

USDA-RUS  <b>OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS</b>	This data will be used by RUS to review your financial situation. Your response is required by 7 U.S.C. 901 et seq. and, subject to federal laws and regulations regarding confidential information, will be treated as confidential. BORROWER NAME  Inland Telephone Company  (Prepared with Audited Data)
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INSTRUCTIONS-Submit report to RUS within 30 days after close of the period. For detailed instructions, see RUS Bulletin 1744-2. Report in whole dollars only.	PERIOD ENDING December, 2014	BORROWER DESIGNATION WA0534
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**CERTIFICATION**

We hereby certify that the entries in this report are in accordance with the accounts and other records of the system and reflect the status of the system to the best of our knowledge and belief.

**ALL INSURANCE REQUIRED BY 7 CFR PART 1788, CHAPTER XVII, RUS, WAS IN FORCE DURING THE REPORTING PERIOD AND RENEWALS HAVE BEEN OBTAINED FOR ALL POLICIES.**

**DURING THE PERIOD COVERED BY THIS REPORT PURSUANT TO PART 1788 OF 7CFR CHAPTER XVII**

(Check one of the following)

All of the obligations under the RUS loan documents have been fulfilled in all material respects.

There has been a default in the fulfillment of the obligations under the RUS loan documents. Said default(s) is/are specifically described in the Telecom Operating Report

\_\_\_\_\_  
Gregory Maras

\_\_\_\_\_  
3/31/2015

DATE

**PART A. BALANCE SHEET**

	BALANCE PRIOR YEAR	BALANCE END OF PERIOD		BALANCE PRIOR YEAR	BALANCE END OF PERIOD
<b>ASSETS</b>			<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT ASSETS</b>			<b>CURRENT LIABILITIES</b>		
1. Cash and Equivalents	298,416	114,840	25. Accounts Payable	1,134,728	872,782
2. Cash-RUS Construction Fund	395,813	75,774	26. Notes Payable	0	0
3. Affiliates:			27. Advance Billings and Payments	0	0
a. Telecom, Accounts Receivable	84,486	0	28. Customer Deposits	2,539	2,329
b. Other Accounts Receivable			29. Current Mat. L/T Debt	389,000	448,400
c. Notes Receivable	0	0	30. Current Mat. L/T Debt-Rur. Dev.	0	0
4. Non-Affiliates:			31. Current Mat.-Capital Leases	0	0
a. Telecom, Accounts Receivable	636,441	538,193	32. Income Taxes Accrued	60,011	20
b. Other Accounts Receivable	0	0	33. Other Taxes Accrued	142,940	98,938
c. Notes Receivable	0	0	34. Other Current Liabilities	815,571	356,671
5. Interest and Dividends Receivable	0	0	<b>35. Total Current Liabilities (25 thru 34)</b>	<b>2,544,789</b>	<b>1,779,140</b>
6. Material-Regulated	269,547	241,005	<b>LONG-TERM DEBT</b>		
7. Material-Nonregulated	0	0	36. Funded Debt-RUS Notes	231,678	168,166
8. Prepayments	38,205	42,366	37. Funded Debt-RTB Notes	65,936	45,278
9. Other Current Assets			38. Funded Debt-FFB Notes	2,816,944	6,229,991
<b>10. Total Current Assets (1 Thru 9)</b>	<b>1,722,908</b>	<b>1,012,178</b>	39. Funded Debt-Other	(2,655)	(3,363)
<b>NONCURRENT ASSETS</b>			40. Funded Debt-Rural Develop. Loan	0	0
11. Investment in Affiliated Companies			41. Premium (Discount) on L/T Debt	0	0
a. Rural Development	51,709	733,101	42. Reacquired Debt	0	0
b. Nonrural Development	0	0	43. Obligations Under Capital Lease	0	0
12. Other Investments			44. Adv. From Affiliated Companies	0	0
a. Rural Development	0	0	45. Other Long-Term Debt	0	0
b. Nonrural Development	190,106	201,491	<b>46. Total Long-Term Debt (36 thru 45)</b>	<b>3,111,903</b>	<b>6,440,072</b>
13. Nonregulated Investments	1,821,312	1,606,179	<b>OTHER LIAB. &amp; DEF. CREDITS</b>		
14. Other Noncurrent Assets	250	250	47. Other Long-Term Liabilities	0	0
15. Deferred Charges	0	0	48. Other Deferred Credits	528,126	578,942
16. Jurisdictional Differences	0	0	49. Other Jurisdictional Differences	0	0
<b>17. Total Noncurrent Assets (11 thru 16)</b>	<b>2,063,377</b>	<b>2,541,021</b>	50. Total Other Liabilities and Deferred Credits (47 thru 49)	528,126	578,942
<b>PLANT, PROPERTY, AND EQUIPMENT</b>			<b>EQUITY</b>		
18. Telecom, Plant-in-Service	22,848,876	27,004,739	51. Cap. Stock Outstand. & Subscribed	93,150	93,150
19. Property Held for Future Use	0	0	52. Additional Paid-in-Capital	7,175	7,175
20. Plant Under Construction	2,578,522	2,292,893	53. Treasury Stock	0	0
21. Plant Adj., Nonop. Plant & Goodwill	0	0	54. Membership and Cap. Certificates	0	0
22. Less Accumulated Depreciation	16,940,466	17,846,483	55. Other Capital	0	0
<b>23. Net Plant (18 thru 21 less 22)</b>	<b>8,486,932</b>	<b>11,451,149</b>	56. Patronage Capital Credits	0	0
<b>24. TOTAL ASSETS (10+17+23)</b>			57. Retained Earnings or Margins	5,988,074	6,105,869
	12,273,217	15,004,348	<b>58. Total Equity (51 thru 57)</b>	<b>6,088,399</b>	<b>6,206,194</b>
			<b>59. TOTAL LIABILITIES AND EQUITY (35+46+50+58)</b>	<b>12,273,217</b>	<b>15,004,348</b>

