Universal Service Administrative Co.

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CONFIRMATION

Congratulations. Your filing has been successfully certified.

Filing 2 was successfully certified on Wed 28 Jun 17 02:53:14 PM EDT by dkluser@ortelco.net .

SAC : 532377

498 ID : 143002622

Carrier Name : HOME TELEPHONE CO

Program Year : 2018

A confirmation email will be sent to the email address on record for your user ID. Please email USAC at HCCERTS@USAC.ORG if you do not receive this email within 24 hours.

Please take this quick survey and give us your thoughts! Your feedback will help improve the filing process. Take Survey

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Website & Privacy Policies

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	532377
<015>	Study Area Name	HOME TELEPHONE CO
<020>	Program Year	2018
<030>	Contact Name: Person USAC should contact with questions about this data	DELINDA KLUSER
<035>	Contact Telephone Number: Number of the person identified in data line <030>	5419324411 ext.
<039>	Contact Email Address: Email of the person identified in data line <030>	dkluser@ortelco.net
	Form Type	54.313 and 54.422

(200) Service Outage Reporting (Voice)
Data Collection Form

FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

<010>	Study Area Code	532377
<015>	Study Area Name	HOME TELEPHONE CO
<020>	Program Year	2018
<030>	Contact Name - Person USAC should contact regarding this data	DELINDA KLUSER
<035>	Contact Telephone Number - Number of person identified in data line <030>	5419324411 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	dkluser@ortelco.net

<210> For the prior calendar year, were there any reportable voice service outages? No

<220>

<a> NORS Reference Number	<b1> Outage Start Date	<b2> Outage Start Time	<b3> Outage End Date	<b4> Outage End Time	<c1> Number of Customers Affected	<c2> Total Number of Customers	<d> 911 Facilities Affected (Yes / No)	<e> Service Outage Description (Check all that apply)	<f> Did This Outage Affect Multiple Study Areas (Yes / No)	<g> Service Outage Resolution	<h> Preventative Procedures

(300) Unfulfilled Service Request
Data Collection Form

FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

<010>	Study Area Code	532377
<015>	Study Area Name	HOME TELEPHONE CO
<020>	Program Year	2018
<030>	Contact Name - Person USAC should contact regarding this data	DELINDA KLUSER
<035>	Contact Telephone Number - Number of person identified in data line <030>	5419324411 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	dkluser@ortelco.net

<300> Unfulfilled service request (voice) 0

<310> Detail on attempts (voice)

Name of Attached Document

<320> Unfulfilled service request (broadband) 0

<330> Detail on attempts (broadband)

Name of Attached Document

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

FCC Form 481
OMB Control No 3060-0986/OMB Control No 3060-0819
July 2015

<010>	Study Area Code	532377
<015>	Study Area Name	HOME TELEPHONE CO
<020>	Program Year	2019
<030>	Contact Name - Person USAC should contact regarding this data	DELINDA KLUSER
<035>	Contact Telephone Number - Number of person identified in data line <030>	5419324411 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	dkluser@ortelco.net
<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
OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

<010>	Study Area Code	532377
<015>	Study Area Name	NONE TELEPHONE CO
<020>	Program Year	2018
<030>	Contact Name - Person USAC should contact regarding this data	DELINDA KLUSER
<035>	Contact Telephone Number - Number of person identified in data line <030>	5419324411 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	dkluser@ortelco.net
<500>	Certify compliance with applicable service quality standards and consumer protection rules	Yes

532377or510.pdf

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

<515> Certify compliance with applicable minimum service standards

(600) Functionality in Emergency Situations
Data Collection Form

FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

<010>	Study Area Code	532377
<015>	Study Area Name	ROME TELEP.OWE CO
<020>	Program Year	2018
<030>	Contact Name - Person USAC should contact regarding this data	DELINDA KLOSER
<035>	Contact Telephone Number - Number of person identified in data line <030>	5419224411 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	dklusar@ortelco.net
<600>	Certify compliance regarding ability to function in emergency situations	Yes
<610>	Descriptive document for Functionality in Emergency Situations	532377OR610.pdf

(700) Price Offerings including Voice Rate Data
Data Collection Form

FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

<010>	Study Area Code	532377
<015>	Study Area Name	HOME TELEPHONE CO
<020>	Program Year	2018
<030>	Contact Name - Person USAC should contact regarding this data	DELINDA KLUSER
<035>	Contact Telephone Number - Number of person identified in data line <030>	5419324411 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	dkluser@ortelco.net

<701>	Residential Local Service Charge Effective Date	1/1/2017
<702>	Single State-wide Residential Local Service Charge	

<703>

<a1> State	<a2> Exchange (ILEC)	<a3> SAC (CETC)	<b1> Rate Type	<b2> Residential Local Service Rate	<b3> State Subscriber Line Charge	<b4> State Universal Service Fee	<b5> Mandatory Extended Area Service Charge	<c> Total per line Rates and Fees

-- See attached worksheet

(710) Broadbrand Price Offerings
Data Collection Form

FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

<010>	Study Area Code	332377
<015>	Study Area Name	HOME TELEPHONE CO
<020>	Program Year	2018
<030>	Contact Name - Person USAC should contact regarding this data	DELINDA KLUSER
<035>	Contact Telephone Number - Number of person identified in data line <030>	5419324411 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	dkluser@ortelco.net

<711>

<a1>	<a2>	<b1>	<b2>	<c>	<d1>	<d2>	<d3>	<d4>
State	Exchange (ILEC)	Residential Rate	State Regulated Fees	Total Rate and Fees	Broadband Service - Download Speed (Mbps)	Broadband Service - Upload Speed (Mbps)	Usage Allowance (GB)	Usage Allowance Action Taken When Limit Reached (*select*)

-- See attached worksheet --

(800) Operating Companies
Data Collection Form

FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

<010>	Study Area Code	532377
<015>	Study Area Name	HOME TELEPHONE CO
<020>	Program Year	2018
<030>	Contact Name - Person USAC should contact regarding this data	DELINDA KLUSER
<035>	Contact Telephone Number - Number of person identified in data line <030>	5419324411 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	dkluser@ortelco.net

<810>	Reporting Carrier	HOME TELEPHONE COMPANY
<811>	Holding Company	North-State Telephone Co
<812>	Operating Company	N/A

<813>

<a1> Affiliates	<a2> SAC	<a3> Doing Business As Company or Brand Designation
-- See attached worksheet --		

(900) Tribal Lands Reporting Data Collection Form

FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

<010>	Study Area Code	532377
<015>	Study Area Name	HOME TELEPHONE CO
<020>	Program Year	2018
<030>	Contact Name - Person USAC should contact regarding this data	DELINDA KLUSER
<035>	Contact Telephone Number - Number of person identified in data line <030>	5419324411 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	dkluser@ortelco.net

<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 PDF, on line 920, demonstrates coordination with the Tribal government pursuant to § 54.313(a)(9) includes:

		Select Yes or No or Not Applicable
<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.	

