

<010> Study Area Code	310735
<015> Study Area Name	WESTPHALIA TEL CO
<020> Program Year	2016
<030> Contact Name: Person USAC should contact with questions about this data	Tina Wieber
<035> Contact Telephone Number: Number of the person identified in data line <030>	5176797544 ext.
<039> Contact Email Address: Email of the person identified in data line <030>	twieber@comlink.net

Received & Inspected

SEP - 1 2016

FCC Mailroom

ANNUAL REPORTING FOR ALL CARRIERS

	54.313 Completion Required	54.422 Completion Required
--	----------------------------------	----------------------------------

		(check box when complete)	
<100> Service Quality Improvement Reporting	(complete attached worksheet)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<200> Outage Reporting (voice)	(complete attached worksheet)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<210> <input checked="" type="checkbox"/> <-- check box if no outages to report		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<300> Unfulfilled Service Requests (voice)	0	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<310> Detail on Attempts (voice)	[Redacted]	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	(attach descriptive document)		
<320> Unfulfilled Service Requests (broadband)	0	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<330> Detail on Attempts (broadband)	[Redacted]	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	(attach descriptive document)		
<400> Number of Complaints per 1,000 customers (voice)			
<410> Fixed	0.0	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<420> Mobile	0.0	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<430> Number of Complaints per 1,000 customers (broadband)			
<440> Fixed	0.0	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<450> Mobile	0.0	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<500> Service Quality Standards & Consumer Protection Rules Compliance	(check to indicate certification)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<510> 310735mi510.pdf	(attached descriptive document)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<600> Functionality in Emergency Situations	(check to indicate certification)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<610> 310735mi610.pdf	(attached descriptive document)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<700> Company Price Offerings (voice)	(complete attached worksheet)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<710> Company Price Offerings (broadband)	(complete attached worksheet)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<800> Operating Companies and Affiliates	(complete attached worksheet)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<900> Tribal Land Offerings (Y/N)?	(if yes, complete attached worksheet)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<1000> Voice Services Rate Comparability Certification	Yes	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<1010> 310735mi1010.pdf	(attach descriptive document)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<1100> Certify whether terrestrial backhaul options exist (Yes or No)	(if not, check to indicate certification)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<1110>	(complete attached worksheet)	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<1200> Terms and Condition for Lifeline Customers	(complete attached worksheet)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

DOCKET FILE COPY ORIGINAL

Price Cap Carriers, Proceed to Price Cap Additional Documentation Worksheet

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

<2000>	(check to indicate certification)	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<2005>	(complete attached worksheet)	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Rate of Return Carriers, Proceed to ROR Additional Documentation Worksheet

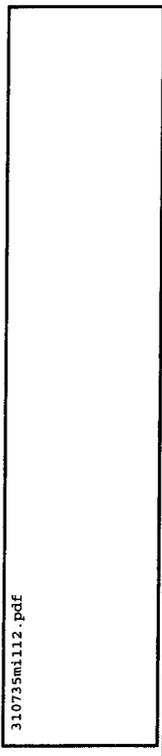
<3000>	No. of Copies rec'd	0	(check to indicate certification)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<3005>	List ABCDE		(complete attached worksheet)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>



310735
 WESTPHALIA TEL CO
 2016
 Tina Wieber
 5176797544 ext.
 twieber@comlink.net

<110> Has your company received its ETC certification from the FCC? (yes / no)
 if your answer to Line <110> is yes, do you have an existing §54.202(a) "5
 <111> year plan" filed with the FCC? (yes / no)

If your answer to Line <111> is yes, then you are required to 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.

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.	Not Applicable



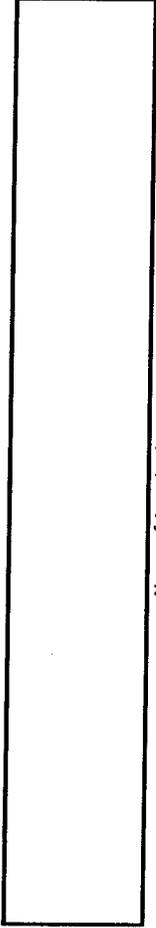
<010>	Study Area Code	310735
<015>	Study Area Name	WESTPHALIA TEL CO
<020>	Program Year	2016
<030>	Contact Name - Person USAC should contact regarding this data	Tina Wieber
<035>	Contact Telephone Number - Number of person identified in data line <030>	5176797544 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	twieber@comlink.net

<1120> Please confirm whether terrestrial backhaul options exist within the supported area pursuant to § 54.313(g) (Yes, No).

