

REDACTED - FOR PUBLIC INSPECTION

The Chillicothe Telephone Company The Five Year Service Quality Improvement Plan (Part 54.202)



REDACTED - FOR PUBLIC INSPECTION

Attachment C

The Chillicothe Telephone Company The Five Year Service Quality Improvement Plan (Part 54.202)



The Chillicothe Telephone Company The Five Year Service Quality Improvement Plan (Part 54.202)





June 18, 2014

Unfulfilled Broadband Service Requests Resolution

Horizon's customer care department tracks customer's requests for services the Company does not currently offer in the customer's area. In addition, Horizon's engineering department maintains a "Box Evaluation Maintenance" database which identifies exchange, box location, build date, build-out cost, work order number, and other data relevant to expanding broadband services.

The custom care department periodically sends a list of requesting customers to the engineering department. Engineering adds the customer data to its database and ticks a box for "customer request." As the customers serving area is upgraded for broadband and the broadband meets the customer's request (assuming the request was reasonable), engineering will send an updated customer request for service list back to customer care.

Customer care will make a "warm" call and notify the customer has upgraded services in their area and inquire if they would like to purchase a new or upgraded broadband package.

Respectfully,

A handwritten signature in black ink, appearing to read "P. Holland", written over a horizontal line.

Pete Holland
The Chillicothe Telephone Company
68 E Main St.
Chillicothe, OH 45601
(740) 772-8547



June 18, 2014

The Company complies with applicable federal and Ohio service quality standards and consumer protection rules with respect to its basic local exchange services and Lifeline services, including requirements regarding contractual terms and conditions, rates, rate increases, lists of features and services, deposits, directories, billing periods, late payment fees, repair commitments, out-of-service credits, disconnection and reconnection.

Respectfully,

A handwritten signature in black ink, appearing to read "P. Holland", is written over a faint, larger version of the signature.

Pete Holland
The Chillicothe Telephone Company
68 E Main St.
Chillicothe, OH 45601
(740) 772-8547



June 18, 2014

The Company has examined the ability of its network to remain functional in the event of the occurrence of the types of emergency situations likely to impact its central Ohio service area (e.g., severe snow and ice storms, lightning storms, tornados, earthquakes, forest fires, nuclear power plant accidents). On the basis of its risk assessments, the Company has determined that it has available a reasonable amount of back-up power to ensure the functionality of its affected exchanges for at least 4 days without an external power source. The Company also has concluded from its risk assessments that its network has reasonable and sufficient options for routing traffic around the facilities most likely to be damaged in the relevant emergencies, and that its network has sufficient capacity to manage most traffic spikes resulting from such emergencies.

Respectfully,

A handwritten signature in black ink, appearing to read "P. Holland", written over a white background.

Pete Holland
The Chillicothe Telephone Company
68 E Main St.
Chillicothe, OH 45601
(740) 772-8547



June 18, 2014

Description of Voice Services Rate Compatibility

Horizon's voice pricing is no more than two standard deviations above the applicable national average urban rate floor for voice services. Per DA 14-384, released March 20, 2014, the Wireline Competition Bureau announced the results of the 2014 rate floor for ILECs in urban areas is \$20.46.

In compliance with WC Docket No. 14-48, "In the Matter of Material to be Filed in Support of 2014 Annual Access Tariff Filings", released April 14, 2014, "For switched access services, ILECs regulated pursuant to sections 61.38 and 61.39 of the Commission's rules must complete the ARC spreadsheets." On June 16, 2014, Horizon submitted the ARC spreadsheets which contain the detail for voice pricing. Horizon's rate ceiling is 28.70 with federal subscriber line charge. The following table is a snapshot of the data filed with the Commission.

