DOCKET NO. UM 1768

Cover Sheet for Submission of
2016 Annual ETC Certification Reports

Name of Eligible Telecommunications Carrier: Home Telephone Co

Filing date: 6/29/2016

Is this: Original submission? X
OR
Revised submission? _____

Person to contact for questions:

Name Delinda Kluser

Phone number 541-932-4411

E-mail address dkluser@ortlco.net

Documents included in this filing (please check applicable items):

_____ CAF/ICC Support (47 CFR § 54.304)

_____ Rate Floor Data (47 CFR § 54.313(h)) – if separate from Form 481

X Form 481 (High-cost per 47 CFR § 54.313, Low-income per 54.422)[1]

_____ Form 690 (Mobility Fund per 47 CFR § 54.1009)

_____ Affidavit for High-Cost Support

Filing deadlines: The deadlines for filing items required by 47 CFR § 54 are the same as the deadlines for filing with the FCC. The notarized affidavit for high-cost support must be filed no later than the due date for the FCC Form 481. Based on current information, it appears that all items other than CAF/ICC support data are due by July 1, 2016. The CAF/ICC support data are due the same day as the ETC's interstate access tariff filing.

If revisions to an original submission are filed with the FCC or USAC, a copy of the revisions must be filed with the Oregon Commission no later than five business days following submission to the FCC or USAC.

[1] Lifeline-only ETCs must provide all information specified in 47 CFR § 54.422(b) even if the ETC does not submit this information to the FCC.

Deedee Kluser

From: Form481@usac.org
Sent: Wednesday, June 29, 2016 8:39 AM
To: dkluser@ortelco.net
Subject: Form 481 Certification Confirmation

Form 481 Certification Confirmation

Congratulations. Your filing has been successfully certified.

Filing Number: 1

Certification Date and Time: Wed Jun 29 11:39:10 EDT 2016

Filing Created By: dkluser@ortelco.net

SAC: 532377

498 ID: 143002622

Carrier: HOME TELEPHONE CO

Program Year: 2017

This is a system generated email.
Please do not respond to this message.

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USAC Home | High Cost Program | Search Tools | Form 481

CONFIRMATION

Congratulations. Your filing has been successfully certified.

Filing 1 was successfully certified on Wed 29 Jun 16 11:26:29 AM EDT by dkluser@ortelco.net .

SAC : 532377
498 ID : 143002622
Carrier Name : HOME TELEPHONE CO
Program Year : 2017

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

Return to 481 Search | Print Confirmation Page

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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 2011

<010>	Study Area Code	532377
<015>	Study Area Name	HOME TELEPHONE CO
<020>	Program Year	2017
<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

(100) Service Quality Improvement 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	2017
<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

<110>	Has your company received its ETC certification from the FCC?	(yes / no) ○ ●
<111>	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.

532377OR112.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	Yes
<114>	Report how much universal service (USF) support was received	Yes
<115>	How much (USF) was used to improve service quality and how support was used to improve service quality	Yes
<116>	How much (USF) was used to improve service coverage and how support was used to improve service coverage	Yes
<117>	How much (USF) was used to improve service capacity and how support was used to improve service capacity	Yes
<118>	Provide an explanation of network improvement targets not met in the prior calendar year.	Yes

(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	2017
<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? Yes

<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

-- See attached worksheet --

(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	2017
<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 2013

<010>	Study Area Code	522377
<015>	Study Area Name	SOME TELEPHONE CO
<020>	Program Year	2017
<030>	Contact Name - Person USAC should contact regarding this data	DELINDA KLUSER
<035>	Contact Telephone Number - Number of person identified in data line <030>	5419724411 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	HOME TELEPHONE CO
<020>	Program Year	2017
<030>	Contact Name - Person USAC should contact regarding this data	DELINDA KLUSER
<035>	Contact Telephone Number - Number of person identified in data line <030>	5413324311 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	dklusersortelco.net
<500>	Certify compliance with applicable service quality standards and consumer protection rules	Yes
<510>	Descriptive document for Service Quality Standards & Consumer Protection Rules Compliance	532377cr510.pdf

(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	HOME TELEPHONE CO
<020>	Program Year	2017
<030>	Contact Name - Person USAC should contact regarding this data	DELINDA KLUSER
<035>	Contact Telephone Number - Number of person identified in data line <030>	5413324411 ext
<039>	Contact Email Address - Email Address of person identified in data line <030>	dkluser@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	2017
<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	1/1/2016
<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	<> Total per line Rates and Fees

-- See attached worksheet

(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	2017
<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	2017
<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>	<a2>	<a3>
Affiliates	SAC	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	2017
<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 document(s), 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	2017
<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	2017
<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	2017
<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

532377OR1222.docx

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. ☑

(2000) 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	2017
<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

<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

<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

<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.

<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.

<2024A> Round 2 Recipient of Incremental Support?

<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

<2025A> Round 1 or Round 2 Recipient of Incremental Support?

<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

<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?

<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 cap carrier used for capital expenditures in 2015.

Name of Attached Document Listing Required Information

<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)

(3000) Rate Of Return Carrier Additional Documentation
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	2017
<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

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.

	Progress Report on 5 Year Plan		
(3009)	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	532377OR3010.pdf
(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) ◉ Yes ○ No	
(3014)	If yes, does your company file the RUS annual report	(Yes/No) ○ 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) ◉ 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	532377OR3026.pdf

(16/05) Rate Of Return Carrier Additional Documentation (Continued)
Data Collection Form

FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2017

<010>	Study Area Code	532377
<015>	Study Area Name	HOME TELEPHONE CO
<020>	Program Year	2017
<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	682663
(3028) Operating Expenses	548607
(3029) Net Income	119588
(3030) Telephone Plant In Service(TPIS)	3451088
(3031) Total Assets	814984
(3032) Total Debt	233386
(3033) Total Equity	581598
(3034) Dividends	0

Name of Attached Document Listing Required Information

<010>	Study Area Code	222377
<015>	Study Area Name	HOME TELEPHONE CO
<020>	Program Year	2017
<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	2017
<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 06/29/2016

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: 07/01/2016

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

<010>	Study Area Code	532377
<015>	Study Area Name	HOME TELEPHONE CO
<020>	Program Year	2017
<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:

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:

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

(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	2017
<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? Yes

<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
	05/30/2015	10:40	05/30/2015	15:30	25	547	Yes	Wireline (including cable) Voice (non-VoIP),Remote struck by lightening	No	Replace Damaged equipment	Install more lightening rods

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

FCC Form 497
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	2017
<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	1/1/2016
<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
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	2017
<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	2017
<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

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

Date: June 8, 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)9(i) "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 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]

Home Telephone Company
2016

PROGRESS REPORT ON SERVICE QUALITY IMPROVEMENT PLAN

PREAMBLE

This document is an integral part of the 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.