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

FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

<010>	Study Area Code	532377
<015>	Study Area Name	HOME TELEPHONE CO
<020>	Program Year	2018
<030>	Contact Name - Person USAC should contact regarding this data	DELINDA KLUSER
<035>	Contact Telephone Number - Number of person identified in data line <030>	5419324411 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	dkluser@ortelco.net

<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

<010>	Study Area Code	532377
<015>	Study Area Name	HOME TELEPHONE CO
<020>	Program Year	2018
<030>	Contact Name - Person USAC should contact regarding this data	DELINDA KLUSER
<035>	Contact Telephone Number - Number of person identified in data line <030>	5419324411 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	dkluser@ortelco.net

<1100>	Certify whether terrestrial backhaul options exist (Y/N)	Yes
<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

<010>	Study Area Code	532377
<015>	Study Area Name	HOME TELEPHONE CO
<020>	Program Year	2018
<030>	Contact Name - Person USAC should contact regarding this data	DELINDA KLUSER
<035>	Contact Telephone Number - Number of person identified in data line <030>	5419324411 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	dkluser@ortelco.net

<1210> Terms & Conditions of Voice Telephony Lifeline Plans

5323770R1222.pdf

Name of Attached Document

<1220> Link to Public Website

HTTP http://www.puc.state.or.us/Pages/rspf/otap.aspx

"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. ☑

(2005) Price Cap Carrier Additional Documentation
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
July 2013

<010>	Study Area Code	532377
<015>	Study Area Name	HOME TELEPHONE CO
<020>	Program Year	2018
<030>	Contact Name - Person USAC should contact regarding this data	DELINDA KLUSER
<035>	Contact Telephone Number - Number of person identified in data line <030>	5419324411 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	dkluser@ortelco.net

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

<2011> 3rd Year Certification 47 CFR §54.313(b)(1)(ii) - Note that for the July 2017 certification, this applies to Round 2 recipients of Incremental Support.

<2022> Recipient certifies, representing year three 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.

<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 three - 54.313(b)(2)(ii). Round 2 recipients only.

<2024A> Round 2 Recipient of Incremental Support?

<2024B> Attach list of census blocks indicating where funding was spent in year three - 54.313(b)(2)(ii). Round 2 recipients only.

Name of Attached Document Listing Required Information

<2025A> Round 2 Recipient of Incremental Support?

<2025B> Attach geocoded Information for Phase I milestone reports (Round 2 for year three) - Connect America Fund , WC Docket 10-90, Report and Order, FCC 13-73, paragraph 35 (May 22, 2013).

Name of Attached Document Listing Required Information

<2015> 2016 and future Frozen Support Certification 47 CFR § 54.313(c)(4)

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?

<2017C> Total amount of Phase II support, if any, the price cap carrier used for capital expenditures in 2016.

<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)(1)(ii)(A)

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)(1)(ii)(C)

(3005) Rate Of Return Carrier Additional Documentation
Data Collection Form

FCC Form 481
OMB Control No 3060-0986/OMB Control No 3060-0819
July 2018

<010>	Study Area Code	532377
<015>	Study Area Name	HOME TELEPHONE CO
<020>	Program Year	2018
<030>	Contact Name - Person USAC should contact regarding this data	DELINDA KLUSER
<035>	Contact Telephone Number - Number of person identified in data line <030>	5419324411 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	dkluser@ortelco.net

Select from the drop down menu or check the boxes below to note compliance with 54.313(f)(1). Privately held carriers must ensure 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.

	Progress Report on 5 Year Plan		
(3009)	Carrier certifies to 54.313(f)(1)(iii)	Yes - Attach Certification	
(3010A)	Certification of Public Interest Obligations (47 CFR § 54.313(f)(1)(i))		5323770R3010.pdf
(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) with Balance Sheet, Income Statement and Statement of Cash Flows		☐
(3026)	Attach the worksheet listing required information	Name of Attached Document Listing Required Information	5323770R3026.pdf

(3005) Rate Of Return Carrier Additional Documentation (Continued)
Data Collection Form

FCC Form 481
OMB Control No 3060-0986/OMB Control No 3060-0819
July 2013

<010>	Study Area Code	532377
<015>	Study Area Name	HOME TELEPHONE CO
<020>	Program Year	2018
<030>	Contact Name - Person USAC should contact regarding this data	DELINDA KLUSER
<035>	Contact Telephone Number - Number of person identified in data line <030>	5419324411 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	dkluser@ortelco.net

Financial Data Summary

(3027) Revenue	622687
(3028) Operating Expenses	623560
(3029) Net Income	27933
(3030) Telephone Plant In Service(TPIS)	3790105
(3031) Total Assets	895041
(3032) Total Debt	285510
(3033) Total Equity	609531
(3034) Dividends	0

Name of Attached Document Listing Required Information

(4005) Rural Broadband Experiment Additional Documentation Data Collection Form	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2019

<010>	Study Area Code	522377
<015>	Study Area Name	HONE TELEPHONE CO
<020>	Program Year	2018
<030>	Contact Name - Person USAC should contact regarding this data	DELINDA KLUSER
<035>	Contact Telephone Number - Number of person identified in data line <030>	5419324411 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	dkluser@ortelco.net

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

<010>	Study Area Code	532377
<015>	Study Area Name	HOME TELEPHONE CO
<020>	Program Year	2018
<030>	Contact Name - Person USAC should contact regarding this data	DELINDA KLUSER
<035>	Contact Telephone Number - Number of person identified in data line <030>	5419324411 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	dkluser@ortelco.net

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: HOME TELEPHONE CO

Signature of Authorized Officer: CERTIFIED ONLINE Date 06/28/2017

Printed name of Authorized Officer: Delinda Kluser

Title or position of Authorized Officer: Vice-Pres, Manager

Telephone number of Authorized Officer: 5419324411 ext.

Study Area Code of Reporting Carrier: 532377 Filing Due Date for this form: 07/03/2017

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

<010>	Study Area Code	532377
<015>	Study Area Name	HOME TELEPHONE CO
<020>	Program Year	2018
<030>	Contact Name - Person USAC should contact regarding this data	DELINDA KLUSER
<035>	Contact Telephone Number - Number of person identified in data line <030>	5419324411 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	dkluser@ortelco.net

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

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.

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: ext.

Study Area Code of Reporting Carrier: Filing Due Date for this form:

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.

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

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.

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: ext.

Study Area Code of Reporting Carrier: Filing Due Date for this form:

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.

Attachments

(700) Price Offerings Including Voice Rate Data
Data Collection Form

FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0319
July 2013

<010>	Study Area Code	532377
<015>	Study Area Name	HOME TELEPHONE CO
<020>	Program Year	2018
<030>	Contact Name - Person USAC should contact regarding this data	DELINDA KLUSER
<035>	Contact Telephone Number - Number of person identified in data line <030>	5419324411 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	dkluser@ortelco.net

<701>	Residential Local Service Charge Effective Date	1/1/2017
<702>	Single State-wide Residential Local Service Charge	

<703>

<a1>	<a2>	<a3>	<b1>	<b2>	<b3>	<b4>	<b5>	<c>
State	Exchange (ILEC)	SAC (CETC)	Rate Type	Residential Local Service Rate	State Subscriber Line Charge	State Universal Service Fee	Mandatory Extended Area Service Charge	Total per line Rates and Fees
OR			FR	16.55	0.0	1.41	0.0	17.96

(710) Broadband Price Offerings
Data Collection Form

FCC Form 481
OMB Control No 3060-0986/OMB Control No 3060-0819
July 2013

<010>	Study Area Code	532377
<015>	Study Area Name	HOME TELEPHONE CO
<020>	Program Year	2018
<030>	Contact Name - Person USAC should contact regarding this data	DELINDA KLUSER
<035>	Contact Telephone Number - Number of person identified in data line <030>	5419324411 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	dkluser@ortelco.net

