol Heights, MD 20743

**Re: WC Docket No. 14-58, 2016 Annual Report, Form 481 for High-Cost Recipient
54.313(f)(1) "Milestone Certification"**

Dear Ms. Dortch:

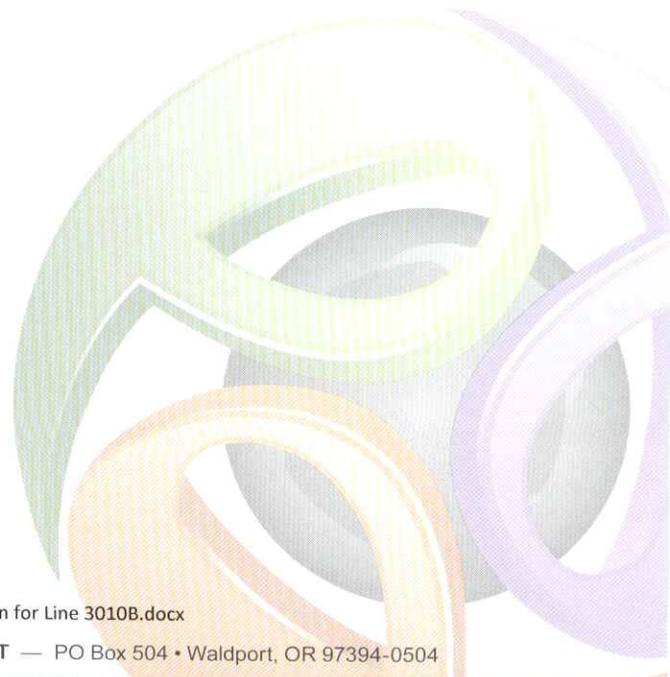
In compliance with the filing requirements associated with, and attached to Form 481, we wish to advise the Commission that Pioneer Telephone Cooperative provided in 2015 High Speed Internet service to its customers and:

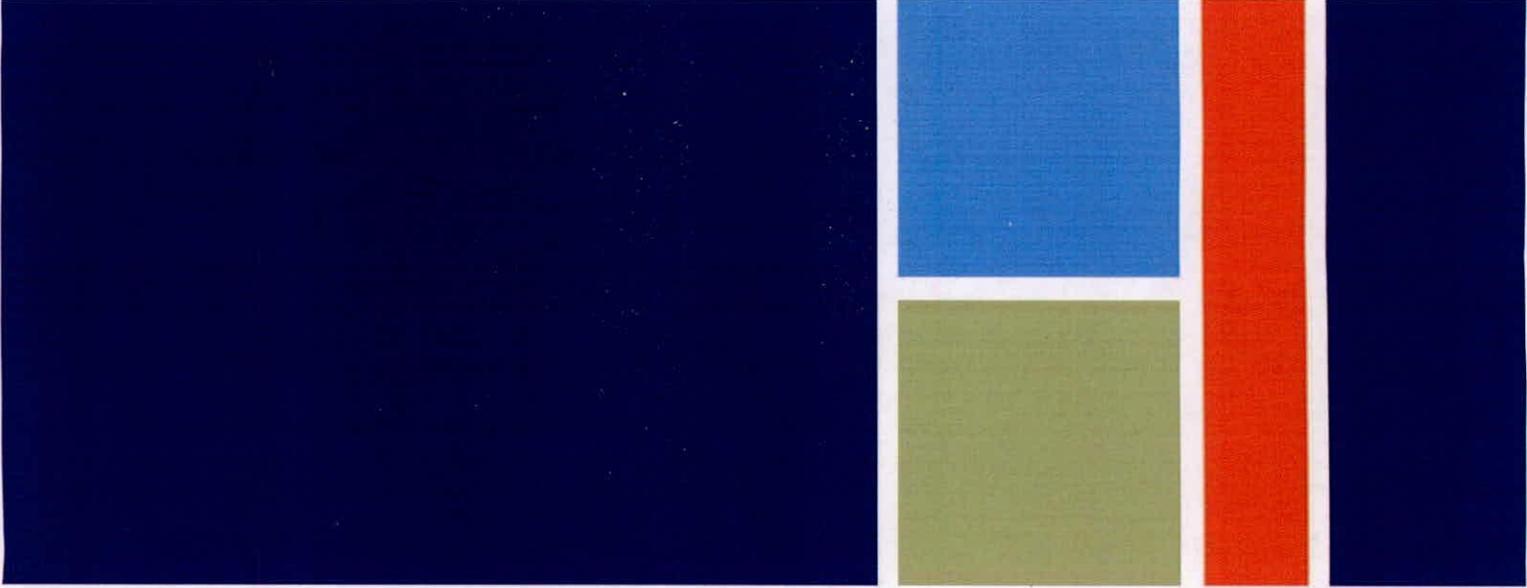
- Has taken reasonable steps to provide upon reasonable request broadband service at actual speeds of 10 Mbps downstream/1 Mbps upstream;
- Provides latency suitable for real-time applications including VoIP and usage capacity which is reasonably comparable to those in urban areas and;
- That reasonable requests for service are met within a reasonable timeframe.

If there are questions, I may be contacted at 541-929-8256.

Sincerely,


Michael Whalen, CPA
Executive Vice President





**PIONEER TELEPHONE COOPERATIVE
AND SUBSIDIARY**

**Consolidated Financial Statements
with Supplemental Information**

Years Ended December 31, 2015 and 2014



PIONEER TELEPHONE COOPERATIVE AND SUBSIDIARY
Consolidated Financial Statements with Supplemental Information
Years Ended December 31, 2015 and 2014

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AKT

CPAS AND BUSINESS CONSULTANTS

Personal. Local. Global.

