

RUR-T

# ***ANNUAL REPORT***

OF

RURAL TELEPHONE COMPANY

**NAME**

892 W. Madison Ave. Glens Ferry, ID 83623

**ADDRESS**

TO THE

**IDAHO PUBLIC**

**UTILITIES COMMISSION**

FOR THE

YEAR ENDED 2014

RECEIVED  
2015 APR 28 AM 8:50  
IDAHO PUBLIC  
UTILITIES COMMISSION

**ANNUAL REPORT OF SMALL TELEPHONE COMPANIES TO  
THE IDAHO PUBLIC UTILITIES COMMISSION  
FOR THE YEAR ENDING December 31, 2014**

**COMPANY INFORMATION**

Exact name of utility: Rural Telephone Company  
Address of principal office: 892 W. Madison Ave., Glens Ferry, ID 83623-2372  
Telephone Number (Area Code - 208) 366-2614  
Cities or towns served: Shoup, Boise River, Tipanuk, Three Creek, Atlanta, Prairie

Name and title of officer having custody of the general corporate books of account: \_\_\_\_\_  
James R. Martell, President  
Address of office where corporate books are kept and phone number: Same as Above

Organized under the laws of the State of: Idaho  
Date of organization: 7/27/1979  
Form of organization (proprietorship, association, corporation): Corporation  
If a Subchapter S Corporation, please specify: \_\_\_\_\_  
Name and address of controlling company, if any: Martell Enterprises, Inc.  
892 W. Madison Ave., Glens Ferry, ID 83623

Names of affiliated companies. Give address and description of business: \_\_\_\_\_  
Pend Oreille Telephone Company - Same as Above  
Nehalem Telecommunications, Inc. - Same as Above

**OFFICERS**

Report below the title, name and office address of each general officer of the utility at the end of the year. If there were any changes during the year, show the name, title, and address of the previous officer and the date of change.

<b>Title</b>	<b>Name</b>	<b>Address</b>
President	James R. Martell	Same as Above
Vice President	Michael J. Martell	Same as Above
Sec./Treasurer	Carmela M. Martell	Same as Above

**DIRECTORS**

List the name of each person who was a member of the Board of Directors at any given time during the year: (Fees related to meetings only.)

<b>Name and Address</b>	<b>Term Expired or Current Term Will Expire</b>	<b>Meetings Attended This year</b>	<b>Fees Paid During Year</b>
James R. Martell	Non-Term	12	\$27,600
Carmela M. Martell	Non-Term	12	\$12,000
Michael J. Martell	Non-Term	12	\$16,800
Angela Carpenter	Non-Term	12	\$12,000
Andrea Roberts	Non-Term	12	\$18,000
Mark R. Martell	Non-Term	12	\$12,000
Matthew Martell	Non-Term	12	\$12,000

Name of Chairman of the Board: James R. Martell

Name of Secretary (or Clerk) of Board: Carmela M. Martell

Number of Meetings of the Board during the year: 12

**MANAGERS**

List the name of each person who performed management duties for the Company during the year, and the total wages and bonuses paid to those persons: (Do not include Director fees in these amounts.)

<b>Name</b>	<b>Title</b>	<b>Wages and Bonuses Paid</b>
James R. Martell	President	\$100,000.08
Carmela M. Martell	Sec./Treasurer	\$60,000.00
Michael J. Martell	Vice President	\$82,450.08
Mark R. Martell	Administrative Manager	\$69,700.08



**BALANCE SHEET**  
**Assets and Other Debits**

Title of Account	Balance Beginning of Year	Balance at End of Year	Increase or (Decrease)
<b>Current Assets</b>			
1120 Cash and Equivalents	258,837.27	275,658.05	16,820.78
1130 Cash			
1140 Special Cash Deposits			
1150 Working Cash Advances			
1160 Temporary Investments			
1180 Telecommunications Accts. Receivable	70,579.48	103,920.72	33,341.24
1181 Accts. Rec. Allow. -Telecommunications			
1190 Other Accounts Receivable	1,230,314.25	489,474.52	(740,839.73)
1191 Accounts Receivable Allow. - Other			
1200 Notes Receivable			
1201 Notes Receivable Allowance			
1210 Interest & Dividends Receivable			
1220 Material and Supplies	544,440.40	477,666.95	(66,773.45)
1280 Prepayments	1,340.06	1,365.67	25.61
1290 Prepaid Rents			
1300 Prepaid Taxes	0.00	9,481.00	9,481.00
1310 Prepaid Insurance			
1320 Prepaid Directory Expenses			
1330 Other Prepayments			
1350 Other Current Assets	956,886.44	1,118,504.91	161,618.47
<b>Noncurrent Assets</b>			
1401 Investment in Affiliated Companies	4,687,523.80	4,112,117.32	(575,406.48)
1402 Investment in Nonaffiliated Companies			
1406 Nonregulated Investments	1,412,643.80	1,490,088.01	77,444.21
1407 Unamortized Debt Issuance Expense			
1408 Sinking Funds			
1410 Other Noncurrent Assets	207,150.17	218,859.08	11,708.91
1438 Deferred Maintenance & Retirements			
1439 Deferred Charges			
1500 Other Jurisdiction Assets - Net			
<b>Property, Plant and Equipment</b>			
2001 Telecommunications Plants in Service	26,032,954.64	27,379,231.02	1,346,276.38
2002 Prop. Held for Future Telecom. Use	4,000.00	4,000.00	0.00
2003 Telecom. Plant under Constr. - Short Term	634,578.48	236,563.19	(398,015.29)
2004 Telecom. Plant under Constr. - Long Term			
2005 Telecom. Plant Adjustment			
2006 Nonoperating Plant			
2007 Goodwill			
<b>Depreciation and Amortization Accounts</b>			
3100 Accumulated Depreciated	(18,231,998.73)	(19,383,863.44)	(1,151,864.71)
3200 Accum. Depre. - Held for Future Use			
3300 Accumulated Depreciation - Nonoperating			
3400 Accumulated Amortization - Tangible			
3410 Accum. Amort. - Capitalized Leases			
3420 Accum. Amort. - Leasehold Improvements			
3500 Accumulated Amortization - Intangible			
3600 Accumulated Amortization - Other			
<b>TOTAL ASSETS</b>	<b>17,809,250.06</b>	<b>16,533,067.00</b>	<b>(1,276,183.06)</b>

**BALANCE SHEET**  
**Liabilities & Stockholders' Equity**

Title of Account	Balance Beginning of Year	Balance at End of Year	Increase or (Decrease)
<b>Current Liabilities</b>			
4010 Accounts Payable	694,250.36	572,212.53	(122,037.83)
4020 Notes Payable	8,006.18	0.00	(8,006.18)
4030 Advance Billings and Payments	42,950.85	43,542.05	591.20
4040 Customer Deposits	7,032.21	7,497.21	465.00
4050 Current Maturities - Long -Term Debt	812,326.52	668,225.00	(144,101.52)
4060 Current Maturities - Capital leases			
4070 Income Taxes - Accrued	0.00	15,645.00	15,645.00
4080 Other Taxes - Accrued	52,425.41	33,588.94	(18,836.47)
4100 Net Current Defer. Oper. Income Taxes			
4110 Net Current Defer. Nonoper. Income Taxes			
4120 Other Accrued Liabilities	103,836.34	119,552.19	15,715.85
4130 Other Current Liabilities	22,870.51	137,020.04	114,149.53
<b>Long-Term Debt</b>			
4210 Funded Debt	6,129,327.41	5,968,415.31	(160,912.10)
4220 Premium on Long-Term Debt			
4230 Discount on Long-Term Debt			
4240 Reacquired Debt			
4250 Obligations Under Capital Leases			
4260 Advances from Affiliated Companies			
4270 Other Long-Term Debt	133,550.25	33,380.74	(100,169.51)
<b>Other Liabilities &amp; Deferred Credits</b>			
4310 Other Long-Term Liabilities			
4320 Unamort. Oper. Invest. Tax Credits - Net	0.00	14,937.00	14,937.00
4330 Unamort. Nonoper. Invest. Tax Credits - Net			
4340 Net Noncurrent Defer. Oper. Income Taxes	0.00	1,245,412.00	1,245,412.00
4350 Net Noncur. Defer. Nonoper. Income Taxes	0.00	206,624.00	206,624.00
4360 Other Deferred Credits			
4370 Other Juris. Liab. & Def. Credits - Net			
<b>Stockholders' Equity</b>			
4510 Capital Stock	56,900.00	56,900.00	0.00
4520 Additional Paid-In Capital	10,197.00	10,197.00	0.00
4530 Treasury Stock			
4540 Other Capital			
4550 Retained Earnings	9,735,577.02	7,399,917.99	(2,335,659.03)
<b>TOTAL LIAB. &amp; OTHER CREDITS</b>	<b>17,809,250.06</b>	<b>16,533,067.00</b>	<b>(1,276,183.06)</b>

