

<b>FCC Form 481 - Carrier Annual Reporting Data Collection Form</b>	<b>FCC Form 481</b> OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
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<010> Study Area Code	613002
<015> Study Area Name	BETTLES TEL CO INC
<020> Program Year	2014
<030> Contact Name: Person USAC should contact with questions about this data	Mary Jo Quandt
<035> Contact Telephone Number: Number of the person identified in data line <030>	(800) 982-0136 x115
<039> Contact Email Address: Email of the person identified in data line <030>	maryjo.q@aptalaska.com

<b>ANNUAL REPORTING FOR ALL CARRIERS</b>	<b>54.313 Completion Required</b>	<b>54.422 Completion Required</b>
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			(check box when complete)	
<100> Service Quality Improvement Reporting	(complete attached worksheet)		<input checked="" type="checkbox"/>	
<200> Outage Reporting (voice)	(complete attached worksheet)		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<210> <input type="checkbox"/> <-- check box if no outages to report				
<300> Unfulfilled Service Requests (voice)	(attach descriptive document)	0	<input checked="" type="checkbox"/>	
<310> Detail on Attempts (voice)		613002ak310	<input checked="" type="checkbox"/>	
<320> Unfulfilled Service Requests (broadband)	(attach descriptive document)	0	<input checked="" type="checkbox"/>	
<330> Detail on Attempts (broadband)		613002ak330	<input checked="" type="checkbox"/>	
<400> Number of Complaints per 1,000 customers (voice)			<input checked="" type="checkbox"/>	
<410> Fixed		0.0		
<420> Mobile				
<430> Number of Complaints per 1,000 customers (broadband)			<input checked="" type="checkbox"/>	
<440> Fixed		0.0		
<450> Mobile				
<500> Service Quality Standards & Consumer Protection Rules Compliance	(check to indicate certification)		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<510> <input type="text" value="613002ak510"/>	(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> <input type="text" value="613002ak610"/>	(attached descriptive document)		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<700> Company Price Offerings (voice)	(complete attached worksheet)		<input checked="" type="checkbox"/>	
<710> Company Price Offerings (broadband)	(complete attached worksheet)		<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)? <input checked="" type="radio"/> <input type="radio"/>	(if yes, complete attached worksheet)		<input checked="" type="checkbox"/>	
<1000> Voice Services Rate Comparability	(check to indicate certification)			
<1010> <input type="text"/>	(attach descriptive document)			
<1100> Terrestrial Backhaul (Y/N)? <input type="radio"/> <input checked="" type="radio"/>	(if not, check to indicate certification)		<input checked="" type="checkbox"/>	
<1110>	(complete attached worksheet)			
<1200> Terms and Condition for Lifeline Customers	(complete attached worksheet)			<input checked="" type="checkbox"/>

**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)			
<2005>	(complete attached worksheet)			

**Rate of Return Carriers, Proceed to ROR Additional Documentation Worksheet**

<3000>	(check to indicate certification)		<input checked="" type="checkbox"/>	
<3005>	(complete attached worksheet)		<input checked="" type="checkbox"/>	

<b>(100) Service Quality Improvement Reporting Data Collection Form</b>	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
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<110> Has your company received its ETC certification from the FCC? If your answer to Line <110> is yes, do you have an existing §54.202(a) "5	(yes / no) <input type="radio"/> <input checked="" type="radio"/>
<111> year plan" filed with the FCC?	(yes / no) <input type="radio"/> <input type="radio"/>

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 (.pdf)

Please check these boxes below to confirm that the attached PDF, 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		<input type="checkbox"/>
<114> Report how much universal service (USF) support was received		<input type="checkbox"/>
<115> How (USF) was used to improve service quality		<input type="checkbox"/>
<116> How (USF) was used to improve service coverage		<input type="checkbox"/>
<117> How (USF) was used to improve service capacity		<input type="checkbox"/>
<118> Provide an explanation of network improvement targets not met in the prior calendar year.		<input type="checkbox"/>

<input type="checkbox"/>	<input type="checkbox"/>









<b>(900) Tribal Lands Reporting Data Collection Form</b>	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
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<910> Tribal Land(s) on which ETC Serves Alaska is different than other states. All areas in Alaska are considered tribal however tribal organizations (with one known exception) does not control land ownership or licensure. The foregoing being said, Bettles Telephone, Inc. serves the communities of Bettles and Allakaket.