Total Equity = 41.36% % of Total Assets

**OPERATING REPORT FOR  
TELECOMMUNICATIONS BORROWERS**

WA0534

PERIOD ENDING

December, 2014

INSTRUCTIONS- See RUS Bulletin 1744-2

**PART B. STATEMENTS OF INCOME AND RETAINED EARNINGS OR MARGINS**

ITEM	PRIOR YEAR	THIS YEAR
1. Local Network Services Revenues	668,600	675,461
2. Network Access Services Revenues	4,213,114	4,179,688
3. Long Distance Network Services Revenues	(788)	(1,216)
4. Carrier Billing and Collection Revenues	55,958	51,445
5. Miscellaneous Revenues	52,563	70,664
6. Uncollectible Revenues	6,272	7,139
<b>7. Net Operating Revenues (1 thru 5 less 6)</b>	<b>4,983,175</b>	<b>4,968,903</b>
8. Plant Specific Operations Expense	2,001,657	1,762,438
9. Plant Nonspecific Operations Expense (Excluding Depreciation & Amortization)	333,319	396,535
10. Depreciation Expense	1,316,875	1,346,798
11. Amortization Expense	182	182
12. Customer Operations Expense	549,599	595,029
13. Corporate Operations Expense	1,011,766	951,200
<b>14. Total Operating Expenses (8 thru 13)</b>	<b>5,213,398</b>	<b>5,052,182</b>
15. Operating Income or Margins (7 less 14)	(230,223)	(83,279)
16. Other Operating Income and Expenses		
17. State and Local Taxes	126,725	139,873
18. Federal Income Taxes	(167,547)	(120,071)
19. Other Taxes	0	0
<b>20. Total Operating Taxes (17+18+19)</b>	<b>(40,822)</b>	<b>19,802</b>
21. Net Operating Income or Margins (15+16-20)	(189,401)	(103,081)
22. Interest on Funded Debt	75,452	144,819
23. Interest Expense - Capital Leases	0	0
24. Other Interest Expense	19,260	10,098
25. Allowance for Funds Used During Construction	0	30,457
<b>26. Total Fixed Charges (22+23+24-25)</b>	<b>94,712</b>	<b>124,460</b>
27. Nonoperating Net Income	(14,982)	(2,287)
28. Extraordinary Items	0	
29. Jurisdictional Differences	0	
30. Nonregulated Net Income	(3,308)	348,954
<b>31. Total Net Income or Margins (21+27+28+29+30-26)</b>	<b>(302,403)</b>	<b>119,126</b>
32. Total Taxes Based on Income	(165,487)	
33. Retained Earnings or Margins Beginning-of-Year	6,286,883	5,988,074
34. Miscellaneous Credits Year-to-Date	3,594	
35. Dividends Declared (Common)	0	
36. Dividends Declared (Preferred)	0	
37. Other Debits Year-to-Date	0	1,331
38. Transfers to Patronage Capital	0	
<b>39. Retained Earnings or Margins End-of-Period [(31+33+34) - (35+36+37+38)]</b>	<b>5,988,074</b>	<b>6,105,869</b>
40. Patronage Capital Beginning-of-Year	0	
41. Transfers to Patronage Capital	0	
42. Patronage Capital Credits Retired	0	
<b>43. Patronage Capital End-of-Year (40+41-42)</b>	<b>0</b>	<b>0</b>
44. Annual Debt Service Payments	780,069	643,649
45. Cash Ratio [(14+20-10-11) / 7]	0.7737	0.7497
46. Operating Accrual Ratio [(14+20+26) / 7]	1.0570	1.0458
47. TIER [(31+26) / 26]	-2.1929	1.9571
48. DSCR [(31+26+10+11) / 44]	1.4221	2.4712

