



Christopher T. Ulmer
Senior Vice President

July 10, 2018

Marlene H. Dortch, Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington D.C. 20554

Re: *Connect America Fund*, WC Docket No. 10-90; 2018 FCC Form 481

Dear Ms. Dortch:

ICORE Consulting, on behalf of Sully Telephone Company ("the Company") hereby submits to the Commission a copy of the Company's completed Form 481¹. Certain portions of the Form 481 filing include information that is confidential in nature. Specifically, the section entitled "Rate of Return Carrier Additional Information"² should be accorded confidential treatment. Attached please find a statement of the reasons for withholding the redacted materials from public inspection pursuant to 47 CFR § 0.459.

Thank you for your attention to this matter. Should you or any member of the Commission Staff have any questions or comments, please do not hesitate to contact us at your convenience.

Sincerely,

A large black rectangular redaction box covering the signature of Christopher T. Ulmer.

Senior Vice President

¹ This filing is required to comply with 47 CFR §§ 54.313 and 54.422(c).

² The financial reports section of FCC Form 481 is identified at the Universal Service Administrative Company ("USAC") website as "Section 3005" in the downloadable version and as "Section 3000" in the online filing version at the same USAC website. <http://www.usac.org/hc/tools/forms.aspx>. The same identical financial information is required in both. The request for confidentiality applies regardless of whether the form filled out employs the 3005 or 3000 designation.

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Emmaus, PA 18049

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www.icorellc.com

**CONFIDENTIALITY REQUEST AND STATEMENT OF JUSTIFICATION
IN COMPLIANCE WITH 47 C.F.R. §0459(b)**

Sully Telephone Company (“Company”) is a small, privately held rural local exchange company based in Iowa. The Company requests confidential treatment of certain information being provided to the Commission in its 2018 FCC Form 481. The information is competitively sensitive and its disclosure would have a negative competitive consequence upon the Company were it made publicly available. Such information would not ordinarily be made available to the public and should be afforded confidential treatment under 47 CFR §0.459.

Regulation	Statement of support and compliance with Confidentiality requests
47 CFR §0.459(a)(2)	ICORE Consulting, on behalf of the Company has e-filed, through ECFS, the redacted version and sent via USPS Express Mail the confidential hard copy version (original and one copy) of its 2018 FCC Form 481.
47 CFR §0.459(b)(1)	The Company requests that the documentation required in the section entitled “Rate of Return Carrier Additional Information ³ , which consists of the Company’s financial reports, income statement, balance sheet and cash flow statement, be accorded confidential treatment. The confidential information has been redacted from the public version with black shading.
47 CFR §0.459(b)(2)	The circumstances giving rise to the submission of this confidential information is set forth in 47 CFR § 54.313 and 47 CFR § 54.422.
47 CFR §0.459(b)(3) and §0.459(b)(4)	The information for which confidentiality is sought is financial in nature, including balance sheet, income statement, and statement of cash flows.
47 CFR §0.459(b)(5)	There is robust competition in the telecommunications market today, including wireless, VoIP providers, and cable television providers to name a few. Financial data such as the amount of cash on hand, amount of debt, and revenue by source are all examples of information that competitors would not receive in the normal course of business.
47 CFR §0.459(b)(6)	The financial information is disclosed only within the Company, and furthermore is only provided (1) members of senior management, or (2) those employees who require this information to perform their jobs.
47 CFR §0.459(b)(7)	The Company has not previously released this information to third parties without the execution of a non-disclosure agreement.
47 CFR §0.459(b)(8)	The Company requests that the information be held by the Commission as confidential indefinitely.

³ The financial reports section of FCC Form 481 is identified at the Universal Service Administrative Company (“USAC”) website as “Section 3005” in the downloadable version and as “Section 3000” in the online filing version at the same USAC website. <http://www.usac.org/hc/tools/forms.aspx>. The same identical financial information is required in both. The request for confidentiality applies regardless of whether the form filed out employs the 3005 or 3000 designation.

**FCC Form 481 - Carrier Annual Reporting
Data Collection Form**

FCC Form 481

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

July 2018

<010>	Study Area Code	351306
<015>	Study Area Name	SULLY TEL ASSOC
<020>	Program Year	2019
<030>	Contact Name: Person USAC should contact with questions about this data	Christopher Ulmer
<035>	Contact Telephone Number: Number of the person identified in data line <030>	6109283903 ext.
<039>	Contact Email Address: Email of the person identified in data line <030>	culmer@icorellc.com
	Form Type	54.313 and 54.422

REDACTED - FOR PUBLIC INSPECTION

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

<010>	Study Area Code	351306
<015>	Study Area Name	SULLY TEL ASSOC
<020>	Program Year	2019
<030>	Contact Name - Person USAC should contact regarding this data	
<035>	Contact Telephone Number - Number of person identified in data line <030>	Christopher Ulmer 6109283903 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	culmer@icorellc.com

[illegible]

<010> Study Area Code 351306

<015> Study Area Name SULLY TEL ASSOC

<020> Program Year 2019

<030> Contact Name - Person USAC should contact regarding this data Christopher Ulmer

<035> Contact Telephone Number - Number of person identified in data line
<030> 6109283903 ext.

<039> Contact Email Address - Email Address of person identified in data line
<030> culmer@icorellc.com

<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.

<410> Complaints per 1000 customers for fixed voice

<420> Complaints per 1000 customers for mobile voice

(500) Compliance With Service Quality Standards and Consumer Protection Rules
Data Collection Form

FCC Form 481
OMB Control No. 3060-
July 2018

<010>	Study Area Code	351306
<015>	Study Area Name	SULLY TEL ASSOC
<020>	Program Year	2019
<030>	Contact Name - Person USAC should contact regarding this data	Christopher Ulmer
<035>	Contact Telephone Number - Number of person identified in data line <030>	6109283903 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	culmer@icorellc.com

<515> Certify compliance with applicable minimum service standards

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

**FCC Form 481
OMB Control No. 3060-098
July 2018**

<010>	Study Area Code	351306
<015>	Study Area Name	SULLY TEL ASSOC
<020>	Program Year	2019
<030>	Contact Name - Person USAC should contact regarding this data	Christopher Ulmer
<035>	Contact Telephone Number - Number of person identified in data line <030>	6109283903 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	culmer@icorellc.com
<600>	Certify compliance regarding ability to function in emergency situations	Yes
<610>	Descriptive document for Functionality in Emergency Situations	351306IA610.pdf

[illegible]