<920>	Tribal Government Engagement Obligation	613002ak920
		Name of Attached Document (.pdf)

If your company serves Tribal lands, please select (Yes,No, NA) for each these boxes to confirm the status described on the attached PDF, on line 920, demonstrates coordination with the Tribal government pursuant to § 54.313(a)(9) includes:

	Select (Yes,No, NA)
<921> Needs assessment and deployment planning with a focus on Tribal community anchor institutions;	Yes
<922> Feasibility and sustainability planning;	Yes
<923> Marketing services in a culturally sensitive manner;	Yes
<924> Compliance with Rights of way processes	Yes
<925> Compliance with Land Use permitting requirements	Yes
<926> Compliance with Facilities Siting rules	Yes
<927> Compliance with Environmental Review processes	Yes
<928> Compliance with Cultural Preservation review processes	Yes
<929> Compliance with Tribal Business and Licensing requirements.	Yes

**(1100) No Terrestrial Backhaul Reporting  
Data Collection Form**

 FCC Form 481  
 OMB Control No. 3060-0986/OMB Control No. 3060-0819  
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<1120> Please check this box to confirm no terrestrial backhaul options exist within the supported area pursuant to § 54.313(G)

<1130> Please check this box 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)

<b>(1200) Terms and Condition for Lifeline Customers</b> <b>Lifeline</b> <b>Data Collection Form</b>	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
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<1210> Terms & Conditions of Voice Telephony Lifeline Plans

Name of attached document (.pdf)

<1220> Link to Public Website

HTTP <http://www.apalaska.com/index.php?action=switchPage&pageID=91>

“Please check these boxes below to confirm that the attached PDF, 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.
✓

<b>(2000) Price Cap Carrier Additional Documentation</b> <b>Data Collection Form</b> <i>Including Rate-of-Return Carriers affiliated with Price Cap Local Exchange Carriers</i>	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
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**CHECK the boxes below 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.**

<b>Incremental Connect America Phase I reporting</b>		
<b>&lt;2010&gt;</b>	2nd Year Certification {47 CFR § 54.313(b)(1)}	<input type="checkbox"/>
<b>&lt;2011&gt;</b>	3rd Year Certification {47 CFR § 54.313(b)(2)}	<input type="checkbox"/>
<b>Price Cap Carrier Receiving Frozen Support Certification {47 CFR § 54.312(a)}</b>		
<b>&lt;2012&gt;</b>	2013 Frozen Support Certification	<input type="checkbox"/>
<b>&lt;2013&gt;</b>	2014 Frozen Support Certification	<input type="checkbox"/>
<b>&lt;2014&gt;</b>	2015 Frozen Support Certification	<input type="checkbox"/>
<b>&lt;2015&gt;</b>	2016 and future Frozen Support Certification	<input type="checkbox"/>
<b>Price Cap Carrier Connect America ICC Support {47 CFR § 54.313(d)}</b>		
<b>&lt;2016&gt;</b>	Certification Support Used to Build Broadband	<input type="checkbox"/>
<b>Connect America Phase II Reporting {47 CFR § 54.313(e)}</b>		
<b>&lt;2017&gt;</b>	3rd year Broadband Service Certification	<input type="checkbox"/>
<b>&lt;2018&gt;</b>	5th year Broadband Service Certification	<input type="checkbox"/>
<b>&lt;2019&gt;</b>	Interim Progress Certification	<input type="checkbox"/>
<b>&lt;2020&gt;</b>	Please check the box to confirm that the attached PDF , 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.	<input type="checkbox"/>
<b>&lt;2021&gt;</b>	Interim Progress Community Anchor Institutions	Name of Attached Document Listing Required Information _____