Table 1 – ARC TRP with Voice Rates

Filing Date (enter w/leading): 6/16/2014 ARCCTRP-CAF-1
 Holding Company:
 Filing Name: The Chillicothe Telephone Company

Study Area	EXCHANGES	Rate Ceiling Component Charges Calculation (51.915(b)(11))											Total Crnt Yr Rate Ceiling Comp. Chgs w/o ARC
		Res / NP / BRI		SLB		Mandatory			State		State USF	Federal SLC	
		Tariff Period Projected Lines	Tariff Period Projected Lines	Stand-alone R1 rate	Mandatory EAS	Zone Charges	State SLC	E911	TRS				
State1													
Ohio	Chillicothe	6,766	942	\$ 22.00	\$ -	\$ -	\$ -	\$ 0.20	\$ 0.00	\$ 0.00	\$ 6.50	\$ 28.70	
Ohio	Bainbridge	563	78	\$ 22.00	\$ -	\$ -	\$ -	\$ 0.20	\$ 0.00	\$ 0.00	\$ 6.50	\$ 28.70	
Ohio	Bourneville	344	48	\$ 22.00	\$ -	\$ -	\$ -	\$ 0.20	\$ 0.00	\$ 0.00	\$ 6.50	\$ 28.70	
Ohio	Clarksburg	221	31	\$ 22.00	\$ -	\$ -	\$ -	\$ 0.20	\$ 0.00	\$ 0.00	\$ 6.50	\$ 28.70	
Ohio	Frankfort	642	89	\$ 22.00	\$ -	\$ -	\$ -	\$ 0.20	\$ 0.00	\$ 0.00	\$ 6.50	\$ 28.70	
Ohio	Hallsville	362	50	\$ 22.00	\$ -	\$ -	\$ -	\$ 0.20	\$ 0.00	\$ 0.00	\$ 6.50	\$ 28.70	
Ohio	Kingston	373	52	\$ 22.00	\$ -	\$ -	\$ -	\$ 0.20	\$ 0.00	\$ 0.00	\$ 6.50	\$ 28.70	
Ohio	Londonderry	585	81	\$ 22.00	\$ -	\$ -	\$ -	\$ 0.20	\$ 0.00	\$ 0.00	\$ 6.50	\$ 28.70	
Ohio	Massieville	103	14	\$ 22.00	\$ -	\$ -	\$ -	\$ 0.20	\$ 0.00	\$ 0.00	\$ 6.50	\$ 28.70	
Ohio	Richmond Dale	200	28	\$ 22.00	\$ -	\$ -	\$ -	\$ 0.20	\$ 0.00	\$ 0.00	\$ 6.50	\$ 28.70	

Respectfully,


 Pete Holland
 The Chillicothe Telephone Company
 68 E Main St.
 Chillicothe, OH 45601
 (740) 772-8547



REPORT OF INDEPENDENT AUDITORS

To the Board of Directors
The Chillicothe Telephone Company

Report on the Financial Statements

We have audited the accompanying financial statements of The Chillicothe Telephone Company, which comprise the balance sheets as of December 31, 2013 and 2012, and the related statements of income, comprehensive income, stockholder's 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.

Auditor's 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 for 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.



REPORT OF INDEPENDENT AUDITORS (continued)

Auditor's Responsibility (continued)

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 The Chillicothe 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.

Moss Adams LLP

Overland Park, Kansas
March 26, 2014

<010> Study Area Code	<010> <u>300597</u>
<015> Study Area Name	<015> <u>The Chillicothe Telephone Company</u>
<020> Program Year	<020> <u>2013</u>
<030> Contact Name - Person USAC should contact regarding this data	<030> <u>Don Barnhart</u>
<035> Contact Telephone Number - Number of person identified in data line <030>	<035> <u>740-772-8348</u>
<039> Contact Telephone Email Address - Email Address of person identified in data line <030>	<039> <u>don.barnhart@horizontel.com</u>