ANALYSIS OF TELECOMMUNICATIONS PLANT IN SERVICE

TOTAL Company Basis

Analysis of Telecommunications Plant in Service

	Balance Beginning of Year	Additions During year	Plant Retired or Sold	Transfers and Adjustments	Balance End of Year
2111 Land	197,053.63				197,053.63
2112 Motor Vehicles	393,282.99	205,120.23			598,403.22
2113 Aircraft					
2114 Special Purpose Vehicles					
2115 Garage Work Equipment					
2116 Other Work Equipment	984,519.39		(2,900.00)		981,619.39
2121 Buildings	956,394.19				956,394.19
2122 Furniture	217,330.36				217,330.36
2123 Office Equipment					
2124 General Purpose Computers	466,783.82	9,383.92			476,167.74
2211 Analog Electronic Switching					
2212 Digital Electronic Switching	2,834,238.12	7,420.00			2,841,658.12
2215 Electro-Mechanical Switching					
2220 Operator Systems					
2231 Radio Systems	26,954.56				26,954.56
2232 Circuit Equipment	5,631,098.19	50,351.44			5,681,449.63
2311 Station Apparatus					
2321 Customer Premises Wiring					
2341 Large Private Branch Exchanges					
2351 Public Telephone Terminal Equipment					
2362 Other Terminal Equipment					
2411 Poles					
2421 Aerial Cable	11,933.22	246,555.81			258,489.03
2422 Underground Cable					
2423 Buried Cable	11,692,529.59	464,376.61			12,156,906.20
2424 Submarine Cable					
2426 Intrabuilding Network Cable					
2431 Aerial Wire					
2441 Conduit Systems	1,904,932.38	365,968.37			2,270,900.75
2681 Capital Leases					
2682 Leasehold Improvements	204,349.16				204,349.16
2690 Intangibles					
<b>TOTAL PLANT ACCOUNTS</b>	<b>25,521,399.60</b>	<b>1,349,176.38</b>	<b>(2,900.00)</b>	<b>0.00</b>	<b>26,867,675.98</b>

**ANALYSIS OF TELECOMMUNICATIONS PLANT ACCOUNTS**  
**IDAHO Operations Only**

	Balance Beginning of Year	Additions During Year	Plant Retired or Sold	Transfers and Adjustments	Balance End of Year
<b>Analysis of Telecommunications Plant in Service</b>					
2111 Land	151,505.63				151,505.63
2112 Motor Vehicles	393,282.99	205,120.23			598,403.22
2113 Aircraft					
2114 Special Purpose Vehicles					
2115 Garage Work Equipment					
2116 Other Work Equipment	984,519.39		(2,900.00)		981,619.39
2121 Buildings	522,653.17				522,653.17
2122 Furniture	217,330.36				217,330.36
2123 Office Equipment					
2124 General Purpose Computers	466,783.82	9,383.92			476,167.74
2211 Analog Electronic Switching					
2212 Digital Electronic Switching	1,163,349.47			(16,807.50)	1,146,541.97
2215 Electro-Mechanical Switching					
2220 Operator Systems					
2231 Radio Systems	26,954.56				26,954.56
2232 Circuit Equipment	3,813,118.27	7,191.44			3,820,309.71
2311 Station Apparatus					
2321 Customer Premises Wiring					
2341 Large Private Branch Exchanges					
2351 Public Telephone Terminal Equipment					
2362 Other Terminal Equipment					
2411 Poles					
2421 Aerial Cable	11,578.80				11,578.80
2422 Underground Cable					
2423 Buried Cable	6,668,395.24	157,806.81			6,826,202.05
2424 Submarine Cable					
2426 Intrabuilding Network Cable					
2431 Aerial Wire					
2441 Conduit Systems	1,274,406.87	75,546.95			1,349,953.82
2681 Capital Leases					
2682 Leasehold Improvements	204,349.16				204,349.16
2690 Intangibles					
<b>TOTAL PLANT ACCOUNTS</b>	<b>15,898,227.73</b>	<b>455,049.35</b>	<b>(2,900.00)</b>	<b>(16,807.50)</b>	<b>16,333,569.58</b>

**ANALYSIS OF ENTRIES IN ACCUMULATED DEPRECIATION**  
Account 3100

**TOTAL Company Basis**

	Balance Beginning of Year	Depreciation Rate*	Credits During Year	Retirements and Adjustments	Balance End of Year
<b>Analysis of Entries in Accumulated Depreciation</b>					
2112 Motor Vehicles	337,496.88	33.33%	59,679.66	(13,553.12)	383,623.42
2113 Aircraft					
2114 Special Purpose Vehicles					
2115 Garage Work Equipment					
2116 Other Work Equipment	697,119.69	14.30%	72,581.52	(2,899.00)	766,802.21
2121 Buildings	432,177.68	ID3.0%, NV2.8%	27,924.16		460,001.84
2122 Furniture	193,595.41	12.50%	23,734.95		217,330.36
2123 Office Equipment					
2124 General Purpose Computers	457,444.27	20.00%	6,337.48		463,781.75
2211 Analog Electronic Switching					
2212 Digital Electronic Switching	2,532,087.06	ID12.0%, NV5.26%	169,674.32		2,701,761.38
2215 Electro-Mechanical Switching					
2220 Operator Systems					
2231 Radio Systems	26,954.54	20.00%		0.02	26,954.56
2232 Circuit Equipment	4,587,606.78	ID10.0%, NV5.26%	235,258.79		4,822,865.57
2311 Station Apparatus					
2321 Customer Premises Wiring					
2341 Large Private Branch Exchanges					
2351 Public Telephone Terminal Equipment					
2362 Other Terminal Equipment					
2411 Poles					
2421 Aerial Cable	5,620.62	5.00%	2,651.30		8,271.92
2422 Underground Cable					
2423 Buried Cable	7,678,726.01	ID6.5%, NV 4.0%	443,472.13		8,122,198.14
2424 Submarine Cable					
2426 Intrabuilding Network Cable					
2431 Aerial Wire					
2441 Conduit Systems	731,741.69	ID7.0%, NV 4.0%	117,638.08		849,379.77
2682 Leasehold Improvements	68,690.70	3.00%	6,130.44		74,821.14
<b>TOTAL</b>	<b>17,749,261.33</b>		<b>1,164,982.83</b>	<b>(16,452.10)</b>	<b>18,897,792.06</b>

\*Please list individual depreciation rate for each account.

**ANALYSIS OF ENTRIES IN ACCUMULATED DEPRECIATION**  
Account 3100

**IDAHO Operations Only**

Analysis of Entries in Accumulated Depreciation	Balance Beginning of Year	Depreciation Rate*	Credits During Year	Retirements and Adjustments	Balance End of Year
2112 Motor Vehicles	337,496.88	33.33%	59,679.66	(13,553.12)	383,623.42
2113 Aircraft					
2114 Special Purpose Vehicles					
2115 Garage Work Equipment	697,119.69	14.30%	72,581.52	(2,899.00)	766,802.21
2116 Other Work Equipment	220,238.00	3.00%	15,679.56		235,917.56
2121 Buildings	193,595.41	12.50%	23,734.95		217,330.36
2122 Furniture					
2123 Office Equipment					
2124 General Purpose Computers	457,444.27	20.00%	6,337.48		463,781.75
2211 Analog Electronic Switching					
2212 Digital Electronic Switching	930,287.51	12.00%	80,975.83		1,011,263.34
2215 Electro-Mechanical Switching					
2220 Operator Systems					
2231 Radio Systems	26,954.54	20.00%		0.02	26,954.56
2232 Circuit Equipment	3,478,212.59	10.00%	138,889.31		3,617,101.90
2311 Station Apparatus					
2321 Customer Premises Wiring					
2341 Large Private Branch Exchanges					
2351 Public Telephone Terminal Equipment					
2362 Other Terminal Equipment					
2411 Poles					
2421 Aerial Cable	5,620.62	5.00%	2,651.30		8,271.92
2422 Underground Cable					
2423 Buried Cable	4,180,811.56	6.50%and5.00%	240,497.95		4,421,309.51
2424 Submarine Cable					
2426 Intrabuilding Network Cable					
2431 Aerial Wire					
2441 Conduit Systems	570,979.10	7.00%	90,481.20		661,460.30
2682 Leasehold Improvements	68,690.70	3.00%	6,130.44		74,821.14
<b>TOTAL</b>	<b>11,167,450.87</b>		<b>737,639.20</b>	<b>(16,452.10)</b>	<b>11,888,637.97</b>

\*Please list individual depreciation rate for each account.

## INVESTMENTS

Report below the investments in Accounts 1401, 1402 and 1406. Identify each investment as to the account in which included. Minor amounts in Account 1406 may be grouped by classes.

<u>Description</u>	<u>Date Acquired</u>	<u>Book Cost of Investments Disposed of This year</u>	<u>Book Cost of Investments Held at End of Year</u>
NRTC Patronage - 1410	2005		218,859.08
Syringa Networks, LLC - 1406	2001		1,474,588.01
Solix - 1406			10,000.00
Telespire - 1406	2006		2,500.00
Fairfield Internet - 1406	2006		3,000.00
Pend Oreille Telephone - 1401	1997		2,354,767.77
Nehalem Telecommunications - 1401	2004		1,757,349.55
<b>Totals</b>			<b>5,821,064.41</b>

## RECEIVABLES

Itemize amounts show in Accounts 1180, 1190 and 1200. For notes receivable list each note separately and include the maturity date and interest rate. Minor amounts in Account 1210 may be combined.