<b>(3000) Rate Of Return Carrier Additional Documentation</b>	FCC Form 481
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**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). I further certify that the information reported on this form and in the documents attached below is accurate.**

**Progress Report on 5 Year Plan**

<p>(3010) Milestone Certification {47 CFR § 54.313(f)(1)(i)} Please check this box to confirm that the attached PDF , on line 3012,</p>	<p>Name of Attached Document Listing Required Information</p>	<p><input type="checkbox"/></p>
<p>(3011) contains the required information pursuant to § 54.313 (f)(1)(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.</p>		
<p>(3012) Community Anchor Institutions {47 CFR § 54.313(f)(1)(ii)}</p>	<p>Name of Attached Document Listing Required Information</p>	<p><input checked="" type="checkbox"/> (Yes/No)</p>
<p>(3013) Is your company a Privately Held ROR Carrier {47 CFR § 54.313(f)(2)}</p>		<p><input checked="" type="checkbox"/> (Yes/No)</p>
<p>(3014) If yes, does your company file the RUS annual report 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:</p>		<p><input type="checkbox"/></p>
<p>(3015) Electronic copy of their annual RUS reports (Operating Report for Telecommunications Borrowers)</p>		<p><input type="checkbox"/></p>
<p>(3016) PDF of Balance Sheet, Income Statement and Statement of Cash Flows</p>		<p><input type="checkbox"/></p>
<p>(3017) If the response is yes on line 3014, attach your company's RUS annual report and all required documentation</p>	<p>Name of Attached Document Listing Required Information</p>	<p><input type="checkbox"/> (Yes/No)</p>
<p>(3018) If the response is no on line 3014, Is your company audited?  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 :</p>		<p><input type="checkbox"/></p>
<p>(3019) Either a copy of their audited financial statement; or (2) a financial report in a format comparable to RUS Operating Report for Telecommunications</p>		<p><input type="checkbox"/></p>
<p>(3020) PDF of Balance Sheet, Income Statement and Statement of Cash Flows</p>		<p><input type="checkbox"/></p>
<p>(3021) Management letter issued by the independent certified public accountant that performed the company's financial audit.  If the response is no on line 3018, please check the boxes below to confirm your submission, on line 3026 pursuant to § 54.313(f)(2), contains:</p>		<p><input type="checkbox"/></p>
<p>(3022) Copy of their financial statement which has been subject to review by an independent certified public accountant; or 2) a financial report in a format comparable to RUS Operating Report for Telecommunications Borrowers,</p>		<p><input type="checkbox"/></p>
<p>(3023) Underlying information subjected to a review by an independent certified public accountant</p>		<p><input checked="" type="checkbox"/></p>
<p>(3024) Underlying information subjected to an officer certification.</p>		<p><input checked="" type="checkbox"/></p>
<p>(3025) PDF of Balance Sheet, Income Statement and Statement of Cash Flows</p>		<p><input checked="" type="checkbox"/></p>
<p>(3026) Attach the worksheet listing required information</p>	<p>Name of Attached Document Listing Required Information</p>	<p>613002ak3026</p>

<b>Certification - Reporting Carrier Data Collection Form</b>	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
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**TO BE COMPLETED BY THE REPORTING CARRIER, IF THE REPORTING CARRIER IS FILING ANNUAL REPORTING ON ITS OWN BEHALF:**

<b>Certification of Officer as to the Accuracy of the Data Reported for the Annual Reporting for CAF or LI Recipients</b>	
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:	BETTLES TEL CO INC
Signature of Authorized Officer:	CERTIFIED ONLINE <span style="float: right;">Date</span>
Printed name of Authorized Officer:	
Title or position of Authorized Officer:	
Telephone number of Authorized Officer:	
Study Area Code of Reporting Carrier:	613002 <span style="float: right;">Filing Due Date for this form: 10/15/2013</span>
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.	