PART C. STATEMENTS OF CASH FLOWS	
1. Beginning Cash (Cash and Equivalents plus RUS Construction Fund)	
CASH FLOWS FROM OPERATING ACTIVITIES	
2. Net Income	
<i>Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities</i>	
3. Add: Depreciation	
4. Add: Amortization	
5. Other (Explain)	Deferred income tax, provision for bad debt, inventory reserve
<i>Changes in Operating Assets and Liabilities</i>	
6. Decrease/(Increase) in Accounts Receivable	
7. Decrease/(Increase) in Materials and Inventory	
8. Decrease/(Increase) in Prepayments and Deferred Charges	
9. Decrease/(Increase) in Other Current Assets	
10. Increase/(Decrease) in Accounts Payable	
11. Increase/(Decrease) in Advance Billings & Payments	
12. Increase/(Decrease) in Other Current Liabilities	
13. Net Cash Provided/(Used) by Operations	
CASH FLOWS FROM FINANCING ACTIVITIES	
14. Decrease/(Increase) in Notes Receivable	
15. Increase/(Decrease) in Notes Payable	
16. Increase/(Decrease) in Customer Deposits	
17. Net Increase/(Decrease) in Long Term Debt (including Current Maturities)	
18. Increase/(Decrease) in Other Liabilities & Deferred Credits	
19. Increase/(Decrease) in Capital Stock, Paid-in Capital, Membership and Capital Certificates & Other Capital	
20. Less: Payment of Dividends	
21. Less: Patronage Capital Credits Retired	
22. Other (Explain)	Contributed capital
23. Net Cash Provided/(Used) by Financing Activities	
CASH FLOWS FROM INVESTING ACTIVITIES	
24. Net Capital Expenditures (Property, Plant & Equipment)	
25. Other Long-Term Investments	
26. Other Noncurrent Assets & Jurisdictional Differences	
27. Other (Explain)	Advanced payments on construction and proceeds from asset sales
28. Net Cash Provided/(Used) by Investing Activities	
29. Net Increase/(Decrease) in Cash	
30. Ending Cash	

(3005e) Operating Report for Privately-Held Rate of Return Carriers	FCC Form 481
Balance Sheet - Data Collection Form	OMB Control No. 3060-0986
Page 1 of 3	July 2013
<010> Study Area Code	<010> 200487
<015> Study Area Name	<015> The Chillicothe Telephone Company
<020> Program Year	<020> 2013
<030> Contact Name - Person USAC should contact regarding this data	<030> Don Barnhart
<035> Contact Telephone Number - Number of person identified in data line <030>	<035> 740-772-8348
<039> Contact Telephone Email Address - Email Address of person identified in data line <030>	<039> don_barnhart@horizontel.com
<input type="checkbox"/> Files as reviewed single company	<input type="checkbox"/> Filed as audited single company
<input type="checkbox"/> Filed as reviewed consolidated company	<input checked="" type="checkbox"/> Filed as audited consolidated company
<input type="checkbox"/> Filed as subsidiary of reviewed consolidated company	<input type="checkbox"/> Filed as subsidiary of audited consolidated company

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.

Pete Holland 10/7/2013
 Signature Date

PART A. BALANCE SHEET

ASSETS		BALANCE PRIOR YEAR	BALANCE END OF PERIOD	LIABILITIES AND STOCKHOLDERS' EQUITY		BALANCE PRIOR YEAR	BALANCE END OF PERIOD
CURRENT ASSETS				CURRENT LIABILITIES			
1.	Cash and Equivalents			25.	Accounts Payable		
2.	Cash-RUS Construction Fund			26.	Notes Payable		
3.	Affiliates:			27.	Advance Billings and Payments		
	a. Telecom, Accounts Receivable			28.	Customer Deposits		
	b. Other Accounts Receivable			29.	Current Mat. L/T Debt		
	c. Notes Receivable			30.	Current Mat. L/T Debt-Rur. Dev.		
4.	Non-Affiliates:			31.	Current Mat.-Capital Leases		
	a. Telecom, Accounts Receivable			32.	Income Taxes Accrued		
	b. Other Accounts Receivable			33.	Other Taxes Accrued		
	c. Notes Receivable			34.	Other Current Liabilities		
5.	Interest and Dividends Receivable			35.	Total Current Liabilities (25 thru 34)		
6.	Material-Regulated			LONG-TERM DEBT			
7.	Material-Nonregulated			36.	Funded Debt-RUS Notes		
8.	Prepayments			37.	Funded Debt-RTB Notes		
9.	Other Current Assets			38.	Funded Debt-FFB Notes		
10.	Total Current Assets (1 Thru 9)			39.	Funded Debt-Other		
NONCURRENT ASSETS				40.	Funded Debt-Rural Develop. Loan		
11.	Investment in Affiliated Companies			41.	Premium (Discount) on L/T Debt		
	a. Rural Development			42.	Reacquired Debt		
	b. Nonrural Development			43.	Obligations Under Capital Lease		
12.	Other Investments			44.	Adv. From Affiliated Companies		
	a. Rural Development			45.	Other Long-Term Debt		
	b. Nonrural Development			46.	Total Long-Term Debt (36 thru 45)		
13.	Nonregulated Investments			OTHER LIAB. & DEF. CREDITS			
14.	Other Noncurrent Assets			47.	Other Long-Term Liabilities		
15.	Deferred Charges			48.	Other Deferred Credits		
16.	Jurisdictional Differences			49.	Other Jurisdictional Differences		
17.	Total Noncurrent Assets (11 thru 16)			50.	Total Other Liabilities and Deferred Credits (47 thru 49)		
PLANT, PROPERTY, AND EQUIPMENT				EQUITY			
18.	Telecom, Plant-In-Service			51.	Cap. Stock Outstanding & Subscribed		
19.	Property Held for Future Use			52.	Additional Paid-In-Capital		
20.	Plant Under Construction			53.	Treasury Stock		
21.	Plant Adj., Nonop. Plant & Goodwill			54.	Membership and Cap. Certificates		
22.	Less Accumulated Depreciation			55.	Other Capital		
23.	Net Plant (18 thru 21 less 22)			56.	Patronage Capital Credits		
				57.	Retained Earnings or Margins		
				58.	Total Equity (51 thru 57)		
24.	TOTAL ASSETS (10+17+23)			59.	TOTAL LIABILITIES AND EQUITY (35+46+50+58)		