<u>Name of Company</u>	<u>Amount at End of Year</u>	
	<u>Notes Receivable</u>	<u>Accounts Receivable</u>
Customer - 1180		103,920.72
Customer - 1190		31,264.31
Advances - 1350		4,114.26
NECA - 1190		263,073.00
CABS - 1190		62,348.31
Idaho USF - 1190		25,185.08
Miscellaneous - 1190		106,664.27
Elmore County E911 - 1190		939.55
<b>Totals</b>		<b>597,509.50</b>

**NOTES PAYABLE**

For Notes Payable, list each note separately and include the maturity date and interest rate.

<u>Name of Creditor</u>	<u>Date of Note</u>	<u>Interest Rate</u>	<u>Due Date</u>	<u>Face Amount</u>
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
<b>Totals</b>	_____	_____	_____	_____

**ACCOUNTS PAYABLE**

Report below all Accounts Payable amounting to more than \$100.00

<u>Name of Creditor</u>	<u>Amount</u>
Alerus Retirement Solutions	9,129.32
Allison, MacKenzie, Russell	23,810.00
Alpha Technologies Ltd.	12,489.17
Computer Technology, Inc.	15,408.04
Little Valley Elk Ranch	48,308.52
Moss Adams LLP	62,570.75
NECA	35,600.00
Nevada Bell	8,439.94
National Farmers Union	30,392.00
National Rural	20,328.88
NeoNova Network Services	32,666.18
Pitney Bowes	10,191.90
Power & Telephone Supply	88,110.27
Telispire PCS	10,313.35
Syringa Networks, LLC	72,954.97
US Bank	25,120.44
Other A/P	54,090.45
<b>Totals</b>	<b>559,924.18</b>

**LONG - TERM DEBT**

**Accounts 4210, 4240, 4250, 4260, 4270 and 4310**

List the required data for each obligation included in these accounts, grouping them by account number and showing totals for each account. If any obligations mature serially or otherwise at various dates, give particulars in a note.

<b>Class &amp; Series of Obligation</b>	<b>Date of Issue</b>	<b>Date of Maturity</b>	<b>Fact Amount Authorized</b>	<b>Outstanding Year-End</b>	<b>Premium/ Discount</b>		<b>Interest for year</b>	
					<b>Total</b>	<b>Amortized</b>	<b>Rate</b>	<b>Amount</b>
RUS	1982	2017	1,031,000.00	115,725.69		2.000%	2,824.36	
RUS	1982-2005	2013-2018	14,230,680.00	5,905,103.65		5.000%	315,289.88	
RUS - BIP	2013	2032	89,700.12	81,777.87		2.567%	1,480.67	
RUS - BIP	2013	2032	128,357.00	119,363.65		3.051%	2,161.20	
RUS - BIP	2014	2033	278,430.00	273,374.94		2.756%	4,949.74	
Ford Credit #6129	3/21/2014	4/5/2019	65,359.94	58,038.11		7.990%	3,312.57	
Ford Credit #1671	3/21/2014	4/5/2019	34,508.22	30,711.00		8.790%	1,925.88	
Ford Credit #1646	3/21/2014	4/5/2019	58,632.19	52,064.02		7.990%	2,971.59	
Crysler Credit	10/28/2013	11/12/2019	30,431.61	25,747.88		6.190%	1,765.55	
US Bank Auto Loan	2010	2015	50,139.00	8,114.24		4.490%	617.29	



## INCOME & RETAINED EARNINGS STATEMENT

Item	Total Company	Idaho Only
Total Operating Income (from page 16)	<u>5,001,663.28</u>	<u>3,088,793.60</u>
Total Operating Expenses (from page 18)	<u>4,728,881.47</u>	<u>2,657,658.11</u>
7100 Other Operating Income and Expense	<u>37,075.56</u>	<u>16,313.25</u>
7210 Operating Investment Tax Credits-Net	<u>(14,937.00)</u>	<u>(14,937.00)</u>
7220 Operating Federal Income Taxes	<u>(53,316.00)</u>	<u>(66,700.04)</u>
7230 Operating State and Local Income Taxes	<u>(5,037.00)</u>	<u>(5,037.00)</u>
7240 Operating Other Taxes	<u>(131,652.34)</u>	<u>(94,424.06)</u>
7250 Provision for Deferred Operating Income Taxes-Net	<u>(1,124,513.00)</u>	<u>(494,785.72)</u>
7200 Operating Taxes (Total)	<u>(1,329,455.34)</u>	<u>(675,883.82)</u>
7310 Dividend Income	<u>17,727.02</u>	<u>7,799.89</u>
7320 Interest Income	<u>38.88</u>	<u>17.11</u>
7330 Income from Sinking and Other Funds		
7340 Allowance for Funds Used During Construction	<u>67,318.52</u>	<u>6,175.34</u>
7350 Gains/Losses from the Disposition of Certain Property	<u>(5,700.00)</u>	<u>(2,508.00)</u>
7360 Other Nonoperating Income	<u>(424,642.14)</u>	<u>(186,842.54)</u>
7370 Special Charges	<u>(11,250.93)</u>	<u>(4,950.41)</u>
7300 Nonoperating Income and Expense	<u>(356,508.65)</u>	<u>(180,308.61)</u>
7410 Nonoperating Investment Tax Credits-Net		
7420 Nonoperating Federal Income Taxes	<u>(11,540.00)</u>	<u>(5,077.60)</u>
7430 Nonoperating State and Local Income Taxes	<u>(20,794.00)</u>	<u>(9,149.36)</u>
7440 Nonoperating Other Taxes		
7450 Provision for Deferred Nonoperating Income Taxes-Net	<u>(206,624.00)</u>	<u>(90,914.56)</u>
7400 Nonoperating Taxes	<u>(238,958.00)</u>	<u>(105,141.52)</u>
7510 Interest on Funded Debt	<u>(326,705.86)</u>	<u>(143,750.58)</u>
7520 Interest Expense-Capital Leases		
7530 Amortization of Debt Issuance Expense		
7540 Other Interest Deductions	<u>(49,136.38)</u>	<u>(21,620.01)</u>
7500 Interest and Related Items	<u>(375,842.24)</u>	<u>(165,370.59)</u>
7610 Extraordinary Income Credits		
7620 Extraordinary Income Charges		
7630 Current Income Tax Effect of Extraordinary Items-Net		
7640 Provision for Deferred Income Tax Effect of Extraordinary Items-Net		
7600 Extraordinary Items	<u>0.00</u>	<u>0.00</u>
7910 Income Effect of Jurisdictional Ratemaking Differences-Net		
7990 Nonregulated Net Income	<u>(20,345.17)</u>	<u>(91,464.79)</u>
<b>AMOUNT TRANSFERRED TO RETAINED EARNINGS</b>	<u><b>(2,011,252.03)</b></u>	<u><b>(770,720.59)</b></u>

**OPERATING REVENUES**

Item	Total Company	Idaho Only
<b>Local Network Services Revenues</b>		
5001 Basic Area Revenue	378,487.22	216,345.60
5002 Optional Extended Area Revenue		
5003 Cellular Mobile Revenue		
5004 Other Mobile Services Revenue		
5010 Public Telephone Revenue		
5040 Local Private Line Revenue		
5050 Customer Premises Revenue		
5060 Other Local Exchange Revenue		
5069 Other Local Exchange Settlements	11,800.11	11,531.53
	<b>390,287.33</b>	<b>227,877.13</b>
<b>Network Access Services Revenues</b>		
5081 End User Revenue (SLC)	168,246.79	70,755.66
5082 Switched Access Revenue (Interstate)	3,646,753.56	2,133,183.73
5083 Special Access Revenue	23,515.26	13,481.94
5084 State Access Revenue (Intrastate)	444,866.62	340,920.97
Long Distance Network Services Revenues		
5100 Long Distance Message Revenue - All	154.16	0.00
	<b>4,283,536.39</b>	<b>2,558,342.30</b>
<b>Internet Services</b>		
5280.10 DSL Modem Revenue Idaho	3,307.00	3,307.00
5280.20 DSL Modem Revenue Nevada	6,810.00	0.00
	<b>10,117.00</b>	<b>3,307.00</b>
<b>Other Non-Regulated Revenues</b>		
5280.30 Fiber Lease Idaho	57,170.04	57,170.04
5280.31 DWNM Circuit Equipment Lease	180,534.00	180,534.00
	<b>237,704.04</b>	<b>237,704.04</b>
<b>Miscellaneous Revenues</b>		
5230.10 Directory Revenue Idaho	27.00	27.00
5230.20 Directory Revenue Nevada	0.00	0.00
5220.10 Intrastate B&C Idaho	0.90	0.90
5220.20 Intrastate B&C Nevada	16,295.91	0.00
5260.10 Misc Revenue Idaho	1,631.07	1,631.07
5260.20 Misc Revenue Nevada	1,398.21	0.00
	<b>19,353.09</b>	<b>1,658.97</b>
<b>Uncollectible Revenues</b>		
5300.10 Uncollectible Revenue Idaho	59,904.16	59,904.16
5300.20 Uncollectible Revenue Nevada	761.27	0.00
	<b>60,665.43</b>	<b>59,904.16</b>
<b>TOTAL OPERATING REVENUES</b>	<b>5,001,663.28</b>	<b>3,088,793.60</b>