<b>Certification - Agent / Carrier Data Collection Form</b>	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
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**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	
<p>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.</p>	
Name of Authorized Agent: _____	
Name of Reporting Carrier: BETTLES TEL CO INC	
Signature of Authorized Officer: CERTIFIED ONLINE	Date: _____
Printed name of Authorized Officer: _____	
Title or position of Authorized Officer: _____	
Telephone number of Authorized Officer: _____	
Study Area Code of Reporting Carrier: 613002	Filing Due Date for this form: 10/15/2013
<small>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.</small>	

**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	
<p>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.</p>	
Name of Reporting Carrier: BETTLES TEL CO INC	
Name of Authorized Agent or Employee of Agent: _____	
Signature of Authorized Agent or Employee of Agent: CERTIFIED ONLINE	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: 613002	Filing Due Date for this form: 10/15/2013
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## Attachments







Michael Garrett, CPA  
Exec VP / COO - Telecom  
P.O. Box 3222  
193 Otto Street  
Port Townsend, WA 98368

Voice (360) 385-1733 Ext 160  
Fax (360) 385-5177  
mike.g@aptalaska.com

Bettles Telephone, Inc.  
SAC - 613002

Line 310 - Voice Telephony Service Request Resolution

BTI had no unfulfilled voice requests so we had no need to resolve issues.

Submitted

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mike.g@aptalaska.com

Bettles Telephone, Inc.  
SAC - 613002

### Line 330 - Unfulfilled Broadband Request Resolution

BTI does not offer broadband services in the exchanges it provides voice service (Bettles and Allakaket, Alaska). These location are extremely remote where access is achieved only via air, water (river boat) or snow machine. These exchanges only have satellite access for voice service and satellite transport for broadband it prohibitively expensive. Currently we receive no requests for broadband. Those that want it currently order Starband individual satellite service.

Submitted

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Bettles Telephone, Inc.  
SAC - 613002

### Line 510 - Unfulfilled Broadband Request Resolution

BTI complies with all known service standards and consumer protection rules, including but not limited to:

- Alaska Administrative code 3 AAC 52.200 through 3 AAC 52.340 - State service standards.
- Federal CNPI rules
- Federal Red Flag rules

Submitted

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Bettles Telephone, Inc.  
SAC - 613002

### Line 610 - Function in Emergency Situations

BTI maintains critical spares and other redundant equipment that will allow it to keep local voice service operating in emergencies. Given the communities it serves are very isolated with limited access (primarily by air) emergency services are not based locally and the community is dependent on the interexchange carrier to provide connectivity to response provider. Given BTI is responsible for only local service this is beyond its charter.

Submitted

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Bettles Telephone, Inc.  
SAC - 613002

### Line 920 - Tribal Government Engagement

Alaska is different than other states. All of Alaska land is considered tribal but there are only 2 locations I know of in Alaska where tribal governments manage businesses, licenses, rights-of-way, property ownership etc. While BTI serves communities with a native population, there are no government operations that similar to the lower 48 in BTI's exchanges. The native organizations are more akin to private corporations than government entities. These communities are VERY small, Bettles has 62 access lines, most of them supporting an FAA operation. Allakaket (104 access lines) is a predominately native community with a shrinking population. Both of these communities are above the Arctic Circle and due the harsh environment and subsistence living many community members are migrating to larger cities such as Fairbanks and Anchorage.

The regional tribal corporation in BTI's service area is - Doyon Corporation  
The local tribal organizations are: Bettles - Evansville Inc.; Allakaket - Allakaket Village

No direct conversations with Doyon Corporation occur related to broadband services in these areas because as mentioned in the 481 filing, no broadband services are offered due to the high cost of middle mile transport. Local discussions by locally based employee have occurred on an informal basis. There are no local anchor institutions given the size of these communities. Neither of the communities have a population size that would support a sustainable broadband service however voice service is sustainable if the regulated electrical provide remains in business. BTI does not market services but its affiliates do and discussions through its affiliates have established sensitive ad copy if it is ever used. Land issues delineated in the tribal outreach documentation are not handled by tribal organizations but by the State of Alaska. However, BTI is sensitive to local needs and when construction occurs (additional lands rights or construction has not occurred in years) it consults with local elders. As with land issues, business licenses or licensure is handled by the State of Alaska and its laws so these organizations have no control over these items.