<711>

<a1> State	<a2> Exchange (ILEC)	<b1> Residential Rate	<b2> State Regulated Fees	<c> Total Rates and Fees	<d1> Broadband Service - Download Speed (Mbps)	<d2> Broadband Service -Upload Speed (Mbps)	<d3> Usage Allowance (GB)	<d4> Usage Allowance Action Taken When Limit Reached (select)
OR		29.95	0.0	29.95	0.512	0.256	999999.0	Other, Unlimited
OR		39.95	0.0	39.95	1.5	0.75	999999.0	Other, Unlimited
OR		49.95	0.0	49.95	3.0	1.0	999999.0	Other, Unlimited
OR		59.95	0.0	59.95	6.0	1.0	999999.0	Other, Unlimited
OR		69.95	0.0	69.95	10.0	1.0	999999.0	Other, Unlimited
OR		79.95	0.0	79.95	20.0	1.0	999999.0	Other, Unlimited
OR		89.95	0.0	89.95	30.0	1.0	999999.0	Other, Unlimited

(800) Operating Companies
Data Collection Form

FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

<010>	Study Area Code	532377
<015>	Study Area Name	HOME TELEPHONE CO
<020>	Program Year	2018
<030>	Contact Name - Person USAC should contact regarding this data	DELINDA KLUSER
<035>	Contact Telephone Number - Number of person identified in data line <030>	5419324411 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	dkluser@ortelco.net

<810>	Reporting Carrier	HOME TELEPHONE COMPANY
<811>	Holding Company	North-State Telephone Co
<812>	Operating Company	N/A

<813>

<a1> Affiliates	<a2> SAC	<a3> Doing Business As Company or Brand Designation
North State Cablevision Co		North State Cablevision
Skyline Telecom, Inc	520581	Skyline Telecom, Inc

Service Quality Standards & Consumer Protection Rules Compliance

Study Area Code	532377
Study Area Name	Home Telephone Co
Program Year	2018
Contact Name	Delinda Kluser
Contact Telephone Number	541 932 4411
Contact E-Mail Address	dkluser@ortelco.net

Consumer Protection

Voice and Broadband

Home Telephone Co. complies with the requirements of 47 CFR Part 64 Subpart U. Customer Proprietary Network Information and the Federal Trade Commission Red Flag rules to prevent Identity theft. A manual for each of those programs is in place and is part of the employees' handbook. Employee training is conducted annually and new hires are instructed on the programs as required by their job functions.

Service Quality Standards

Voice

Home Telephone Co. complies with the service standards of the State of Oregon as promulgated in the Oregon Administrative Rules 860-034-0390, Retail Telecommunications Service Standards for Small Telecommunications Utilities.

Broadband

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

610
Functionality in Emergency Situations

Study Area Code	532377
Study Area Name	Home Telephone Co
Program Year	2018
Contact Name	Delinda Kluser
Contact Telephone Number	541 932 4411
Contact E-Mail Address	dkluser@ortelco.net

Exchange	Site Name	Battery Ah	Est Battery Life	Backup Pw	Fuel Type	Capacity	Est Run Time
Condon	Condon CO	540	6 hours	Generator	Diesel	200	100 Hours
Condon	RST 1 Airbase	38	15 hours	N/A	N/A	N/A	N/A
Condon	RST 2 Lost Valley	38	15 hours	N/A	N/A	N/A	N/A
Condon	RST 3 Lonerock	50	20 hours	N/A	N/A	N/A	N/A

1200

Terms and Conditions for Lifeline Customers

Study Area Code	532377
Study Area Name	HOME TELEPHONE CO
Program Year	2018
Contact Name	DELINDA KLUSER
Contact Telephone Number	541 932 441:
Contact E-Mail Address	dkluser@ortelco.net

54.313 Lifeline customers MOU and additional toll charges

Lifeline subscribers receive the same residential service as a regular subscriber, but at a reduced monthly recurring rate. Thus, lifeline subscribers have an unlimited number of local calling minutes. As for toll, lifeline subscribers, similar to every Home Telephone subscriber, are free to choose their own toll usage plans through IXCs that serve Home Telephone Co.

Home Telephone Co.
One Telephone Drive
PO Box 609
Mount Vernon, Oregon 97865
541-932-4411

Date: June 8, 2017

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

Re: WC Docket No. 14-58, 2017 Annual Report, Form 481 for High-Cost Recipient 54.313(f)(1) "Public Interest Obligation"

Dear Ms Dortch:

In compliance with the filing requirements associated with, and attached to Form 481, we wish to advise the Commission that Home Telephone Company provides 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 541-932-4411.

Sincerely,

Delinda Kluser
Vice-Pres, Manager

[Type text]

3012

Community Anchor Institutions

Study Area Code	532377
Study Area Name	Home Telephone Company
Program Year	2018
Contact Name	Delinda Kluser
Contact Telephone Number	541 932 4411
Contact E-Mail Address	dkluser@ortelco.net

Access to broadband services was available prior to 2015 to all known anchor institutions. All requests for broadband services, and speed were fulfilled in 2015. Home Telephone Company continues to monitor customers demand and technological innovation, planning to size its network in anticipation of requests for higher speed broadband services.

NORTH STATE TELEPHONE COMPANY AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

NORTH STATE TELEPHONE COMPANY AND SUBSIDIARIES
CONSOLIDATED FINANCIAL REPORT
DECEMBER 31, 2016 AND 2015

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
North State Telephone Company and Subsidiaries
Mt. Vernon, Oregon

We have audited the accompanying consolidated financial statements of North State Telephone Company (an Oregon corporation) and Subsidiaries, which comprise the consolidated balance sheets as of December 31, 2016 and 2015, and the related consolidated statements of income, comprehensive income, stockholders' equity and cash flows for the years then ended, and the related notes to the 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 misstatements, 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 audits 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 for the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the 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 Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of North State Telephone Corporation and Subsidiaries at December 31, 2016 and 2015, and the results of their operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

GAO Reporting
In accordance with *Government Auditing Standards,* we have also issued a report dated March 15, 2017, on our consideration of North State Telephone Corporation and Subsidiaries' internal control over financial reporting, and our tests of their compliance with certain provisions of laws, regulations, contracts and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

Wiggins + Co., PC
Brigham City, Utah
March 15, 2017

NORTH STATE TELEPHONE COMPANY AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2016 AND 2015

	2016	2015
ASSETS		
Current assets		
Cash and cash equivalents	$ 4,273,692	$ 2,853,887
Investments in equity securities	-	-
Due from customers and agents, less allowance for doubtful accounts of $1,450 and $1,450	708,049	874,105
Interest receivable	-	-
Materials and supplies	154,696	185,631
Prepaid expenses	113,515	282,105
Total current assets	5,249,952	4,195,728
Other assets and investments		
Restricted cash and cash equivalents	2,081	2,081
Investment in affiliates	121,318	259,968
Other investments	39,241	39,241
Deferred RUS loan charges	7,186	8,726
Goodwill	641,673	639,037
Non-regulated assets, net of accumulated depreciation	193,452	153,833
Total other assets and investments	1,004,951	1,102,886
Property, plant, and equipment		
Telecommunications	60,083,942	59,510,424
Plant held for future use	426,610	426,610
Less accumulated depreciation	(34,871,250)	(31,765,022)
Property, plant, and equipment, net	25,639,302	28,172,012
Total assets	$ 31,894,205	$ 33,470.626

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

NORTH STATE TELEPHONE COMPANY AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (continued)
DECEMBER 31, 2016 AND 2015