Home Telephone Company (Home) advises that the environment in which the Company operates is dynamic, not static. As a result, certain network targets identified in its initial 5 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 technology, vendor-driven support, weather, or emergency related contingencies.

Targets not met or changed since the initial 5 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 period up to this filing, Home received a total of $151,650 for 2015 (as of 06/09/15). The breakdown of the funding for the year is:

- $ 0 High Cost Loop Support
- $108,000 Connect America Fund-Intercarrier Compensation Support
- $ 43,650 Interstate Common Line Support
- $ 0 Safety Net Additive

Universal Service Support funds are used to: 1) maintain, upgrade, and improve the Company's network and, 2) cover operating expenses and debt commitments as necessary to permit it to offer a high level of service for both voice and broadband within the authorized serving 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 and fixed costs incurred to obtain capital from lenders. The Company does not segregate USF separately for purposes of capital and

operating expenditures; USF is expended in the same proportion as the Company's aggregated revenue amount.

USF expenditures in 2015 to date have been used for CAPEX and OPEX. Year to date CAPEX expenditures for 2015were $94,565. OPEX expenditures totaled $548,608.

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 from one another. In terms of cost, projects involving multiple qualifiers are of equal dollar equivalence. Where a project involves a single qualifier, it is so noted.

PROGRESS REPORT

2015

Lone Rock Pole Transfer: The Company performed pole transfers due to the replacement of all power poles along the specified route by the power company. The poles required replacement due to their age and deteriorating condition.

Transmission: The Company replaced equipment for the provisioning and delivery of broadband services to its customers. The original equipment was end of life and no spare parts were available in the event of a failure. The new equipment allows for reliable service and quality control to the Company's customer base for both voice and broadband.

Central Office: A server was purchased in order to virtualize the entire network. This allows for remote access from anywhere in order to help with network monitoring and trouble-shooting.

NETWORK IMPROVEMENT PROJECTS-PROGRESS REPORT

AS OF 2015 ANNUAL REPORT SUBMISSION - JULY 1, 2016

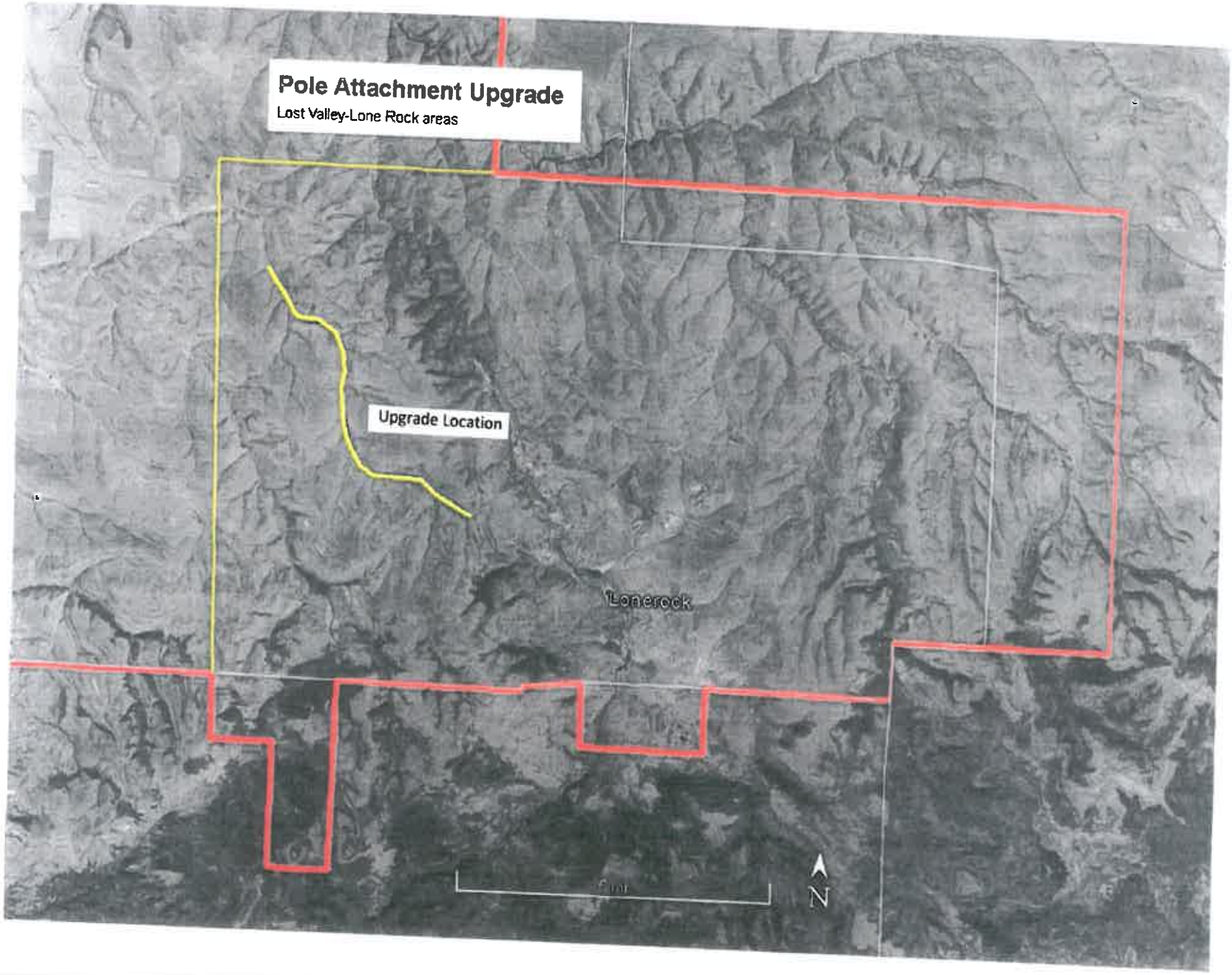
G:\1210\DATA\481 FOR 2017 PROGRAM YEAR\[Home 481 NETWORK UPGRADE DETAILS .xlsx]2015