REDACTED - FOR PUBLIC INSPECTION

<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 Telephone Email Address - Email Address of person identified in data line <030>

<010> 30039Z
 <015> The Chillcothe Telephone Company
 <020> 2013
 <030> Don Bernhart
 <035> 740-772-8343
 <039> don.bernhart@horizontal.com

PART B. STATEMENTS OF INCOME AND RETAINED EARNINGS OR MARGINS		
ITEM	PRIOR YEAR	THIS YEAR
1. Local Network Services Revenues		
2. Network Access Services Revenues		
3. Long Distance Network Services Revenues		
4. Carrier Billing and Collection Revenues		
5. Miscellaneous Revenues		
6. Uncollectible Revenues		
7. Net Operating Revenues (1 thru 5 less 6)		
8. Plant Specific Operations Expense		
9. Plant Nonspecific Operations Expense (Excluding Depreciation & Amortization)		
10. Depreciation Expense		
11. Amortization Expense		
12. Customer Operations Expense		
13. Corporate Operations Expense		
14. Total Operating Expenses (8 thru 13)		
15. Operating Income or Margins (7 less 14)		
16. Other Operating Income and Expenses		
17. State and Local Taxes		
18. Federal Income Taxes		
19. Other Taxes		
20. Total Operating Taxes (17+18+19)		
21. Net Operating Income or Margins (15+16-20)		
22. Interest on Funded Debt		
23. Interest Expense - Capital Leases		
24. Other Interest Expense		
25. Allowance for Funds Used During Construction		
26. Total Fixed Charges (22+23+24-25)		
27. Nonoperating Net Income		
28. Extraordinary Items		
29. Jurisdictional Differences		
30. Nonregulated Net Income		
31. Total Net Income or Margins (21+27+28+29+30-26)		
32. Total Taxes Based on Income		
33. Retained Earnings or Margins Beginning-of-Year		
34. Miscellaneous Credits Year-to-Date		
35. Dividends Declared (Common)		
36. Dividends Declared (Preferred)		
37. Other Debits Year-to-Date		
38. Transfers to Patronage Capital		
39. Retained Earnings or Margins end-of-Period ((31+33+34)-(35+36+37+38))		
40. Patronage Capital Beginning-of-Year		
41. Transfers to Patronage Capital		
42. Patronage Capital Credits Retired		
43. Patronage Capital End-of-Year (40+41-42)		
44. Annual Debt Service Payments		
45. Cash Ratio ((14+20-10-11)/7)		
46. Operating Accrual Ratio ((14+20+26)/7)		
47. TIER ((31+26)/26)		
48. OSCR ((31+26+10+11)/44)		



March 26, 2014

Moss Adams LLP
7285 W. 132nd Street, Suite 220
Overland Park, KS 66213

We are providing this letter in connection with your audits of the financial statements of The Chillicothe Telephone Company (the "Company") which comprise the balance sheets as of December 31, 2013 and 2012 and the related statements of income, comprehensive income, stockholder's equity and cash flows for the years then ended and the related notes to the financial statements for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States (U.S. GAAP). 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 relying on the information would be changed or influenced by the omission or misstatement.