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Pioneer Telephone Cooperative and Subsidiary
Philomath, Oregon

We have audited the accompanying consolidated financial statements of Pioneer Telephone Cooperative and Subsidiary, which comprise the consolidated balance sheets as of December 31, 2015 and 2014, and the related consolidated statements of operations, changes in members' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated 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 consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

OPINION

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Pioneer Telephone Cooperative and Subsidiary, as of December 31, 2015 and 2014, and the results of its operations and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

REPORT ON SUPPLEMENTAL INFORMATION

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental information, as detailed in the table of contents, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

AKT LLP

Salem, Oregon
March 31, 2016

680 HAWTHORNE AVENUE SE, #140, SALEM, OR 97301

PHONE: 503.585.7774 FAX: 503.364.8405

PORTLAND, OR | SALEM, OR | CARLSBAD, CA | ESCONDIDO, CA | SAN DIEGO, CA | ANCHORAGE, AK

PIONEER TELEPHONE COOPERATIVE AND SUBSIDIARY

Consolidated Balance Sheets

December 31, 2015 and 2014

ASSETS	<u>2015</u>	<u>2014</u>
Current Assets:		
Cash and cash equivalents	\$ 10,027,352	\$ 8,314,542
Accounts receivable, less allowance for doubtful accounts of \$10,000	32,478	66,782
Other receivables	965,724	849,293
Materials and supplies	359,969	341,804
Prepaid expenses	<u>236,942</u>	<u>247,597</u>
Total Current Assets	<u>11,622,465</u>	<u>9,820,018</u>
Other Assets and Investments	<u>3,461,257</u>	<u>3,443,018</u>
Property, Plant, and Equipment:		
In service	70,227,593	74,765,659
Under construction	<u>404,958</u>	<u>2,825</u>
	70,632,551	74,768,484
Less accumulated depreciation	<u>56,166,309</u>	<u>59,319,843</u>
Property, Plant, and Equipment, net	<u>14,466,242</u>	<u>15,448,641</u>
	<u>\$ 29,549,964</u>	<u>\$ 28,711,677</u>
LIABILITIES AND MEMBERS' EQUITY		
Current Liabilities:		
Accounts payable	\$ 525,936	\$ 269,560
Accrued expenses	<u>627,977</u>	<u>361,343</u>
Total Current Liabilities	<u>1,153,913</u>	<u>630,903</u>
Deferred Income Taxes	<u>303,440</u>	<u>237,927</u>
Members' Equity:		
Memberships	8,752	8,995
Patronage capital	23,125,844	23,126,096
Other equity	<u>4,958,015</u>	<u>4,707,756</u>
Total Members' Equity	<u>28,092,611</u>	<u>27,842,847</u>
	<u>\$ 29,549,964</u>	<u>\$ 28,711,677</u>

See accompanying notes to consolidated financial statements.

PIONEER TELEPHONE COOPERATIVE AND SUBSIDIARY**Consolidated Statements of Operations**

Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Operating Revenues:		
Local network	\$ 2,979,048	\$ 3,078,603
Network access	9,053,285	9,943,576
Miscellaneous	<u>1,166,022</u>	<u>1,191,713</u>
Total Operating Revenues	<u>13,198,355</u>	<u>14,213,892</u>
Operating Expenses:		
Plant specific	2,672,137	2,788,225
Plant nonspecific	2,053,247	1,999,952
Customer	2,085,022	2,273,506
Corporate	1,945,648	2,036,518
Depreciation	3,546,344	3,841,419
Other taxes	352,514	380,504
Other operating expenses	<u>366,813</u>	<u>419,024</u>
Total Operating Expenses	<u>13,021,725</u>	<u>13,739,148</u>
Operating Margin	<u>176,630</u>	<u>474,744</u>
Other Income (Expense):		
Interest and other income, net	80,577	71,994
Income tax expense	(145,404)	(96,260)
Nonregulated loss, net	(59,050)	(37,872)
Income from other investments	<u>196,288</u>	<u>158,386</u>
Total Other Income, net	<u>72,411</u>	<u>96,248</u>
Net Margin	<u>\$ 249,041</u>	<u>\$ 570,992</u>

PIONEER TELEPHONE COOPERATIVE AND SUBSIDIARY**Consolidated Statements of Changes in Members' Equity**

Years Ended December 31, 2015 and 2014

	<u>Memberships</u>	<u>Patronage Capital</u>	<u>Other Equity</u>	<u>Total</u>
Balance, December 31, 2013	\$ 9,261	\$ 22,742,067	\$ 4,509,053	\$ 27,260,381
Change in memberships	(266)	-	-	(266)
Estate payments	-	(7,656)	-	(7,656)
Excise tax refund	-	19,396	-	19,396
Other adjustments	-	5,570	(5,570)	-
Net margin	<u>-</u>	<u>366,719</u>	<u>204,273</u>	<u>570,992</u>
Balance, December 31, 2014	\$ <u>8,995</u>	\$ <u>23,126,096</u>	\$ <u>4,707,756</u>	\$ <u>27,842,847</u>
Change in memberships	(243)	-	-	(243)
Estate payments	-	(6,883)	-	(6,883)
Excise tax refund	-	7,819	30	7,849
Other adjustments	-	(1,188)	1,188	-
Net margin	<u>-</u>	<u>-</u>	<u>249,041</u>	<u>249,041</u>
Balance, December 31, 2015	\$ <u>8,752</u>	\$ <u>23,125,844</u>	\$ <u>4,958,015</u>	\$ <u>28,092,611</u>

See accompanying notes to consolidated financial statements.

PIONEER TELEPHONE COOPERATIVE AND SUBSIDIARY**Consolidated Statements of Cash Flows**

Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash Flows from Operating Activities:		
Net margin	\$ 249,041	\$ 570,992
Adjustments to reconcile net margin to net cash provided by operating activities:		
Depreciation	3,546,344	3,841,419
Income from investments	(193,288)	(159,676)
Change in deferred taxes	65,513	65,545
Changes in operating assets and liabilities:		
Accounts receivable	34,304	(1,324)
Other receivables	(116,431)	277,462
Materials and supplies	(18,165)	9,479
Prepaid expenses	10,655	10,611
Accounts payable	17,388	71,547
Accrued expenses	266,634	(373,175)
Net Cash Provided by Operating Activities	<u>3,861,995</u>	<u>4,312,880</u>
Cash Flows from Investing Activities:		
Purchase of property, plant, and equipment, net	(2,368,892)	(2,269,753)
Proceeds on sale of property, plant, and equipment	43,935	-
Purchase of other investments	(5,000)	(28,000)
Proceeds from other investments	180,049	196,606
Net Cash Used by Investing Activities	<u>(2,149,908)</u>	<u>(2,101,147)</u>
Cash Flows from Financing Activities:		
Net change in memberships	(243)	(266)
Excise tax refunds received	7,849	19,396
Estate payments	(6,883)	(7,656)
Net Cash Provided by Financing Activities	<u>723</u>	<u>11,474</u>
Net Increase in Cash and Cash Equivalents	1,712,810	2,223,207
Cash and Cash Equivalents, beginning	<u>8,314,542</u>	<u>6,091,335</u>
Cash and Cash Equivalents, ending	<u>\$ 10,027,352</u>	<u>\$ 8,314,542</u>
Non-Cash Property, Plant, and Equipment Additions	<u>\$ 238,988</u>	<u>\$ -</u>

See accompanying notes to consolidated financial statements.