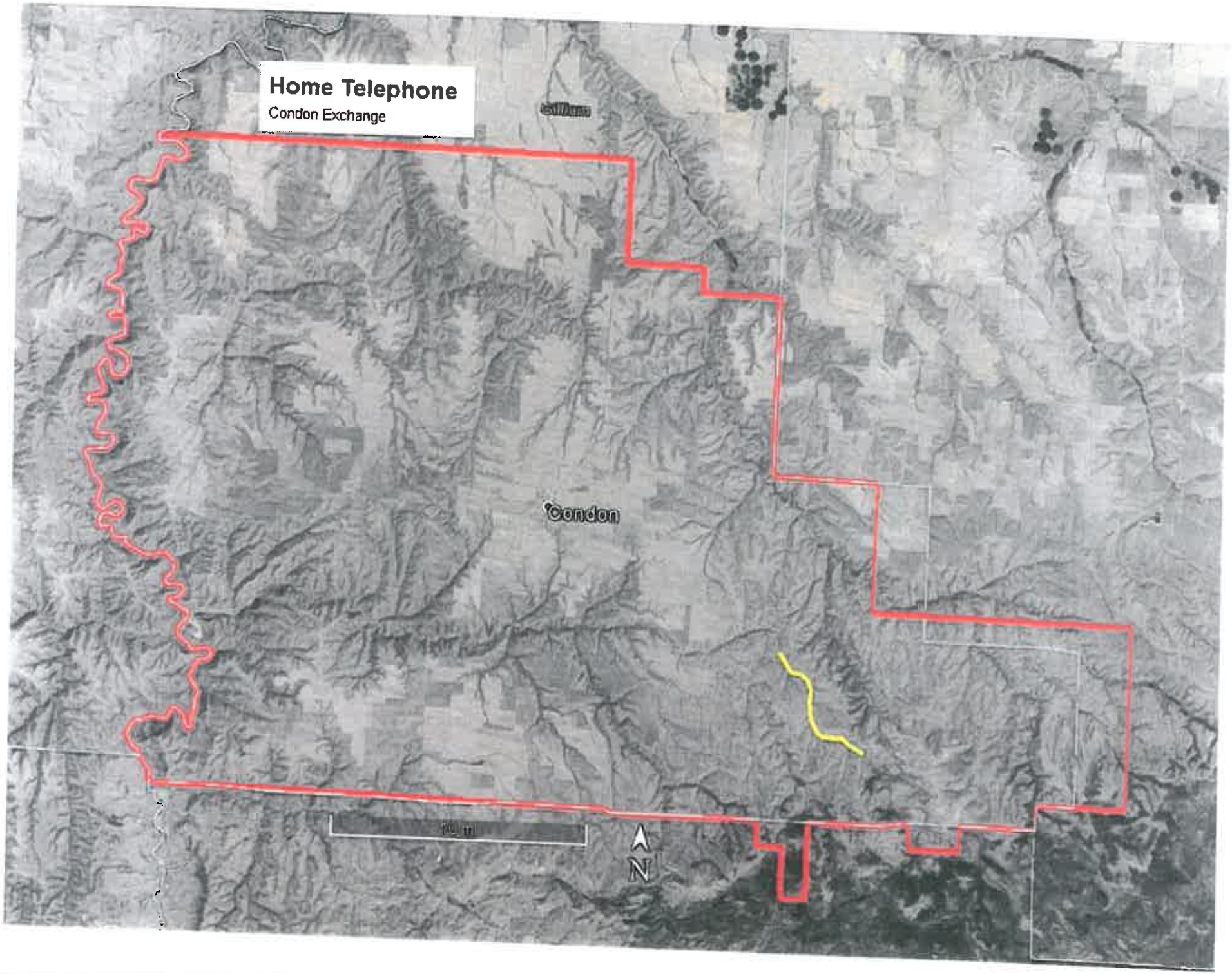
MAP REF.	WIRE CENTER NAME & CLLI	DESCRIPTION of IMPROVEMENT	PURPOSE	COST ESTIMATE	ACTUAL COST	REGULATED % ALLOCATION	AMOUNT IN USF SUPPORT AREA	% VOICE	% BROADBAND	AREA IMPACTED	POPULATION IMPACTED	TARGET COMPLETION DATE	ACTUAL COMPLETION DATE	Notes
	A	B		C	D	E	F=CxE	***	***	***	***	***	***	
	2015													
	Wire Center Name & CLLI													
	Condon, ONDNORXBDS1	Replace/Upgrade Pole attachments	Service Quality	$45,000	$48,226	100%	$45,000	50%	50%	105 sq miles	24	9/1/2015	6/1/2015	
		Replace Broadband Equipment	Service Quality and Capacity	$31,000	$34,790	100%	$31,000	50%	50%	612 sq miles	568	12/1/2015	7/1/2015	
		Virtualize Network	Service Quality	$12,000	$11,549	100%	$12,000	50%	50%	612 sq miles	568	2/1/2015	3/1/2015	

NOTES

2015 TOTAL PROJECTS $88,000

v4


Pole Attachment Upgrade
Lost Valley-Lone Rock areas
Upgrade Location
Lonerock
N


Home Telephone
Condon Exchange
Condon
N

Service Quality Standards & Consumer Protection Rules Compliance

Study Area Code	532377
Study Area Name	Home Telephone Co
Program Year	2017
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	2017
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 Pv	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	2017
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, 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)9(i) "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 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]