	2016	2015
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$ 435,390	$ 126,282
Accounts payable-affiliates	212,088	418,699
Advance billings	29,275	29,345
Customer deposits	4,230	4,795
Accrued expenses	302,910	312,800
Accrued interest	67,930	37,740
Deferred revenue	60,600	30,106
Income taxes payable	26,164	-
Current portion of long-term debt	2,151,617	2,171,670
Total current liabilities	3,290,204	3,131,437
Other liabilities		
Deferred income taxes	1,939,606	2,199,924
Deferred revenue	749,951	400,464
Long-term debt, net of current portion	22,647,685	24,789,424
Total other liabilities	25,337,242	27,389,812
Total liabilities	28,627,446	30,521,249
Stockholders' equity		
Common stock, no par value, 500 shares authorized, 85 issued and outstanding	1,253,160	1,253,160
Reacquired common stock, 43 shares, at cost	(1,347,850)	(1,347,850)
Retained earnings	3,361,449	3,044,067
Total stockholders' equity	3,266,759	2,949,377
Total liabilities and stockholders' equity	$ 31,894,205	$ 33,470,626

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

NORTH STATE TELEPHONE COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
Operating revenue		
Local network	$ 525,710	$ 537,128
Network access	8,233,800	8,467,214
Operating rent	71,194	180,060
Miscellaneous	48,288	85,617
Total operating revenue	8,878,992	9,270,019
Operating expenses		
Plant specific	1,491,098	1,783,027
Plant nonspecific	306,168	257,778
Customer operations	227,922	280,340
Corporate operations	1,168,373	1,744,541
Depreciation and amortization	3,134,030	3,160,976
Total operating expenses	6,327,591	7,226,662
Operating taxes		
Income taxes (benefit)	325,621	(167,117)
Other operating taxes	429,970	563,287
Total operating expenses and taxes	7,083,182	7,622,832
Operating income	1,795,810	1,647,187
Other income (expense)	(430,030)	68,417
Income tax (expense)	136,458	(56,427)
Income available for fixed charges	1,502,238	1,659,177
Fixed charges, interest on long-term debt	(1,184,856)	(1,387,681)
Net income	$ 317,382	$ 271,496

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

NORTH STATE TELEPHONE COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
Net income	$ 317,382	$ 271,496
Other comprehensive income (loss)		
Change in unrealized gains (losses) on marketable securities	-	(376,678)
Change in deferred tax liability on unrealized gains (losses)	-	148,552
Total other comprehensive income (loss)	-	(228,126)
Total comprehensive income	$ 317,382	$ 43,370

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

NORTH STATE TELEPHONE COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	Common Stock	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Income	Total
Balance, December 31, 2014	$ 1,253,160	$ (1,347,850)	$ 2,772,571	$ 228,126	$ 2,906,007
Net income	-	-	271,496	(228,126)	43,370
Stock redemption	-	-	-	-	-
Balance, December 31, 2015	1,253,160	(1,347,850)	3,044,067	-	2,949,377
Net income	-	-	317,382	-	317,382
Balance, December 31, 2016	$ 1,253,160	$ (1,347,850)	$ 3,361,449	$ -	$ 3,266,759

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

NORTH STATE TELEPHONE COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
Cash flows from operating activities		
Net income	$ 317,382	$ 271,496
Adjustments to reconcile net income to net cash provided (used) by operating activities		
Depreciation on miscellaneous physical property	52,529	71,877
Depreciation	3,132,490	3,159,436
Amortization	1,540	1,540
Deferred tax asset	(260,648)	(319,886)
Post retirement benefits	-	(289)
Changes in assets and liabilities		
Due from customers and agents	166,053	58,768
Accounts receivable-affiliates	29,255	8,157
Materials and supplies	30,935	8,266
Prepaid expenses	165,700	(69,543)
Accounts payable	309,361	(256,952)
Accounts payable-affiliates	(235,866)	290,515
Advance billings	(70)	-
Customer deposits	(565)	2,655
Accrued expenses	(9,890)	76,211
Deferred revenue	379,981	(30,041)
Income taxes payable	26,164	(150)
Net cash provided (used) by operating activities	4,104,351	3,272,060
Cash flows from investing activities		
Purchase of non-regulated assets	(93,965)	(10,048)
Amount paid to retire capital assets	(732)	-
Proceeds from (purchase of) investments in securities or restricted investments	138,650	5,329,563
Proceeds from sale of plant	16,832	-
Capital expenditures	(613,730)	(576,599)
Change in interest receivable	30,190	-
Net cash provided (used) by investing activities	(522,755)	4,742,916

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

NORTH STATE TELEPHONE COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
Cash flows from financing activities		
Payments on long-term debt	(2,161,791)	(7,090,898)
Proceeds from long-term debt	-	-
Net cash provided (used) by financing activities	(2,161,791)	(7,090,898)
Net increase (decrease) in cash and cash equivalents	1,419,805	924,078
Cash and cash equivalents, beginning	2,853,887	1,929,809
Cash and cash equivalents, ending	$ 4,273,692	$ 2,853,887
Cash paid during the year for:		
Interest	$ 1,304,850	$ 1,507,680
Income taxes	$ 310,500	$ 319,000

Non-cash transactions:

None

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

North State Telephone Company (the Company) is an Oregon corporation providing telecommunications services within and around the city of Dufur, Oregon. The Company also provides cable television services to a similar area due to a merger with North State Cablevision, Inc. on December 31, 2013. In 2010, the company acquired 100% of the stock of Skyline Telecom, Inc. and includes the information of Skyline Telecom, Inc., in the consolidated financial statements. In 2014, the company acquired 100% of the stock of Home Telephone Company and Pine Telephone System, Inc. and includes their financial information in the consolidated financial statements.

During 2002, the Company issued stock to new stockholders and reacquired the stock of the former majority shareholder. The Company purchased 43 shares of stock at the fair value determined prior to the date of purchase. The amount is recorded at cost in the current financial statements. During 2003, 95.29% of the outstanding shares were acquired by Oregon Telephone Corporation resulting in the company becoming a consolidated subsidiary of Oregon Telephone Corporation.

Regulation

The Company's telecommunication services are subject to limited regulation by the Public Utility Commission of Oregon (PUC), and the accounting records are maintained in accordance with the Uniform System of Accounts, as prescribed by the Federal Communications Commission. Regulatory actions currently pending as well as future regulations, may impact the Company.

Consolidation

The consolidated financial statements include the accounts of North State Telephone Company and its subsidiaries, Skyline Telecom, Inc., Home Telephone Company and Pine Telephone System, Inc. All intercompany transactions have been eliminated in the consolidation.

Estimates

The Company 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. Accordingly actual results could differ from those estimates.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Comprehensive Income

The Company follows *FASB Accounting Standards Codification Sections for Reporting Comprehensive Income.* The purpose of reporting comprehensive income is to report all changes in equity of an enterprise that result from recognized transactions and other economic events of the period other than transactions with owners in their capacity as owners. The consolidated financial statements include a statement of comprehensive income for 2016 and 2015.

Cash and Cash Equivalents

The Company maintains its cash and cash equivalents in accounts that, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk. Cash and cash equivalents are defined as all short term cash with a maturity of three months or less. Cash equivalents are recorded at cost, which approximates fair value. Restricted cash includes funds obtained from Rural Utilities Services (RUS) for construction purposes.

Materials and Supplies

Materials and supplies are stated at the lower of average cost and net realizable value.

Other Investments

Other investments are in common stock of non-controlled entities with ownership percentages of less than twenty percent. These investments are recorded at cost.

Property, Plant, and Equipment

Property, plant, and equipment in service and under construction are stated at cost, including overhead. Maintenance and repairs are charged to operations when incurred. Renewals and betterments are capitalized. Depreciation is calculated on a straight-line basis over the estimated life of the classes of buildings and equipment in accordance with rates approved by the PUC. Depreciation rates range from 3.1% to 14.3%. Costs of plant retired are eliminated from utility plant accounts and such costs plus removal expenses, less salvage, are charged to accumulated depreciation.