(900) Tribal Lands Reporting
Data Collection Form

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

<010>	Study Area Code	351306
<015>	Study Area Name	SULLY TEL ASSOC
<020>	Program Year	2019
<030>	Contact Name - Person USAC should contact regarding this data	Christopher Ulmer
<035>	Contact Telephone Number - Number of person identified in data line <030>	6109283903 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	culmer@icorelle.com

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

Tribal Land(s) on which ETC Serves

Tribal Government Engagement Obligation

Name of Attached Document

If your company serves Tribal lands, please select (Yes,No, NA) for each these boxes to confirm the status described on the attached PDF, on line 920, demonstrates coordination with the Tribal government pursuant to § 54.313(a)(5) 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 2018

<010>	Study Area Code	351306
<015>	Study Area Name	SULLY TEL ASSOC
<020>	Program Year	2019
<030>	Contact Name - Person USAC should contact regarding this data	Christopher Ulmer
<035>	Contact Telephone Number - Number of person identified in data line <030>	6109283903 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	culmer@icorellc.com

<1000> Voice services rate comparability certification

Yes

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

351306IA1010.pdf

Name of Attached Document

Yes - Pricing is no more than the most recent applicable benchmark announced by the Wireline Competition Bureau

<1020> Broadband comparability certification

<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 2018

<010>	Study Area Code	351306
<015>	Study Area Name	SULLY TEL ASSOC
<020>	Program Year	2019
<030>	Contact Name - Person USAC should contact regarding this data	Christopher Ulmer
<035>	Contact Telephone Number - Number of person identified in data line <030>	6109283903 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	culmer@icorellc.com

<1100>	Certify whether terrestrial backhaul options exist (Y/N)	Yes
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<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).	
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<1140>	Alaska Plan rate-of-return certification (yes, no, or not applicable) of compliance with approved performance plan.	Not Applicable
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(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 2018

<010>	Study Area Code	351306
<015>	Study Area Name	SULLY TEL ASSOC
<020>	Program Year	2019
<030>	Contact Name - Person USAC should contact regarding this data	Christopher Ulmer
<035>	Contact Telephone Number - Number of person identified in data line <030>	6109283903 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	culmer@icorellc.com

<1210>	Terms & Conditions of Voice Telephony Lifeline Plans	<div>351306IAL210.pdf</div>	Name of Attached Document
<1220>	Link to Public Website	HTTP	www.sullytel.com

"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,	<input checked="" type="checkbox"/>
<1222>	Details on the number of minutes provided as part of the plan,	<input checked="" type="checkbox"/>
<1223>	Additional charges for toll calls, and rates for each such plan.	<input checked="" type="checkbox"/>

(2005) Price Cap Carrier Additional Documentation		FCC Form 481	
Data Collection Form		OMB Control No. 3060-0986/OMB Control No. 3060-0819	
Including Rate-of-Return Carriers affiliated with Price Cap Local Exchange Carriers		July 2018	
<010>	Study Area Code	351306	
<015>	Study Area Name	SULLY TEL ASSOC	
<020>	Program Year	2019	
<030>	Contact Name - Person USAC should contact regarding this data	Christopher Ulmer	
<035>	Contact Telephone Number - Number of person identified in data line <030>	6109283903 ext.	
<039>	Contact Email Address - Email Address of person identified in data line <030>	culmer@icorellc.com	

Select the appropriate responses below (Yes, No, Not Applicable) to note compliance as a recipient of frozen 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(c),(d),(e). The information reported on this form and in the documents attached below is accurate.

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

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

<2016> Certification support used to build broadband

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

<2017A> Connect America Fund Phase II recipient?

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

Name of Attached Document Listing Required Information

<2019> Recipient certifies that it bid on category one telecommunications and Internet access services in response to all FCC Form 470 postings seeking broadband service that meets the connectivity targets for the schools and libraries universal service support program for eligible schools and libraries located within any area in a census block where the carrier is receiving Phase II model-based support, and that such bids were at rates reasonably comparable to rates charged to eligible schools and libraries in urban areas for comparable offerings - 54.313(e)(1)(ii)(C)

(3005) Rate Of Return Carrier Additional Documentation Data Collection Form		FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2018
<010>	Study Area Code	351306
<015>	Study Area Name	SULLY TEL ASSOC
<020>	Program Year	2019
<030>	Contact Name - Person USAC should contact regarding this data	Christopher Ulmer
<035>	Contact Telephone Number - Number of person identified in data line <030>	6109283903 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	culmer@icorellc.com

CAF BLS Reporting

- (3008A) Please indicate whether new locations were deployed during the prior calendar year. (Yes/No) No
- (3008B) Please enter the number of new locations deployed in the prior calendar year associated with each of the following speed tiers.
- (3008B1) Number of newly built locations with access to broadband speeds of at least 10/1 Mbps but less than 25/3 Mbps.
- (3008B2) Number of newly built locations with access to broadband speeds of 25/3 Mbps or higher.
- (3008C) Please provide the percentage of deployment across the entire study area.

<010>	Study Area Code	351306
<015>	Study Area Name	SULLY TEL ASSOC
<020>	Program Year	2019
<030>	Contact Name - Person USAC should contact regarding this data	Christopher Ulmer
<035>	Contact Telephone Number - Number of person identified in data line <030>	6109283903 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	culmer@icorellc.com

Select from the drop down menu or check the boxes below to note compliance with 54.313(f)(1). Privately held carriers must also certify 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 the information attached below is accurate.

(3009)	Progress Report on 5 Year Plan Carrier certifies to 54.313(f)(1)(iii)		Yes - Attach Certification
(3010A)	Certification of Public Interest Obligations {47 CFR § 54.313(f)(1)(i)}		351306IA3010R
(3010B)	Please Provide Attachment	Name of Attached Document Listing Required Information	
(3012A)	Community Anchor Institutions {47 CFR § 54.313(f)(1)(ii)}	No - No New Community Anchors	
(3012B)	Please Provide Attachment	Name of Attached Document Listing Required Information	
(3013)	Is your company a Privately Held ROR Carrier {47 CFR § 54.313(f)(2)}	(Yes/No)	<input checked="" type="radio"/> <input type="radio"/>
(3014)	If yes, does your company file the RUS annual report	(Yes/No)	<input type="radio"/> <input checked="" type="radio"/>
	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)		<input type="checkbox"/>
(3016)	Document(s) with Balance Sheet, Income Statement and Statement of Cash Flows		<input type="checkbox"/>
(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)	<input checked="" type="radio"/> <input type="radio"/>
	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		<input checked="" type="checkbox"/>
(3020)	Document(s) for Balance Sheet, Income Statement and Statement of Cash Flows		<input checked="" type="checkbox"/>
(3021)	Management letter and/or audit opinion issued by third party to certify compliance with the requirements of 47 CFR 54.313(f)(2)		<input type="checkbox"/>