Please identify the following revenues:

NECA USF \$1,360,064.00. To what account were they booked? 5081.21 & 5081.22

State USF \$ 302,220.96. To what account were they booked? 5084.21

**OPERATING REVENUES**

Item	Total Company	Idaho Only
<b>Plant Specific Operations Expense</b>		
6110 Network Support Expenses		
6112 Motor Vehicle Expense	22,384.73	9,849.28
6113 Aircraft Expense		
6114 Special Purpose Vehicles Expense		
6115 Garage Work Equipment Expense		
6116 Other Work Equipment Expense		
6120 General Support Expenses	11,527.61	5,072.15
6121 Land and Building Expenses	237,306.39	220,811.01
6122 Furniture and Artworks Expense		
6123 Office Equipment Expense	154,322.55	129,062.40
6124 General Purpose Computers Expense		
6210 Central Office Switching Expenses		
6211 Analog Electronic Expense		
6212 Digital Electronic Expense		
6215 Electro-Mechanical Expense		
6220 Operators System Expense		
6230 Central Office Transmission Expenses	485,898.60	325,332.08
6231 Radio Systems Expense		
6232 Circuit Equipment Expense		
6310 Information Origination/Termination Expense		
6311 Station Apparatus Expense		
6341 Large Private Branch Exchange Expense		
6351 Public Telephone Terminal Equipment Expense	0.00	0.00
6362 Other Terminal Equipment Expense		
6410 Cable and Wire Facilities Expenses	663,615.92	333,518.85
6411 Pole Expense		
6421 Aerial Cable Expense		
6422 Underground Cable Expense		
6423 Buried Cable Expense		
6424 Submarine Cable Expense		
6425 Deep Sea Cable Expense		
6426 Intrabuilding Network Cable Expense		
6431 Aerial Wire Expense		
6441 Conduit Systems Expense		
<b>TOTAL PLANT SPECIFIC OPERATIONS EXPENSE</b>	<b>1,575,055.80</b>	<b>1,023,645.77</b>

## OPERATING REVENUES

Item	Total Company	Idaho Only
<b>Plant Nonspecific Operations Expense</b>		
6510 Other Property/Plant/Equipment Expenses		
6511 Property Held for Future Telecomm. Use Expenses		
6512 Provisioning Expense	3,247.06	1,428.71
6530 Network Operations Expense		
6531 Power Expense	66,734.13	36,470.02
6532 Network Administration Expense	102,160.75	53,692.17
6533 Testing Expense		
6534 Plant Operations Administration Expense		
6535 Engineering Expense	184,027.22	92,827.11
6540 Access Expense	56,020.95	24,649.22
6560 Depreciation and Amortization Expenses	1,164,982.85	744,115.59
6561 Depreciation Expense-Telecom. Plant in Service		
6562 Depreciation Expense-Property Held for Future Use		
6563 Amortization Expense - Tangible		
6564 Amortization Expense - Intangible		
6565 Amortization Expense - Other		
<b>Total Plant Nonspecific Operations Expenses</b>	<b>1,577,172.96</b>	<b>953,182.82</b>
<b>Customer Operations Expense</b>		
6610 Marketing	124,691.60	54,864.30
6611 Product Management		
6612 Sales		
6613 Product Advertising		
6620 Services		
6621 Call Completion Services		
6622 Number Services		
6623 Customer Services	138,994.13	77,706.63
<b>Total Customer Operations Expense</b>	<b>263,685.73</b>	<b>132,570.93</b>
<b>Corporate Operations Expense</b>		
6710 Executive and Planning	292,104.92	128,526.16
6711 Executive		
6712 Planning		
6720 General and Administrative	789,507.57	347,383.33
6721 Accounting and Finance	170,475.97	60,542.39
6722 External Relations		
6723 Human Resources		
6724 Information Management		
6725 Legal	60,878.52	11,806.71
6726 Procurement		
6727 Research and Development		
6728 Other General and Administrative		
6790 Provision for Uncollectible Notes Receivable		
<b>Total Corporate Operations Expense</b>	<b>1,312,966.98</b>	<b>548,258.59</b>
<b>TOTAL OPERATING EXPENSES</b>	<b>3,153,825.67</b>	<b>1,634,012.34</b>



**CENTRAL OFFICE DATA**  
as of December 31, 2014 (unless otherwise indicated)

Name of Central Office: **Boise River**  
Prefix (es): **208-653**

Central Office Switch Type: **Meta Switch**

**Check all that apply:**  
Stand Alone \_\_\_\_\_ **Check one:**  
Host \_\_\_\_\_ Digital **X**  
Remote **X** Analog \_\_\_\_\_ Electro-Mechanical \_\_\_\_\_  
Other: \_\_\_\_\_

**Access Line Capacity**  
Design: **2048**  
**Access Lines in Use**  
Customer Lines: **349**  
(Include Centrex, PAL, Semi-Pub.)

Installed/Equipped: **6/16/2008**  
Public Telephone Lines **16**  
Company Official Lines **8**  
Company Test Lines **2**

**Classification of Customer Access**

	Residence			Business			Total Residence & Business
	Multi-Line 1-Party	Single Line Multi-Party	Subtotal Residence	Centrex N.A.R.	Multi-Line 1-Party	Single Line Multi-Party	
Beginning of Year	312		312		29	16	45
New Connects			0			5	5
Disconnects	(11)		(11)		(2)		(2)
End of Year	301		301		27	21	48

**Foreign Exchange:**  
Dial Tone from this C.O.: \_\_\_\_\_  
Dial Tone from another C.O.: \_\_\_\_\_

**Directory Listings:**  
Number of Customers with Nonpublished or Nonlisted: **18**

**Custom Calling:**  
Number of customers with at least one feature: **147**  
Total number of features subscribed to: **8**

**CENTRAL OFFICE DATA**  
as of December 31, 2014 (unless otherwise indicated)

Name of Central Office: **Tipanuk**  
Prefix (es): **208-796**

Central Office Switch Type: **Meta Switch**

**Check all that apply:**  
Stand Alone \_\_\_\_\_ **Check one:**  
Host \_\_\_\_\_ Digital **X**  
Remote **X** Analog \_\_\_\_\_ Electro-Mechanical \_\_\_\_\_  
Other: \_\_\_\_\_

**Access Line Capacity**  
Design: **2048**  
**Access Lines in Use**  
Customer Lines: **70**  
(Include Centrex, PAL, Semi-Pub.)

Installed/Equipped: **6/16/2008**  
Public Telephone Lines **0**  
Company Official Lines **2**  
Company Test Lines **1**

**Classification of Customer Access**

	Residence			Business			Total Residence & Business
	Multi- Line 1-Party	Single Line Multi- Party	Subtotal Residence	Centrex N.A.R.	Multi- Line 1-Party	Single Line Multi- Party	
Beginning of Year	74		74		8	2	10
New Connects					0		0
Disconnects	(12)		(12)		(2)		(2)
End of Year	62		62		6	2	8

**Foreign Exchange:**  
Dial Tone from this C.O.: \_\_\_\_\_  
Dial Tone from another C.O.: \_\_\_\_\_

**Directory Listings:**  
Number of Customers with Nonpublished or Nonlisted: **10**

**Custom Calling:**  
Number of customers with at least one feature: **36**  
Total number of features subscribed to: **8**

**CENTRAL OFFICE DATA**  
as of December 31, 2014 (unless otherwise indicated)

Name of Central Office: **Three Creek**  
Prefix (es): **208-857**

Central Office Switch Type: **Redcom MDX**

**Check all that apply:**  
Stand Alone **X**      **Check one:**  
Host \_\_\_\_\_      Digital **X**  
Remote \_\_\_\_\_      Analog \_\_\_\_\_  
Other: \_\_\_\_\_

**Access Line Capacity**  
Design: **1200**

**Access Lines in Use**  
Customer Lines: **50**  
(Include Centrex, PAL, Semi-Pub.)

Installed/Equipped: **6/16/2008**

Public Telephone Lines **2**

Company Official Lines **3**

Company Test Lines **3**

**Classification of Customer Access**

	Residence			Business			Total Residence & Business
	Multi-Line 1-Party	Single Line Multi-Party	Subtotal Residence	Multi-Line 1-Party	Single Line Multi-Party	Subtotal Business	
Beginning of Year	40		40	8	4	12	52
New Connects						0	0
Disconnects	(2)		(2)			0	(2)
End of Year	38		38	8	4	12	50

**Foreign Exchange:**  
Dial Tone from this C.O.: \_\_\_\_\_  
Dial Tone from another C.O.: \_\_\_\_\_

**Directory Listings:**  
Number of Customers with Nonpublished or Nonlisted: **3**

**Custom Calling:**  
Number of customers with at least one feature: **16**  
Total number of features subscribed to: **5**

**CENTRAL OFFICE DATA**  
as of December 31, 2014 (unless otherwise indicated)

Name of Central Office: **Atlanta**  
Prefix (es): **208-864**

Central Office Switch Type: **Redcom MDX**

**Check all that apply:**  
Stand Alone \_\_\_\_\_ **Check one:**  
Host \_\_\_\_\_ Digital **X**  
Remote **X** Analog \_\_\_\_\_ Electro-Mechanical \_\_\_\_\_  
Other: \_\_\_\_\_

**Access Line Capacity**  
Design: **2048**  
**Access Lines in Use**  
Customer Lines: **34**  
(Include Centrex, PAL, Semi-Pub.)