Allowance for Funds Used During Construction (AFUDC)

The Company is required to calculate an amount to be capitalized to Plant for funds used during construction as defined by FCC Part 32 accounting policies. The calculation involves capitalizing funds at an average rate based on the Company's borrowing rate. No AFUDC was recorded in 2016 or 2015.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Network Access Revenues

Network access revenues related to interlata and intralata toll service is received under a system of access charges. Access charges represent a methodology by which local telephone companies, including the Company, charge the long distance carriers for access and interconnection to local facilities. The Company follows an access tariff filed with the PUC for these charges.

When network access revenues have been received pursuant to the settlement and access agreements above, they are divided into traffic sensitive, nontraffic sensitive, and billing and collecting portions. The revenues are then either placed into a common pooling arrangement with other exchange carriers for redistribution or kept by the Company. The redistributions are made according to formulas established by the governing boards of the pools and are generally based upon expenses incurred and investment maintained. The Company participates in pooling arrangements with the National Exchange Carrier Association (NECA-65% of revenue in 2016 and 68% in 2015) and the Oregon Exchange Carrier Association (OECA).

Settlement, access, and pool distribution revenues are recorded when the amounts become determinable. 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 years (NECA only), are recorded in the year in which such adjustments become determinable, based upon studies by an outside consultant.

Allowance for Doubtful Accounts

An allowance for doubtful accounts is maintained. Amounts are estimated based on historical analysis of write offs and collections as a percentage of sales and accounts receivable balances.

Financial Instruments

The Company follows *FASB Accounting Standards Codification Sections on Disclosures about Fair Value of Financial Instruments.* The Statement extends fair value disclosure practices by requiring all entities to disclose the fair value of financial instruments, both assets and liabilities, recognized and not recognized in the balance sheets, for which it is practicable to estimate fair value. The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than a forced or liquidation sale. The fair value of the Company's financial instruments approximates carrying value. Interest is charged on loans and notes receivable and recognized when earned. Fair values were estimated based on quoted market prices and on current rates offered to the Company for debt with similar terms and maturities.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Credit Risk

Financial instruments, which potentially subject the Company to concentrations of credit risk, consist principally of debt agreements. Concentrations of credit risk with respect to trade receivables are limited due to the Company's large number of customers. No collateral is required by the Company to support financial instruments subject to credit risk.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to expenses and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts (usually after 90 days) are written off through a charge to the valuation allowance and reductions of the accounts receivable accounts. Late fees are charged on accounts that are thirty days past due.

Reclassification of Prior Year Amounts

Certain amounts as previously reported in 2015 have been reclassified to conform to the 2016 financial statement presentation.

NOTE 2. INVESTMENTS

Other Investments

Other investments consist of the following:

	2016	2015
Other investments:		
Western Independent Networks, Inc. (WIN), 34 shares, at cost.	$ 19,493	$ 19,493
RTFC Patronage Capital Certificates	17,168	17,168
OTECC	2,580	2,580
Total other investments	39,241	39,241
Investments in affiliates:		
Investment in Oregon Telephone Corporation, 7 shares of common stock in 2016 and 15 shares in 2015, recorded using the cost method.	121,318	259,968
Total investments in affiliates	121,318	259,968
	$ 160,559	$ 299,209

NOTE 3. PROPERTY, PLANT, AND EQUIPMENT

Listed below are the major classes of property, plant, and equipment in service:

	2016	2015
Telecommunications		
Regulated:		
Land and support	$ 1,017,725	$ 1,002,297
Plant held for future use	426,610	426,610
Central office	14,053,977	13,913,057
Cable and wire facilities	43,948,084	43,424,377
Plant under construction	-	106,537
	59,446,396	58,872,878
Consolidated increase in plant assets due to difference in cost and book value	1,064,156	1,064,156
	60,510,552	59,937,034
less: accumulated depreciation	(34,871,250)	(31,765,022)
Total regulated	$ 25,639,302	$ 28,172,012
Non-regulated		
Cable television assets	$ 349,357	$ 280,557
Voicemail systems	35,410	35,409
Equipment	216,246	168,719
Paystations	1,817	1,817
Intangibles	648	648
	603,478	487,150
less: accumulated depreciation	(410,026)	(333,317)
Total non-regulated	$ 193,452	$ 153,833

NOTE 4. LONG-TERM DEBT

Long-term debt consists of the following:

	2016	2015
North State Telephone Company:		
5% mortgage note payable to Rural Utility Service (RUS), payable in monthly installments of $965, collateralized by substantially all real and personal property, due in 2019.	$ 28,621	$ 38,483
5% mortgage notes payable to RUS, payable in monthly installments of $49,758. The notes are collateralized by substantially all real and personal property, due in 2020-2022.	6,298,136	6,725,686
5% $750,000 note payable to Bank of Eastern Oregon, payable in monthly installments of $5,932.93 for 119 months with a balloon payment of $320,282 at maturity. Matures July 21, 2024. The notes are guaranteed by Oregon Telephone Corporation (OTC) and the shareholder of OTC, collaterized by a second lien on the equipment, accounts receivable and materials and supplies.	661,748	699,927
5% $603,798 note payable to Oregon Telephone Corporation, interest and principal due in full on September 30, 2019.	603,798	603,798
3.68% $33,569 note payable to Ford Credit, payable in monthly installments of $648.83 for 60 months, due in November 2020.	27,817	33,164
Capital lease contract with Oregon Telephone Corporation for switching equipment, payable in monthly installments of $1,053.	91,762	104,398
	7,711,882	8,205,456

NOTE 4. LONG-TERM DEBT (continued)

	2016	2015
Skyline Telecom, Inc.:		
4.36-4.7% mortgage note payable to RUS, payable in monthly installments of $1,022, collateralized by substantially all real and personal property, due in 2021.	45,401	55,408
4.1-4.52% mortgage note payable to RUS, payable in monthly installments of $6,507, collateralized by substantially all real and personal property, due in 2022.	290,528	354,851
4.1-4.52% mortgage note payable to RUS, payable in monthly installments of $6,507, collateralized by substantially all real and personal property, due in 2022.	200,638	243,982
	536,567	654,241
Pine Telephone System, Inc.:		
5% mortgages payable to RUS, payable in monthly installments, collateralized by substantially all real and personal property, due dates range from 2017-2032.	5,691,346	6,424,242
2.46%-5.098% mortgages payable to RUS, payable in monthly installments, collateralized by substantially all real and personal property, due dates range from 2021-2029	10,270,260	10,965,071
5.67%-5.84% mortgages payable to Rural Telephone Bank, payable in monthly installments, collateralized by real and personal property, due dates range from 2018-2021.	589,247	712,084
	16,550,853	18,101,397
Total long-term debt	24,799,302	26,961,094
Less current portion	(2,151,617)	(2,171,670)
	$ 22,647,685	$24,789,424

NOTE 4. LONG-TERM DEBT (continued)

Future maturities of long-term debt are as follows:

2017	$ 2,151,617
2018	2,249,957
2019	2,955,848
2020	2,305,355
2021	1,901,896
Thereafter	13,234,629
	$ 24,799,302

North State Telephone Company had no remaining loan commitments for the replacement and expansion of its property, plant and equipment from Rural Utility Service (RUS) for 2016 and 2015. The long-term agreements contain restrictions on the payment of dividends or redemption of capital stock. The terms of the long-term debt agreements require maintenance of defined amounts of stockholders' equity and working capital after payment of dividends. The RUS loan documents require that the Company meet a TIER ratio of 1 and a debt service coverage ratio of 1.25 (on a non-consolidated basis). The Company met the tier ratio requirements for 2016 and 2015, but did not meet the debt service coverage ratio for 2015. Pine Telephone Systems, Inc. rescinded all of their outstanding loan commitments during 2016.