<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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 <020> Program Year 2016
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 <035> Contact Telephone Number - Number of person identified in data line <030> 5176797544 ext.
 <039> Contact Email Address - Email Address of person identified in data line <030> twieber@comlink.net



Name of Attached Document

HTTP <http://telecommich.org/lifeLine/>

<1210> Terms & Conditions of Voice Telephony Lifeline Plans

<1220> Link to Public Website

"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.



<010> Study Area Code
 <015> Study Area Name
 <020> Program Year
 <030> Contact Name - Person USAC should contact regarding this data
 <035> Contact Telephone Number - Number of person identified in data line <030>
 <039> Contact Email Address - Email Address of person identified in data line <030>

Select the appropriate responses below (Yes, No, Not Applicable) to note compliance as a recipient of Incremental Connect America Phase I support, 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(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) [Redacted]
 <2011a> 3rd Year Certification (47 CFR § 54.313(b)(1)ii) [Redacted]
 <2011b> Attachment (47 CFR § 54.313(b)(1)iii) [Redacted]

Price Cap Carrier Receiving Frozen Support Certification (47 CFR § 54.312(a))

<2012> 2013 Frozen Support Calculation (47 CFR § 54.313(c)(1)) [Redacted]
 <2013> 2014 Frozen Support Calculation (47 CFR § 54.313(c)(2)) [Redacted]
 <2014> 2015 Frozen Support Calculation (47 CFR § 54.313(c)(3)) [Redacted]
 <2015> 2016 and future Frozen Support Calculation (47 CFR § 54.313(c)(4)) [Redacted]

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

<2016> Certification Support Used to Build Broadband [Redacted]

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

<2017> 3rd year Broadband Service Certification [Redacted]
 <2018> 5th year Broadband Service Certification [Redacted]
 <2019> Interim Progress Certification [Redacted]
 <2020> [Redacted]

Please check the box to confirm that the attached document(s), on line 2021, contains the required information pursuant to § 54.313 (e)(3)(ii), as a recipient of CAF Phase II support shall provide the number, names, and addresses of community anchor institutions to which began providing access to broadband service in the preceding calendar year.

<2021> Interim Progress Community Anchor Institutions [Redacted]

Name of Attached Document(s) Listing Required Information

<010> Study Area Code 310735
 <015> Study Area Name WESTPHALIA TEL CO
 <020> Program Year 2016
 <030> Contact Name - Person USAC should contact regarding this data Tina Wieber
 <035> Contact Telephone Number - Number of person identified in data line <030> 5176797544 ext.
 <039> Contact Email Address - Email Address of person identified in data line <030> twieber@comlink.net

CHECK the boxes below to note compliance on its 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). Further certify that the information reported on this form and in the documents attached below is accurate.

- (3010) Progress Report on 5 Year Plan Milestone Certification: (47 CFR § 54.313(f)(1)(i))

Name of Attached Document Listing Required Information
- (3011) Please check this box to confirm that the attached document(s), on line 3012, contains the required information pursuant to § 54.313(f)(1)(ii), the carrier shall provide the number, names, and addresses of community anchor institutions to which began providing access to broadband service in the preceding calendar year.

Name of Attached Document Listing Required Information
- (3012) Community Anchor Institutions (47 CFR § 54.313(f)(1)(iii))

Name of Attached Document Listing Required Information
- (3013) Is your company a Privately Held ROR Carrier: (47 CFR § 54.313(f)(2)) - (3014) If yes, does your company file the RUS annual report
- Please check these boxes to confirm that the attached document(s), 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) for 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?