<010>	Study Area Code	351306
<015>	Study Area Name	SULLY TEL ASSOC
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<030>	Contact Name - Person USAC should contact regarding this data	Christopher Ulmer
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<039>	Contact Email Address - Email Address of person identified in data line <030>	culmer@icorellc.com

Financial Data Summary	
(3027) Revenue	
(3028) Operating Expenses	
(3029) Net Income	
(3030) Telephone Plant In Service(TPIS)	
(3031) Total Assets	
(3032) Total Debt	
(3033) Total Equity	
(3034) Dividends	

<010>	Study Area Code	351306
<015>	Study Area Name	SULLY TEL ASSOC
<020>	Program Year	2019
<030>	Contact Name - Person USAC should contact regarding this data	Christopher Ulmer
<035>	Contact Telephone Number - Number of person identified in data line <030>	6109283903 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	culmer@icorellc.com

4005 Rural Broadband Experiment

Authorized Rural Broadband Experiment (RBE) recipients must address the certification for public interest obligations and provide list of newly served community anchor institutions.

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 response to Line 4001.

4001. Recipient certifies that it is offering broadband meeting the requisite public interest obligations consistent with the category in which they were selected, including broadband speed, latency, usage capacity, and rates that are reasonably comparable to rates of 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
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[illegible]

Certification - Reporting Carrier Data Collection Form	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2018
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<010>	Study Area Code	351306
<015>	Study Area Name	SULLY TEL ASSOC
<020>	Program Year	2019
<030>	Contact Name - Person USAC should contact regarding this data	Christopher Ulmer
<035>	Contact Telephone Number - Number of person identified in data line <030>	6109283903 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	culmer@icorellc.com

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: SULLY TEL ASSOC	
Signature of Authorized Officer: CERTIFIED ONLINE	Date 07/09/2018
Printed name of Authorized Officer: Earl DeAngelo	
Title or position of Authorized Officer: General Manager	
Telephone number of Authorized Officer: 6415942905 ext.	
Study Area Code of Reporting Carrier: 351306	Filing Due Date for this form: 07/16/2018
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 2018
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<010> Study Area Code	351306
<015> Study Area Name	SULLY TEL ASSOC
<020> Program Year	2019
<030> Contact Name - Person USAC should contact regarding this data	Christopher Ulmer
<035> Contact Telephone Number - Number of person identified in data line <030>	6109283903 ext.
<039> Contact Email Address - Email Address of person identified in data line <030>	culmer@icorellc.com

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

Company	Sully Telephone Association
Study Area Code	351306
Supplemental Data For:	Line 610 – Description of Functionality in Emergency Situations

Iowa Administrative Code §199-22.6(5) requires an ETC to certify in its annual report that it is complying with provisions to meet emergencies including but not limited to the provision of emergency power. Each central office shall contain a minimum of two hours of battery reserve and for offices without permanently installed emergency power facilities, there shall be access to a mobile power unit with enough capacity to carry the load which can be delivered on reasonably short notice and readily connected. Sully Telephone Association certifies that it has complied with these requirements and will continue to comply with these requirements. In addition, the ETC also complies with all federal rules regarding end user's abilities to function in emergency situations.



305 7th Ave / PO Box 308, Sully, IA 50251
Sullytel@netins.net

June 11, 2018

I, Earl J. DeAngelo, hereby certify that Sully Telephone company's pricing of voice services is no more than two standard deviations above the applicable national average urban rate for voice services as specified in the most recent public notice issued by the Wireline Commission Bureau.

Sincerely,

Earl J. DeAngelo – General Manager
Sully Telephone Association / PST Digital, LLC
305 7th Avenue / P.O. Box 308, Sully, IA 50251
Telephone: (641) 594-2905
Fax: (641) 594-2938
Email: jackd@sullytel.com

FCC Form 481, Line 1210: Terms and Condition for Lifeline Customers
Lifeline Telephone Assistance Program

Financial assistance through the Lifeline program is available to help eligible Iowans afford and maintain basic telephone service. Lifeline participation enables Iowans to stay connected to jobs, family, community resources, and government and emergency services. Lifeline is a federal government program that assists qualified Iowans by providing a monthly credit of \$9.25 on the local telephone bill. Lifeline benefits are limited to one wire line or wireless phone per qualified household. Households currently receiving more than one Lifeline service must select a single Lifeline service provider and de-enroll from the program with any other provider(s).

Households eligible for the Lifeline program include those who participate in other federal public assistance programs, such as the Low-Income Home Energy Assistance Program (LIHEAP) or Supplemental Nutrition Assistance Program (SNAP). Consumers may also qualify based on their level of income. For more information, please see the Board's [2015 Lifeline Week news release](#).

A Lifeline [application form](#) is available from your local telephone service provider, the Iowa Utilities Board, or most [Community Action Agencies](#) in the state. To apply, simply complete the application form and then return it to your chosen participating provider. Additionally, residents of Tribal lands who are eligible for Lifeline, should check with their local telecommunications provider to inquire about additional benefits, including potential Link-Up telephone-installation benefits.

Re-certification forms are sent to all Lifeline subscribers each year. In order to continue receiving Lifeline assistance, these forms must be completed and returned to the subscriber's local telecommunications provider within 30 days. If the re-certification form is not returned, the telecommunications provider will discontinue the subscriber's Lifeline assistance.

Information about the [number of customers receiving Lifeline assistance](#) is reported by each Iowa telephone company. For more information, call the Iowa Utilities Board toll free at 1.877.565.4450, or visit www.fcc.gov/lifeline or www.usac.org.

Number of local minutes provided: Unlimited local calling
Equal access toll calls are available and are billed at carriers' standard rates for Lifeline subscribers.

LOW INCOME ASSISTANCE PROGRAM

B. LIFELINE ASSISTANCE

1. The Lifeline Assistance Program is a plan which assists qualified low-income applicants with reductions in their monthly local exchange service rate. The assistance applies for a single telephone line at the applicant's principal place of residence. Qualified applicants shall have their monthly local exchange service rate reduced by the federal support of \$9.25.