NOTE 5. RELATED PARTY TRANSACTIONS

The Company incurred $1,707,387 and $2,443,186 to Oregon Telephone for management fees, vehicle and equipment rentals, payroll and other expense reimbursements under a management agreement for 2016 and 2015. The amount payable, for these services, to Oregon Telephone at December 31, 2016 and 2015, was $212,088 and $418,699. In 2014, the Company borrowed $603,798 from Oregon Telephone Company for operating capital. The interest rate is 5%. The loan is due September 30, 2019, along with the accrued interest on the note.

During 2014, the Company borrowed $2,000,000 from Pine Telephone Systems, Inc. (a wholly owned subsidiary of Pine Communications, LLC) to provide capital to the Company. The repayment terms are that the note bears interest at 6% and the principal and interest are payable on September 19, 2019. This loan was eliminated upon consolidation.

NOTE 6. CONCENTRATIONS OF CREDIT RISK

The Company maintains most of its cash accounts in commercial banks located in Oregon. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 for interest bearing accounts and unlimited insurance for other eligible accounts. A summary of the total insured an uninsured cash balances follows:

	2016	2015
Total cash held (bank balance)	$ 4,063,596	$ 3,052,754
Portion uninsured by FDIC	(1,699,900)	(1,719,477)
Insured balances	$ 2,363,696	$ 1,333,277
Book balances	$ 4,273,692	$ 2,853,887

Credit sales are made to the Company's customers in the ordinary course of business. Generally these sales are unsecured and recorded when billed.

NOTE 7. PENSION PLAN

In 2016, Oregon Telephone Corporation (OTC) was the common paymaster for the employees of the consolidated entities and, as such, all payroll reporting and pension plan payments were paid and reported on OTC's general ledger.

In 2015, eligible employees of the Company were covered by a defined contribution plan. Contributions to the plan are 12% of an employee's eligible annual compensation. Contributions to the plan for 2015 were $84,472. The plan is administered by the National Telephone Cooperative Association (NTCA).

NOTE 8. INCOME TAXES

In accordance with *FASB Accounting Standards Codification Section 740 on Accounting for Income Taxes*, deferred income tax assets and liabilities are computed annually for differences between financial statements and tax basis of assets and liabilities that will result in taxable or deductible amounts in the future. The Company files tax returns separately from its wholly owned subsidiary and, as such, each entity accounts for its own income tax transactions.

NOTE 8. INCOME TAXES (continued)

At December 31, 2016 and 2015, the Company had a deferred tax liability of $1,939,606 and $2,199,924 respectively. Deferred taxes result from timing differences in depreciation, advance fiber lease payments, AFUDC and other temporary differences for financial statement reporting and income tax reporting.

Operating income tax:

	2016	2015
Federal		
Current provision (benefit)	$ 540,204	$ 66,179
Prior year under (over) accrual	-	-
Deferred provision (benefit)	(283,165)	(218,141)
	257,039	(151,962)
State		
Current provision (benefit)	45,735	(3,115)
Prior year under (over) accrual	-	
Deferred provision (benefit)	22,847	(12,040)
	68,582	(15,155)
Total operating income tax expense	325,621	(167,117)
Non-operating income tax:		
Federal	(117,405)	55,106
State	(19,053)	6,736
Prior year under (over) accrual	-	
Federal deferred provision (benefit)	-	(5,415)
State deferred provision (benefit)	-	-
Total non-operating income tax expense (benefit)	(136,458)	56,427
Total income tax expense	$ 189,163	$ (110,690)
Other Comprehensive Income tax:		
Federal deferred provision (benefit)	$ -	$ (121,626)
State deferred provision (benefit)	-	(26,926)
Total other comprehensive income tax (benefit)	$ -	$ (148,552)

Each of the individual companies files their own tax returns. Each of the companies has open tax years for the current year and the prior three years. Home Telephone Company has a valuation allowance on its deferred tax asset of 50% or $232,386 due to the uncertainty of the entire amount being realized.

NOTE 9. MANAGEMENT AGREEMENT

The Company has a management agreement with Oregon Telephone Corporation, a 95.29% stockholder. Under the terms of the agreement, Oregon Telephone Corporation provides payroll services, labor, overhead, and support services to the Company, which were reimbursed each month. During 2016 and 2015, the total reimbursements under the agreement were $1,707,387 and $2,443,186, respectively. These reimbursements are netted against expense accounts and thus no elimination is necessary.

NOTE 10. POST RETIREMENT BENEFIT

The Board of Directors approved a post retirement benefit for two former employees during 2002, which requires the Company to provide health insurance for the duration of their lives. The benefit is treated as a single employer defined benefit plan and is administered by the Company. The plan is funded on a pay-as-you-go basis. An accrual for the net present value of the expected liability has been recorded in the financial statements based on an historical cost trend of 5%. At December 31, 2016 and 2015, the accrued net present value balance was $0 and $0. The amount paid during 2015 was $310. The terms of the benefit have been met and at December 31, 2015, there was no projected post retirement benefit payable.

NOTE 11. CAPITAL LEASE

The Company entered into a capital lease agreement for switch equipment with Oregon Telephone Corporation during 2007. The economic substance of the lease is that the Company is financing the acquisition of the assets through the lease, and accordingly, it is recorded in the Company's assets and liabilities. The terms of the lease require the repayment of principal only. There is no interest charged.

The following is an analysis of the leased assets included in property and equipment.

	2016	2015
Central office equipment-switching	$ 234,652	$ 234,652
Less: accumulated depreciation	(234,652)	(234,652)
	$ -	$ -

NOTE 11. CAPITAL LEASE (Continued)

The following is a schedule of the future minimum lease payments required under the lease.

2017	$ 12,636
2018	12,636
2019	12,636
2020	12,636
2021	12,636
Thereafter	28,582
Total minimum lease payments	91,762
Less: amount representing interest	-
Present value of minimum lease payments	$ 91,762

NOTE 12. SUBSEQUENT EVENTS

Subsequent events have been evaluated through the auditor's report date, which is the date that the financial statements were available to be issued.