PIONEER TELEPHONE COOPERATIVE AND SUBSIDIARY

Notes to Consolidated Financial Statements

Years Ended December 31, 2015 and 2014

Note 1 - Organization and Summary of Significant Accounting Policies

Organization

Pioneer Telephone Cooperative (the Cooperative) is an Oregon cooperative corporation providing telecommunications and internet services from within and around the City of Philomath, Oregon to the City of Waldport, Oregon. The Cooperative invests in other telecommunication-related ventures through its wholly-owned subsidiary, Pioneer Consolidated, Inc.

Basis of Consolidation

The consolidated financial statements include the accounts of Pioneer Telephone Cooperative and its wholly-owned subsidiary, Pioneer Consolidated, Inc. (the Subsidiary). All intercompany transactions and balances have been eliminated in the consolidation.

Estimates

The Cooperative uses estimates and assumptions in preparing consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Regulation

The Cooperative is subject to limited regulation by the Public Utility Commission of Oregon (PUC) and the Federal Communications Commission (FCC). The Cooperative maintains its accounting records in accordance with the Uniform System of Accounts, as prescribed by the FCC and adopted by the PUC. As a result, the application of accounting principles generally accepted in the United States of America by the Cooperative differs in certain respects from the application by nonregulated businesses. Such differences primarily concern the time at which certain items enter into the determination of net margin.

Regulatory and legislative actions, as well as future regulations, could have a significant impact on the Cooperative's future operations and financial condition. See Note 1, National Broadband Plan and FCC Order.

Cash and Cash Equivalents

The Cooperative considers cash investments with an original maturity of 3 months or less to be cash equivalents. The Cooperative maintains its cash and cash equivalents in bank deposit accounts that are insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of \$250,000 per depositor per bank. As of December 31, 2015 and 2014, the Cooperative did not have cash in any one bank that exceeded the FDIC limit due to the Cooperative having funds swept nightly into repurchase agreements which are fully collateralized.

The Cooperative has not experienced any losses in its bank accounts and believes it is not exposed to any significant credit risk on cash.

Accounts Receivable

The Cooperative generally does not require collateral or other security to support accounts receivable. An allowance for doubtful accounts is maintained, based upon management's review of the year-end accounts receivable aging and past credit and collection history. Receivables are written off when the Cooperative determines an account is uncollectible. Past due status is determined based on how recently payments have been received.

Investments

Investments in which the Cooperative holds a 20%-50% interest are accounted for on the equity method. Investments accounted for on the equity method are recorded at cost and adjusted for the Cooperative's share of income or loss. Investments in which the Cooperative holds less than a 20% interest are recorded at cost, and income is recorded when dividends are received.

PIONEER TELEPHONE COOPERATIVE AND SUBSIDIARY

Notes to Consolidated Financial Statements

Years Ended December 31, 2015 and 2014

Note 1 - Organization and Summary of Significant Accounting Policies, continued

Materials and Supplies

Materials and supplies are stated at the lower of cost or market. Cost is determined principally by the average cost method.

Fair Value of Financial Instruments

The Cooperative's financial instruments, none of which are held for trading purposes, include cash and cash equivalents, receivables, and payables. The Cooperative estimates that the fair value of all of these non-derivative financial instruments at December 31, 2015 and 2014 does not differ materially from the aggregate carrying value of its financial instruments recorded in the accompanying consolidated balance sheets.

Property, Plant, and Equipment

Telecommunications plant in service and under construction is stated at cost, including estimated overhead expense. Depreciation is calculated on a straight-line basis over the estimated life of the classes of property and equipment in accordance with rates consistent with industry standards. Depreciation rates range from 2.2% to 14.3%. Costs of plant retired are eliminated from telecommunications plant accounts and such costs plus removal expenses, less salvage, are charged to accumulated depreciation.

Nonregulated property and equipment in service and under construction are stated at cost. Depreciation is calculated on a straight-line basis over the estimated life of the classes of property and equipment. Asset lives range from 5 to 10 years. Maintenance, repairs, and replacements are charged to expenses as incurred. When property and equipment is sold or otherwise disposed of, the asset account and the related accumulated depreciation accounts are relieved and any gain or loss is included in operations.

Memberships

An initial refundable membership fee of \$1 is charged to all new member subscribers, which entitles the member to vote at the annual meeting.

Patronage Allocations

The net margin of the Cooperative, less Subsidiary net margin, is allocated to its members in proportion to each member's access minutes of use and local service. Losses sustained by the Cooperative may be allocated to the accounts of individual patrons or offset to other equity at the discretion of the Board of Directors.

Other Equity

Other equity represents the accumulated earnings of Pioneer Consolidated, Inc. and any unallocated equities and unallocated losses.

Network Access Revenues

Network access revenue is received under a system of access charges. Access charges represent a methodology by which local telephone companies, including the Cooperative, charge the long-distance carrier for access and interconnection to local facilities. The Cooperative has elected to file access tariffs through the National Exchange Carriers Association (NECA) and directly through the PUC for these changes. These access tariffs are subject to approval by the FCC for interstate charges and the PUC for intrastate charges.

When network access revenues have been received pursuant to the settlement and access agreements above, they are then either placed into a common pooling arrangement with other exchange carriers for redistribution or kept by the Cooperative. The redistributions are made according to formulas established by the governing boards of the pools and are generally based upon expenses incurred and investments maintained.

The Cooperative participates in various pooling arrangements with NECA.

Settlement, access, and pool distribution revenues are recorded when the amounts become determinable.

PIONEER TELEPHONE COOPERATIVE AND SUBSIDIARY

Notes to Consolidated Financial Statements

Years Ended December 31, 2015 and 2014

Note 1 - Organization and Summary of Significant Accounting Policies, continued

Network Access Revenues, continued

Related expenses are recorded when incurred. Subsequent true-ups and retroactive adjustments, which are generally allowed for a period of 24 months after the close of the related calendar year, are recorded in the year in which such adjustments become determinable, based upon studies prepared by outside consultants.

In addition to recoveries from the pools, the Cooperative also receives revenues from the Universal Service High Cost Loop Fund (HCL) and other support mechanisms administered by the Universal Service Administrative Company (USAC). These universal service support revenues are intended to compensate the Cooperative for the high cost of providing service in rural areas. The amount of support received from HCL is based on the number of customers served and the cost of providing service in that area being in excess of the national average cost per loop, as determined by the FCC. The Cooperative also receives funding from Oregon Universal Service Funds (OUSF) administered by the PUC. These support revenues are included in the network access revenues in the accompanying consolidated financial statements.