NORTH STATE TELEPHONE COMPANY AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

NORTH STATE TELEPHONE COMPANY AND SUBSIDIARIES
CONSOLIDATED FINANCIAL REPORT
DECEMBER 31, 2015 AND 2014

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1-2
CONSOLIDATED FINANCIAL STATEMENTS	
Consolidated balance sheets	3-4
Consolidated statements of income	5
Consolidated statements of comprehensive income	6
Consolidated statements of changes in stockholders' equity	7
Consolidated statements of cash flows	8-9
Notes to consolidated financial statements	10-22
SUPPLEMENTAL INFORMATION	
Independent auditor's report on supplemental information	23
Consolidating balance sheet	24-25
Consolidating statement of income and changes in retained earnings	26
Consolidating statement of cash flows	27-28
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*	29-30
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH ASPECTS OF CONTRACTUAL AGREEMENTS AND REGULATORY REQUIREMENTS FOR TELEPHONE BORROWERS	31-33
SCHEDULE OF INVESTMENTS IN AFFILIATED COMPANIES	34

WIGGINS & CO. P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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, 2015 and 2014, 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.

P O DRAWER 577 • 205 NORTH MAIN
BRIGHAM CITY, UTAH 84302 • (435) 723-8563 • FAX (435) 723-8565

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, 2015 and 2014, 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 22, 2016, 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 22, 2016

NORTH STATE TELEPHONE COMPANY AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2015 AND 2014

	2015	2014
ASSETS		
Current assets		
Cash and cash equivalents	$ 2,853,887	$ 1,929,809
Investments in equity securities	-	1,695,434
Due from customers and agents, less allowance for doubtful accounts of $1,450 and $1,450	874,105	932,871
Interest receivable	-	455
Materials and supplies	185,631	204,899
Prepaid expenses	282,105	201,106
Total current assets	4,195,728	4,964,574
Other assets and investments		
Restricted investments	2,081	4,008,430
Investment in affiliates	259,968	259,968
Other investments	39,241	39,241
Deferred RUS loan charges	8,726	10,266
Goodwill	639,037	639,032
Non-regulated assets, net of accumulated depreciation	153,833	213,847
Total other assets and investments	1,102,886	5,170,784
Property, plant, and equipment		
Telecommunications	59,510,424	59,291,683
Plant held for future use	426,610	426,610
Less accumulated depreciation	(31,765,022)	(28,737,936)
Property, plant, and equipment, net	28,172,012	30,980,357
Total assets	$ 33,470,626	$ 41,115,715

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

NORTH STATE TELEPHONE COMPANY AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (continued)
DECEMBER 31, 2015 AND 2014

Current liabilities		
Accounts payable	$ 126,280	$ 383,231
Accounts payable-affiliates	418,699	199,893
Advance billings	29,345	29,345
Customer deposits	4,795	2,140
Accrued expenses	312,800	266,628
Accrued interest	37,740	7,701
Deferred revenue	30,106	30,087
Income taxes payable	-	150
Current portion of long-term debt	2,171,670	2,202,930
Total current liabilities	3,131,435	3,122,105
Other liabilities		
Deferred income taxes	2,199,924	2,807,728
Deferred revenue	400,464	430,524
Post retirement benefits payable	-	289
Long-term debt, net of current portion	24,789,424	31,849,060
Total other liabilities	27,389,812	35,087,601
Total liabilities	30,521,247	38,209,706
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	3,044,069	2,772,573
Accumulated other comprehensive income	-	228,126
Total stockholders' equity	2,949,379	2,906,009
Total liabilities and stockholders' equity	$ 33,470,626	$ 41,115,715

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, 2015 AND 2014

	2015	2014
Operating revenue		
Local network	$ 537,128	$ 489,247
Network access	8,467,214	8,994,775
Operating rent	180,060	30,060
Miscellaneous	85,617	83,108
Total operating revenue	9,270,019	9,597,190
Operating expenses		
Plant specific	1,783,027	2,027,427
Plant nonspecific	257,778	234,345
Customer operations	280,340	287,517
Corporate operations	1,744,541	1,391,251
Depreciation and amortization	3,160,976	3,235,625
Total operating expenses	7,226,662	7,176,165
Operating taxes		
Income taxes (benefit)	(167,117)	36,301
Other operating taxes	563,287	485,731
Total operating expenses and taxes	7,622,832	7,698,197
Operating income	1,647,187	1,898,993
Other income (expense)	68,417	(529,482)
Income tax (expense)	(56,427)	14,716
Income available for fixed charges	1,659,177	1,384,227
Fixed charges, interest on long-term debt	(1,387,681)	(1,384,578)
Net income	$ 271,496	$ (351)

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, 2015 AND 2014

	2015	2014
Net income	$ 271,496	$ (351)
Other comprehensive income (loss)		
Change in unrealized gains (losses) on marketable securities	(376,678)	150,657
Change in deferred tax liability on unrealized gains (losses)	148,552	(58,184)
Total other comprehensive income (loss)	(228,126)	92,473
Total comprehensive income	$ 43,370	$ 92,122

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, 2015 AND 2014

	Common Stock	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Income	Total
Balance, December 31, 2013	$ 1,352,100	$ (1,347,850)	$ 2,772,924	$ 135,653	$ 2,912,827
Net income	-	-	(351)	92,473	92,122
Stock redemption	(98,940)	-	-	-	(98,940)
Balance, December 31, 2014	1,253,160	(1,347,850)	2,772,573	228,126	2,906,009
Net income	-	-	271,496	(228,126)	43,370
Balance, December 31, 2015	$ 1,253,160	$ (1,347,850)	$ 3,044,069	$ -	$ 2,949,379