Except where otherwise stated below, immaterial matters less than \$110,000 collectively are not considered to be exceptions that require disclosure for the purpose of the following representations. This amount is not necessarily indicative of amounts that would require adjustment to or disclosure in the financial statements.

We confirm that, 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 March 26, 2014,

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated October 23rd, 2013, for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP.
2. We acknowledge our responsibility for 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.
3. We acknowledge our responsibility for the design, implementation and maintenance of internal controls which seek to prevent and detect fraud.
4. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
5. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
6. All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
7. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
8. We are not aware of any uncorrected financial statement misstatements that are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Information Provided

9. We have provided you with:
 - a. Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation and other matters;
 - 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;
 - c. Additional information that you have requested from us for the purpose of the audit;
 - d. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
10. All material transactions have been properly recorded in the accounting records and are reflected in the financial statements.
11. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
12. We have no knowledge of any fraud or suspected fraud that affects the entity and involves—
 - a. Management,
 - b. Employees who have significant roles in internal control, or
 - c. Others when the fraud could have a material effect on the financial statements.
13. We have no knowledge of any allegations of fraud or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.
14. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
15. We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
16. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
17. 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.
18. We have reviewed long-lived assets for impairment whenever events or changes in circumstances have indicated that the carrying value amount of assets might not be recoverable. We have not identified any impairment that would require adjustment to the carrying values of long-lived assets.
19. 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 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).
 - d. All leases and material amounts of rental obligations under long-term leases.
 - e. Concentrations of credit and other risk.

- f. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances, lines of credit, or similar arrangements have been properly disclosed.
20. With respect to the Company, there are no—
- a. Violations of laws or regulations whose effects should be disclosed in the financial statements or as a basis for recording a loss contingency.
 - b. Possible illegal acts brought to the attention of management.
 - c. Unasserted claims or assessments that our lawyers have advised us are probable of assertion and must be disclosed in accordance with ASC 450, Contingencies.
 - d. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by ASC 450.
 - e. Agreements to repurchase assets previously sold.
 - f. Undisclosed guarantees, whether written or oral, under which the Company is contingently liable.
 - g. Liabilities which are subordinated to any other actual or possible liabilities of the Company.
21. The Company has satisfactory title to all owned assets, and there are no material 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.
22. We acknowledge that we are responsible for the financial statements, including the footnotes, and have the resources to prepare them in-house. We have elected to use Moss Adams to prepare the financial statements and footnotes. We have reviewed and approved the financial statements prepared by Moss Adams.
23. We have reviewed and approved the tax accrual calculations and acknowledge that we are responsible for the accrual prepared by Moss Adams.
24. We have identified all accounting estimates that could be material to the financial statements, including the key factors and significant assumptions underlying those estimates, and we believe the estimates are reasonable in the circumstances. In addition, we have no knowledge of concentrations existing at the date of the financial statements that make the Company vulnerable to the risk of severe impact that have not been properly disclosed in the financial statements.
25. We believe adequate provisions have been made to prepare and record access revenue estimates in compliance with rules established by the Federal Communications Commission and the National Exchange Carrier Association (NECA). We are unaware of any items or issues which would cause material true-up adjustments to revenues for the audit period as a result of differences between recorded access revenues based on our estimates and revenues that will result from the filing of the annual cost study with NECA.
26. We believe the allocation of costs between regulated and non-regulated operations is reasonable. NECA and USAC have not objected to the allocations in our regulatory filings and we are not aware of any adverse rulings from either agency that would require a return of revenues that have been earned to date.
27. Related party transactions are priced in accordance with the FCC's rules on affiliate transactions in Part 32.27.
28. We believe the Company has no material unrecorded asset retirement obligations associated with its property, plant, and equipment that are required to be accrued or disclosed.
29. The Company has no significant amounts of idle property and equipment or permanent excess capacity.
30. The Company has future plans to complete work orders that have been temporarily suspended and reclassified from telecommunications plant under construction to other noncurrent assets. Work orders for which the Company has charged to other nonoperating expense represent work orders suspended for which the Company has abandoned and has no plans to complete.