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INSTRUCTIONS - See RUS Bulletin 1744-2

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**Part C. SUBSCRIBER (ACCESS LINE), ROUTE MILE, & HIGH SPEED DATA INFORMATION**

EXCHANGE	1. RATES		2. SUBSCRIBERS (ACCESS LINES)			3. ROUTE MILES	
	B-1 (a)	R-1 (b)	BUSINESS (a)	RESIDENTIAL (b)	TOTAL (c)	TOTAL (including fiber) (a)	FIBER (b)
DEWATTO	27.00	22.00	19	293	312	144.03	40.07
PRESCOTT	26.50	16.50	41	115	156	198.31	43.37
ROSLYN	24.00	14.00	187	1,014	1,201	157.54	34.06
LEON	40.68	25.76	1	24	25	20.37	13.14
LENORE	40.68	25.76	24	234	258	178.24	12.00
UNIONTOWN	25.00	15.00	213	297	510	258.81	64.17
MobileWireless					0		
Route Mileage Outside Exchange Area						18.07	18.07
Total			485	1,977	2,462	975.37	224.88
No. Exchanges	6						

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**Part C. SUBSCRIBER (ACCESS LINE), ROUTE MILE, & HIGH SPEED DATA INFORMATION**

**4. BROADBAND SERVICE**

**Details on Least Expensive Broadband Service**

EXCHANGE	No. Access Lines with BB available (a)	No Of Broadband Subscribers (b)	Number Of Subscribers (c)	Advertised Download Rate (Kbps) (d)	Advertised Upload Rate (Kbps) (e)	Price Per Month (f)	Standalone/Pckg (f)	Type Of Technology (g)
DEWATTO	312	226	74	768	512	39.95	Package	DSL
PRESCOTT	156	57	29	768	512	39.95	Package	DSL
ROSLYN	1,201	885	749	6,000	1,500	49.95	Package	DSL
LEON	25	17	13	6,000	1,500	49.95	Package	DSL
LENORE	258	133	115	768	512	39.95	Package	DSL
UNIONTOWN	510	245	190	6,000	1,500	49.95	Package	DSL
Total	2,462	1,563						

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INSTRUCTIONS- See RUS Bulletin 1744-2

**PART D. SYSTEM DATA**

1. No. Plant Employees 17	2. No. Other Employees 31	3. Square Miles Served 463	4. Access Lines per Square Mile 5.32	5. Subscribers per Route Mile 2.52
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**PART E. TOLL DATA**

1. Study Area ID Code(s) a. 472423 b. 522423 c. _____ d. _____ e. _____ f. _____ g. _____ h. _____ i. _____ j. _____	2. Types of Toll Settlements (Check one) Interstate: <input type="checkbox"/> Average Schedule <input checked="" type="checkbox"/> Cost Basis Intrastate: <input type="checkbox"/> Average Schedule <input checked="" type="checkbox"/> Cost Basis
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**PART F. FUNDS INVESTED IN PLANT DURING YEAR**

1. RUS, RTB, & FFB Loan Funds Expended	3,887,106
2. Other Long-Term Loan Funds Expended	
3. Funds Expended Under RUS Interim Approval	
4. Other Short-Term Loan Funds Expended	
5. General Funds Expended (Other than Interim)	839,292
6. Salvaged Materials	
7. Contribution in Aid to Construction	
8. Gross Additions to Telecom. Plant (1 thru 7)	4,726,398

**PART G. INVESTMENTS IN AFFILIATED COMPANIES**

INVESTMENTS  (a)	CURRENT YEAR DATA		CUMULATIVE DATA		
	Investment This Year (b)	Income/Loss This Year (c)	Cumulative Investment To Date (d)	Cumulative Income/Loss To Date (e)	Current Balance (f)
1. Investment in Affiliated Companies - Rural Development	681,392		733,101		733,101
2. Investment in Affiliated Companies - Nonrural Development					

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**PART H. CURRENT DEPRECIATION RATES**