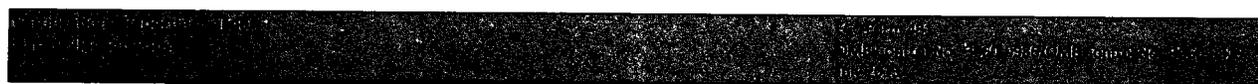
Name of Attached Document Listing Required Information
- (3019) If the response is yes on line 3018, please check the boxes below to confirm your submission, on line 3026 pursuant to § 54.313(f)(2), contains:
 - Either a copy of their audited financial statement; or (2) a financial report in a format comparable to RUS Operating Report for Telecommunications
- (3020) Document(s) for Balance Sheet, Income Statement and Statement of Cash Flows
- (3021) Management letter and audit opinion issued by the independent certified public accountant that performed the company's financial audit

Name of Attached Document Listing Required Information
- (3022) 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:
 - 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

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

<010> Study Area Code 310735
 <015> Study Area Name WESTPHALIA TEL CO
 <020> Program Year 2016
 <030> Contact Name - Person USAC should contact regarding this data Tina Weber
 <035> Contact Telephone Number - Number of person identified in data line <030> 5176797544 ext.
 <039> Contact Email Address - Email Address of person identified in data line <030> t.weber@comlink.net

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	310735
<015> Study Area Name	WESTPHALIA TEL CO
<020> Program Year	2016
<030> Contact Name - Person USAC should contact regarding this data	Tina Wieber
<035> Contact Telephone Number - Number of person identified in data line <030>	5176797544 ext.
<039> Contact Email Address - Email Address of person identified in data line <030>	twieber@comlink.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:	WESTPHALIA TEL CO
Signature of Authorized Officer:	CERTIFIED ONLINE Date 06/26/2015
Printed name of Authorized Officer:	David Fox
Title or position of Authorized Officer:	President
Telephone number of Authorized Officer:	5176797577 ext.
Study Area Code of Reporting Carrier:	310735 Filing Due Date for this form: 07/01/2015
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.	



<010> Study Area Code	310735
<015> Study Area Name	WESTPHALIA TEL CO
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<039> Contact Email Address - Email Address of person identified in data line <030>	twieber@comlink.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 or Employee of Agent: _____	
Signature of Authorized Agent or Employee of Agent: _____	Date: _____
Printed name of Authorized Agent or Employee of Agent: _____	
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

The Management letter for Westphalia Telephone Company is located at pages 2-4 of this PDF file.
Located on pages 5-17 of this PDF file is the 2015 reviewed financial statements.

Sincerely,
David Meyer
Controller
Westphalia Telephone Company
(517) 587-5000
David.Meyer@4wbi.net

August 23, 2016

Moss Adams LLP
601 W Riverside, Ste 1800
Spokane, WA 99201

We are providing this letter in connection with your review of the balance sheet, statement of operations and retained earnings, and statement of cash flows of Westphalia Telephone Company as of December 31, 2015 and for the year then ended for the purpose of obtaining limited assurance as a basis for reporting whether you are aware of any material modifications that should be made to the statements in order for them to be in accordance with accounting principles generally accepted in the United States of America. We confirm that we are responsible for the preparation and fair presentation in the financial statements of financial position, results of operations, and cash flows in accordance with accounting principles generally accepted in the United States of America.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person using the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves, as of August 23, 2016 the following representations made to you during your review.

1. The financial statements referred to above are fairly presented in accordance with accounting principles generally accepted in the United States.
2. We have made available to you all relevant information and access, including, but not limited to:
 - a. Financial records and related data.
 - b. Minutes of the meetings of stockholders, directors, and committees of directors, or summaries of actions of recent meetings for which minutes have not yet been prepared.
3. We have disclosed to you all known instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements. Additionally, there have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices
4. All transactions have been properly recorded and are appropriately reflected in the financial statements.
5. We acknowledge our responsibility for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and have fulfilled such responsibilities.
6. We acknowledge our responsibility for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements
7. We acknowledge our responsibility to prevent and detect fraud.
8. We have no knowledge of any fraud or suspected fraud affecting the entity involving management, employees who have significant roles in internal control, or others when the fraud could have a material effect on the financial statements, including any allegations of fraud or suspected fraud communicated by employees, former employees, regulators, or others.
9. We have no plans or intentions that may materially affect the carrying amounts or classification of assets and liabilities.