Installed/Equipped: **6/16/2008**  
Public Telephone Lines **4**  
Company Official Lines **3**  
Company Test Lines **1**

**Classification of Customer Access**

	Residence			Business			Total Residence & Business
	Multi- Line 1-Party	Single Line Multi- Party	Subtotal Residence	Centrex N.A.R.	Multi- Line 1-Party	Single Line Multi- Party	
Beginning of Year	30		30		6	3	39
New Connects							0
Disconnects	(4)		(4)		(1)		(5)
End of Year	26		26		5	3	34

**Foreign Exchange:**  
Dial Tone from this C.O.: \_\_\_\_\_  
Dial Tone from another C.O.: \_\_\_\_\_

**Directory Listings:**  
Number of Customers with Nonpublished or Nonlisted: **4**

**Custom Calling:**  
Number of customers with at least one feature: **11**  
Total number of features subscribed to: **3**

**CENTRAL OFFICE DATA**  
as of December 31, 2014 (unless otherwise indicated)

Name of Central Office: **Prairie**  
Prefix (es): **208-868**

Central Office Switch Type: **Meta Switch**

**Check all that apply:**  
Stand Alone \_\_\_\_\_ **Check one:**  
Host \_\_\_\_\_ Digital **X**  
Remote **X** Analog \_\_\_\_\_  
Other: \_\_\_\_\_  
Electronic **X**  
Electro-Mechanical \_\_\_\_\_

**Access Line Capacity**  
Design: **2048**  
**Access Lines in Use**  
Customer Lines: **57**  
(Include Centrex, PAL, Semi-Pub.)

Installed/Equipped: **6/16/2008**  
Public Telephone Lines **2**  
Company Official Lines **2**  
Company Test Lines **2**

	Residence			Business			Total Residence & Business
	Multi- Line 1-Party	Single Line Multi- Party	Subtotal Residence	Multi- Line 1-Party	Single Line Multi- Party	Subtotal Business	
Beginning of Year	53		53	4	3	7	60
New Connects						0	0
Disconnects	(3)		(3)			0	(3)
End of Year	50		50	4	3	7	57

**Foreign Exchange:**  
Dial Tone from this C.O.: \_\_\_\_\_  
Dial Tone from another C.O.: \_\_\_\_\_

**Directory Listings:**  
Number of Customers with Nonpublished or Nonlisted: **3**

**Custom Calling:**  
Number of customers with at least one feature: **30**  
Total number of features subscribed to: **6**





CERTIFICATE

State of Idaho )  
 ) ss  
County of )

WE, the undersigned Michael J. Martell  
and Mark R. Martell  
of the Rural Telephone Company utility,  
on our oath do severally say that the foregoing return has been prepared under our direction, from  
the original books, papers, and records of said utility; that we have carefully examined same, and  
declare the same to be a correct statement of the business affairs of said utility for the period  
covered by the return in respect to each and every matter and thing therein set forth, to the best of  
our knowledge, information and belief.

  
\_\_\_\_\_  
(Chief Officer)  
  
\_\_\_\_\_  
(Officer in Charge of Accounts)

Subscribed and Sworn to Before Me this 27 day of April, (Year) 2015

  
\_\_\_\_\_  
Notary Public

My Commission expires 7/28, (Year) 2016.

Rev 3/02

gdk/excel/jnelson/anulrpts/telannualrpt



RECEIVED APR 11 2014

# Affidavit of Publication

STATE OF IDAHO }  
County of Lemhi } ss.

RICKY G. HODGES being first duly sworn, deposes and says he is one of the publishers (printers) of The Recorder Herald, a newspaper published weekly at Salmon, Lemhi County, Idaho, and of general circulation therein. That the **NOTICE OF SERVICE RATES - SHOUP**, a true printed copy of which is attached to the margin hereof, has been and was correctly printed and published in the regular and entire issue of every number of said newspaper and not in any supplement thereof or thereto for **ONE (1)** consecutive issue(s), commencing with the issue dated **3-20-2014** and ending with the issue dated **3-20-2014**.

STATE OF IDAHO }  
County of Lemhi } ss.

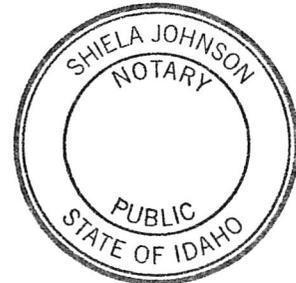
On this **21st day of March** in this year of 2014 before me, A Notary Public, personally appeared RICKY G. HODGES, known or identified to me to be the person whose name subscribed to the within instrument, and being by me first duly sworn, declared that the statements therein are true, and acknowledged to me that he executed the same.

*Shiela Johnson*  
\_\_\_\_\_  
Notary Public for Idaho

Residing At Salmon, Idaho

My Commission expires: 01-16-2019

Publication Fee \$94.08



LEGAL NOTICE SHOUP (ALSO) 2014  
RTI SERVICE RATES

RTI is a quality telecommunications services provider who provides basic enhanced services at reasonable rates within its service territory. Basic services are offered at the following rates for Atlanta & Three Creek Areas:

Residential & Business Rates	
Local Residence .....	\$25.76
Local Business .....	\$42.00
Fed. Subscriber Line	
(FCC Access, 1 line) .....	\$ 6.50
Fed. Subscriber Line	
(FCC Access, Multi Line) .....	\$ 9.20
Idaho Universal Service Fund Sur- charge (IUSF) .....	\$.16 (Res)
Idaho Universal Service Fund Sur- charge (IUSF) .....	\$.25 (Bus)
State of Idaho Assistance	
Program .....	\$ .03

The above charges will have federal and local taxes added on.

Touch Tone service is provided as a part of the local service.

Toll Blocking is available at no charge for low income customers who qualify.

Emergency 911 Services — Exchanges with charges in Idaho are: 394, 653, 868, 864 and 796. There is a \$1.25 per line charge.

Low income individuals eligible for Lifeline and Link-Up telephone assistance programs may be eligible for discounts from these basic local service charges through state specified telephone assistance plans. Please contact your local Health and Welfare office.

Basic services are offered to all consumers in the RTI service territories at the rates, terms, and conditions specified in the RTI tariffs and/or price lists. If you have any questions regarding the RTI's services, please call us at 1-888-366-7821, or visit our business office at 892 W. Madison Ave. Glenns Ferry, ID 83623 for further information regarding services.

RTI - An Equal Opportunity Employer  
RTI with its main office located at 892 W. Madison Avenue, Glenns Ferry, ID 83623, complies and adheres to the following statements under the U.S. Department of Agriculture guidelines.

In accordance with Federal law and the U.S. Department of Agriculture's policy, this institution is prohibited from discriminating on the basis of race, color, national origin, sex, religion, age, or disability (Not all prohibited bases apply to all programs).

To file a complaint of discrimination, write USDA, Director, Office of Civil Rights, Room 326-W, Whitten Building, 1400 Independence Avenue, SW, Washington, DC 20250-9410, or call (202) 720-5964 (voice or TDD). USDA is an equal opportunity provider and employer.

Did you know

Telephone Assistance Programs are available to low-income individuals. To qualify for Lifeline Services, please contact your local Health and Welfare Office.

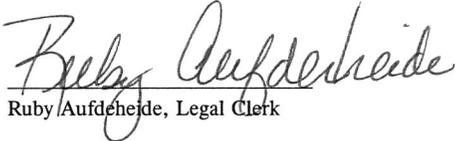
Lifeline is a program designed to assist low income households afford local telephone service. Lifeline assists with monthly telephone bills and Link-Up assists with connection and installation charges. Please contact your local Health & Welfare Office or Call Toll Free

**Affidavit of Publication**  
STATE OF IDAHO )  
COUNTY OF TWIN FALLS) SS.

I, Ruby Aufderheide, being first duly sworn upon oath, depose and say that I am Legal Clerk of the TIMES-NEWS, published daily at, Twin Falls, Idaho, and do solemnly swear that a copy of the notice of advertisement, as per clipping attached, was published in the regular and entire issue of said newspaper, and not in any supplement thereof, for two consecutive weeks, commencing with the issue dated 20th day of March, 2014 and ending with the issue dated 27th day of March, 2014

And I do further certify that said newspaper is a consolidation, effective February 16, 1942, of the Idaho Evening Times, published theretofore daily except Sunday, and the Twin Falls News, published theretofore daily except Monday, both of which newspapers prior to consolidation had been published under said names in said city and county continuously and uninterruptedly during a period of more than twelve consecutive months, and said TIMES-NEWS, since such consolidation, has been published as a daily newspaper except Saturday, until July 31, 1978, at which time said newspaper began daily publication under said name in said city and county continuously and uninterruptedly.