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, 2015 AND 2014

	2015	2014
Cash flows from operating activities		
Net income	$ 271,496	$ (351)
Adjustments to reconcile net income to net cash provided (used) by operating activities		
AFUDC, no cash generated	-	(3,157)
Increase to bad debt reserve	-	200
Loss on non-regulated assets recorded to expense but no cash received.	-	(10,118)
Depreciation on miscellaneous physical property	71,877	41,788
Depreciation	3,159,436	3,230,584
Amortization	1,540	5,041
Deferred tax asset	(319,886)	(159,249)
Post retirement benefits	(289)	(258)
Changes in assets and liabilities		
Due from customers and agents	58,768	24,871
Accounts receivable-affiliates	8,157	-
Materials and supplies	8,266	23,823
Prepaid expenses	(69,543)	(9,962)
Accounts payable	(256,952)	83,610
Accounts payable-affiliates	290,515	130,643
Advance billings	-	29,345
Customer deposits	2,655	1,055
Accrued expenses	76,211	65,123
Deferred revenue	(30,041)	32,160
Income taxes payable	(150)	(11,778)
Net cash provided (used) by operating activities	3,272,060	3,473,370
Cash flows from investing activities		
Purchase of non-regulated assets	(10,048)	(111,183)
Proceeds from repayment of note receivable	-	98,940
Proceeds from (purchase of) investments	-	(2,636,640)
Proceeds from retirement of stock in affiliated companies	-	361,202
Proceeds from (purchase of) investments in securities or restricted investments	5,329,563	(4,236,283)
Purchase of goodwill	-	(159,955)
Proceeds from sale of plant	-	29,000
Capital expenditures	(576,599)	(1,758,040)
Change in interest receivable	-	17,697
Net cash provided (used) by investing activities	4,742,916	(8,395,262)

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, 2015 AND 2014

	2015	2014
Cash flows from financing activities		
Payments on long-term debt	(7,090,898)	(3,581,899)
Proceeds from long-term debt	-	6,403,798
Payment of member loans	-	(109,996)
Redemption of common stock	-	(98,940)
Net cash provided (used) by financing activities	(7,090,898)	2,612,963
Net increase (decrease) in cash and cash equivalents	924,078	(2,308,929)
Cash and cash equivalents, beginning	1,929,809	1,546,737
Cash added from acquistion of Pine Communications, LLC	-	2,692,001
Cash and cash equivalents, ending	$ 2,853,887	$ 1,929,809
Cash paid during the year for:		
Interest	$ 1,507,680	$ 1,441,398
Income taxes	$ 319,000	$ 384,543

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/member interest of Home Telephone Company and Pine Communications, LLC 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 Communications, LLC. 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 2015 and 2014.

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 or market.

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

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. AFUDC of $3,157 was recorded for 2014, $0 in 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-68% of revenue in 2015 and 67% in 2014) 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 2014 have been reclassified to conform to the 2015 financial statement presentation.

NOTE 2. INVESTMENTS

Other Investments

Other investments consist of the following:

	2015	2014
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, 15 shares of common stock in 2015 and 15 shares in 2014, recorded using the cost method.	259,968	259,968
Total investments in affiliates	259,968	259,968
	$ 299,209	$ 299,209

NOTE 2. INVESTMENTS (continued)

Investments in Marketable Equity Securities

The Company classifies its marketable equity securities as "available for sale" under the provisions of ASC 820 *"Fair Value Measurements"*. Available for sale financial assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein are recognized in other comprehensive income and presented in accumulated other comprehensive income in the equity section. When the investment is sold, the gain or loss accumulated in equity is reclassified to profit or loss. Available for sale financial assets are comprised entirely of equity securities. The fair values of investments in equity securities are determined with reference to their quoted market closing bid price at the measurement date. ASC 820 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring the fair value of financial assets and liabilities and are summarized into three broad categories.

Level 1 – quoted prices in active markets for identical securities;

Level 2 – other significant observable inputs, including quoted prices for similar securities , interest rates, prepayment speeds, credit risk, etc.;

Level 3 – significant unobservable inputs, including our own assumptions in determining fair value.

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

Cost and fair value of marketable equity securities at December 31, 2015 and 2014 are as follows:

	Amortized Cost	Fair Value	Fair Value Measurement at Reporting Date-Quoted Prices in Active Markets for Identical Assets (Level 1)
December 31, 2015:			
Available for sale securities:			
Domestic equity securities	$ -	$ -	$ -
December 31, 2014:			
Available for sale securities:			
Domestic equity securities	$ 1,310,783	$ 1,695,434	$ 1,695,434

NOTE 2. INVESTMENTS (continued)

Realized gains and losses are included in earnings and reported as other income for the years ended December 31, 2015 and 2014. Proceeds from the sale of available for sale securities were $1,746,666 in 2015 and $133,890 in 2014. Realized earnings for 2015 and 2014, were $408,308 and $44,652. Unrealized gains are included in other comprehensive income. Unrealized gains (losses) for 2015 and 2014 were $(376,678) and $150,657.

NOTE 3. PROPERTY, PLANT, AND EQUIPMENT

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

	2015	2014
Telecommunications		
Regulated:		
Land and support	$ 1,002,297	$ 957,308
Plant held for future use	426,610	426,610
Central office	13,913,057	13,610,679
Cable and wire facilities	43,424,377	43,322,943
Plant under construction	106,537	112,910
	58,872,878	58,430,450
Consolidated increase in plant assets due to difference in cost and book value	1,064,156	1,287,843
	59,937,034	59,718,293
less: accumulated depreciation	(31,765,022)	(28,737,936)
Total regulated	$ 28,172,012	$ 30,980,357
Non-regulated		
Cable television assets	$ 280,557	$ 274,014
Voicemail systems	35,409	50,797
Equipment	168,719	165,214
Paystations	1,817	1,817
Intangibles	648	648
	487,150	492,490
less: accumulated depreciation	(333,317)	(278,643)
Total non-regulated	$ 153,833	$ 213,847

NOTE 4. LONG-TERM DEBT

Long-term debt consists of the following:

	2015	2014
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.	$ 38,483	$ 47,880
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.	6,725,686	7,129,574
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.	699,927	735,310
$1,080,000 portfolio loan from Morgan Stanley Bank, N.A., interest rate of PLA index plus 3%, secured by marketable equity securities invested through Morgan Stanley. Interest only payments. Loan is based on a maximum of 80% of balance invested at Morgan Stanley.	-	1,050,000
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.	33,164	-
2.85% $4,000,000 note payable to Zions First National Bank, $2,000,000 outstanding at December 31, 2014. Payable in one payment due September 19, 2019. Secured by certificate of deposit.	-	2,000,000
Capital lease contract with Oregon Telephone Corporation for switching equipment, payable in monthly installments of $1,053.	104,398	117,034
	8,205,456	11,683,596

NOTE 4. LONG-TERM DEBT (continued)

	2015	2014
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.	55,408	64,931
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.	354,851	416,210
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.	243,982	284,946
	654,241	766,087
Pine Communications, LLC:		
5% mortgages payable to RUS, payable in monthly installments, collateralized by substantially all real and personal property, due dates range from 2016-2032.	6,424,242	6,594,112
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	10,965,071	12,179,360
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.	712,084	828,835
2.85% $2,000,000 note payable to Zions First National Bank, $2,000,000 outstanding at December 31, 2014. Payable in one payment due September 19, 2019. Secured by certificate of deposit.	-	2,000,000
	18,101,397	21,602,307
Total long-term debt	26,961,094	34,051,990
Less current portion	(2,171,670)	(2,202,930)
	$ 24,789,424	$31,849,060

NOTE 4. LONG-TERM DEBT (continued)

Future maturities of long-term debt are as follows:

2016	$ 2,171,670
2017	2,265,632
2018	2,369,576
2019	3,078,168
2020	2,530,967
Thereafter	14,545,081
	$ 26,961,094

North State Telephone Company had no unadvanced loan commitments for the replacement and expansion of its property, plant and equipment from Rural Utility Service (RUS) for 2015 and 2014. 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 ration of 1 and a debt service coverage ratio of 1.25 (on a non-consolidated basis). The Company met the tier ratio requirements for 2015 and 2014, but did not meet the debt service coverage ratio for 2015 and 2014. Pine Telephone Systems, Inc. has $6,384,446 in unadvanced loan commitments from RUS at December 31, 2015.

NOTE 5. RELATED PARTY TRANSACTIONS

The Company incurred $2,443,186 and $701,880 to Oregon Telephone for management fees, vehicle and equipment rentals, payroll and other expense reimbursements under a management agreement for 2015 and 2014. The amount payable, for these services, to Oregon Telephone at December 31, 2015 and 2014 was $418,699 and $199,893. During 2010, the Company loaned New Florence Telephone Company, Inc. $100,000. The interest rate on the note is 3%. The note was repaid in 2014 by a stock redemption. Pine Telephone Systems, Inc. sold a vehicle to Oregon Telephone Corporation for $25,000 during 2014.

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 notes 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:

	2015	2014
Total cash held (bank balance)	$ 3,052,754	$ 1,991,687
Portion uninsured by FDIC	(1,719,477)	(698,987)
Insured balances	$ 1,333,277	$ 1,292,700
Book balances	$ 2,853,887	$ 1,929,809

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

Eligible employees of the Company are 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 $8,164 and for 2014 were $8,315. The plan is administered by the National Telephone Cooperative Association (NTCA).

In 2014, Pine Telephone System, Inc. maintained a 401(k) retirement plan (the Plan) for employees who meet certain eligibility requirements. Under the Plan, Pine contributed 5% of compensation for all eligible employees. In addition, eligible participants may defer a portion of their wages to their employee deferral accounts and Pine matched, dollar for dollar, up to 4% of the employee deferral. Pine made contributions to the Plan totaling $59,470 for 2014. This plan was discontinued for 2015. For 2015, the employees participated in the NTCA plan and Pine contributed $76,308 to the NTCA plan.

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, 2015 and 2014, the Company had a deferred tax liability of $2,199,924 and $2,807,728 respectively. Deferred taxes result from timing differences in depreciation, post retirement insurance, unrealized gains and losses on investments, and other temporary differences for financial statement reporting and income tax reporting.

Operating income tax:

	2015	2014
Federal		
Current provision (benefit)	$ 66,179	$ 169,438
Prior year under (over) accrual		4,252
Deferred provision (benefit)	(218,141)	(119,987)
	(151,962)	53,703
State		
Current provision (benefit)	(3,115)	(6,372)
Prior year under (over) accrual		150
Deferred provision (benefit)	(12,040)	(11,180)
	(15,155)	(17,402)
Total operating income tax expense	(167,117)	36,301
Non-operating income tax:		
Federal	55,106	(1,048)
State	6,736	4,901
Prior year under (over) accrual		-
Federal deferred provision (benefit)	(5,415)	(18,569)
State deferred provision (benefit)	-	-
Total non-operating income tax expense (benefit)	56,427	(14,716)
Total income tax expense	$ (110,690)	$ 21,585
Other Comprehensive Income tax:		
Federal deferred provision (benefit)	$ (121,626)	$ 47,638
State deferred provision (benefit)	(26,926)	10,546
Total other comprehensive income tax (benefit)	$ (148,552)	$ 58,184

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.

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 are reimbursed each month. During 2015 and 2014, the total reimbursements under the agreement were $2,443,186 and $701,880, 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, 2015 and 2014, the accrued net present value balance was $0 and $289. The amount paid during 2015 and 2014 was $310 and $609. The terms of the benefit have been met and at December 31, 2015, there is 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.

	2015	2014
Central office equipment-switching	$ 234,652	$ 234,652
Less: accumulated depreciation	(234,652)	(215,698)
	$ -	$ 18,954

NOTE 11. CAPITAL LEASE (Continued)

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

2016	$ 12,636
2017	12,636
2018	12,636
2019	12,636
2020	12,636
Thereafter	41,218
Total minimum lease payments	104,398
Less: amount representing interest	-
Present value of minimum lease payments	$ 104,398

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.