2. Eligibility Requirements

To be eligible for assistance, an applicant must participate in one of the following:

- a. Medicaid (e.g. Title XIX/Medical, state supplemental assistance)
- b. Food Stamps
- c. Supplemental Security Income (SSI)
- d. Federal public housing assistance
- e. Low-Income Home Energy Assistance Program (LHEAP)
- f. Temporary assistance to needy families (TANF)
- g. National school lunch program (NSL)
- h. Meet FCC defined income based criterion for telephone assistance

The Lifeline customer is responsible for notifying the Company if the customer ceases to participate in any of the public assistance programs listed above.

3. Application for Assistance

An applicant shall request telephone assistance through completion of a form provided by the Company.

4. Rates

a. The Lifeline customer will receive a monthly credit toward their local exchange service rate. The total monthly credit of \$9.25 b. Toll blocking shall be included with this service offering without charge. No service deposit would be required if applicant voluntarily elects toll blocking with the initiation of Lifeline Service.

Issued: November 1, 2014
Effective: November 1, 2014

To be in compliance with the Milestone Certification of providing upon a reasonable request broadband service at actual speeds of 10 Mbps downstream/1 Mbps upstream:

- The Company certifies that it has taken reasonable steps to provide upon a reasonable request broadband service at actual speeds of 10 Mbps downstream/1 Mbps upstream with latency suitable for real time applications, including Voice over Internet Protocol.
- The Company provides usage capacity that is reasonably comparable to comparable offerings in urban areas.
- The Company certifies that requests for such service are met within a reasonable amount of time.

Sully Telephone Association

December 31, 2017 and 2016

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Independent Auditor's Report

Board of Directors
Sully Telephone Association and Subsidiary
Sully, Iowa

We have audited the accompanying consolidated financial statements of Sully Telephone Association (an Iowa Corporation) and its subsidiary, which comprise the consolidated balance sheets as of December 31, 2017 and 2016, 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 misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Board of Directors
Sully Telephone Association and Subsidiary
Page 2

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Sully Telephone Association and its subsidiary as of December 31, 2017 and 2016, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

BKD, LLP

West Des Moines, Iowa
March 9, 2018

Sully Telephone Association
Consolidated Balance Sheets
December 31, 2017 and 2016

Assets

Current Assets

Cash and cash equivalents

Certificates of deposit

Accounts receivable:

Due from customers

Less allowance of [REDACTED] respectively

Network access

Less allowance of [REDACTED] respectively

Other

Prepaid income taxes

Notes receivable

Less allowance of [REDACTED] respectively

Interest receivable

Materials and supplies at average cost

Prepayments

Deferred income taxes

Other Noncurrent Assets

Limited liability company investments

Available-for-sale securities

Other investments

Notes receivable, less current portion

Deferred income taxes

Wireless licenses

Property, Plant and Equipment

Telephone plant in service

Rental property

Wireless plant in service

Less accumulated depreciation

Plant under construction

Total assets

See Notes to Consolidated Financial Statements

2017
2016

Liabilities and Stockholders' Equity

2017 2016

Current Liabilities
Current portion of long-term debt
Accounts payable:
Network access
Other
Advanced billing and payments
Accrued taxes
Other

Long-term Debt, less current portion

Other Noncurrent Liabilities

Deferred income taxes
Asset retirement obligations

Stockholders' Equity

Common stock
par value; shares authorized,
shares issued and outstanding
Accumulated other comprehensive income:
Unrealized losses on certain investments
Retained earnings

Total liabilities and stockholders' equity

Sully Telephone Association

Consolidated Statements of Income

December 31, 2017 and 2016

	2017	2016
Operating Revenues		
Local network services		
Network access services		
Long distance services		
Internet services		
Wireless services		
Miscellaneous		
Uncollectibles		
Operating Expenses		
Plant specific operations		
Plant nonspecific operations		
Cost of long distance services		
Cost of internet services		
Cost of wireless services		
Cost of other services		
Depreciation and accretion		
Customer operations		
Corporate operations		
General taxes		
Operating Income		
Other Income (Expense)		
Investment income		
Gain on disposition of assets		
Other, net		
Equity income (loss) in L.L.C. investments		
Income Before Income Taxes		
Income Tax Expense (including benefit from enacted changes in tax laws of [REDACTED] respectively)		
Net Income		

Sully Telephone Association
Consolidated Statements of Comprehensive Income
Years Ended December 31, 2017 and 2016

	2017	2016
Net Income		
Other Comprehensive Income, net of tax:		
Unrealized gains on securities:		
Unrealized holding gains arising during the period		
Comprehensive Income		

Sully Telephone Association

Consolidated Statements of Stockholders' Equity

Years Ended December 31, 2017 and 2016

	Common Stock		Accumulated Other Comprehensive Income	Retained Earnings	Total Stockholders' Equity
	Shares	Amount			
Balance, December 31, 2015					
Net income					
Unrealized holding gains arising during the the period (net of tax)					
Net change in common stock					
Dividends					
Balance, December 31, 2016					
Net income					
Unrealized holding gains arising during the period (net of tax)					
Net change in common stock					
Dividends					
Balance, December 31, 2017					

Sully Telephone Association

Consolidated Statements of Cash Flows

Years Ended December 31, 2017 and 2016

	2017	2016
Operating Activities		
Net income		
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and accretion		
Deferred income taxes		
Equity (income) loss in unconsolidated affiliates		
Gain on disposition of assets		
Allowance for notes receivable		
Changes in assets and liabilities:		
(Increase) Decrease in:		
Receivables		
Materials and supplies		
Prepayments		
Increase (Decrease) in:		
Accounts payable		
Accrued taxes		
Other		
Net cash provided by operating activities		
Investing Activities		
Capital expenditures		
Purchase of investments		
Proceeds from sale of investments		
Proceeds from sale of unconsolidated affiliates		
Collections of notes receivable		
Salvage, net of cost of removing plant		
Net cash used in investing activities		
Financing Activities		
Repayment of long-term debt		
Dividends paid		
Other, net		
Net cash used in financing activities		
Increase (Decrease) in Cash and Cash Equivalents		
Cash and Cash Equivalents, Beginning of Year		
Cash and Cash Equivalents, End of Year		

See Notes to Consolidated Financial Statements

Sully Telephone Association

Notes to Consolidated Financial Statements

December 31, 2017 and 2016

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations and Basis of Presentation

Sully Telephone Association and subsidiary (herein referred to as "the Company") are providers of telecommunications exchange, local access services, long distance and internet to customers in a service area located primarily in Jasper County, Iowa.