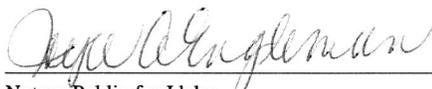
And I further certify that pursuant to Section 60-108 Idaho Code, Thursday of each week has been designated as the day on which legal notice by law or by order of any court of competent jurisdiction within the state of Idaho to be issued thereof Thursday is announced as the day on which said legal will be published.

  
Ruby Aufderheide, Legal Clerk

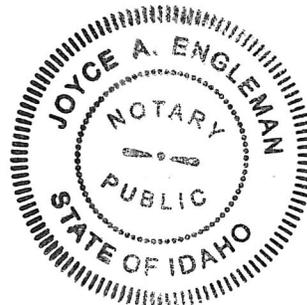
STATE OF IDAHO  
COUNTY OF TWIN FALLS

On this 28th day of March, 2014, before me,

a Notary Public, personally appeared Ruby Aufderheide, known or identified to me to be the person whose name subscribed to the within instrument, and being by me first duly sworn, declared that the statements therein are true, and acknowledged to me that he executed the same.

  
Notary Public for Idaho  
Residing at Twin Falls, Idaho. 6/28/19

My commission expires: \_\_\_\_\_



### RTI SERVICE RATES

RTI is an Independent Local Exchange Carrier (ILEC) telecommunications service provider offering basic telephone service within its service territory. Service rates offered for the Three Creek Idaho "857" exchange are as follows:

Local Residence	\$ 25.76
Local Business	\$ 40.68
FCC subscriber single line	\$ 6.50
FCC subscriber multi line	\$ 9.20
Idaho Universal Service Fund surcharge (RES)	\$ 0.16
Idaho Universal Service Fund surcharge (BUS)	\$ 0.23
Idaho Telephone Assistance program	\$ 0.03
Emergency 911 Services - (per line)	\$ 1.25

Federal and local taxes also apply

The basic services offered to all consumers in the RTI exchange territories are at the rates, terms and conditions specified in RTI's tariffs. If you have questions regarding RTI's services, please call toll free (888) 366-7821 or visit our business office at 892 W. Madison Avenue, Glens Ferry, Idaho. Further information is available on our website at [www.rtc.net](http://www.rtc.net).

#### RTI is an Equal Opportunity Employer

RTI main office located at 892 W. Madison Avenue, Glens Ferry, Idaho 83623. RTI complies and adheres to the following statements under the U.S. Department of Agriculture guidelines: In Accordance with the Federal law and the U.S. Department of Agriculture's policy, this institution is prohibited from discriminating on the basis of race, color, national origin, sex, religion, age, or disability (not all prohibited basis apply to all programs).

To file a complaint of discrimination, write to Office USDA, Director, office of civil right, 1400 Independence Ave SW Washington DC 20250-9410 or call 800-795-3272 (voice) or 202-720-6382 (TDD).

#### Did you know?

Telephone assistance programs are available to low-income individuals. To qualify for Lifeline/Link-up services, please contact your local Health & Welfare office. Lifeline service is designed to assist low-income households to afford local telephone service and assists with monthly telephone bills. Link-up assists with connections and installation charges (not available in all areas). Toll blocking is available at no charge for qualifying low-income customers.

**PUBLISH:** March 20 and 27, 2014

RTI  
Service Rates

RTI is a quality telecommunications services provider who provides basic enhanced services at reasonable rates within its service territory. Basic services are offered at the following rates for Atlanta & Three Creek Areas:

**Residential & Business Rates**

Local Residence	\$25.76
Local Business	\$42.00
Fed. Subscriber Line (FCC Access, 1 line)	\$ 6.50
Fed. Subscriber Line (FCC Access, Multi Line)	\$ 9.20
Idaho Universal Service Fund Surcharge (IUSF)	\$ .16 (Res)
Idaho Universal Service Fund Surcharge (IUSF)	\$ .25 (Bus)
State of Idaho Assistance Program	\$ .03

The above charges will have federal and local taxes added on.

Touch Tone service is provided as a part of the local service.

Toll Blocking is available at no charge for low income customers who qualify.

Emergency 911 Services – Exchanges with charges in Idaho are:  
**394, 653, 868, 864, and 796** There is a \$1.25 per line charge.

Low income individuals eligible for Lifeline and Link-Up telephone assistance programs may be eligible for discounts from these basic local service charges through state specified telephone assistance plans. Please contact your local Health and Welfare office.

Basic services are offered to all consumers in the RTI service territories at the rates, terms, and conditions specified in the RTI tariffs and/or price lists. If you have any questions regarding the RTI's services, please call us at 1-888-366-7821, or visit our business office at 892 W. Madison Ave. Glens Ferry, ID 83623 for further information regarding services.

RTI  
An Equal Opportunity Employer

RTI with its main office located at 892 W. Madison Avenue, Glens Ferry, ID 83623, complies and adheres to the following statements under the U.S. Department of Agriculture guidelines.

In accordance with Federal law and the U.S. Department of Agriculture's policy, this institution is prohibited from discriminating on the basis of race, color, national origin, sex, religion, age, or disability (Not all prohibited bases apply to all programs).

To file a complaint of discrimination, write USDA, Director, Office of Civil Rights, Room 326-W, Whitten Building, 1400 Independence Avenue, SW, Washington, DC 20250-9410, or call (202) 720-5964 (voice or TDD). USDA is an equal opportunity provider and employer.

**Did you know .....**

Telephone Assistance Programs are available to low-income individuals.

To qualify for Lifeline Services, please **contact your local Health and Welfare Office.**

Lifeline is a program designed to assist low income households afford local telephone service.

Lifeline assists with monthly telephone bills and Link-Up assists with connection and installation charges.

Please contact your local **Health & Welfare Office**

or

Call Toll Free 1-888-366-7821



One Publication: March 26, 2014

# AFFIDAVIT OF PUBLICATION

County of Elmore } ss.  
State of Idaho

I, **Brenda M. Fincher**, do solemnly swear that I am the Publisher of the:

## Mountain Home News

A weekly newspaper of general circulation, published once a week, in Mountain Home, Idaho, that the notice attached hereto which is a part of publication thereof; was published in said newspaper for 1 consecutive weeks, the first publication having been made on the 26th day of March, 2014, and the last publication having been made on the 26th day of March, 2014; every Wednesday issue of the paper during the period and time of publication and that the notice was published in the paper proper and not in a supplement thereof.

And I further swear that the said Mountain Home News has been continuously and uninterruptedly published in said Elmore County during the period of 78 consecutive weeks prior to the first publication of the attached notice.

*Brenda M Fincher*

**Publisher**

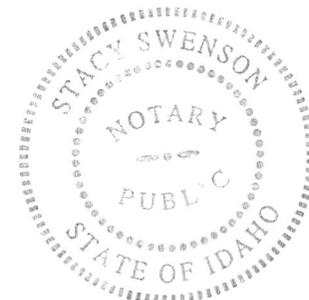
Subscribed and sworn to me this 27th day of March, 2014.

*[Signature]*

**Notary Public**

Residing in Mountain Home, Elmore County, Idaho.

My commission expires **11-17-2017**.



**LEGAL PROOF OF PUBLICATION**

Account #	Ad Number	Identification	PO	Amount	Cols	Lines
264023	0000957259	LEGAL NOTICE RTI Service Rates RTI is	RATE CHANGES	\$122.06	2	61

**Attention: THERESA WILSON**

RTI - RURAL TELEPHONE COMPANY  
892 W MADISON AVE  
GLENN'S FERRY, ID 836232374

**LEGAL NOTICE  
RTI  
Service Rates**

RTI is a quality telecommunications services provider who provides basic enhanced services at reasonable rates within its service territory. Basic services are offered at the following rates for Atlanta & Three Creek Areas:

**Residential & Business Rates**

Local Residence	\$	25.76
Local Business	\$	42.00
Fed. Subscriber Line (FCC Access, 1 line)		6.50
Fed. Subscriber Line (FCC Access, Multi Line)		9.20
Idaho Universal Service Fund Surcharge (IUSF)		.16 (Res)
Idaho Universal Service Fund Surcharge (IUSF)		.25 (Bus)
State of Idaho Assistance Program	\$	.03

The above charges will have federal and local taxes added on. Touch Tone service is provided as a part of the local service. Toll Blocking is available at no charge for low income customers, who qualify.

Emergency 911 Services - Exchanges with charges in Idaho are: 394, 653, 868, 864 and 796. There is a \$1.25 per line charge.

Low income individuals eligible for Lifeline and Link-Up telephone assistance programs may be eligible for discounts from these basic local service charges through state specified telephone assistance plans. Please contact your local Health and Welfare office.