WIGGINS & CO. P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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, 2015 and 2014, appears on page 1. 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, 2015, 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 2015 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 22, 2016

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NORTH STATE TELEPHONE COMPANY AND SUBSIDIARIES
CONSOLIDATING BALANCE SHEET
DECEMBER 31, 2015

	North State Telephone Company	Skyline Telecom, Inc	Home Telephone Company	Pine Communications, LLC	Eliminations	Consolidated Totals
ASSETS						
Current assets						
Cash and cash equivalents	$ 905,606	$ 305,158	$ 344,532	$ 1,298,591	$ -	$ 2,853,887
Investments in equity securities	-	-	-	-	-	-
Due from customers and agents, less allowance for doubtful accounts of $1,450.	265,403	104,236	72,412	432,054	-	874,105
Accounts receivable-affiliates	40,487	-	-	-	(40,487)	-
Materials and supplies	438	581	7,201	177,411	-	185,631
Prepaid expenses	41,026	43,293	1,248	196,538	-	282,105
Total current assets	1,252,960	453,268	425,393	2,104,594	(40,487)	4,195,728
Other assets and investments						
Restricted investments	-	-	-	2,081	-	2,081
Investment in affiliates	6,519,386	-	-	-	(6,259,418)	259,968
Other investments	11,000	-	-	28,241	-	39,241
Notes receivable-affiliates	-	-	-	2,000,000	(2,000,000)	-
Interest receivable	-	-	-	155,000	(155,000)	-
RUS loan charges	-	8,726	-	-	-	8,726
Deferred tax asset	-	-	239,768	-	(239,768)	-
Goodwill	-	-	-	479,077	159,960	639,037
Non-regulated assets, net of accumulated depreciation	36,105	11,266	648	105,814	-	153,833
Total other assets and investments	6,566,491	19,992	240,416	2,770,213	(8,494,226)	1,102,886
Property, plant, and equipment						
Telecommunications	12,299,757	3,019,743	3,451,088	39,675,680	1,064,156	59,510,424
Held for future use	-	-	-	426,610	-	426,610
	12,299,757	3,019,743	3,451,088	40,102,290	1,064,156	59,937,034
Less accumulated depreciation	(4,712,515)	(2,046,847)	(3,301,913)	(21,589,267)	(114,480)	(31,765,022)
Property, plant, and equipment, net	7,587,242	972,896	149,175	18,513,023	949,676	28,172,012
Total assets	$ 15,406,693	$ 1,446,156	$ 814,984	$ 23,387,830	$ (7,585,037)	$ 33,470,626

NORTH STATE TELEPHONE COMPANY AND SUBSIDIARIES
CONSOLIDATING BALANCE SHEET (continued)
DECEMBER 31, 2015

	North State Telephone Company	Skyline Telecom, Inc.	Home Telephone Company	Pine Communications, LLC	Eliminations	Consolidated Totals
LIABILITIES AND STOCKHOLDERS' EQUITY						
Current liabilities						
Accounts payable	$ 3,869	$ -	$ 114,112	$ 8,299	$ -	$ 126,280
Accounts payable-affiliates	88,526	47,597	66,778	256,285	(40,487)	418,699
Advance billings	-	-	29,345	-	-	29,345
Customer deposits	2,105	665	2,025	-	-	4,795
Accrued expenses	79,340	4,549	21,126	207,785	-	312,800
Accrued interest	192,740	-	-	-	(155,000)	37,740
Income taxes payable	-	-	-	-	-	-
Current deferred revenue	30,060	-	-	46	-	30,106
Current portion of long-term debt	489,012	117,102	-	1,565,556	-	2,171,670
Total current liabilities	885,652	169,913	233,386	2,037,971	(195,487)	3,131,435
Other liabilities						
Deferred income taxes	1,340,276	75,870	-	1,023,546	(239,768)	2,199,924
Deferred revenue	400,464	-	-	-	-	400,464
Post-retirement benefits	-	-	-	-	-	-
Long-term debt, net	9,716,444	537,139	-	16,535,841	(2,000,000)	24,789,424
Total other liabilities	11,457,184	613,009	-	17,559,387	(2,239,768)	27,389,812
Stockholders' equity						
Common stock	1,253,160	262,582	27,000	-	(289,582)	1,253,160
Additional paid in capital	-	-	45,274	-	(45,274)	-
Common stock reacquired	(1,347,850)	-	-	-	-	(1,347,850)
Retained earnings	3,158,547	400,652	509,324	-	(1,024,454)	3,044,069
Member interest	-	-	-	3,790,472	(3,790,472)	-
Accumulated other comprehensive income	-	-	-	-	-	-
Total stockholders' equity	3,063,857	663,234	581,598	3,790,472	(5,149,782)	2,949,379
Total liabilities and stockholders' equity	$ 15,406,693	$ 1,446,156	$ 814,984	$ 23,387,830	$ (7,585,037)	$ 33,470,626

NORTH STATE TELEPHONE COMPANY AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF INCOME AND
CHANGES IN RETAINED EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 2015

	North State Telephone Company	Skyline Telecom, Inc.	Home Telephone Company	Pine Communications, LLC	Eliminations	Consolidated Totals
Operating revenue						
Local network	$ 99,990	$ 28,841	$ 226,253	$ 182,044	$ -	$ 537,128
Network access	1,749,391	935,151	426,450	5,356,222	-	8,467,214
Operating rent	180,060	-	-	-	-	180,060
Miscellaneous	11,241	(182)	29,960	44,598	-	85,617
Total operating revenue	2,040,682	963,810	682,663	5,582,864	-	9,270,019
Operating expenses						
Plant specific	242,583	255,327	186,858	1,098,259	-	1,783,027
Plant nonspecific	59,275	14,095	43,750	140,658	-	257,778
Customer operations	31,939	14,723	32,736	200,942	-	280,340
Corporate operations	446,092	355,042	154,239	789,168		1,744,541
Depreciation and amortization	453,296	190,591	131,024	2,334,269	51,796	3,160,976
Total operating expenses	1,233,185	829,778	548,607	4,563,296	51,796	7,226,662
Operating taxes						
Income taxes (benefit)	131,105	33,520	22,984	(354,726)	-	(167,117)
Other operating taxes	121,992	5,402	40,386	395,507	-	563,287
Total operating expenses and taxes	1,486,282	868,700	611,977	4,604,077	51,796	7,622,832
Operating income	554,400	95,110	70,686	978,787	(51,796)	1,647,187
Other income (expense)	361,597	(63,722)	79,329	(188,787)	(120,000)	68,417
Income (loss) from subsidiaries	(302)	-	-	-	302	-
Income tax benefit (expense)	3,915	21,665	(30,427)	(51,580)	-	(56,427)
Income available for fixed charges	919,610	53,053	119,588	738,420	(171,494)	1,659,177
Fixed charges, interest on long-term debt	(596,318)	(33,677)	-	(877,686)	120,000	(1,387,681)
Net income	323,292	19,376	119,588	(139,266)	(51,494)	271,496
Retained earnings/member interest, beginning of year	2,835,255	381,276	389,736	3,929,738	(4,763,432)	2,772,573
Retained earnings/member interest, end of year	$ 3,158,547	$ 400,652	$ 509,324	$ 3,790,472	$ (4,814,926)	$ 3,044,069