In 2015, the Cooperative received \$7,132,571 (\$7,285,088 in 2014) in interstate access revenues administered through the NECA Pools, and no support from the USAC High Cost Loop Fund (\$562,505 in 2014). In 2015, the Cooperative received \$1,727,423 from the OUSF (\$1,765,061 in 2014). The current funding levels for the Oregon Universal Service Fund are determined in accordance with PUC Order 13-162 which ends June 30, 2016. In March 2016 the PUC issued order 16-093 related to OUSF. The order is for a 5 year term beginning January 1, 2017 and calls for annual reductions to the OUSF that will result in an overall reduction of not less than 15.2% over the 5 year term for rural companies. In addition rural companies will be subject to a re-allocation process over the term of the order but no company can have its support reduced by more than 20% over this period as a result of this process. The full impact of the order cannot be determined at this time.

National Broadband Plan and FCC Order

In 2010 the FCC issued the National Broadband Plan which outlined a long-term plan to increase broadband penetration rates and services throughout the United States of America. The plan further outlined a proposed long-term phase-out of access charges (referred to as Intercarrier Compensation) and moves to support mechanisms based on broadband services rather than the current Universal Service High Cost Loop Fund administered by USAC.

In response to the plan, the FCC on October 27, 2011, approved Report and Order 11-161 (the Order), that begins the process of reforming the universal service and intercarrier compensation (ICC) systems and adopts support for broadband-capable networks as an express universal service principle. The Order further creates the Connect America Fund (CAF) which will ultimately replace all existing high-cost support mechanisms as well as help facilitate ICC reforms.

The key provisions of the Order include:

- Capping the federal universal service fund at current levels.
- Placing limitations on capital and operating spending.
- Establishing local rate benchmarks.
- Capping the per-line support amount for the universal service high cost loop fund at \$250 per month.
- Phase out of local switching support and the establishment of the CAF for recovery of investment and expenses related to the provision of switching services.
- Reforming the ICC system by adopting a plan to transition from access charges to a bill and keep framework. The transition period for rate-of-return carriers such as the Cooperative is approximately 9 years from the date of the order.
- Adoption of a monthly Access Recovery Charge as a transitional recovery mechanism to mitigate the impact of reduced intercarrier revenues.

PIONEER TELEPHONE COOPERATIVE AND SUBSIDIARY

Notes to Consolidated Financial Statements

Years Ended December 31, 2015 and 2014

Note 1 - Organization and Summary of Significant Accounting Policies, continued

National Broadband Plan and FCC Order, continued

The Order was effective December 29, 2011 and implementation began July 1, 2012. As of the implementation date CAF recovery is calculated based on the frozen fiscal year 2011 interstate switched access revenue requirement, plus certain 2011 intrastate access revenues, and will decline annually by 5% during the transition period.

In 2014, the FCC issued Orders for Reconsideration that included provisions to eliminate the quantile regression benchmarking analysis (this removes the limitations on capital and operating spending contained in the Order), reinstate the safety-net additive on a limited basis that was eliminated as part of the Order, and continue the transition of the local rate benchmark. In 2015, the FCC continued to work on further reforms. An FCC Order reformed universal service support and that provides the option for a voluntary election by rate-of-return carriers to receive model-based support under an Alternative Connect America Cost Model (A-CAM), rather than based on its own costs, was issued March 30, 2016. The full impact of this order to the Cooperative cannot be reasonably determined at this time.

The Cooperative continues to monitor its local rates and, as of December 31, 2015, meets the local rate benchmark requirements of the Order and is not subject to the \$250 per line support cap. Furthermore, for the period ended December 31, 2015 the impacts to the Cooperative related to the 5% annual decline in switched access revenues have not been significant.

The overall reform process will continue to take place in phases and will take several more years to implement. Furthermore it is anticipated that the FCC will continue to issue Further Notices of Proposed Rulemakings and/or Orders for Reconsideration and continue to seek comments on various items. As a result, the ultimate outcome of these proceedings and their impact is uncertain at this time.

Income Taxes

The Cooperative has been granted an exemption from federal income taxes, except for "unrelated" business income, under Section 501(c)(12) of the Internal Revenue Code.

The Cooperative is also exempt from state income taxes. However, in any year for which greater than 15% of gross revenue is derived from nonmember services, the Cooperative becomes a taxable cooperative. The Cooperative was exempt from income taxes in 2015 and 2014. Federal and state taxes payable by taxable cooperatives are computed differently from taxes payable by other corporations, primarily because cooperatives are allowed to deduct margins allocated or paid to patrons within 8 1/2 months after the end of each taxable year. Pioneer Consolidated, Inc. is a taxable corporation and files a separate income tax return.

Deferred taxes represent the future tax return consequence of differences between the financial statement and the tax basis of assets and liabilities, which will either be taxable or deductible when the related assets or liabilities are recorded or settled. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Income tax expense is the tax payable or refundable for the period, plus or minus the change in deferred tax assets and liabilities during the period.

The Cooperative follows accounting standards generally accepted in the United States of America related to the recognition of uncertain tax positions. The Cooperative recognizes accrued interest and penalties associated with uncertain tax positions as part of the income tax provision, when applicable. There were no amounts accrued in the consolidated financial statements related to uncertain tax positions.

PIONEER TELEPHONE COOPERATIVE AND SUBSIDIARY

Notes to Consolidated Financial Statements

Years Ended December 31, 2015 and 2014

Note 1 - Organization and Summary of Significant Accounting Policies, continued

Revenue Recognition

The Cooperative recognizes revenues when earned, regardless of the period in which they are billed.

Monthly service fees derived from local telephone service and internet service are billed in advance. Accounts receivable are reduced by advanced billings and subsequently transferred to income in the period earned. Access charges (see Note 1, Network Access Revenue), long distance and other revenues based on usage are billed in arrears.

Subsequent Events

The Cooperative has evaluated subsequent events through March 31, 2016, which is the date the consolidated financial statements were available to be issued.