Basic services are offered to all consumers in the RTI service territories at the rates, terms, and conditions specified in the RTI tariffs and/or price lists. If you have any questions regarding the RTI's services, please call us at 1-888-366-7821, or visit our business office at 892 W. Madison Ave. Glens Ferry, ID 83623 for further information regarding services.

**RTI**

**An Equal Opportunity Employer**

RTI with its main office located at 892 W. Madison Avenue, Glens Ferry, ID 83623, complies and adheres to the following statements under the U.S. Department of Agriculture guidelines.

In accordance with Federal law and the U.S. Department of Agriculture's policy, this institution is prohibited from discriminating on the basis of race, color, national origin, sex, religion, age, or disability (Not all prohibited bases apply to all programs).

To file a complaint of discrimination, write USDA, Director, Office of Civil Rights, Room 326-W, Whitten Building, 1400 Independence Avenue, SW, Washington, DC 20250-9410, or call (202) 720-5964 (voice or TDD). USDA is an equal opportunity provider and employer.

**Did you know.....**

Telephone Assistance Programs are available to low-income individuals.

To qualify for Lifeline Services, please contact your local Health and Welfare Office.

Lifeline is a program designed to assist low income households afford local telephone service. Lifeline assists with monthly telephone bills and Link-Up assists with connection and installation charges.

**Please contact your local Health & Welfare Office or Call Toll Free 1-888-366-7821**

Pub. Mar. 22, 2014

0000957259-01

, being duly sworn, deposes and says: That she is the Principal Clerk of The Idaho Statesman, a daily newspaper printed and published at Boise, Ada County, State of Idaho, and having a general circulation therein, and which said newspaper has been continuously and uninterruptedly published in said County during a period of twelve consecutive months prior to the first publication of the notice, a copy of which is attached hereto: that said notice was published in The Idaho Statesman, in conformity with Section 60-108, Idaho Code, as amended, for:

1 Insertions

Beginning issue of: 03/22/2014

Ending issue of: 03/22/2014

*Janice Heldroth*  
(Legals Clerk)

STATE OF IDAHO )

.SS

COUNTY OF ADA )

On this 24th day of March in the year of 2014 before me, a Notary Public, personally appeared before me known or identified to me to be the person whose name subscribed to the within instrument, and being by first duly sworn, declared that the statements therein are true, and acknowledged to me that she executed the same.

*Heather Haradine*  
Notary Public FOR Idaho  
Residing at: Boise, Idaho

My Commission expires: 2/11/202



**RTI  
Service Rates**

RTI is a quality telecommunications services provider who provides basic enhanced services at reasonable rates within its service territory. Basic services are offered at the following rates for Atlanta & Three Creek Areas:

**Residential & Business Rates**

Local Residence	\$25.76
Local Business	\$42.00
Fed. Subscriber Line (FCC Access, 1 line)	\$ 6.50
Fed. Subscriber Line (FCC Access, Multi Line)	\$ 9.20
Idaho Universal Service Fund Surcharge (IUSF)	\$ .16 (Res)
Idaho Universal Service Fund Surcharge (IUSF)	\$ .25 (Bus)
State of Idaho Assistance Program	\$ .03

The above charges will have federal and local taxes added on.

Touch Tone service is provided as a part of the local service.

Toll Blocking is available at no charge for low income customers who qualify.

Emergency 911 Services — Exchanges with charges in Idaho are: **394, 653, 868, 864 and 796**. There is a \$1.25 per line charge.

Low income individuals eligible for Lifeline and Link-Up telephone assistance programs may be eligible for discounts from these basic local service charges through state specified telephone assistance plans. Please contact your local Health and Welfare office.

Basic services are offered to all consumers in the RTI service territories at the rates, terms, and conditions specified in the RTI tariffs and/or price lists. If you have any questions regarding the RTI's services, please call us at 1-888-366-7821, or visit our business office at 892 W. Madison Ave. Glens Ferry, ID 83623 for further information regarding services.

**RTI  
An Equal Opportunity Employer**

RTI with its main office located at 892 W. Madison Avenue, Glens Ferry, ID 83623, complies and adheres to the following statements under the U.S. Department of Agriculture guidelines.

In accordance with Federal law and the U.S. Department of Agriculture's policy, this institution is prohibited from discriminating on the basis of race, color, national origin, sex, religion, age, or disability (Not all prohibited bases apply to all programs).

To file a complaint of discrimination, write USDA, Director, Office of Civil Rights, Room 326-W, Whitten Building, 1400 Independence Avenue, SW, Washington, DC 20250-9410, or call (202) 720-5964 (voice or TDD). USDA is an equal opportunity provider and employer.

**Did you know.....**

Telephone Assistance Programs are available to low-income individuals.

To qualify for Lifeline Services, please contact your local Health and Welfare Office.

Lifeline is a program designed to assist low income households afford local telephone service. Lifeline assists with monthly telephone bills and Link-Up assists with connection and installation charges.

**Please contact your local Health & Welfare Office**

or  
**Call Toll Free 1-888-366-7821**



One Publication: October 1, 2014

**AFFIDAVIT OF PUBLICATION**

County of Elmore }  
State of Idaho }ss.

I, **Brenda M. Fincher**, do solemnly swear that I am the Publisher of the:

**Mountain Home News**

A weekly newspaper of general circulation, published once a week, in Mountain Home, Idaho, that the notice attached hereto which is a part of publication thereof; was published in said newspaper for 1 consecutive weeks, the first publication having been made on the 1st day of Oct, 2014, and the last publication having been made on the 1st day of Oct, 2014; every Wednesday issue of the paper during the period and time of publication and that the notice was published in the paper proper and not in a supplement thereof.

And I further swear that the said Mountain Home News has been continuously and uninterruptedly published in said Elmore County during the period of 78 consecutive weeks prior to the first publication of the attached notice.

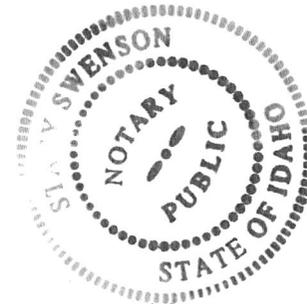
Brenda M Fincher  
**Publisher**

Subscribed and sworn to me this 2nd day of Oct, 2014.

[Signature]  
**Notary Public**

Residing in Mountain Home, Elmore County, Idaho.

My commission expires **11-17-2017**.



# Affidavit of Publication

STATE OF IDAHO }  
County of Lemhi } ss.

RICKY G. HODGES being first duly sworn, deposes and says he is one of the publishers (printers) of The Recorder Herald, a newspaper published weekly at Salmon, Lemhi County, Idaho, and of general circulation therein. That the **NOTICE OF SERVICE RATES**, a true printed copy of which is attached to the margin hereof, has been and was correctly printed and published in the regular and entire issue of every number of said newspaper and not in any supplement thereof or thereto for **ONE (1)** consecutive issue(s), commencing with the issue dated **9-25-2014** and ending with the issue dated **9-25-2014**.

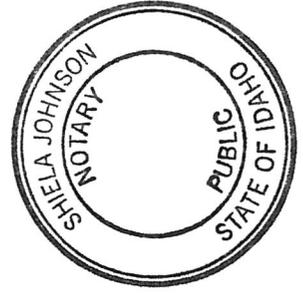
STATE OF IDAHO }  
County of Lemhi } ss.

On this **26th day of September** in this year of 2014 before me, A Notary Public, personally appeared RICKY G. HODGES, known or identified to me to be the person whose name subscribed to the within instrument, and being by me first duly sworn, declared that the statements therein are true, and acknowledged to me that he executed the same.

  
Notary Public for Idaho

Residing At Salmon, Idaho

My Commission expires: 01-16-2019



Publication Fee \$114.24

LEGAL NOTICE SHOUP (ALSO) 2014  
RTI SERVICE RATES

RTI is a quality telecommunications services provider who provides basic enhanced services at reasonable rates within its service territory. Basic services are offered at the following rates for Atlanta & Three Creek Areas:

Residential & Business Rates

Local Residence .....	\$25.76
Local Business .....	\$42.00
Fed. Subscriber Line (FCC Access, 1 line) .....	\$6.50
Fed. Subscriber Line (Access, Multi line) .....	\$9.20
Idaho Universal Service Fund Surcharge(IUSF) .....	\$.16 (Res)
Idaho Universal Service Fund Surcharge(IUSF) .....	\$.25 (Bus)
State of Idaho Assistance Program .....	\$.03

The above charges will have federal and local taxes added on.

Touch Tone service is provided as a part of local service.

Toll Blocking is available at no charge for low income customers who qualify.

Emergency 911 Services — Exchanges with charges in Idaho are: **394, 653, 868, 864 and 796**. There is a \$1.25 per line charge.

Low income individuals eligible for Lifeline and Link-Up telephone assistance programs may be eligible for discounts from these basic local service charges through state specified telephone assistance plans. Please contact your local Health and Welfare.