NORTH STATE TELEPHONE COMPANY AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015

	North State Telephone Company	Skyline Telecom, Inc.	Home Telephone Company	Pine Communications, LLC	Eliminations	Consolidated Totals
Cash flows from operating activities						
Net income (loss)	$ 323,292	$ 19,376	$ 119,588	$ (139,266)	$ (51,494)	$ 271,496
Adjustments to reconcile net income to net cash provided (used) by operating activities						
Increase to bad debt reserve	-	-	-	-	-	-
Gain on non-reg assets booked to expense but no cash received	-	-	-	-	-	-
Allowance for funds used during construction	-	-	-		-	-
Depreciation on miscellaneous physical property-nonregulated	55,453	-	-	16,424	-	71,877
Depreciation	453,296	189,051	131,024	2,334,269	51,796	3,159,436
Amortization	-	1,540	-	-	-	1,540
Deferred taxes	32,114	3,176	13,124	(368,300)	-	(319,886)
Income from subsidiary	302	-	-	-	(302)	-
Post retirement benefit	(289)	-	-	-	-	(289)
Changes in assets and liabilities						
Due from customers and agents	(113,935)	(35,809)	5,229	203,283	-	58,768
Accounts receivable-affiliates	39,933	-	8,711	-	(40,487)	8,157
Materials & supplies	(69)	(127)	(148)	8,610	-	8,266
Prepaid expenses	63,154	(30,408)	(1,248)	(101,041)	-	(69,543)
Accounts payable	(59,926)	(25,126)	(9,972)	(161,928)	-	(256,952)
Accounts payable-affiliates	3,654	32,597	22,584	191,193	40,487	290,515
Advance billings	-	-	-	-		-
Customer deposits	740	(35)	1,950	-	-	2,655
Accrued expenses	134,727	(53,446)	14,660	100,421	(120,151)	76,211
Deferred revenue	(30,060)	-	-	19	-	(30,041)
Income taxes payable	-	-	(150)	-	-	(150)
Net cash provided (used) by operating activities	902,386	100,789	305,352	2,083,684	(120,151)	3,272,060

NORTH STATE TELEPHONE COMPANY AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF CASH FLOWS (continued)
FOR THE YEAR ENDED DECEMBER 31, 2015

	North State Telephone Company	Skyline Telecom, Inc.	Home Telephone Company	Pine Communications, LLC	Eliminations	Consolidated Totals
Cash flows from investing activities						
Purchase of other non-regulated assets	(6,543)	-	-	(3,505)	-	(10,048)
Proceeds from repayment of note receivable	-	-	-	-	-	-
Proceeds from (purchase of) investments in securities or restricted investments	3,327,452	-	-	2,002,111	-	5,329,563
Proceeds from sale of plant	-	-	-	-	-	-
Purchase of Capital expenditures	(239,796)	(56,729)	(97,771)	(182,303)	-	(576,599)
Interest receivable	-	-	-	(120,151)	120,151	-
Net cash provided (used) by investing activities	3,081,113	(56,729)	(97,771)	1,696,152	120,151	4,742,916
Cash flows from financing activities						
Payments on long-term debt	(3,478,140)	(111,848)	-	(3,500,910)	-	(7,090,898)
Proceeds from long-term debt	-	-	-	-		-
Redemption of common stock	-	-	-	-	-	-
Net cash provided (used) by financing activities	(3,478,140)	(111,848)	-	(3,500,910)	-	(7,090,898)
Net increase (decrease) in cash	505,359	(67,788)	207,581	278,926	-	924,078
Cash and cash equivalents, beginning	400,247	372,946	136,951	1,019,665	-	1,929,809
Cash and cash equivalents, ending	$ 905,606	$ 305,158	$ 344,532	$ 1,298,591	$ -	$ 2,853,887
Cash paid during the year for:						
Interest	$ 596,318	$ 33,676	$ -	$ 877,686	$ -	$ 1,507,680
Income taxes	$ 89,500	$ 39,500	$ -	$ 190,000	$ -	$ 319,000

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CERTIFIED PUBLIC ACCOUNTANTS

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, 2015 and 2014, and have issued our report thereon dated March 22, 2016. 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.

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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 22, 2016

WIGGINS & CO. P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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, 2015 and 2014, 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 22, 2016. In accordance with *Government Auditing Standards,* we have also issued our report dated March 22, 2016, 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;

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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 2015 and 2014 but did not meet the debt service coverage ratio for 2015 and 2014.

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 22, 2016

NORTH STATE TELEPHONE COMPANY
SCHEDULE OF INVESTMENTS IN AFFILIATED COMPANIES
FOR THE YEAR ENDED DECEMBER 31, 2015

	Skyline Telecom, Inc.	Home Telephone Company	Pine Communications, LLC	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, 2014	211,889	8,412	(113,335)	-	106,966
Net income for the year ended December 31, 2015	19,376	119,588	(139,266)	-	(302)
Book value of investment as of December 31, 2015	$ 866,265	$ 1,645,754	$ 3,747,399	$ 259,968	$ 6,519,386

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%.