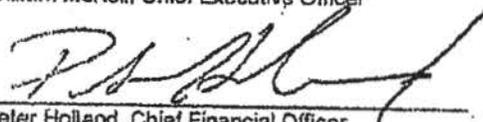
31. Access receivables recorded in the financial statements represent valid claims against interexchange carriers arising on or before the balance sheet date and have been appropriately reduced to their estimated realizable value.
32. Provision, when material, has been made for:
 - a. Losses to be sustained from inability to fulfill any sales commitments.
 - b. Losses to be sustained as a result of purchase commitments for inventory quantities in excess of normal requirements or at prices in excess of the prevailing market prices.
 - c. Losses to be sustained as a result of the reduction of excess or obsolete inventories to their estimated net realizable value.
33. All cash deposits are in institutions whose accounts are insured by an agency of the Federal government.
34. Regarding inventory:
 - a. Provision, when material, has been made to reduce excess or obsolete inventories to their estimated net realizable value.
 - b. The inventories were recorded and valued in substantially the same manner and on the same basis as the inventories at the close of the preceding year.
 - c. In our opinion, the amount reported on the balance sheet is a fair and proper valuation of the inventories.
35. Required federal and state income tax returns have been filed for previous years on a timely basis. We have informed you of all tax matters coming to our attention which may have a material effect on our financial statements. The Company has no material uncertain tax positions to be accounted for in the financial statements.
36. The calculations of current and deferred tax expense and/or benefit and related current and long-term deferred tax assets and liabilities have been determined based on appropriate provisions of applicable enacted tax laws and regulations.
37. A valuation allowance against deferred tax assets at the balance-sheet date is not considered necessary because it is more likely than not that the deferred tax asset will be fully utilized.
38. The Company has complied with contractual agreements that would have a material adverse effect on the financial statements in the event of noncompliance.
39. We are aware of all significant compliance requirements related to our BTOP funding and as of December 31, 2013, we believe that the Company met the requirements which were due as of December 31, 2013.
40. We believe that the deferred revenues recognized on the balance sheets for the BTOP, the Southern Ohio Health Care Network (SOHCN), and Venzon agreements are properly accounted for in accordance with the grant and contractual terms of the agreements.
41. We have evaluated all of the Company's indefeasible right to use (IRU) agreements and we believe that they qualify for operating lease treatment and that the IRUs have been properly accounted for as operating lease arrangements.
42. The assets associated with retirements recorded in our records are no longer used in providing service to our customers.
43. With regard to our defined postretirement benefit plans:
 - a. We agree with the findings of specialists in evaluating the Company's postretirement healthcare liability and pension plan liability and have adequately considered the qualifications of the specialist in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the specialists.
 - b. We believe the accrued postretirement benefit plan information provided by Aon Hewitt in their reports represents a reasonable estimate of the Company's accrued post-employment benefit obligation as of December 31 2013.

- c. We believe that the assumptions used by Aon Hewitt to calculate the accrued postretirement benefit plan liabilities at December 31, 2013 are reasonable. These assumptions include, but are not limited to: number of eligible employees, discount rate, expected return on plan assets, probabilities of withdrawals, retirement, and mortality.
- d. We have disclosed to you all significant postretirement benefits promised and have made available to you all significant summary plan descriptions, benefit communications, and all other relevant information, including plan changes, that constitute the plan.

- 44. All contributions to employee benefit plans have been authorized by management and are reflected in the financial statements.
- 45. As of December 31, 2013, the Company has completed a network meeting its obligations for the Connecting Appalachian Ohio Middle Mile Consortium project. The Company is currently in the process of completing the paper work required for close-out (anticipated to occur on or before June 30, 2014).



William McKell, Chief Executive Officer



Peter Holland, Chief Financial Officer



Don Barnhart, Manager of Accounting