The accounting policies of the Company conform to accounting principles generally accepted in the United States of America. Telephone operations reflect practices appropriate to the telephone industry. The accounting records of the telephone company are maintained in accordance with the Uniform System of Accounts for Class A and B Telephone Companies prescribed by the Federal Communications Commission (FCC) as modified by the state regulatory authority.

Principles of Consolidation

The consolidated financial statements include the accounts of the parent company, Sully Telephone Association, and its 100%-owned subsidiary, PST Digital L.L.C. All material intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

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

Cash Equivalents

The Company considers all liquid investments with original maturities of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable are reported net of an allowance for doubtful accounts. The allowance is based on management's estimate of the amount of receivables that will actually be collected.

Sully Telephone Association

Notes to Consolidated Financial Statements

December 31, 2017 and 2016

Investments

Marketable securities bought and held principally for selling in the near future are classified as trading securities and carried at fair value. Unrealized holding gains and losses on trading securities are reported in earnings. Marketable securities classified as available-for-sale are carried at fair value with unrealized holding gains and losses recorded as a separate component of stockholders' equity. Debt securities for which the Company has both the positive intent and ability to hold to maturity are classified as held-to-maturity and are carried at amortized cost. The Company uses the average cost method of computing realized gains and losses.

Nonmarketable equity investments over which the Company has significant influence are reflected on the equity method. Other nonmarketable equity investments and certificates of deposit are stated at cost.

The Company evaluates investments whenever events or conditions occur to indicate that the fair value of such investments has declined below their carrying amounts. If the carrying amount for an investment declines below its historical cost basis, the Company evaluates all available positive and negative evidence including, but not limited to, the extent and duration of the impairment, business prospects for the investee and the intent and ability to hold the investment for a reasonable period of time sufficient for the recovery of fair value. If the decline in fair value is determined to be other than temporary, the carrying amount of the investment is written down to fair value.

Property and Equipment

Property, plant and equipment is capitalized at original cost including the capitalized cost of salaries and wages, materials, certain payroll taxes and employee benefits.

The Company provides for depreciation for financial reporting purposes on the straight-line method by the application of rates based on the estimated service lives of the various classes of depreciable property. These estimates are subject to change in the near term.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Buildings	30-40 years
Furniture and office equipment	5-7 years
Vehicles and work equipment	8-10 years
Switching and circuit equipment	5-8 years
Outside plant	20-30 years
Other plant and equipment	5-10 years
Wireless equipment	8-10 years
Towers	30 years

Renewals and betterments of units of telephone property are charged to telephone plant in service. When telephone plant is retired, its cost is removed from the asset account and charged against accumulated depreciation less any salvage realized. No gains or losses are recognized in connection with routine retirements of depreciable telephone property. Repairs and renewals of minor items of telephone property are included in plant specific operations expense.

Sully Telephone Association

Notes to Consolidated Financial Statements

December 31, 2017 and 2016

Repairs of other property, as well as renewals of minor items, are charged to plant specific operations expense. A gain or loss is recognized when other property is sold or retired.

Intangibles

Indefinite-lived intangibles are evaluated annually for impairment or more frequently if impairment indicators are present. A qualitative assessment is performed to determine whether the existence of events or circumstances leads to a determination that it is more likely than not the fair value of the indefinite-lived intangible asset is less than its carrying amount. If, based on the evaluation, it is determined to be more likely than not that the fair value is less than the carrying value, then the indefinite-lived intangible is tested further for impairment. If the implied fair value of the indefinite-lived intangible is lower than their carrying amounts, an impairment loss is recognized in an amount equal to the difference. Subsequent increases in value are not recognized in the financial statements.

Long-Lived Assets

The Company would provide for impairment losses on long-lived assets when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amount. Based on current conditions, management does not believe any of its long-lived assets are impaired.

The Company evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

Asset Retirement Obligations

Generally accepted accounting principles require entities to record the fair value of a liability for legal obligations associated with an asset retirement in the period in which the obligations are incurred. When the liability is initially recorded, the entity capitalizes the cost of the asset retirement obligation by increasing the carrying amount of the related long-lived asset. Over time, the liability is accreted to its present value each period, and the capitalized cost is depreciated over the useful life of the related asset.

Sully Telephone Association

Notes to Consolidated Financial Statements

December 31, 2017 and 2016

Income Taxes

Income taxes are accounted for using a liability method and provide for the tax effects of transactions reported in the consolidated financial statements including both taxes currently due and deferred. Deferred taxes are adjusted to reflect deferred tax consequences at current enacted tax rates. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred taxes arise from the basis in telephone plant and other property, certain payables, equity investments and marketable securities. The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible, when the assets and liabilities are recovered or settled. Deferred taxes also are recognized for operating losses that are available to offset future taxable income and tax credits that are available to offset future federal income taxes.

Revenue Recognition

The Company recognizes revenues when earned regardless of the period in which they are billed. The Company is required to provide telephone service to subscribers within its defined service territory.

Local network service and internet revenues are recognized over the period a subscriber is connected to the network.

Network access and long distance service revenues are derived from charges for access to the Company's local exchange network. The interstate portion of access revenues is based on an average schedule company settlement formula administered by the National Exchange Carrier Association (NECA) which is regulated by the FCC. The intrastate portion of access revenues is billed based upon an individual company tariff access charge structure filed with the Iowa Utilities Board (IUB). The tariffs developed from this structure are used to charge the connecting carrier and recognize revenues in the period the traffic is transported based on the minutes of traffic carried. Long distance revenues are recognized at the time a call is placed based on the minutes of traffic processed at contracted rates.

The Company recognizes internet revenue as the total amount earned from charges to customers in the statement of operations as internet services. In accordance with tariffs filed with the FCC by NECA, the Company charges its non-regulated internet operations the tariffed wholesale DSL rate for the use of the Company's regulated plant facilities. These charges in network access services and cost of internet services totaled [REDACTED] in 2017 and 2016, respectively.

Sully Telephone Association
Notes to Consolidated Financial Statements
December 31, 2017 and 2016

Comprehensive Income

Comprehensive income consists of net income and other comprehensive income, net of applicable income taxes. Other comprehensive income includes unrealized appreciation (depreciation) on available-for-sale securities.

Taxes Collected from Customers and Remitted to Governmental Authorities

Taxes collected from customers and remitted to governmental authorities are presented in the accompanying consolidated statements of income on a net basis.