Note 2 - Other Assets and Investments

Other assets and investments, at cost, consist of the following:

	<u>2015</u>	<u>2014</u>
Communications Supply Service Association	\$ 25,000	\$ 25,000
National Telcom Corporation	50,000	50,000
CoBank patronage certificates	736,646	916,695
ANPI Holding, Inc.	198,432	198,432
CHR Solutions, Inc.	145,401	145,401
RTIC Holding Company, Inc.	<u>228,000</u>	<u>228,000</u>
Total, at cost	\$ <u>1,383,479</u>	\$ <u>1,563,528</u>
Other investments, equity method:		
Casco Communications, Inc.	\$ 1,778,113	\$ 1,580,000
Wilcom LLC	<u>299,665</u>	<u>299,490</u>
Equity Investments	\$ <u>2,077,778</u>	\$ <u>1,879,490</u>
Total Other Assets and Investments	\$ <u>3,461,257</u>	\$ <u>3,443,018</u>

CoBank is a cooperative bank. Borrowers are required to invest a minimum of \$1,000 or 2% of their loan, whichever is less. Patronage dividends are paid annually in cash and in stock at the discretion of the board of directors of CoBank.

The Subsidiary has 228 shares of class B common stock of RTIC Holding Company, Inc., an affiliate of Telcom Insurance Group, which will provide a 3% guaranteed dividend for ten years and provide a 5% reduction in insurance costs to the Cooperative. In 2015, the Cooperative did not make any additional investment (\$28,000 in 2014).

During the year ended December 31, 2015, the Cooperative recorded an investment loss of \$4,825 from Wilcom LLC, (\$4,828 loss in 2014), and contributed \$5,000 in cash (none in 2014).

The Subsidiary has a 50% ownership interest in Casco Communications, Inc. (Casco), a corporation providing internet access and other services. The investment is recorded using the equity method of accounting. Based on audited financial statements, the Subsidiary recorded income of \$198,113 related to this investment in 2015 (\$163,214 in 2014).

PIONEER TELEPHONE COOPERATIVE AND SUBSIDIARY

Notes to Consolidated Financial Statements

Years Ended December 31, 2015 and 2014

Note 2 - Other Assets and Investments, continued

Following is a summary of financial position and results of operations of Casco Communications, Inc.:

	<u>2015</u>	<u>2014</u>
Current assets	\$ 1,359,856	\$ 1,207,947
Net property and equipment	2,010,266	1,789,662
Other assets and investments	<u>1,608,387</u>	<u>1,304,680</u>
	<u>\$ 4,978,509</u>	<u>\$ 4,302,289</u>
Current liabilities	\$ 485,982	\$ 216,551
Other liabilities	343,928	363,000
Noncontrolling interest	536,729	507,093
Stockholders' equity	<u>3,611,870</u>	<u>3,215,645</u>
	<u>\$ 4,978,509</u>	<u>\$ 4,302,289</u>
Operating revenue	<u>\$ 6,930,868</u>	<u>\$ 6,421,575</u>
Net income after taxes and noncontrolling interest	<u>\$ 396,225</u>	<u>\$ 326,428</u>

Note 3 - Property, Plant, and Equipment

Listed below are the major classes of telecommunications plant in service:

	<u>2015</u>	<u>2014</u>
<u>Pioneer Telephone Cooperative:</u>		
Land and support	\$ 7,391,879	\$ 7,303,070
Central office	9,849,306	15,368,566
Cable and wire facilities	<u>52,406,808</u>	<u>51,461,582</u>
Subtotal	69,647,993	74,133,218
<u>Pioneer Consolidated, Inc.:</u>		
Fiber optic cable and equipment	<u>579,600</u>	<u>632,441</u>
	<u>\$ 70,227,593</u>	<u>\$ 74,765,659</u>

Note 4 - Income Taxes

Income taxes are provided for the tax effects of transactions reported in the consolidated financial statements and consist of taxes currently due and deferred income taxes.

Income tax expense consists of the following:

	<u>2015</u>	<u>2014</u>
Federal income tax	\$ 65,068	\$ 23,479
State income tax	14,823	7,236
Deferred income taxes	<u>65,513</u>	<u>65,545</u>
	<u>\$ 145,404</u>	<u>\$ 96,260</u>

PIONEER TELEPHONE COOPERATIVE AND SUBSIDIARY

Notes to Consolidated Financial Statements

Years Ended December 31, 2015 and 2014

Note 4 - Income Taxes, continued

The provision for income taxes differs from the amount computed by applying the current statutory federal income tax rate to earnings before income taxes due to the effects of state taxes, nondeductible items, differences in depreciation for book and tax purposes, and the tax-exempt status of the Cooperative.

Deferred income taxes in the accompanying consolidated balance sheets included the following components:

	<u>2015</u>	<u>2014</u>
Deferred income tax asset – deferred revenue	\$ 10,696	\$ 10,236
Deferred income tax liability – depreciation and investments basis differences	<u>(314,136)</u>	<u>(248,163)</u>
Deferred income tax liability, net	\$ <u>(303,440)</u>	\$ <u>(237,927)</u>

At December 31, 2015 and 2014 deferred taxes have been recorded to recognize the liability for future tax consequences from the prior use of accelerated depreciation for tax purposes and the net gain on any future sale of an investment recorded on the equity method for financial statement reporting versus the tax basis.

Note 5 - Employee Benefit Plans

Multiemployer Pension Plan

The National Telecommunications Cooperative Association (NTCA) Retirement and Security Program for Employees of the NTCA and its Member Systems (the Plan) is a defined benefit pension plan covering many of the full-time employees of NTCA, its affiliates and its members that have adopted the Plan. Pursuant to IRC Section 413(c)(4), the Plan is considered a Multiple Employer (other) Master Plan. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA), as amended. The Plan's employer identification number is 52-0741336 and the Plan Number is 333.

A unique characteristic of a multiemployer plan compared to a single employer plan is that all plan assets are available to pay benefits of any plan participant. Separate asset accounts are not maintained for participating employers. This means that assets contributed by one employer may be used to provide benefits to employees of other participating employers.

The Cooperative is a participant in the above described plan. The Cooperative's contributions to the Plan in 2015 and 2014 represented less than 5 percent of the total contributions made to the Plan by all participating employers. The Cooperative made contributions to the Plan of \$594,665 in 2015 and \$581,161 in 2014. There have been no significant changes that affect the comparability of 2015 and 2014 contributions.

In the Plan, a "zone status" determination is not required and therefore, not determined under the Pension Protection Act (PPA) of 2006. In addition, the accumulated benefit obligations of plan assets are not determined or allocated separately by individual employer. In total, the Plan was 78% funded at January 1, 2016 based on the PPA funding target and PPA actuarial value of assets on that date.