10. No material losses exist (such as from obsolete inventory or purchase or sales commitments) that have not been properly accrued or disclosed in the financial statements.
11. None of the following exist:
 - a. Violations or possible violations of laws or regulations, whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency
 - b. Unasserted claims or assessments that our lawyer has advised us are probable of assertion that must be disclosed in accordance with Financial Accounting Standards Board (FASB) *Accounting Standards Codification (ASC) 450, Contingencies*.
 - c. Other material liabilities or gain or loss contingencies that are required to be accrued or disclosed by FASB ASC 450.
12. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements, and we have appropriately accounted for and disclosed such litigation and claims in accordance with accounting principles generally accepted in the United States of America.
13. The company has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets, nor has any asset been pledged as collateral, except as disclosed to you and reported in the financial statements.
14. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
15. We have disclosed to you the identity of the entity's related parties and all of the related party relationships and transactions of which we are aware, and we have appropriately accounted for and disclosed such relationships and transactions.
16. The following have been properly recorded or disclosed in the financial statements:
 - a. Related party transactions, including sales, purchases, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties.
 - b. Guarantees, whether written or oral, under which the company is contingently liable.
 - c. Significant estimates and material concentrations known to management that are required to be disclosed in accordance with FASB ASC 275, *Risks and Uncertainties* [Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.]
17. We believe that all significant assumptions that were used by us in making accounting estimates are reasonable.
18. All events that have occurred subsequent to the date of the financial statements and for which accounting principles generally accepted in the United States of America requires adjustment or disclosure in the aforementioned financial statements have been adjusted or disclosed.
19. We have responded fully and truthfully to all inquiries made to us by you during your review.
20. Receivables recorded in the financial statements represent valid claims against debtors for sales or other charges arising on or before the balance-sheet date and have been appropriately reduced to their estimated net realizable value.
21. The valuation allowance has been determined pursuant to the provisions of Accounting Standards Codification (ASC) 740 Income Taxes including the company's estimation of future taxable income, if necessary, and is adequate to reduce the total deferred tax asset to an amount that will more likely than not be realized.