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTAL INFORMATION

Board of Directors
North State Telephone Company and Subsidiaries
Mt. Vernon, Oregon

Our report on our audits of the consolidated financial statements of North State Telephone Company and Subsidiaries, for the years ended December 31, 2016 and 2015, appears on pages 1-2. Those audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The supplemental information consisting of the consolidating balance sheet at December 31, 2016, and the consolidating statements of operations and changes in retained earnings, and cash flows of North State Telephone Company and Subsidiaries for the year then ended is presented for purposes of additional analysis of the 2016 consolidated financial statements, rather than to present financial position, results of operations, and cash flows of the individual companies. Such information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements, and in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

Wiggins + Co., PC

Brigham City, Utah
March 15, 2017

NORTH STATE TELEPHONE COMPANY AND SUBSIDIARIES
CONSOLIDATING BALANCE SHEET
DECEMBER 31, 2016

	North State Telephone Company	Skyline Telecom, Inc.	Home Telephone Company	Pine Telephone System, Inc.	Eliminations	Consolidated Totals
ASSETS						
Current assets						
Cash and cash equivalents	$ 1,788,363	$ 364,491	$ 137,472	$ 1,983,366	$ -	$ 4,273,692
Due from customers and agents, less allowance for doubtful accounts of $1,450.	159,186	56,120	85,954	406,789	-	708,049
Accounts receivable-affiliates	6,051	-	-	-	(6,051)	-
Materials and supplies	2,641	416	8,976	142,663	-	154,696
Prepaid expenses	13,204	24,702	-	75,609	-	113,515
Total current assets	1,969,445	445,729	232,402	2,608,427	(6,051)	5,249,952
Other assets and investments						
Restricted cash and cash equivalents	-	-	-	2,081	-	2,081
Investment in affiliates	6,733,397	-	-	-	(6,612,079)	121,318
Other investments	11,000	-	-	28,241	-	39,241
Notes receivable-affiliates	-	-	-	2,275,000	(2,275,000)	-
RUS loan charges	-	7,186	-	-	-	7,186
Deferred tax asset	-	-	233,273	-	(233,273)	-
Goodwill	-	-	-	-	641,673	641,673
Non-regulated assets, net of accumulated depreciation	-	9,449	69,448	114,555	-	193,452
Total other assets and investments	6,744,397	16,635	302,721	2,419,877	(8,478,679)	1,004,951
Property, plant, and equipment						
Telecommunications	12,299,757	3,134,406	3,790,105	39,795,518	1,064,156	60,083,942
Held for future use	-	-	-	426,610	-	426,610
	12,299,757	3,134,406	3,790,105	40,222,128	1,064,156	60,510,552
Less accumulated depreciation	(5,128,869)	(2,254,906)	(3,430,187)	(23,891,012)	(166,276)	(34,871,250)
Property, plant, and equipment, net	7,170,888	879,500	359,918	16,331,116	897,880	25,639,302
Total assets	$ 15,884,730	$ 1,341,864	$ 895,041	$ 21,359,420	$ (7,586,850)	$ 31,894,205

NORTH STATE TELEPHONE COMPANY AND SUBSIDIARIES
CONSOLIDATING BALANCE SHEET (continued)
DECEMBER 31, 2016

	North State Telephone Company	Skyline Telecom, Inc.	Home Telephone Company	Pine Telephone System, Inc.	Eliminations	Consolidated Totals
LIABILITIES AND STOCKHOLDERS' EQUITY						
Current liabilities						
Accounts payable	$ 191,383	$ 23,779	$ 164,999	$ 55,229	$ -	$ 435,390
Accounts payable-affiliates	46,199	8,126	59,978	103,836	(6,051)	212,088
Advance billings	-	-	29,275	-	-	29,275
Customer deposits	1,690	365	2,175	-	-	4,230
Accrued expenses	72,480	33,086	29,083	168,261	-	302,910
Accrued interest	342,930	-	-	-	(275,000)	67,930
Income taxes payable	26,164	-	-	-	-	26,164
Current deferred revenue	60,600	-	-		-	60,600
Current portion of long-term debt	517,353	123,205	-	1,511,059	-	2,151,617
Total current liabilities	1,258,799	188,561	285,510	1,838,385	(281,051)	3,290,204
Other liabilities						
Deferred income taxes	1,248,416	74,770	-	849,693	(233,273)	1,939,606
Deferred revenue	749,951	-	-	-	-	749,951
Long-term debt, net	9,194,529	413,362	-	15,039,794	(2,000,000)	22,647,685
Total other liabilities	11,192,896	488,132	-	15,889,487	(2,233,273)	25,337,242
Stockholders' equity						
Common stock	1,253,160	262,582	27,000	21,240	(310,822)	1,253,160
Additional paid in capital	-	-	45,274	-	(45,274)	-
Common stock reacquired	(1,347,850)	-	-	-	-	(1,347,850)
Retained earnings	3,527,725	402,589	537,257	3,610,308	(4,716,430)	3,361,449
Total stockholders' equity	3,433,035	665,171	609,531	3,631,548	(5,072,526)	3,266,759
Total liabilities and stockholders' equity	$ 15,884,730	$ 1,341,864	$ 895,041	$ 21,359,420	$ (7,586,850)	$ 31,894,205

NORTH STATE TELEPHONE COMPANY AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF INCOME AND CHANGES IN RETAINED EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 2016

	North State Telephone Company	Skyline Telecom, Inc.	Home Telephone Company	Pine Telephone System, Inc.	Eliminations	Consolidated Totals
Operating revenue						
Local network	$ 100,201	$ 28,596	$ 216,659	$ 180,254	$ -	$ 525,710
Network access	1,422,500	708,176	377,752	5,725,372	-	8,233,800
Operating rent	55,600	-	15,594	-	-	71,194
Miscellaneous	9,157	(739)	12,682	27,188	-	48,288
Total operating revenue	1,587,458	736,033	622,687	5,932,814	-	8,878,992
Operating expenses						
Plant specific	163,103	181,975	224,587	921,433	-	1,491,098
Plant nonspecific	57,200	5,834	54,775	188,359	-	306,168
Customer operations	28,169	15,023	30,341	154,389	-	227,922
Corporate operations	305,828	210,606	185,581	466,358		1,168,373
Depreciation and amortization	416,357	211,416	128,276	2,326,185	51,796	3,134,030
Total operating expenses	970,657	624,854	623,560	4,056,724	51,796	6,327,591
Operating taxes						
Income taxes (benefit)	11	26,347	(23,273)	322,536		325,621
Other operating taxes	112,162	5,445	52,031	260,332	-	429,970
Total operating expenses and taxes	1,082,830	656,646	652,318	4,639,592	51,796	7,083,182
Operating income	504,628	79,387	(29,631)	1,293,222	(51,796)	1,795,810
Other income (expense)	20,760	(74,554)	93,388	(349,624)	(120,000)	(430,030)
Income (loss) from subsidiaries	352,661	-	-	-	(352,661)	-
Income tax benefit (expense)	6,999	25,349	(35,819)	139,929	-	136,458
Income available for fixed charges	885,048	30,182	27,938	1,083,527	(524,457)	1,502,238
Fixed charges, interest on long-term debt	(515,870)	(28,245)	(5)	(760,736)	120,000	(1,184,856)
Net income	369,178	1,937	27,933	322,791	(404,457)	317,382
Retained earnings/member interest, beginning of year	3,158,547	400,652	509,324	3,287,517	(4,311,973)	3,044,067
Retained earnings/member interest, end of year	$ 3,527,725	$ 402,589	$ 537,257	$ 3,610,308	$ (4,716,430)	$ 3,361,449

NORTH STATE TELEPHONE COMPANY AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016

	North State Telephone Company	Skyline Telecom, Inc.	Home Telephone Company	Pine Telephone System, Inc.	Eliminations	Consolidated Totals
Cash flows from operating activities:						
Net income (loss)	$ 369,178	$ 1,937	$ 27,933	$ 322,791	$ (404,457)	$ 317,382
Adjustments to reconcile net income to net cash provided (used) by operating activities						
Depreciation on miscellaneous physical property-nonregulated	36,105	-	-	16,424	-	52,529
Depreciation	416,357	209,876	128,276	2,326,185	51,796	3,132,490
Amortization	-	1,540	-	-	-	1,540
Deferred taxes	(91,860)	(1,100)	6,495	(174,183)	-	(260,648)
Income from subsidiary	(352,661)	-	-	-	352,661	-
Changes in assets and liabilities						
Due from customers and agents	106,214	48,116	(13,542)	25,265	-	166,053
Accounts receivable-affiliates	34,436	-	-	870	(6,051)	29,255
Materials & supplies	(2,203)	165	(1,775)	34,748	-	30,935
Prepaid expenses	27,822	18,591	1,248	118,039	-	165,700
Accounts payable	187,514	23,778	50,887	47,182	-	309,361
Accounts payable-affiliates	(42,327)	(39,471)	(6,800)	(153,319)	6,051	(235,866)
Advance billings	-	-	(70)	-		(70)
Customer deposits	(415)	(300)	150	-	-	(565)
Accrued expenses	(6,860)	28,537	7,957	(39,524)		(9,890)
Deferred revenue	380,027	-	-	(46)	-	379,981
Income taxes payable	26,164	-	-	-	-	26,164
Net cash provided (used) by operating activities	1,087,491	291,669	200,759	2,524,432	-	4,104,351