Transfers Between Fair Value Hierarchy Levels

Transfers in and out of Level 1 (quoted market prices), Level 2 (other significant observable inputs) and Level 3 (significant unobservable inputs) are recognized on the transfer date.

Reclassifications

Certain reclassifications have been made to the 2016 consolidated financial statements to conform to the 2017 presentation.

Sully Telephone Association
Notes to Consolidated Financial Statements
December 31, 2017 and 2016

Note 2: Securities Investments

The amortized cost and fair value of available-for-sale and held-to-maturity securities are:

	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2017:			
Available-for-sale equity securities:			
Mutual funds			
Amounts classified as:			
Marketable securities			
Held-to-Maturity:			
University bonds			
Municipal bonds			
Corporate bonds			
Total			
Amounts classified as:			
Other investments			
December 31, 2016:			
Available-for-sale equity securities:			
Mutual funds			
Amounts classified as:			
Marketable securities			
Held-to-Maturity:			
University bonds			
Municipal bonds			
Corporate bonds			
Total			
Amounts classified as:			
Other investments			

Sully Telephone Association

Notes to Consolidated Financial Statements

December 31, 2017 and 2016

The following table shows the Company's investments' gross unrealized losses, fair value and length of time that the individual securities have been in continuous unrealized loss position at December 31, 2017 and 2016:

Description	Less than 12 Months		12 Months or More		Total
	Unrealized	Losses	Unrealized	Losses	
Fair Value					Fair Value
Unrealized					Unrealized
Losses					Losses
2017					
Total					
Mutual funds					
University bonds					
Municipal bonds					
Corporate bonds					

Description	Less than 12 Months		12 Months or More		Total
	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	
Mutual funds					
University bonds					
Municipal bonds					
Corporate bonds					

The Company's investments in available-for-sale securities consist of investments in mutual funds comprised of Asset Strategy, Balanced, Dividend Opportunities, Energy, Global Income Allocation, High Income, International Core Equity and Mid Cap Growth funds. At December 31, 2017, the mutual funds had unrealized losses of [REDACTED] and a carrying value of [REDACTED]. The fair value and unrealized losses are distributed amongst the eight funds. At December 31, 2016, the mutual funds had unrealized losses of [REDACTED] and a carrying value of [REDACTED]. The Company evaluated the near-term prospects of the funds in relation to the severity and duration of the impairment. The Company believes these securities are not impaired due to reasons of credit quality or other factors, but rather the unrealized loss is primarily attributed to continuing uncertainties in both international and domestic economies and market volatility. Based on that evaluation, the Company does not consider those investments to be other-than-temporarily impaired at December 31, 2017.

Sully Telephone Association
Notes to Consolidated Financial Statements
December 31, 2017 and 2016

The Company's investments in held-to-maturity securities consists of investments in university, municipal and corporate bonds. The Company attributes the unrealized losses in the bond market to changes in market interest rates. Held-to-maturity securities with unrealized losses at December 31, 2017, are performing according to their contractual terms, and the Company does not expect to incur a loss on these securities unless they are sold prior to maturity. The Company does not have the intent to sell these securities nor does it believe it is likely that it will be required to sell these securities prior to their anticipated recovery. The Company does not consider any of the bonds to be impaired due to reasons of credit quality or other factors.

Proceeds from held-to-maturity securities called by the bond obligor were [REDACTED] in 2017 and 2016, respectively. The gross realized gains on sales of held-to-maturity securities totaled [REDACTED] in 2017 and [REDACTED] in 2016, respectively.

The change in net unrealized holding gains (losses) on available-for-sale securities included as a separate component of comprehensive income before tax totaled [REDACTED] in 2017 and 2016, respectively.

The amortized cost and fair value of debt securities at December 31, 2017, by contractual maturity are shown below. Expected maturities may differ from contractual maturities because the issuers of the securities may have the right to call or prepay obligations without call or prepayment penalties.

	Amortized Cost	Fair Value
Held-to-Maturity		
Due after one year through three years		
Due after five years		

Note 3: Equity Method Investments

The Company has a [REDACTED] interest in the Anee Investments, L.L.C. This investment is accounted for by the equity method. For the investments [REDACTED] at December 31, 2017 and 2016, respectively) accounted for under the equity method, the Company recognizes its proportionate share of the income and losses accruing to it under the terms of its partnership agreements.

2018
2019
2020
2021
2022

Sully Telephone Association
Notes to Consolidated Financial Statements
December 31, 2017 and 2016

Note 6: Property, Plant and Equipment

Property, plant and equipment includes the following:

	2017	2016
Telephone plant in service:		
Land		
Buildings		
Furniture and office equipment		
Vehicles and work equipment		
Switching and circuit equipment		
Outside plant		
Other plant and equipment		
Subtotal		
Rental property:		
Land		
Buildings		
Subtotal		
Wireless plant in service:		
Buildings		
Wireless equipment		
Towers		
Subtotal		
Total property, plant and equipment		

Depreciation on depreciable property resulted in composite rates of [REDACTED] for 2017 and 2016, respectively.

Depreciation expense was [REDACTED] for the years ending December 31, 2017 and 2016, respectively.

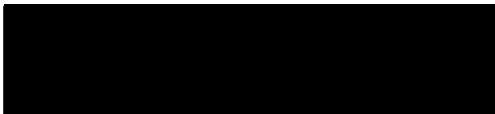
Sully Telephone Association
Notes to Consolidated Financial Statements
December 31, 2017 and 2016

Note 7: Intangibles

Intangible assets at December 31 consist of the following:

	Gross	Amount
2017		
2016		

Unamortized intangible assets
Wireless licenses



Note 8: Asset Retirement Obligations

The Company has determined that asset retirement obligations exist as there is a legal obligation to remove PCS towers at the time the Company discontinues its use. The Company's cost to remove these assets is recorded over the life of the assets. Accordingly, the Company has recorded a liability on December 31, 2017 and 2016, respectively. The expense in 2017 and 2016 for the accretion related to asset retirement obligations [REDACTED] respectively.

Note 9: Long-Term Debt

Long-term debt consists of:

	2017	2016
Rural Economic Development Loan		
Less current portion		

The annual requirements for principal payments on long-term debt for the next five years are as follows:

2018
2019
2020
2021
2022



The loan with the United States Department of Agriculture (USDA) Rural Economic Development Loan (REDL) is a pass-through loan to the City of Sully. Under the terms of the loan agreement, the Company has secured the REDL with a payable from the proceeds of an unlimited ad valorem debt service property tax levy in the Company's taxing jurisdiction.