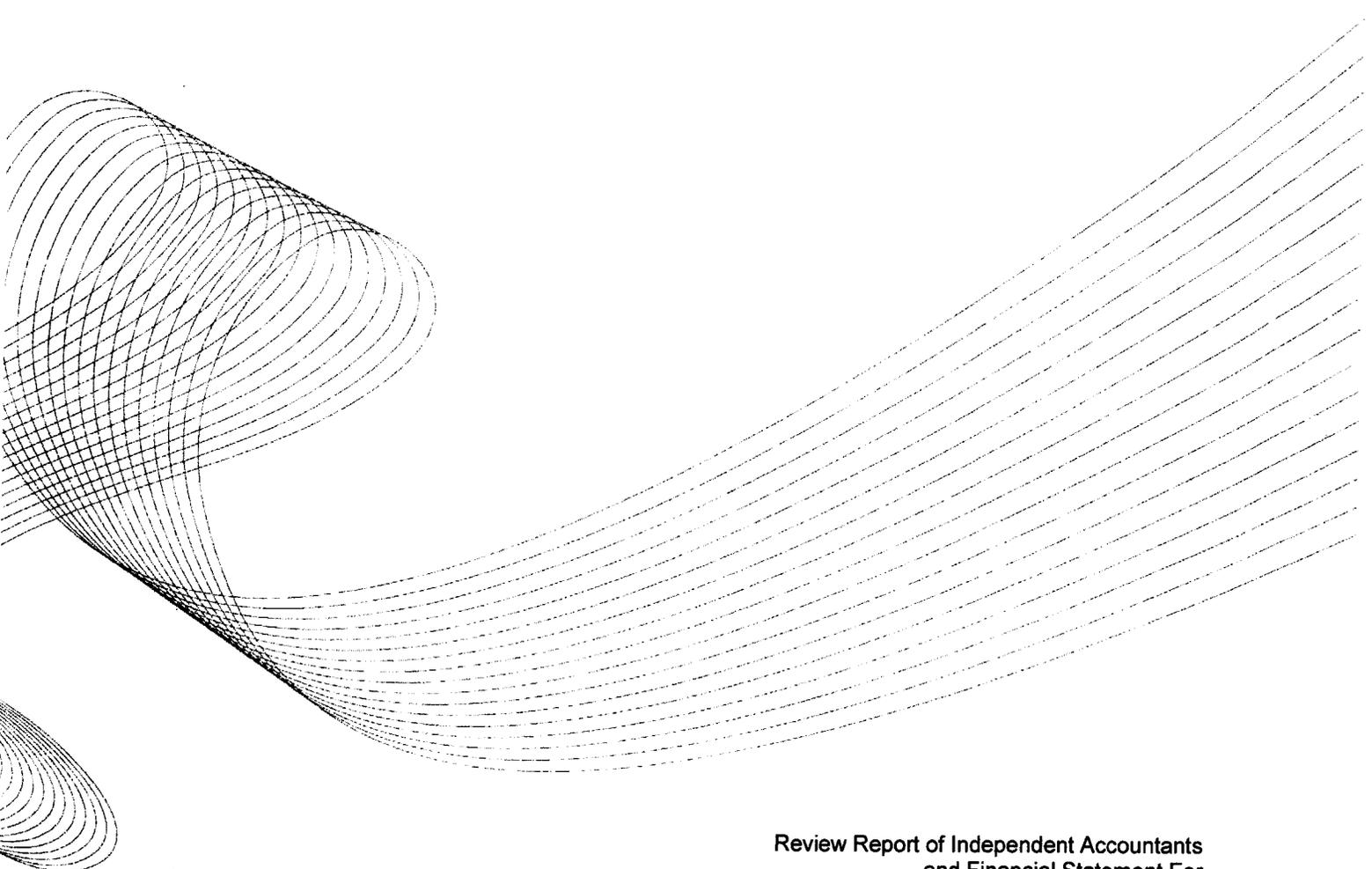


David Fox, President

Gordon Schreur, CFO



David Meyer, Controller



Review Report of Independent Accountants
and Financial Statement For

Westphalia Telephone

December 31, 2015

MOSS ADAMS_{LLP}

Certified Public Accountants | Business Consultants

Acumen. Agility. Answers.

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MOSS ADAMS LLP

REVIEW REPORT OF INDEPENDENT ACCOUNTANTS

Board of Directors
Westphalia Telephone

We have reviewed the accompanying financial statements of Westphalia Telephone Company (Company), which comprise the balance sheet as of December 31, 2015, and the related statements of operations and retained earnings, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

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

Accountant's Responsibility

Our responsibility is to conduct the review engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with the accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

REVIEW REPORT OF INDEPENDENT ACCOUNTANTS
(continued)

Accountant's Conclusion

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Moss Adams LLP

Spokane, Washington
August 23, 2016

WESTPHALIA TELEPHONE COMPANY
BALANCE SHEET

ASSETS

	<u>December 31,</u> <u>2015</u>
CURRENT ASSETS	
Cash and cash equivalents	\$ [REDACTED]
Subscriber accounts receivable, less allowance of \$959 in 2015	[REDACTED]
Settlements and access accounts receivable, less allowance of \$880,784 in 2015	[REDACTED]
Other current assets	[REDACTED]
Total current assets	[REDACTED]
DEFERRED INCOME TAXES	[REDACTED]
PROPERTY, PLANT, AND EQUIPMENT	
Telecommunications plant in service	[REDACTED]
Less accumulated depreciation	[REDACTED]
Total property, plant, and equipment	[REDACTED]
Total assets	<u>\$ [REDACTED]</u>

