

**INDEPENDENT AUDITORS' REPORT**

Board of Directors  
Filer Mutual Telephone Company  
Filer, Idaho

We have audited the accompanying financial statements of Filer Mutual Telephone Company, which comprise the balance sheet as of December 31, 2013, and 2012, and the related statements of comprehensive income, members' equity and cash flows for the years then ended, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these 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.

**Auditors' Responsibility**

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

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Filer Mutual Telephone Company as of December 31, 2013 and 2012, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

St. Paul, Minnesota  
March 14, 2014

*Olsen Thielen + Co., LTD*

FILER MUTUAL TELEPHONE COMPANY

BALANCE SHEET  
DECEMBER 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
CURRENT ASSETS:		
Cash		
Certificates of Deposit		
Due from Customers, Less Allowance of \$23,000 and \$21,000		
Other Accounts Receivable		
Inventories		
Prepaid Expenses		
Total Current Assets		
INVESTMENTS AND OTHER ASSETS:		
Investment Securities		
Other Investments		
Note Receivable		
Total Investments and Other Assets		
PROPERTY, PLANT AND EQUIPMENT:		
In Service		
Plant Under Construction		
Total Property, Plant and Equipment		
Less Accumulated Depreciation		
Net Property, Plant and Equipment		
TOTAL ASSETS		
LIABILITIES AND MEMBERS' EQUITY		
CURRENT LIABILITIES:		
Line of Credit		
Current Portion of Long-Term Debt		
Accounts Payable		
Customer Deposits		
Accrued Expenses		
Total Current Liabilities		
NON-CURRENT LIABILITIES:		
Long-Term Debt		
Postretirement Benefits		
Deferred Income Taxes		
Total Non-Current Liabilities		
MEMBERS' EQUITY:		
Memberships		
Patronage Capital		
Non-Patronage Capital		
Accumulated Other Comprehensive Income		
Total Members' Equity		
TOTAL LIABILITIES AND MEMBERS' EQUITY		

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

**FILER MUTUAL TELEPHONE COMPANY**

**STATEMENT OF COMPREHENSIVE INCOME  
YEARS ENDED DECEMBER 31, 2013 AND 2012**

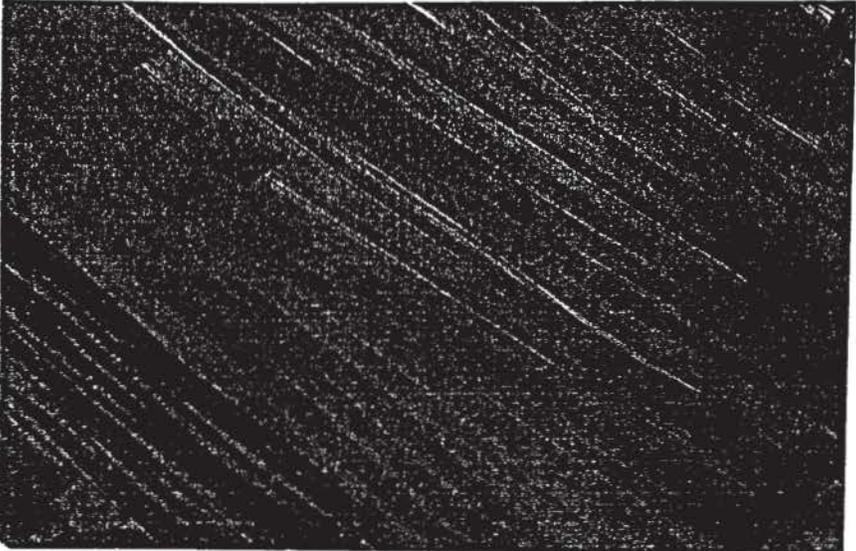
	<u>2013</u>	<u>2012</u>
OPERATING REVENUES:		
Local Network		
Network Access		
Internet Services		
Lease Revenue		
Wireless Revenue		
Other Services		
Long Distance		
Computer Repair Services		
Miscellaneous		
Uncollectibles, Net		
Total Operating Revenues		
OPERATING EXPENSES:		
Plant, Maintenance and Access		
Depreciation		
Customer		
Corporate		
Other Taxes		
Total Operating Expenses		
OPERATING MARGIN		
OTHER INCOME AND EXPENSES:		
Interest and Dividend Income		
Gain on Sale of Investment		
Other		
Income in Limited Liability Companies		
Interest Expense		
Redemption of Broadband Tax Credits		
Net Other Income and Expenses		
MARGIN BEFORE INCOME TAX EXPENSE (BENEFIT)		
INCOME TAX EXPENSE (BENEFIT)		
NET MARGIN		
OTHER COMPREHENSIVE INCOME (LOSS):		
Unrealized Gains (Losses) on Available-for-Sale Securities:		
Unrealized Gains Arising During Period		
Less: Reclassification Adjustment for Gains		
Recognized in Net Margin		
Net Unrealized Gain (Loss) on Available-for-Sale Securities		
Unrealized Loss on Postretirement Benefits		
Other Comprehensive Income (Loss)		
COMPREHENSIVE INCOME		