Because the provisions of the PPA do not apply to the Plan, funding improvement plans and surcharges are not applicable and have not been applied. Future contribution requirements are determined each year as part of the actuarial valuation of the Plan and may change as a result of plan experience. There is no collective bargaining agreement that affects future contribution requirements.

The Cooperative also participates in a contributory multiemployer defined contribution savings plan (the Plan) sponsored by the NTCA that covers all full-time eligible employees and contributes 3.5% of each eligible employee's annual salary to the Plan. The Cooperative's contribution to the Plan, including amounts charged to construction at December 31, 2015, was \$143,346 (\$150,349 at December 31, 2014).

PIONEER TELEPHONE COOPERATIVE AND SUBSIDIARY

Notes to Consolidated Financial Statements

Years Ended December 31, 2015 and 2014

Note 6 - Related Party

The Cooperative provides customer account processing for Casco Communications, Inc. relating to their DSL services. Amounts payable to Casco Communications, Inc. were \$47,398 and 46,553 at December 31, 2015 and 2014, respectively.

The Cooperative also provides network access and plant construction services to Casco Communications, Inc. Total revenues billed for these services were \$1,271,021 in 2015 (\$1,393,633 in 2014). Amounts receivable from Casco Communications, Inc. were \$222,033 and \$91,958 at December 31, 2015 and 2014, respectively.

The Cooperative utilizes after-hours telephone answering services, contract labor, and DSL services provided by Casco Communications, Inc. Total amounts paid for these services were \$140,080 in 2015 (\$92,931 in 2014).

SUPPLEMENTAL INFORMATION

PIONEER TELEPHONE COOPERATIVE AND SUBSIDIARY

Consolidating Balance Sheets

December 31, 2015

ASSETS	Pioneer Telephone Cooperative	Pioneer Consolidated, Inc.	Eliminations	Consolidated
Current Assets:				
Cash and cash equivalents	\$ 8,223,241	\$ 1,804,111	\$ -	\$ 10,027,352
Accounts receivable, less allowance for doubtful accounts of \$10,000	32,478	-	-	32,478
Other receivables	939,805	44,227	(18,308)	965,724
Materials and supplies	359,969	-	-	359,969
Prepaid expenses	219,749	17,193	-	236,942
Total Current Assets	<u>9,775,242</u>	<u>1,865,531</u>	<u>(18,308)</u>	<u>11,622,465</u>
Other Assets and Investments	<u>5,106,818</u>	<u>2,649,611</u>	<u>(4,295,172)</u>	<u>3,461,257</u>
Property, Plant, and Equipment:				
In service	69,647,993	579,600	-	70,227,593
Under construction	404,958	-	-	404,958
	70,052,951	579,600	-	70,632,551
Less accumulated depreciation	55,728,304	438,005	-	56,166,309
Property, Plant, and Equipment, net	<u>14,324,647</u>	<u>141,595</u>	<u>-</u>	<u>14,466,242</u>
	<u>\$ 29,206,707</u>	<u>\$ 4,656,737</u>	<u>\$ (4,313,480)</u>	<u>\$ 29,549,964</u>

LIABILITIES AND MEMBERS' EQUITY	Pioneer Telephone Cooperative	Pioneer Consolidated, Inc.	Eliminations	Consolidated
Current Liabilities:				
Accounts payable	\$ 514,006	\$ 30,238	\$ (18,308)	\$ 525,936
Accrued expenses	600,090	27,887	-	627,977
Total Current Liabilities	<u>1,114,096</u>	<u>58,125</u>	<u>(18,308)</u>	<u>1,153,913</u>
 Deferred Income Taxes	 -	 303,440	 -	 303,440
Members' Equity:				
Memberships	8,752	-	-	8,752
Patronage capital	23,125,844	-	-	23,125,844
Capital stock	-	1,841,400	(1,841,400)	-
Other equity	4,958,015	2,453,772	(2,453,772)	4,958,015
Total Members' Equity	<u>28,092,611</u>	<u>4,295,172</u>	<u>(4,295,172)</u>	<u>28,092,611</u>
	<u>\$ 29,206,707</u>	<u>\$ 4,656,737</u>	<u>\$ (4,313,480)</u>	<u>\$ 29,549,964</u>

PIONEER TELEPHONE COOPERATIVE AND SUBSIDIARY

Consolidating Statements of Operations

Year Ended December 31, 2015

	Pioneer Telephone Cooperative	Pioneer Consolidated, Inc.	Eliminations	Consolidated
Operating Revenues:				
Local network	\$ 2,979,048	\$ -	\$ -	\$ 2,979,048
Network access	9,181,855	-	(128,570)	9,053,285
Miscellaneous	437,869	980,682	(252,529)	1,166,022
Total Operating Revenues	12,598,772	980,682	(381,099)	13,198,355
Operating Expenses:				
Plant specific	2,672,137	-	-	2,672,137
Plant nonspecific	2,053,247	-	-	2,053,247
Customer	2,085,022	-	-	2,085,022
Corporate	1,945,648	-	-	1,945,648
Depreciation	3,504,217	42,127	-	3,546,344
Other taxes	352,514	-	-	352,514
Other operating expenses	-	747,912	(381,099)	366,813
Total Operating Expenses	12,612,785	790,039	(381,099)	13,021,725
Operating Margin (Loss)	(14,013)	190,643	-	176,630
Other Income (Expense):				
Interest and other income, net	66,393	14,184	-	80,577
Income tax expense	-	(145,404)	-	(145,404)
Nonregulated loss, net	(59,050)	-	-	(59,050)
Income from other investments	-	196,288	-	196,288
Income from subsidiary	255,711	-	(255,711)	-
Total Other Income, net	263,054	65,068	(255,711)	72,411
Net Margin	\$ 249,041	\$ 255,711	\$ (255,711)	\$ 249,041