LIABILITIES AND STOCKHOLDER'S EQUITY

	<u>December 31,</u> <u>2015</u>
CURRENT LIABILITIES	
Accounts payable	\$ [REDACTED]
Accounts payable, affiliates	[REDACTED]
Advance billings	[REDACTED]
Other accrued liabilities	[REDACTED]
Total current liabilities	[REDACTED]
STOCKHOLDER'S EQUITY	
Common stock (60,000 shares authorized; 1,000 shares issued and outstanding no par value per share)	[REDACTED]
Retained earnings	[REDACTED]
Total stockholder's equity	[REDACTED]
Total liabilities and stockholder's equity	<u>\$ [REDACTED]</u>

WESTPHALIA TELEPHONE COMPANY
STATEMENT OF OPERATIONS AND RETAINED EARNINGS

	Year Ended December 31, 2015
OPERATING REVENUE	
Wireline	\$ ██████████
Miscellaneous revenues	██████████
Uncollectible revenues	██████████
	██████████
Total operating revenues	██████████
OPERATING EXPENSES	
Plant specific	██████████
Plant nonspecific	██████████
Depreciation and amortization	██████████
Customer operations	██████████
Corporate operations	██████████
Other operating taxes	██████████
	██████████
Total operating expenses	██████████
Operating loss	██████████
NONOPERATING INCOME (EXPENSE)	
Interest and dividend income	██████████
Interest expense	██████████
	██████████
Total nonoperating expense	██████████
Loss before taxes	██████████
Income tax benefit	██████████
	██████████
Net loss	██████████
Retained earnings, beginning of year	██████████
Retained earnings, end of year	\$ ██████████

WESTPHALIA TELEPHONE COMPANY
STATEMENT OF CASH FLOWS

	Year Ended December 31, <u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Net loss	\$ [REDACTED]
Adjustments to reconcile net loss to net cash from operating activities	
Depreciation and amortization	[REDACTED]
Deferred income taxes	[REDACTED]
Changes in assets and liabilities	
Accounts receivable	[REDACTED]
Affiliate accounts payable	[REDACTED]
Other current assets	[REDACTED]
Accounts payable	[REDACTED]
Advance billings and payments	[REDACTED]
Other accrued expenses	[REDACTED]
	<hr/>
Net cash from operating activities	[REDACTED]
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of property and equipment	[REDACTED]
NET CHANGES IN CASH AND CASH EQUIVALENTS	
CASH AND CASH EQUIVALENTS, beginning of period	[REDACTED]
CASH AND CASH EQUIVALENTS, end of period	\$ [REDACTED]
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION	
Cash paid for Interest	\$ [REDACTED]

WESTPHALIA TELEPHONE COMPANY
NOTES TO FINANCIAL STATEMENTS

Note 1 - Significant Accounting Policies

Description of entity - Westphalia Telephone Company (Company) provides local telephone exchange and other telecommunications services to customers in the state of Michigan. The Company is wholly owned by Great Lakes Comnet, Inc. (GLC).

Accounting policies - The financial statements of the Company have been prepared in conformity with accounting principles generally accepted in the United States of America applicable to regulated public utilities. Such accounting principles are consistent, in all material respects, with accounting prescribed by the Federal Communications Commission (FCC).

Accounting estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include depreciation expense and allowance for uncollectible receivables.

Cash and cash equivalents - For purposes of the statements of cash flows, the Company considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Concentration of risks - At various times throughout the year, the cash balances deposited in local institutions exceed federally insured limits. A possible loss exists for those amounts in excess of \$250,000.

Accounts receivable - Accounts receivable are stated at the amount management expects to collect on outstanding balances. The Company reviews the collectability of accounts receivable annually based upon an analysis of outstanding receivables, historical collection information, and existing economic conditions. Receivables from subscribers are due 15 days after issuance of the subscriber bill. Receivables from other exchange carriers are due 30 days after issuance of the bill. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. The Company's management believes it has established adequate reserves for any risk associated with these receivables.

Property, plant, and equipment - Property, plant, and equipment are stated at cost. The cost of additions and substantial betterments of property, plant, and equipment is capitalized. The cost of maintenance and repairs is charged to operating expenses.