*The accompanying notes are an integral part of the financial statements.*

**FILER MUTUAL TELEPHONE COMPANY**

**STATEMENT OF MEMBERS' EQUITY  
YEARS ENDED DECEMBER 31, 2013 AND 2012**

	<u>Member- ships</u>	<u>Patronage Capital</u>	<u>Non- Patronage Capital</u>	<u>Accumulated Other Comprehensive Income</u>	<u>Total</u>
BALANCE on December 31, 2011					
Net Margin					
Other Comprehensive Income (Loss)					
Other					
Change in Memberships, Net					
BALANCE on December 31, 2012					
Net Margin					
Other Comprehensive Income (Loss)					
Retirement of Patronage Capital					
Change in Memberships, Net					
BALANCE on December 31, 2013					



**REDACTED-FOR PUBLIC INSPECTION**

*The accompanying notes are an integral part of the financial statements.*

**FILER MUTUAL TELEPHONE COMPANY**

**STATEMENT OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2013 AND 2012**

	2013	2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net Margin		
Adjustments to Reconcile Net Margin to Net Cash Provided By Operating Activities:		
Depreciation		
Gain on Sale of Investment		
Income in Limited Liability Companies		
Distributions from LLC Investment		
Redemption of Broadband Tax Credits		
Benefit for Postretirement Benefits		
Changes in Assets and Liabilities:		
Due from Customers		
Other Accounts Receivable		
Inventory for Resale		
Prepaid Expenses		
Accounts Payable		
Accrued Expenses		
Net Cash Provided By Operating Activities		
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Additions to Property, Plant and Equipment		
Salvage, Net of Cost of Removal		
Increase in Materials and Supplies		
Purchase of Certificates of Deposit		
Sale of Certificates of Deposit		
Purchase of Investment Securities		
Sale of Investment Securities		
Redemption of Broadband Tax Credits		
Sales of Other Investments		
Purchases of Other Investments		
Net Cash Used In Investing Activities		
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Increase (Decrease) in Customer Deposits		
Change in Line of Credit, Net		
Principal Payments of Long-Term Debt		
Proceeds from Issuance of Long-Term Debt		
Other		
Retirement of Patronage Capital		
Change in Memberships		
Net Cash Provided By (Used In) Financing Activities		
<b>NET INCREASE IN CASH</b>		
<b>CASH at Beginning of Year</b>		
<b>CASH at End of Year</b>		
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOWS INFORMATION:</b>		
Cash Paid (Refunded) for:		
Interest		
Income Taxes		
Increase (Decrease) in Accounts Payable for Property, Plant and Equipment		
Issuance of Note Receivable from Sale of Other Investment		

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