Sully Telephone Association
Notes to Consolidated Financial Statements
December 31, 2017 and 2016

Note 10: Income Taxes

Income taxes reflected in the Consolidated Statements of Income consist of the following:

	<u>2017</u>	<u>2016</u>
Federal income taxes:		
Deferred tax expense		
State income taxes:		
Current tax expense		
Deferred tax expense		
Adjustment of deferred tax liability for enacted changes in tax laws		
 Total income tax expense		

No cash was paid for income taxes during 2017 and 2016.

Deferred federal and state tax liabilities and assets reflected in the Consolidated Balance Sheets are summarized as follows:

	<u>2017</u>	<u>2016</u>
Deferred tax liabilities		
Federal		
State		
 Total Deferred Tax Liabilities		
 Deferred tax assets		
Federal		
State		
 Total Deferred Tax Assets		
Less: Valuation Allowance		
 Net Deferred Tax Assets		
 Net Deferred Tax (Assets) Liability		
 Current deferred tax asset		
Long-term deferred tax liability		
 Net Deferred Tax (Asset) Liability		

Sully Telephone Association

Notes to Consolidated Financial Statements

December 31, 2017 and 2016

On December 22, 2017, the United States enacted tax reform legislation through the Tax Cuts and Jobs Act, which significantly changes the existing U.S. tax laws, including a reduction in the corporate tax rate from 35% to 21%, as well as other changes. As a result of enactment of the legislation, the Company incurred a one-time income tax benefit of [REDACTED] during the fourth quarter of 2017, primarily related to the remeasurement of certain deferred tax assets and liabilities.

A valuation allowance is required to reduce the deferred tax assets reported if, based on the weight of the evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized. After consideration of the evidence, both positive and negative, management determined that a valuation allowance was required at December 31, 2016, to reduce the deferred tax assets to the amount that will more likely than not be realized.

Prepaid income taxes of [REDACTED] appearing on the Consolidated Balance Sheets at December 31, 2017 and 2016, reflect overpayments of estimated taxes.

Federal operating loss carryforwards [REDACTED] are available to reduce future taxable income. These credits expire at various times from 2031 through 2035.

The tax provision differs from the expense that would result from applying the federal statutory rates to income before income taxes because of state income taxes, enactment of the *Tax Cuts and Jobs Act* and the reversal of the valuation allowance on deferred tax assets.

The Company has evaluated its income tax positions and has determined that there are no uncertain income tax positions that need to be recorded or reported in the financial statements at December 31, 2017.

The Company's federal and state income tax returns for years 2014 to present remain subject to examination.

Note 11: Employee Benefits

The Company has a simplified employee pension plan covering all employees. Under the policy, contributions consist of a basic percentage of the compensation of each participant. The contributions were set at [REDACTED] for 2017 and 2016. The Company's annual contribution equals the amount accrued as pension expense. Pension contributions expensed and capitalized during the years ended December 31, 2017 and 2016, totaled [REDACTED] respectively.

Sully Telephone Association
Notes to Consolidated Financial Statements
December 31, 2017 and 2016

Note 12: Disclosures About Fair Value of Assets and Liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1 Quoted prices in active markets for identical assets or liabilities
- Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3 Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

Recurring Measurements

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying balance sheets measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2017 and 2016:

Fair Value Measurements Using		
Significant Other Observable Inputs	Quoted Prices in Active Markets for Identical Assets	Total
(Level 2)	(Level 1)	

December 31, 2017:
Mutual funds

December 31, 2016:
Mutual funds



Sully Telephone Association

Notes to Consolidated Financial Statements

December 31, 2017 and 2016

Following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying balance sheets, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended December 31, 2017.

Note 13: Concentration of Credit Risk

The Company grants credit to customers, all of whom are located in the franchised service area, and telecommunications intrastate and interstate long distance carriers.

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash equivalents and temporary investments. The Company places its temporary investments in several financial institutions which limits the amount of credit exposure in any one financial institution.

The Company maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant credit risk on cash and cash equivalents.

The Company has entered into repurchase agreements for a portion of the amount deposited in two financial institutions, under which U.S. Government Agency securities are pledged as collateral. At December 31, 2017, cash equivalents [REDACTED] are collateralized by such pledged securities.

Note 14: Noncash Investing Activities

Noncash investing activities include [REDACTED] during the years ended December 31, 2017 and 2016, respectively, relating to plant and equipment additions placed in service or under construction during 2017 and 2016, respectively, which are reflected in accounts payable at year end.

Note 15: Lease Commitments

The Company is obligated under certain non-cancelable operating leases. Assets held under these leases include land for the Company's towers and cell site equipment. All leases provide for renewal periods. Lease costs for the years ended December 31, 2017 and 2016, were [REDACTED] respectively.

Sully Telephone Association
Notes to Consolidated Financial Statements
December 31, 2017 and 2016

Minimum payments for operating leases, including leases expected to renew during 2018, having initial or remaining non-cancelable terms in excess of one year are as follows:

Year Ending December 31,	Amount
2018	
2019	
2020	
2021	
2022	

Note 16: Regulatory Matters

The Company received [REDACTED] of its 2017 revenues from access revenues and assistance provided by the Federal Universal Service Fund. The manner in which access revenues and Universal Service Funds are determined has been modified in several recent Federal Communications Commission proceedings. Changes include modifications to rate-of-return support including caps on the recovery of certain expenditures, and reductions in terminating access charges billed with eventual transition to a bill-and-keep framework for the exchange of traffic between carriers.

On March 30, 2016, the FCC released a Report and Order, Order on Reconsideration, and Further Notice of Proposed Rulemaking to reform USF. The order in this proceeding (1) provides support for standalone broadband; (2) requires broadband deployment based on the number of locations lacking service and cost of providing service; (3) requires allowances for capital investments and further limits operational expenses; and (4) phases out support for area served by qualifying competitors. In addition, the FCC created a new Universal Service Support mechanism named the Alternative Connect America Model (A-CAM). The Order allows eligible rate-of-return carriers to elect A-CAM or remain on a revised version of the legacy rate-of-return funding. Carriers not eligible for the A-CAM will fall under the revised version of the legacy rate-of-return funding. The Order provides a total budget of \$2 billion for Universal Service Support to cover the A-CAM and legacy rate-of-return mechanisms.

The Company was not eligible to elect A-CAM support, and therefore will remain a legacy rate-of-return carrier. The amount of support that will be received is not certain due to constraints on the FCC's budget.