WESTPHALIA TELEPHONE COMPANY

NOTES TO FINANCIAL STATEMENTS

Note 1 - Significant Accounting Policies (continued)

Property, plant, and equipment (continued) - Property, plant, and equipment are depreciated using the straight-line method over their estimated useful lives, generally ranging from 3 to 26 years. In accordance with composite group depreciation methodology, when a portion of the Company's depreciable property, plant, and equipment is retired in the ordinary course of business, the gross book value is charged to accumulated depreciation.

Long-lived assets - Long-lived assets are reviewed by management for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable. If the expected future cash flow from the use of the asset and its eventual disposition is less than the carrying amount of the asset, an impairment loss is recognized and measured using the asset's fair value.

Income taxes - The Company files consolidated federal and state income tax returns with its parent company, GLC. Accordingly, income taxes payable to (refundable from) the tax authorities are recognized on the financial statements of the parent company who is the taxpayer for income tax purposes. The members of the consolidated group allocate payments to any member of the group for the income tax reduction resulting from the member's inclusion in the consolidated return, or the member makes payments to the parent company for its allocated share of the consolidated income tax liability. This allocation approximates the amount that would be reported if the Company were separately filing its tax returns and amounts owing to or from the parent are reported on the balance sheets as income taxes receivable or payable, parent.

Deferred taxes are provided on a liability method whereby deferred tax liabilities are recognized for deductible temporary differences and deferred tax assets are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax basis. Deferred tax liabilities relate primarily to the use of accelerated depreciation methods for tax purposes. Deferred tax assets relate primarily to net operating loss and capital loss carryforwards. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not some portion or all of the deferred tax will not be realized.

The Company records uncertain tax positions if the likelihood the position will be sustained upon examination is less than 50%. As of December 31, 2015, the Company had no accrued amounts related to uncertain tax positions. Interest and penalties, if any, are recorded as interest expense and other expense, respectively.

Revenue recognition - Monthly service fees derived from local wireline, services are billed one month in advance, but recognized in the month that service is provided.

WESTPHALIA TELEPHONE COMPANY
NOTES TO FINANCIAL STATEMENTS

Note 1 - Significant Accounting Policies (continued)

Revenue recognition (continued) - Usage sensitive revenues such as access (revenues earned for originating/terminating long distance calls) and long distance charges billed to subscribers are generally billed as a per-minute charge. Although these revenues are billed in arrears, an estimate of unbilled revenues is accrued in the month service is provided.

The Company's wireline revenues also include settlements based on the Company's participation in the revenue pools administered by the National Exchange Carrier Association (NECA). Revenues are determined by formulas that are based upon a representative sample of pooled network facility costs and demand quantities (i.e. minutes of use, access lines, etc.). These formulas are approved by the FCC annually and the pools are subject to a 24-month adjustment period. Management does not anticipate significant adjustments to recorded revenues for the year ended December 31, 2015.

The Company's universal service support revenue is intended to compensate the Company for the high cost of providing rural telecommunications service. Universal service support revenue includes funds received for high cost loop support, interstate common line support, Connect America Fund (CAF) support, and other miscellaneous programs.

Regulation - The Company's services are subject to rate regulation as follows:

- Incumbent local telephone and intrastate access revenues are regulated by the Michigan Public Service Commission. The FCC also has assumed preemptive authority to regulate intrastate telecommunications services, including intrastate terminating access rates.
- Incumbent interstate access revenues are regulated by the FCC through its regulation of rates and settlements procedures as administered by NECA.
- Universal service revenues are administered by Universal Service Administrative Company (USAC), based on rules established by the FCC.

Other sources of revenues are not rate regulated, and include equipment sales, billing and collection, and other incidental services.

All operating expenses and telecommunications plants are related primarily to wireline revenues. However, some of these costs jointly relate to regulated and nonregulated services.

Taxes imposed by governmental authorities - The Company's customers are subject to taxes assessed by various governmental authorities on many different types of revenue transactions with the Company. These specific taxes are charged to and collected from the Company's customers and subsequently remitted to the appropriate taxing authority. The taxes are accounted for on a net basis and excluded from revenues.