Are corporation's depreciation rates approved by the regulatory authority with jurisdiction over the provision of telephone services? (Check one)

YES

NO

**EQUIPMENT CATEGORY**

**DEPRECIATION RATE**

1. Land and support assets - Motor Vehicles	16.00%
2. Land and support assets - Aircraft	
3. Land and support assets - Special purpose vehicles	
4. Land and support assets - Garage and other work equipment	16.00%
5. Land and support assets - Buildings	4.00%
6. Land and support assets - Furniture and Office equipment	15.00%
7. Land and support assets - General purpose computers	25.00%
8. Central Office Switching - Digital	9.00%
9. Central Office Switching - Analog & Electro-mechanical	
10. Central Office Switching - Operator Systems	
11. Central Office Transmission - Radio Systems	13.00%
12. Central Office Transmission - Circuit equipment	11.19%
13. Information origination/termination - Station apparatus	
14. Information origination/termination - Customer premises wiring	
15. Information origination/termination - Large private branch exchanges	
16. Information origination/termination - Public telephone terminal equipment	
17. Information origination/termination - Other terminal equipment	
18. Cable and wire facilities - Poles	7.59%
19. Cable and wire facilities - Aerial cable - Metal	42.06%
20. Cable and wire facilities - Aerial cable - Fiber	5.00%
21. Cable and wire facilities - Underground cable - Metal	6.00%
22. Cable and wire facilities - Underground cable - Fiber	5.00%
23. Cable and wire facilities - Buried cable - Metal	
24. Cable and wire facilities - Buried cable - Fiber	
25. Cable and wire facilities - Conduit systems	
26. Cable and wire facilities - Other	

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**OPERATING REPORT FOR  
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INSTRUCTIONS – See help in the online application.

**PART I – STATEMENT OF CASH FLOWS**

<b>1. Beginning Cash (Cash and Equivalents plus RUS Construction Fund)</b>	694,229
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
<b>2. Net Income</b>	119,126
<i>Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities</i>	
3. Add: Depreciation	1,346,798
4. Add: Amortization	182
5. Other (Explain) Increase in CSV-(\$5,650), Depreciation on non-regulated investments-\$113,624, Deferred FIT-\$51,502	159,476
<i>Changes in Operating Assets and Liabilities</i>	
6. Decrease/(Increase) in Accounts Receivable	182,734
7. Decrease/(Increase) in Materials and Inventory	28,542
8. Decrease/(Increase) in Prepayments and Deferred Charges	(4,161)
9. Decrease/(Increase) in Other Current Assets	0
10. Increase/(Decrease) in Accounts Payable	(261,946)
11. Increase/(Decrease) in Advance Billings & Payments	0
12. Increase/(Decrease) in Other Current Liabilities	(562,893)
<b>13. Net Cash Provided/(Used) by Operations</b>	1,007,858
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
14. Decrease/(Increase) in Notes Receivable	0
15. Increase/(Decrease) in Notes Payable	0
16. Increase/(Decrease) in Customer Deposits	(210)
17. Net Increase/(Decrease) in Long Term Debt (Including Current Maturities)	3,387,569
18. Increase/(Decrease) in Other Liabilities & Deferred Credits	50,816
19. Increase/(Decrease) in Capital Stock, Paid-in Capital, Membership and Capital Certificates & Other Capital	0
20. Less: Payment of Dividends	0
21. Less: Patronage Capital Credits Retired	0
22. Other (Explain) Deferred FIT on Investments-\$686, Operating Deferred FIT-(\$51,502)	(50,816)
<b>23. Net Cash Provided/(Used) by Financing Activities</b>	3,387,359
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
24. Net Capital Expenditures (Property, Plant & Equipment)	(3,870,234)
25. Other Long-Term Investments	(477,644)
26. Other Noncurrent Assets & Jurisdictional Differences	0
27. Other (Explain) Retire/Trans in Net Plant-(\$442,980), Op Cashflow L/T Invest.-\$5,650, Op Depr. L/T Invest-(\$113,624)	(550,954)
<b>28. Net Cash Provided/(Used) by Investing Activities</b>	(4,898,832)
<b>29. Net Increase/(Decrease) in Cash</b>	(503,615)
<b>30. Ending Cash</b>	190,614

Revision Date 2010

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INSTRUCTIONS - See RUS Bulletin 1744-2	PERIOD ENDED December, 2014
<b>NOTES TO THE OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS</b>	

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INSTRUCTIONS - See RUS Bulletin 1744-2	PERIOD ENDED December, 2014
<b>CERTIFICATION LOAN DEFAULT NOTES TO THE OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS</b>	