PIONEER TELEPHONE COOPERATIVE AND SUBSIDIARY

Consolidating Statements of Cash Flows

Year Ended December 31, 2015

	Pioneer Telephone Cooperative	Pioneer Consolidated, Inc.	Eliminations	Consolidated
Cash Flows from Operating Activities:				
Net margin	\$ 249,041	\$ 255,711	\$ (255,711)	\$ 249,041
Adjustments to reconcile net margin to net cash provided by operating activities:				
Depreciation	3,504,217	42,127	-	3,546,344
Income from investments	-	(193,288)	-	(193,288)
Income from subsidiary	(255,711)	-	255,711	-
Change in deferred taxes	-	65,513	-	65,513
Changes in assets and liabilities:				
Accounts receivable	34,304	-	-	34,304
Other receivables	(68,636)	(19,172)	(28,623)	(116,431)
Materials and supplies	(18,165)	-	-	(18,165)
Prepaid expenses	(1,237)	11,892	-	10,655
Accounts payable	5,823	(17,058)	28,623	17,388
Accrued expenses	265,434	1,200	-	266,634
Net Cash Provided by Operating Activities	<u>3,715,070</u>	<u>146,925</u>	<u>-</u>	<u>3,861,995</u>
Cash Flows from Investing Activities:				
Purchase of property, plant, and equipment, net	(2,367,449)	(1,443)	-	(2,368,892)
Proceeds on sale of property, plant, and equipment	43,935	-	-	43,935
Purchase of other investments	-	(5,000)	-	(5,000)
Proceeds from other investments	180,049	-	-	180,049
Net Cash Used by Investing Activities	<u>(2,143,465)</u>	<u>(6,443)</u>	<u>-</u>	<u>(2,149,908)</u>
Cash Flows from Financing Activities:				
Net change in memberships	(243)	-	-	(243)
Excise tax refunds received	7,849	-	-	7,849
Estate payments	(6,883)	-	-	(6,883)
Net Cash Provided by Financing Activities	<u>723</u>	<u>-</u>	<u>-</u>	<u>723</u>
Net Increase in Cash and Cash Equivalents	1,572,328	140,482	-	1,712,810
Cash and Cash Equivalents, beginning	<u>6,650,913</u>	<u>1,663,629</u>	<u>-</u>	<u>8,314,542</u>
Cash and Cash Equivalents, ending	<u>\$ 8,223,241</u>	<u>\$ 1,804,111</u>	<u>\$ -</u>	<u>\$ 10,027,352</u>
Non-Cash Property, Plant, and Equipment Additions	<u>\$ 238,988</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 238,988</u>

PIONEER TELEPHONE COOPERATIVE AND SUBSIDIARY

Patronage Capital - Pioneer Telephone Cooperative

December 31, 2015

Year	Net Margin (loss)	Federal Excise Taxes	Other Adjustments	Reclaimed Equities	Total Allocated	Retired	Balance
Prior years	\$ 2,472,539	\$ -	\$ -	\$ -	\$ 2,472,539	\$ (2,472,539)	\$ -
1977	312,866	-	-	-	312,866	(312,866)	-
1978	486,590	-	-	-	486,590	(486,590)	-
1979	405,265	-	-	-	405,265	(405,265)	-
1980	891,612	-	-	-	891,612	(891,612)	-
1981	667,825	-	-	-	667,825	(667,825)	-
1982	823,998	-	-	-	823,998	(823,998)	-
1983	690,846	-	-	-	690,846	(690,846)	-
1984	638,610	-	-	-	638,610	(638,610)	-
1985	961,648	-	-	-	961,648	(961,648)	-
1986	1,060,692	-	-	2,348	1,063,040	(1,063,040)	-
1987	1,113,163	-	-	2,446	1,115,609	(1,115,609)	-
1988	1,166,737	34,081	-	9,372	1,210,190	(1,210,190)	-
1989	1,368,376	36,673	-	6,516	1,411,565	(1,411,565)	-
1990	1,501,431	64,543	-	(17,071)	1,548,903	(1,548,903)	-
1991	1,007,448	29,718	-	222,717	1,259,883	(146,205)	1,113,678
1992	905,648	27,521	-	68,343	1,001,512	(104,743)	896,769
1993	1,293,349	20,441	-	44,327	1,358,117	(131,273)	1,226,844
1994	1,030,069	30,161	-	85,182	1,145,412	(99,881)	1,045,531
1995	1,318,795	36,106	-	178,297	1,533,198	(116,307)	1,416,891
1996	258,142	6,600	-	260,665	525,407	(37,826)	487,581
1997	427,741	21,192	-	233,357	682,290	(45,790)	636,500
1998	425,705	26,047	(716)	-	451,036	(26,264)	424,772
1999	58,600	24,130	(70)	-	82,660	(4,443)	78,217
2000	1,599,674	40,462	(922)	-	1,639,214	(87,336)	1,551,878
2001	2,187,664	28,668	(317)	-	2,216,015	(106,601)	2,109,414
2002	1,759,413	30,796	(39)	-	1,790,170	(75,669)	1,714,501
2003	1,530,844	25,382	(12)	-	1,556,214	(62,464)	1,493,750
2004	1,489,257	14,323	(20)	-	1,503,560	(54,656)	1,448,904
2005	1,877,245	20,295	(25)	-	1,897,515	(64,115)	1,833,400
2006	259,914	2,086	21	-	262,021	(7,783)	254,238
2007	267,642	-	20	-	267,662	(7,025)	260,637
2008	594,623	5,327	75	-	600,025	(11,953)	588,072
2009	341,548	2,664	30	-	344,242	(4,859)	339,383
2010	(424,968)	-	-	-	-	-	-
2011	(509,377)	-	-	-	-	-	-
2012	1,802,224	18,999	668	-	1,821,891	-	1,821,891
2013	1,989,059	19,396	-	-	2,008,455	-	2,008,455
2014	366,719	7,819	-	-	374,538	-	374,538
2015	(6,670)	-	-	-	-	-	-
	<u>\$ 36,412,506</u>	<u>\$ 573,430</u>	<u>\$ (1,307)</u>	<u>\$ 1,096,499</u>	<u>\$ 39,022,143</u>	<u>\$ (15,896,299)</u>	<u>\$ 23,125,844</u>

PIONEER TELEPHONE COOPERATIVE AND SUBSIDIARY

Schedule of Changes in Property, Plant, and Equipment in Service - Pioneer Telephone Cooperative