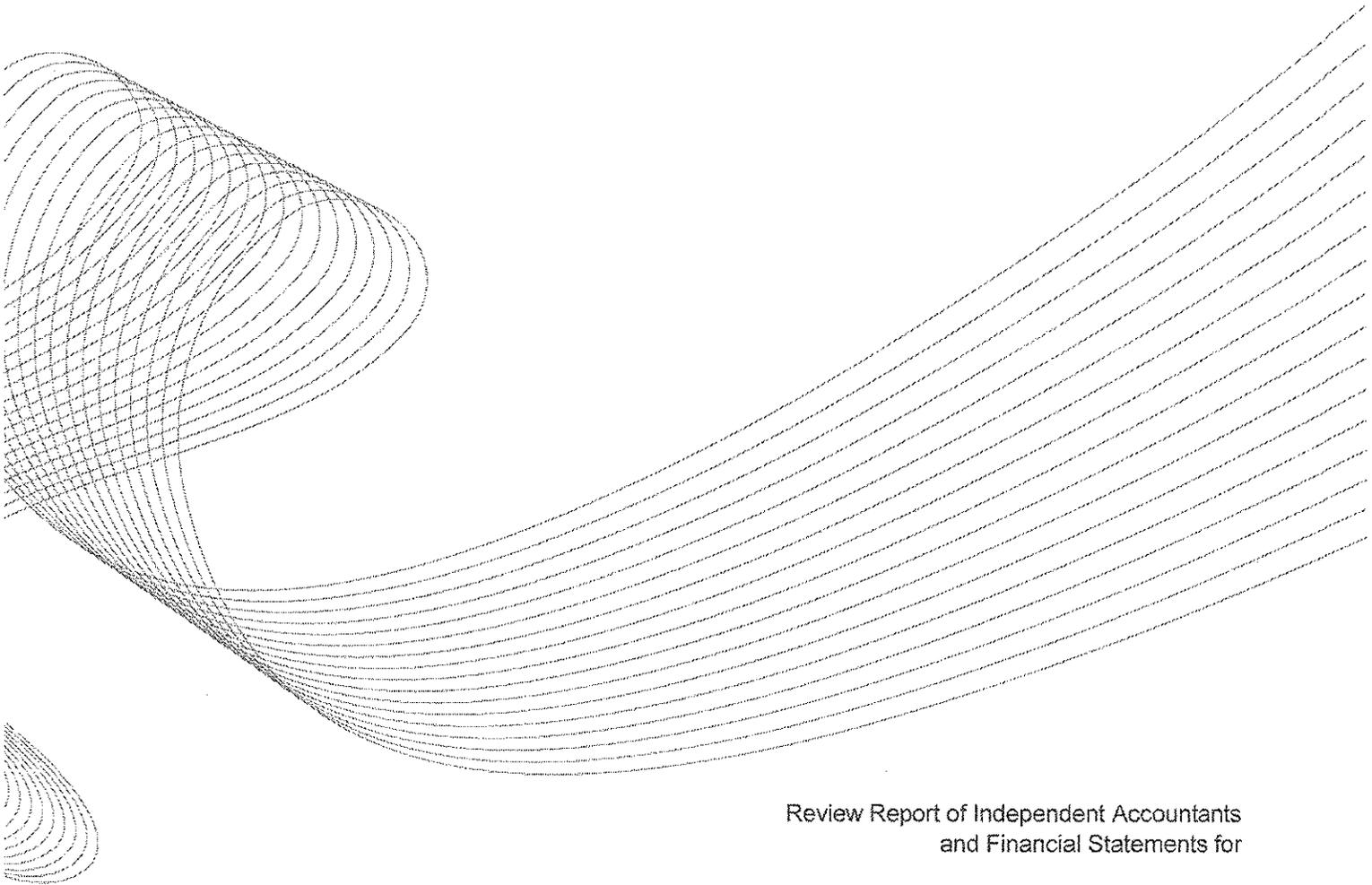
In conclusion, BTI's local representatives consult with local organizations on issues they may be sensitive too. Future planning of services has not specifically occurred because BTI has no current plans to expand services beyond its current service level.