NORTH STATE TELEPHONE COMPANY AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF CASH FLOWS (continued)
FOR THE YEAR ENDED DECEMBER 31, 2016

	North State Telephone Company	Skyline Telecom, Inc.	Home Telephone Company	Pine Telephone System, Inc.	Eliminations	Consolidated Totals
Cash flows from investing activities:						
Purchase of other non-regulated assets	-	-	(68,800)	(25,165)	-	(93,965)
Amount paid to retire plant assets	-	-	-	(732)	-	(732)
Proceeds from (purchase of) investments in securities or restricted investments	138,650	-	-	-	-	138,650
Proceeds from sale of plant	-	-	-	16,832	-	16,832
Purchase of Capital assets	-	(114,662)	(339,019)	(160,049)	-	(613,730)
Interest (receivable) payable	150,190	-	-	(120,000)	-	30,190
Net cash provided (used) by investing activities	288,840	(114,662)	(407,819)	(289,114)	-	(522,755)
Cash flows from financing activities:						
Payments on long-term debt	(493,574)	(117,674)	-	(1,550,543)	-	(2,161,791)
Proceeds from long-term debt	-	-	-	-		-
Redemption of common stock	-	-	-	-	-	-
Net cash provided (used) by financing activities	(493,574)	(117,674)	-	(1,550,543)	-	(2,161,791)
Net increase (decrease) in cash	882,757	59,333	(207,060)	684,775	-	1,419,805
Cash and cash equivalents, beginning	905,606	305,158	344,532	1,298,591	-	2,853,887
Cash and cash equivalents, ending	$ 1,788,363	$ 364,491	$ 137,472	$ 1,983,366	$ -	$ 4,273,692
Cash paid during the year for:						
Interest	$ 515,869	$ 28,245	$ -	$ 760,736	$ -	$ 1,304,850
Income taxes	$ 25,000	$ 18,000	$ -	$ 267,500	$ -	$ 310,500

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Board of Directors
North State Telephone Company and Subsidiaries
Mt. Vernon, Oregon

We have audited the consolidated financial statements of North State Telephone Company and Subsidiaries as of and for the years ended December 31, 2016 and 2015, and have issued our report thereon dated March 15, 2017. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered North State Telephone Company and Subsidiaries' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of North State Telephone Company and Subsidiaries' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of North State Telephone Company and Subsidiaries' internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether North State Telephone Company and Subsidiaries' consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contract agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

This report is intended solely for the information and use of management, the Board of Directors, and the Rural Utilities Service and is not intended to be and should not be used by anyone other than these specified parties.

Wiggins + Co, PC

Brigham City, Utah
March 15, 2017

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH ASPECTS OF CONTRACTUAL AGREEMENTS AND REGULATORY REQUIREMENTS FOR TELEPHONE BORROWERS

Board of Directors
North State Telephone Company and Subsidiaries
Mt. Vernon, Oregon

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of North State Telephone Company and Subsidiaries, which comprise the consolidated balance sheets as of December 31, 2016 and 2015, and the related consolidated statements of revenue, comprehensive income, stockholders' equity and changes in cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated March 15, 2017. In accordance with *Government Auditing Standards,* we have also issued our report dated March 15, 2017, on our consideration of North State Telephone Company and Subsidiaries' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. No reports other than the reports referred to above related to our audit have been furnished to management.

In connection with our audit, nothing came to our attention that caused us to believe that North State Telephone Company and Subsidiaries failed to comply with the terms, covenants, provisions, or conditions of their loan, grant, and security instruments as set forth in 7 CFR Part 1773, *Policy on Audits of Rural Utilities Service Borrowers,* §1773.33 and clarified in the RUS policy memorandum dated February 7, 2014, insofar as they relate to accounting matters as enumerated below. However, our audit was not directed primarily toward obtaining knowledge of noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding North State Telephone Company and Subsidiaries' noncompliance with the above-referenced terms, covenants, provisions, or conditions of the contractual agreements and regulatory requirements, insofar as they relate to accounting matters. In connection with our audit, we noted no matters regarding North State Telephone Company and Subsidiaries' accounting and records to indicate that North State Telephone Company and Subsidiaries did not:

Maintain adequate and effective accounting procedures;

Utilize adequate and fair methods for accumulating and recording labor, material, and overhead costs, and the distribution of these costs to construction, retirement, and maintenance or other expense accounts;

Reconcile continuing property records to the controlling general ledger plant accounts;

Clear construction accounts and accrue depreciation on completed construction;

Record and properly price the retirement of plant;

Seek approval of the sale, lease or transfer of capital assets and disposition of proceeds for the sale or lease of plant, material, or scrap;

Maintain adequate control over materials and supplies;

Prepare accurate and timely Financial and Operating Reports;

Obtain written RUS approval to enter into any contract for the management, operation, or maintenance of the borrower's system if the contract covers all or substantially all of the telephone system;

Disclose material related party transactions in the financial statements, in accordance with requirements of related parties in generally accepted accounting principles;

Record depreciation in accordance with RUS requirements (See RUS Bulletin 183-1, Depreciation Rates and Procedures) and

Comply with the requirements for the detailed schedule of investments.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The detailed schedule of investments in affiliated companies required by 7 CFR 1733.33(i), and attached to this letter, is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in our audit of the basic consolidated financial statements, and in our opinion, is fairly stated, in all material respects, in relation to the basic consolidated financial statements taken as a whole.

See Schedule of Investments in Affiliated Companies.

The debt provisions require the Company to maintain certain ratio levels. The Company met the tier ratio requirements for 2016 and 2015 but did not meet the debt service coverage ratio for 2015.

This report is intended solely for the information and use of the board of directors, management, and the RUS and supplemental lenders and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Wiggins + Co, PC

Brigham City, Utah
March 15, 2017

NORTH STATE TELEPHONE COMPANY
SCHEDULE OF INVESTMENTS IN AFFILIATED COMPANIES
FOR THE YEAR ENDED DECEMBER 31, 2016

	Skyline Telecom, Inc.	Home Telephone Company	Pine Telephone System, Inc.	Oregon Telephone Corporation	Total
Original investment cost	$ 635,000	$ 1,517,754	$ 4,000,000	$ 259,968	$ 6,412,722
Cumulative net income as of December 31, 2015	231,265	128,000	(252,601)	-	106,664
Repurchase of stock by investee	-	-	-	(138,650)	(138,650)
Net income for the year ended December 31, 2016	1,937	27,933	322,791	-	352,661
Book value of investment as of December 31, 2016	$ 868,202	$ 1,673,687	$ 4,070,190	$ 121,318	$ 6,733,397

North State Telephone Company owns 100% of the stock/member interest of each Company and accounts for its investments on the equity basis, except Oregon Telephone Corporation, which is recorded at cost and the investment is less than 20%.