Whether a rate-of-return carrier chooses model-based support or remains on legacy mechanisms, it will be required to meet service obligations, adhere to reporting obligations, and retain records.

Sully Telephone Association
Notes to Consolidated Financial Statements
December 31, 2017 and 2016

Note 17: Future Change in Accounting Principle

Revenue Recognition

The Financial Accounting Standards Board amended its standards related to revenue recognition. This amendment replaces all existing revenue recognition guidance and provides a single, comprehensive revenue recognition model for all contracts with customers. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include capitalization of certain contract costs, consideration of the time value of money in the transaction price and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The amendment also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in those judgments and assets recognized from costs incurred to fulfill a contract. The standard allows either full or modified retrospective adoption effective for nonpublic entities for annual periods beginning after December 15, 2018, and any interim periods within annual reporting periods that begin after December 15, 2019. The Company is in the process of evaluating the impact the amendment will have on the consolidated financial statements.

Accounting for Leases

The Financial Accounting Standards Board amended its standard related to the accounting for leases. Under the new standard, lessees will now be required to recognize substantially all leases on the balance sheet as both a right-of-use asset and a liability. The standard has two types of leases for income statement recognition purposes: operating leases and finance leases. Operating leases will result in the recognition of a single lease expense on a straight-line basis over the lease term similar to the treatment for operating leases under existing standards. Finance leases will result in an accelerated expense similar to the accounting for capital leases under existing standards. The determination of lease classification as operating or finance will be done in a manner similar to existing standards. The new standard also contains amended guidance regarding the identification of embedded leases in service contracts and the identification of lease and nonlease components in an arrangement. The new standard is effective for annual periods beginning after December 15, 2019, and any interim periods within annual reporting periods that begin after December 15, 2020. The Company is in the process of evaluating the impact the amendment will have on the consolidated financial statements.


Note 18: Subsequent Events

Subsequent events have been evaluated through March 8, 2018, which is the date the financial statements were available to be issued.

Independent Auditor's Report on Supplementary Information

Board of Directors
Sully Telephone Association and Subsidiary
Sully, Iowa

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The consolidating balance sheet, consolidating income statement, statement of property, plant and equipment and comparative operative statement – dollars per access line listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



West Des Moines, Iowa
March 9, 2018

Sully Telephone Association

Consolidating Balance Sheet

December 31, 2017

Assets

	Sully Telephone Association	PST Digital L.L.C.	Intercompany Eliminations	Consolidated
Current Assets				
Cash and cash equivalents				
Certificates of deposit				
Accounts receivable:				
Due from customers				
Less allowance of				
Interexchange carriers				
Less allowance of				
Affiliates				
Other				
Prepaid income taxes				
Notes receivable				
Less allowance of				
Interest receivable				
Materials and supplies at average cost				
Prepayments				
Deferred income taxes				
Other Noncurrent Assets				
Investment in affiliates				
Limited liability company investments				
Available-for-sale securities				
Other investments				
Notes receivable, less current portion				
Wireless licenses				
Property, Plant and Equipment				
Telephone plant in service				
Rental property				
Wireless plant in service				
 Less accumulated depreciation				
 Plant under construction				
 Total assets				

Liabilities and Stockholders' Equity

	Sully Telephone Association	PST Digital L.L.C.	Intercompany Eliminations	Consolidated
Current Liabilities				
Current portion of long-term debt				
Accounts payable:				
Other				
Advanced billing and payments				
Accrued taxes				
Other				
Long-term Debt, less current portion				
Other Noncurrent Liabilities				
Advances from affiliated companies				
Deferred income taxes				
Asset retirement obligations				
Stockholders' Equity				
Common stock - [REDACTED] par value, [REDACTED] shares authorized, [REDACTED] [REDACTED] shares issued and outstanding				
Accumulated other comprehensive income:				
Unrealized losses on certain investments				
Members' equity				
Retained earnings				

Total liabilities and stockholders' equity

Sully Telephone Association

Consolidating Statement of Income

Year Ended December 31, 2017

	Sully Telephone Association	PST Digital L.L.C.	Intercompany Eliminations	Consolidated
Operating Revenues				
Local network services				
Network access services				
Long distance services				
Internet services				
Wireless services				
Miscellaneous				
Uncollectibles				
Operating Expenses				
Plant specific operations				
Plant nonspecific operations				
Cost of long distance services				
Cost of internet services				
Cost of wireless services				
Cost of other services				
Depreciation and accretion				
Customer operations				
Corporate operations				
General taxes				
Operating Income				
Other Income (Expense)				
Investment income				
Gain on disposition of assets				
Other, net				
Equity loss in L.L.C. investments				
Income Before Income Tax Expense and Equity Earnings of Subsidiary				
Income Tax Expense				
Income Before Equity Earnings of Subsidiary				
Equity Earnings of Subsidiary				
Net Income				

Sully Telephone Association

Statement of Property, Plant and Equipment

Year Ended December 31, 2017

	Asset Balance December 31, 2016	Additions	Retirements	Asset Balance December 31, 2017
<u>Telephone plant in service</u>				
Land				
Motor vehicles				
Other work equipment				
Buildings				
Furniture and office equipment				
Communication equipment				
General purpose computers				
Digital electronic switching equipment				
Circuit equipment				
Leased terminal equipment				
Internet equipment				
Buried cable				
Conduit system				
Intangibles				
 <u>Rental property</u>				
Land				
Buildings				
 <u>Wireless plant in service</u>				
Buildings				
Wireless equipment				
Towers				
 Total property, plant and equipment				

Sully Telephone Association
Comparative Operating Statement – Dollars Per Access Line
Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Operating Revenues		
Local network services		
Network access services		
Long distance services		
Internet services		
Miscellaneous		
Uncollectibles		
Operating Expenses		
Plant specific operations		
Plant nonspecific operations		
Cost of long distance services		
Cost of internet services		
Cost of other services		
Depreciation and accretion		
Customer operations		
Corporate operations		
General taxes		
Other Income		
Income Tax Expense		
Net Income		
Access Lines		

Sully Telephone Association
Statistics – Telephone Only
Years Ended December 31, 2017 and 2016

2017

2016

Plant Statistics

Access lines
Gross wireline plant investment per access line
Depreciated wireline plant investment per access line
Composite depreciation rate
Percent of plant in service depreciated to date

Financial Statistics

Earnings per share
Stockholders' equity per share
Rate of return on gross plant investment
Rate of return on depreciated plant investment
Return on equity
Current ratio