Submitted

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Email: [mike.g@aptalaska.com](mailto:mike.g@aptalaska.com)

100 THAT  
COUNTS  
years



Review Report of Independent Accountants  
and Financial Statements for

**Bettles Telephone, Inc.**

December 31, 2012

**MOSS ADAMS** LLP

Certified Public Accountants | Business Consultants

*Acumen. Agility. Answers.*

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**MOSS ADAMS** LLP  
Certified Public Accountants | Business Consultants

## REVIEW REPORT OF INDEPENDENT ACCOUNTANTS

Board of Directors  
Bettles Telephone, Inc.

We have reviewed the accompanying balance sheet of Bettles Telephone, Inc. (Company) as of December 31, 2012, and the related statements of operations, stockholder's equity, and cash flows for the year then ended. 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 is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe the results of our procedures provide a reasonable basis for our report.

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

MOSS ADAMS LLP

Spokane, Washington  
October 1, 2013

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**BETTLES TELEPHONE, INC.**  
**BALANCE SHEET**

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**ASSETS**

	December 31, 2012
<b>CURRENT ASSETS</b>	
Subscriber accounts receivable, less allowance of \$226	\$ 13,029
Settlements and access accounts receivable	9,765
Deferred income taxes, current	90
Total current assets	22,884
DEFERRED INCOME TAXES, noncurrent	4,392
<b>PROPERTY, PLANT, AND EQUIPMENT</b>	
Telecommunications plant in service	1,013,198
Less accumulated depreciation	926,425
	86,773
Total assets	\$ 114,049

**LIABILITIES AND STOCKHOLDER'S EQUITY**

<b>CURRENT LIABILITIES</b>	
Accounts payable	\$ 716
Advanced billing and customer deposits	10,354
Accrued taxes and other accrued liabilities	113
Total current liabilities	11,183
<b>STOCKHOLDER'S EQUITY</b>	
Common stock, \$1 par value, 10,490 shares authorized, issued and outstanding	10,490
Additional paid-in capital	92,376
Total stockholder's equity	102,866
Total liabilities and stockholder's equity	\$ 114,049

**BETTLES TELEPHONE, INC.**  
**STATEMENT OF OPERATIONS**

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	Year Ended December 31, 2012
Operating revenues	
Wireline	
Customer	\$ 57,782
Intercarrier - interstate	101,854
Intercarrier - intrastate	<u>34,292</u>
Total wireline revenues	193,928
Miscellaneous revenues	<u>16,952</u>
	<u>210,880</u>
Operating expenses	
Plant specific operations	63,833
Plant nonspecific operations	47,219
Depreciation	40,880
Customer operations	11,061
Corporate operations	55,402
Other operating taxes	<u>910</u>
	<u>219,305</u>
Net operating loss	(8,425)
Income tax benefit	<u>(3,247)</u>
Net loss	<u><u>\$ (5,178)</u></u>

**BETTLES TELEPHONE, INC.**  
**STATEMENT OF STOCKHOLDER'S EQUITY**

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	<u>Common Stock</u>	<u>Additional Paid-In Capital</u>	<u>Retained Earnings</u>	<u>Total</u>
Balance, December 31, 2011	\$ 10,490	\$ 110,585	\$ 15,518	\$ 136,593
Net loss	-	-	(5,178)	(5,178)
Dividends declared	-	<u>(18,209)</u>	<u>(10,340)</u>	<u>(28,549)</u>
Balance, December 31, 2012	<u>\$ 10,490</u>	<u>\$ 92,376</u>	<u>\$ -</u>	<u>\$ 102,866</u>