WESTPHALIA TELEPHONE COMPANY
NOTES TO FINANCIAL STATEMENTS

Note 1 - Significant Accounting Policies (continued)

Subsequent events - Subsequent events are events or transactions that occur after the balance sheet date but before the financial statements are available to be issued. The Company recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing the financial statements. The Company's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the balance sheet but arose after the balance sheet date and before the financial statements are available to be issued.

The Company has evaluated subsequent events through August 23, 2016, which is the date the financial statements are available to be issued.

Note 2 - Property, Plant, and Equipment

Property, plant, and equipment balances, together with accumulated depreciation, consist of the following at December 31:

	<u>Depreciable Life</u>	<u>Plant Account</u>	<u>Accumulated Depreciation</u>	<u>2015 Net Balance</u>
General support assets	4-26 years	● ██████████	● ██████████	● ██████████
Central office assets	4-10 years	● ██████████	● ██████████	● ██████████
Cable and wire facilities	17 years	● ██████████	● ██████████	● ██████████
		<u>● ██████████</u>	<u>● ██████████</u>	<u>● ██████████</u>

Note 3 - Income Taxes

The components of the provision for income tax benefit are as follows as of December 31:

	<u>2015</u>
Deferred federal and state	● ██████████

The provision for income taxes differs from the amount computed by applying the current statutory federal income tax rate to earnings before taxes due to the effect of state income taxes (net of federal benefit), nondeductible items, and prior year over or under accruals.

WESTPHALIA TELEPHONE COMPANY
NOTES TO FINANCIAL STATEMENTS

Note 3 - Income Taxes (continued)

The components of the net deferred tax liability recorded in the accompanying balance sheet at December 31, are:

	2015
Deferred tax asset	
Allowance for doubtful accounts	\$ [REDACTED]
Accrued employee benefits	[REDACTED]
Net operating loss carryforward	[REDACTED]
	[REDACTED]
Valuation allowance	[REDACTED]
	[REDACTED]
Net deferred tax assets	[REDACTED]
	[REDACTED]
Deferred tax liability	
Tax depreciation greater than book	[REDACTED]
Other	[REDACTED]
	[REDACTED]
Net deferred tax liabilities	[REDACTED]
	[REDACTED]
Total deferred tax asset	\$ [REDACTED]
	[REDACTED]

The Company has a federal net operating loss carryforward of approximately [REDACTED] that begins to expire in 2035. The Company also has state net operating loss carryforwards of approximately [REDACTED] that expire in 2035.

Note 4 - Related Party Transactions

The Company provides certain operations and maintenance services to GLC for the tandem switch and STP equipment that resides in the Company's building. The Company also provides limited technical services that are billed on an hourly basis. The Company received [REDACTED] during 2015 for the services.

In addition, the Company rents equipment from Comlink, which is wholly owned by GLC. Rental payments in 2015 were [REDACTED]

WESTPHALIA TELEPHONE COMPANY

NOTES TO FINANCIAL STATEMENTS

Note 5 - Disputed Access

Several interexchange carriers have disputed the method of calculation of amounts charged by the Company and GLC for tandem access services. The Company continues to bill the interexchange carriers the disputed amounts as the ultimate resolution of the disputes is unknown. The carriers are not paying any portion, or very small portions (depending on the carrier), of their outstanding receivable balance until the disputes are resolved. The Company filed a complaint against one of the carriers with the Michigan Public Utilities Commission and an informal dispute was filed by the same carrier with the FCC. During 2015, the Michigan Public Utilities Commission ruled in favor of the Company. However, the ruling has been appealed by the carrier. The FCC's ruling was mixed, with some rulings in favor of the Company and others in favor of the carrier. The Company has appealed the rulings that are in favor of the carrier. In addition, a settlement agreement was reached during the year with another carrier for an amount significantly lower than the outstanding receivable balance.

Management has not recognized revenue by estimated amounts of the disputes at year end due to the uncertainty of a positive outcome and the collectibility of the amounts.

Management continues to defend its position with the interexchange carriers; however, they are unable to assess the likely outcome of the dispute. If the dispute is ultimately settled in the Company's favor after the appeals process, management will record any previously disputed receivables to revenue as the balances are collected.