Year Ended December 31, 2015

	Telephone Plant			Balance December 31, 2015
	Balance January 1, 2015	Additions	Retirements	
Land and Support Assets:				
Land	\$ 541,675	\$ -	\$ -	\$ 541,675
Buildings	2,915,743	3,958	-	2,919,701
Office furniture	54,581	-	-	54,581
Office equipment	132,672	-	-	132,672
Vehicles	1,348,580	113,670	(115,390)	1,346,860
Work equipment	1,695,978	60,998	-	1,756,976
Other communication equipment	175,875	-	-	175,875
Computers	437,966	76,210	(50,637)	463,539
Total Land and Support Assets	7,303,070	254,836	(166,027)	7,391,879
Central Office Assets:				
Central office switching	6,154,858	-	(5,555,397)	599,461
Switching Packet	406,740	108,647	-	515,387
Central office transmission	8,806,968	789,648	(862,158)	8,734,458
Total Central Office Assets	15,368,566	898,295	(6,417,555)	9,849,306
Cable and Wire Facilities:				
Pole lines	393,274	34,522	(12,554)	415,242
Aerial cable-copper	1,006,841	47,876	(10,787)	1,043,930
Aerial cable-fiber	1,210,964	17,390	-	1,228,354
Underground cable-copper	1,332,377	-	-	1,332,377
Underground cable-fiber	716,036	-	-	716,036
Buried cable-copper	30,247,512	300,331	(35,680)	30,512,163
Buried cable-fiber	13,732,791	608,980	(4,696)	14,337,075
Aerial wire	33,872	-	(156)	33,716
Conduit system	2,787,915	-	-	2,787,915
Total Cable and Wire Facilities	51,461,582	1,009,099	(63,873)	52,406,808
	\$ 74,133,218	\$ 2,162,230	\$ (6,647,455)	\$ 69,647,993

Accumulated Depreciation

Annual Depreciation Rate	Balance, January 1, 2015	Provision for Depreciation	Retirements	Cost of Removal	Salvage	Balance, December 31, 2015
-	-	-	-	-	-	-
2.80%	2,699,422	81,660	-	-	-	2,781,082
5.60%	41,856	3,056	-	-	-	44,912
8.20%	94,132	10,879	-	-	-	105,011
9.00%	1,213,959	71,082	(115,390)	-	8,429	1,178,080
6.30%	1,695,978	60,998	-	-	-	1,756,976
11.10%	175,875	-	-	-	-	175,875
14.30%	437,966	68,731	(50,637)	-	287	456,347
	<u>6,359,188</u>	<u>296,406</u>	<u>(166,027)</u>	<u>-</u>	<u>8,716</u>	<u>6,498,283</u>
5.90%	6,154,858	-	(5,555,396)	(17,274)	35,506	617,694
14.30%	41,199	62,696	-	-	-	103,895
9.10%	8,494,116	536,138	(862,159)	(3,885)	543	8,164,753
	<u>14,690,173</u>	<u>598,834</u>	<u>(6,417,555)</u>	<u>(21,159)</u>	<u>36,049</u>	<u>8,886,342</u>
8.40%	278,199	33,169	(12,554)	(12,326)	10	286,498
5.60%	1,305,695	56,701	(10,787)	(4,188)	-	1,347,421
6.10%	821,660	74,000	-	(1,009)	-	894,651
5.40%	1,194,622	71,949	-	-	-	1,266,571
5.70%	512,527	40,814	-	-	-	553,341
5.30%	25,371,315	1,607,144	(35,680)	(3,862)	469	26,939,386
4.80%	7,161,789	663,866	(4,696)	(1,398)	1,443	7,821,004
-	65,112	-	(156)	(884)	-	64,072
2.20%	1,109,401	61,334	-	-	-	1,170,735
	<u>37,820,320</u>	<u>2,608,977</u>	<u>(63,873)</u>	<u>(23,667)</u>	<u>1,922</u>	<u>40,343,679</u>
	<u>\$ 58,869,681</u>	<u>\$ 3,504,217</u>	<u>\$ (6,647,455)</u>	<u>\$ (44,826)</u>	<u>\$ 46,687</u>	<u>\$ 55,728,304</u>

**PIONEER TELEPHONE COOPERATIVE
AND SUBSIDIARY**

To the Board of Directors

Year Ended December 31, 2015

EXECUTIVE SUMMARY

To assist you in your responsibilities as a member of the Board of Directors, this section summarizes the most significant conclusions reached and issues addressed during our audit of Pioneer Telephone Cooperative and Subsidiary for the year ended December 31, 2015.

SIGNIFICANT CONCLUSIONS AND ISSUES

We have completed our audit and issued our report dated March 31, 2016. Based on our work performed:

- We rendered an unmodified opinion on the consolidated financial statements as of and for the year ended December 31, 2015.
- We have not identified any conditions which we consider to be material weaknesses in internal control.
- We received the full cooperation of management and staff throughout the organization and were kept informed as to developments and plans affecting our audit scope.
- No restrictions were placed on the scope of our work.

The following report includes our required communications with the Board of Directors.



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March 31, 2016

To the Board of Directors
Pioneer Telephone Cooperative and Subsidiary

Dear Members of the Board of Directors:

We have audited the consolidated financial statements of Pioneer Telephone Cooperative and Subsidiary (the Cooperative) for the year ended December 31, 2015 and have issued our report thereon dated March 31, 2016.

Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information to you in our engagement letter dated May 12, 2015. Professional standards also require that we communicate to you the following information related to our audit.

SIGNIFICANT AUDIT FINDINGS

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Cooperative are described in Note 1 to the December 31, 2015 consolidated financial statements. No new accounting policies were adopted and the applications of existing policies were not changed during 2015. We noted no transactions entered into by the Cooperative during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the consolidated financial statements in the proper period.

Accounting estimates are an integral part of the consolidated financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the consolidated financial statements and because of the possibility that future events affecting them may differ significantly from those expected. We have evaluated the key factors and assumptions used in determining that those estimates are reasonable in relation to the consolidated financial statements taken as a whole. The most sensitive estimates affecting the consolidated financial statements were:

Management's estimates of the useful lives of property and equipment, any allowance for uncollectible accounts receivable is based on industry standards and management's knowledge of previous years' collectability of accounts receivable, and fair value measurements of financial instruments and investments. We evaluated the key factors and assumptions used to develop these estimates in determining that it is reasonable in relation to the consolidated financial statements taken as a whole.

Certain consolidated financial statement disclosures are particularly sensitive because of their significance to consolidated financial statement users. The most sensitive disclosures are those related to effects and changes in the regulatory environment on the Cooperative.

The disclosures in the consolidated financial statements are neutral, consistent, and clear.

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Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were no misstatements noted.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the consolidated financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 31, 2016.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Cooperative's consolidated financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

OTHER AUDIT FINDINGS OR ISSUES

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Cooperative's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

OTHER MATTERS

With respect to the supplemental information accompanying the consolidated financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the consolidated financial statements. We compared and reconciled the supplemental information to the underlying accounting records used to prepare the consolidated financial statements or to the consolidated financial statements themselves.

This information is intended solely for the use of the Board of Directors and management of Pioneer Telephone Cooperative and Subsidiary and is not intended to be and should not be used by anyone other than these specified parties.

We will be pleased to discuss this report with you further at your convenience.

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