**BETTLES TELEPHONE, INC.**  
**STATEMENT OF CASH FLOWS**

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	Year Ended December 31, 2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Net loss	\$ (5,178)
Adjustments to reconcile net loss to net cash from operating activities	
Depreciation	40,880
Deferred income taxes	(3,917)
Change in assets and liabilities	
Accounts receivable	14,003
Accounts payable	(71)
Advance billing and customer deposits	28
Accrued taxes and other accrued liabilities	17
	<hr/>
Net cash from operating activities	45,762
	<hr/>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Net acquisition of telecommunications plant	(17,282)
	<hr/>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Dividends paid to parent	(28,549)
	<hr/>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	(69)
	<hr/>
CASH AND CASH EQUIVALENTS at beginning of year	69
	<hr/>
CASH AND CASH EQUIVALENTS at end of year	\$ -
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## **BETTLES TELEPHONE, INC.**

### **NOTES TO FINANCIAL STATEMENTS**

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#### **Note 1 – Summary of Significant Accounting Policies**

**Description of entity** – Bettles Telephone, Inc. (Company or Bettles) is an incumbent local exchange carrier that provides telephone and other related telecommunication services in Alaska. The Company is wholly-owned by Alaska Power & Telephone Company, Inc. (AP&T).

**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. Significant estimates include depreciation expense, deferred income taxes, and interstate access revenues. Actual results could differ from those estimates.

**Cash and cash equivalents** – Cash and cash equivalents are defined as short-term, highly liquid investments that were purchased with an original maturity of three months or less and are readily convertible into cash. Cash equivalents are stated at cost and primarily consist of money market savings accounts.

**Concentration of risks** – In 2012, the Company received \$50,670, or 24.0% of its revenue from the Federal Universal Service Fund.

**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 30 days after issuance of the subscriber bill. Receivables from other exchange carriers are typically outstanding 30 to 60 days before payment is received. 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 that are 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. 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.

**BETTLES TELEPHONE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

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**Note 1 – Summary of Significant Accounting Policies (continued)**

**Property, plant, and equipment (continued)** – Property, plant, and equipment are depreciated using straight-line methods over their estimated useful lives. 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. For income tax purposes, Bettles computes depreciation using accelerated methods where permitted.

**Income taxes** – The Company is a member of a group that files consolidated federal income tax returns and a combined unitary Alaska return. 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 was separately filing its tax returns.

Deferred taxes are provided on an asset and liability method whereby deferred tax assets are recognized for deductible temporary differences and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

The Company records uncertain tax positions if the likelihood the position will be sustained upon examination is less than 50%. As of December 31, 2012, 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. The Company is no longer subject to U.S. federal or state and local income tax examinations by tax authorities for years before 2009.

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

Usage sensitive revenues such as access (revenues earned for originating/terminating long distance calls) 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.

## **BETTLES TELEPHONE, INC.**

### **NOTES TO FINANCIAL STATEMENTS**

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#### **Note 1 – Summary of Significant Accounting Policies (continued)**

**Revenue recognition (continued)** – Interstate access 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 facilities, 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, 2012.

Intrastate access revenues include revenues received from revenue pools administered by the Alaska Exchange Carrier Association that are based on the Company's relative cost of providing intrastate access service. These revenues are based on projections submitted periodically and intrastate access cost studies that are normally submitted every two years. Management does not anticipate significant adjustments to recorded revenues for the year ended December 31, 2012.

The Company's wireline universal service support revenue is intended to compensate the Company for the high cost of providing rural telephone service. Universal service support revenue includes funds received for high cost loop support (HCLS), interstate common line support (ICLS), local switching support (LSS), Connect America Fund (CAF) and other miscellaneous programs. CAF replaced LSS in July 2012. High cost loop support and interstate common line support are based on the Company's current relative level of operating expense and plant investment. Support from the CAF is based on a historical frozen amount related to 2011 investment and expenses associated with the switching function and certain 2011 interstate access revenues, which together make up the CAF base. The CAF base will be reduced by 5% each year in determining CAF support.

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

- Local telephone and intrastate access revenues are regulated by the Regulatory Commission of Alaska. The FCC also has preemptive authority to regulate intrastate telecommunications services, including intrastate access rates.
- Interstate access revenues are regulated by the FCC through its regulation of rates and settlements procedures as administered by NECA.
- Universal service support revenues are administered by the Universal Service Administration Company (USAC), based on rules established by the FCC.

**BETTLES TELEPHONE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

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**Note 1 – Summary of Significant Accounting Policies (continued)**

**Regulation (continued)** – Other sources of revenues are not rate regulated and include equipment sales, directory, rents, and other incidental services.

In October 2011, the FCC issued an order reforming Intercarrier Compensation and Universal Service (USF) mechanisms and issued a Further Notice of Proposed Rulemaking (FNPRM) on long-term USF reform, transitioning timing, and implementation. The majority of the new rules took effect, subject to various transition provisions, on July 1, 2012.

Major provisions of the order and FNPRM include:

- Limitations on the amount of support received per line.
- Limitations on capital expenditures and operating expenses recoverable from the USF.
- Benchmarks for minimum local rates charged to end users by recipients of support.
- The establishment of the Access Recovery Charge billed to end users.
- The phase out of local switching support and terminating interstate and intrastate switched access charges.
- The establishment of the CAF, a new funding mechanism for investment and expenses related to the switching function.
- The structured reduction of carrier access rates charged by the Company to other carriers using its network to complete long distance calls.

Management is monitoring the impacts of the reform on an on-going basis.

**Access revenues** – Access revenues are classified as follows:

- Customer revenues include end user charges such as the Subscriber Line Charge (SLC), the Federal Universal Service Charge (FUSC), Access Recovery Charge (ARC), and the state access charge.
- All access charge and settlement revenue, except as described above, is classified as intercarrier revenue.

**BETTLES TELEPHONE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

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**Note 1 – Summary of Significant Accounting Policies (continued)**

**Related party transactions** – Bettles is a wholly-owned subsidiary and is included in the consolidated financial statements of AP&T. Certain allocations are made from the parent company that could result in the operating results or financial position of the Company being different from those that would have been obtained had the entities been autonomous. AP&T employs all employees of Bettles and allocates certain employee costs to the Company. These costs are allocated based on cost allocation procedures that have been approved by the Regulatory Commission of Alaska. Employee costs in the amount of \$88,079 was allocated to Bettles in 2012. All eligible employees can participate in the AP&T stock ownership plan. AP&T does not impute or charge interest expense for amounts that relate to intercompany indebtedness; accordingly, no amount is recorded as a reduction of interest expense on the books of the subsidiaries for allowance for funds used during construction (AFUDC).

**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.

**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 October 1, 2013, which is the date the financial statements are available to be issued.

**BETTLES TELEPHONE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 2 – Property, Plant, and Equipment**

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

	<u>Depreciation Rate</u>	<u>Plant Account</u>	<u>Accumulated Depreciation</u>	<u>2012 Net Balance</u>
Telecommunications plant in service				
General support assets	0%-20%	\$ 168,320	\$ 146,653	\$ 21,667
Central office assets	11%-14%	517,864	480,855	37,009
Cable and wire facilities	3%-6%	<u>327,014</u>	<u>298,917</u>	<u>28,097</u>
		<u>\$ 1,013,198</u>	<u>\$ 926,425</u>	<u>\$ 86,773</u>

**Note 3 – Income Taxes**

The components of the provision for income tax benefit for the year ended December 31, 2012, are:

Current		
Federal		\$ 526
State		144
Deferred		
Federal		<u>(3,917)</u>
		<u>\$ (3,247)</u>

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 effects of state taxes (net of federal benefit), nondeductible items, nontaxable items, and prior year over or under accruals. Income tax benefit is classified as operating at December 31, 2012.

**BETTLES TELEPHONE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

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**Note 3 - Income Taxes (continued)**

The components of the net deferred tax liability recorded in the accompanying balance sheet at December 31, 2012, are:

Current deferred tax assets	
Allowance for doubtful accounts	\$ 90
Noncurrent deferred tax assets (liabilities)	
Acquisitions	(82,356)
Book depreciation greater than tax	86,748
	<hr/>
Total net noncurrent deferred tax asset	4,392
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Net deferred tax asset	\$ 4,482
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