Basic services are offered to all consumers in the RTI service territories at the rates, terms, and conditions specified in the RTI's tariffs and/or price lists. If you have any questions regarding RTI's services, please call us at 1-888-366-7821, or visit our business office at 892 W. Madison Ave. Glens Ferry, ID 83623 for further information regarding services.

**RTI An Equal Opportunity Employer**

RTI with its main office located at 892 W. Madison Avenue, Glens Ferry, ID 83623, complies and adheres to the following statements under the U.S. Department of Agriculture guidelines:

In accordance with Federal law and the U.S. Department of Agriculture's policy, this institution is prohibited from discriminating on the basis of race, color, national origin, sex, religion, age, or disability (Not all prohibited bases apply to all programs).

To file a complaint of discrimination, write USDA, Director, Office of Civil Rights, Room 326-W, Whitten Building, 1400 Independence Avenue, SW, Washington, DC 20250-9410, or call (202) 720-5964 (voice or TDD). USDA is an equal opportunity provider and employer.

**Did You Know . . .**

Telephone Assistance Programs are available to low-income individuals. To qualify for Lifeline/Link-Up Services, please **contact your local Health and Welfare Office**. Lifeline is a program designed to assist low income households afford local telephone service. Lifeline assists with monthly telephone bills and Link-Up assists with connection and installation charges. **Please contact your local Health & Welfare Office or Call toll free 1-888-366-7821.**

9-25-1tc

# Affidavit of Publication

STATE OF IDAHO )  
COUNTY OF TWIN FALLS) SS.

I, Ruby Aufderheide, being first duly sworn upon oath, depose and say that I am Legal Clerk of the TIMES-NEWS, published daily at, Twins Falls, Idaho, and do solemnly swear that a copy of the notice of advertisement, as per clipping attached, was published in the regular and entire issue of said newspaper, and not in any supplement thereof, for one consecutive publication, commencing with the issue dated 23rd day of September, 2014 and ending with the issue dated 23rd day of September, 2014

And I do further certify that said newspaper is a consolidation, effective February 16, 1942, of the Idaho Evening Times, published theretofore daily except Sunday, and the Twin Falls News, published theretofore daily except Monday, both of which newspapers prior to consolidation had been published under said names in said city and county continuously and uninterruptedly during a period of more than twelve consecutive months, and said TIMES-NEWS, since such consolidation, has been published as a daily newspaper except Saturday, until July 31, 1978, at which time said newspaper began daily publication under said name in said city and county continuously and uninterrupted.

And I further certify that pursuant to Section 60-108 Idaho Code, Thursday of each week has been designated as the day on which legal notice by law or by order of any court of competent jurisdiction within the state of Idaho to be issued thereof Thursday is announced as the day on which said legal will be published.

  
Ruby Aufderheide, Legal Clerk

STATE OF IDAHO  
COUNTY OF TWIN FALLS

On this 23rd day of September, 2014, before me,

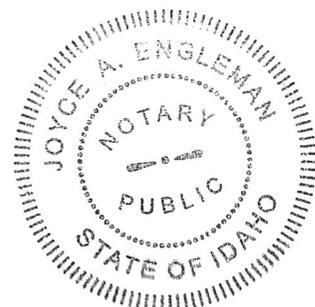
a Notary Public, personally appeared Ruby Aufderheide,  
known or identified to me to be the person whose name subscribed to the within instrument, and being by me first duly sworn, declared that the statements therein are true, and acknowledged to me that he executed the same.

  
Notary Public for Idaho

Residing at Twin Falls, Idaho

6/28/19

My commision expires: \_\_\_\_\_



### RTI SERVICE RATES

RTI is an Independent Local Exchange Carrier (ILEC) telecommunications service provider offering basic telephone service within its service territory. Service rates offered for the Three Creek Idaho Exchange are as follows:

Local Residence	\$ 25.76
Local Business	\$ 42.00
FCC subscriber single line	\$ 6.50
FCC subscriber multi line	\$ 9.20
Idaho Universal Service Fund surcharge (RES)	\$ 0.16
Idaho Universal Service Fund surcharge (BUS)	\$ 0.25
Idaho Telephone Assistance program	\$ 0.03
Emergency 911 Services (per line)	\$ 1.25

Federal and local taxes also apply

The basic services offered to all consumers in the RTI exchange territories are at the rates, terms and conditions specified in RTI's tariffs. If you have questions regarding RTI's services, please call toll free (888) 366-7821 or visit our business office at 892 W. Madison Avenue, Glenns Ferry, Idaho. Further information is available on our website at [www.rti.net](http://www.rti.net).

#### RTI is an Equal Opportunity Employer

RTI main office is located at 892 W. Madison Avenue, Glenns Ferry, Idaho 83623. RTI complies and adheres to the following statements under the U.S. Department of Agriculture guidelines: In Accordance with the Federal law and the U.S. Department of Agriculture's policy, this institution is prohibited from discriminating on the basis of race, color, national origin, sex, religion, age, or disability (not all prohibited basis apply to all programs).

To file a complaint of discrimination, write to Office USDA, Director, office of civil right, 1400 Independence Ave SW Washington DC 20250-9410 or call 800-795-3272 (voice) or 202-720-6382 (TDD).

#### Did you know?

Telephone assistance programs are available to low-income individuals. To qualify for Lifeline/Link-up services, please contact your local Health & Welfare office. Lifeline service is designed to assist low-income households to afford local telephone service and assists with monthly telephone bills. Link-up assists with connections and installation charges (not available in all areas). Toll blocking is available at no charge for qualifying low-income customers.

**PUBLISH:** September 23, 2014



2014-2015  
DIRECTORY

*We're*  
**ROLLING UP**  
*our sleeves and*  
**DRIVING**  
**NEW**  
*technology*



**IDAHO 208**

394 Shoup                      857 Three Creek  
653 Boise River              864 Atlanta  
796 Tipanuk                    868 Prairie  
796 Oasis

Includes listings for mountain home businesses

**NEVADA 775**

969 Redrock                    756 Tuscarora  
970 Antelope Valley        758 North Fork  
488 Jarbridge

Includes listings for Cold Springs, Stead, and Lemmon Valley

## Rates, Rules & Regulations

The Company's rates, rules and regulations applicable to its services are regulated by the Public Utilities Commission of your state and are available for inspection at our business office. Copies of these regulations may be obtained by contacting our business office toll free at 1-888-366-7821 or by contacting the Public Utilities Commission in your state.

**IDAHO**  
Public Utilities Commission  
1-800-432-0369

**NEVADA**  
Public Utilities Commission  
1-800-992-0900

website: [www.fcc.gov](http://www.fcc.gov)

### Customer Complaints and Disputes

What to do when you have a complaint?

If you experience a problem with your telephone service or billing, please contact our office **toll free at 1-888-366-7821**. Our personnel are trained to handle service and billing situations. However, if you are unsatisfied with the explanation provided, don't hesitate to ask for a supervisor.

A customer may make a formal or informal complaint to the Public Utilities Commission for further review of the dispute or complaint. Telephone Company shall not terminate service while a complaint is pending.

**IDAHO**  
Public Utilities Commission  
1-800-432-0369

P.O. Box 83720  
Boise, ID 83720-0074  
[www.puc.idaho.gov](http://www.puc.idaho.gov)

**NEVADA**  
Public Utilities Commission  
1-800-992-0900

1150 E. William Street  
Carson City, NV 89701  
<http://puc.state.nv.us/>

### Application of Business Rates

The use of telephone service for business purposes will automatically subject that service to business rates, regardless of the type of premises on which the telephone service is installed.

### Automatic Answering Machine

Long-distance charges apply to station calls made to telephones with automatic answering machines. Charging begins when the called telephone is answered by the automatic answering machine.

### Local Calling Region

The prefix(es) listed beside your community (communities) listed below, represent your local calling areas. This information was current as of July 16, 2009.

#### Local Calling for Boise River, Prairie and Tipanuk

Mountain Home (580, 587, 828, 832)

Caldwell (453, 454, 455, 459)

Boise (\*)

Boise River (653)

Bruneau (845)

Emmett (365, 398, 477)

Fruitland (452, 546)

Glenns Ferry (366)

Idaho City (392)

Kuna (922)

Melba (495)

Meridian (288, 706, 822, 846, 855, 844, 887, 888, 893, 895, 898)

Middleton (585)

Nampa (442, 461, 463, 465, 466, 467, 468)

New Plymouth (278)

Nu Acres (566, 570, 674)

Star (286)

Weiser (549)

Boise\* (302, 321, 322, 323, 327,  
331, 332, 333, 334, 336, 338, 342,  
343, 344, 345, 348, 362, 363, 364,  
367, 368, 373, 375, 376, 377, 378,  
381, 383, 384, 385, 386, 387, 388,  
389, 393, 395, 396, 422, 424, 426,  
433, 562, 658, 672, 685, 853, 854,  
938, 939)

#### Local Calling For Shoup, ID

(394, 756, 865)

#### Local Calling In Nevada

Calls may be made without a toll charge between the following exchanges, providing the use of direct dial:

North Fork, NV ↔ Tuscarora, NV  
Three Creek, ID ↔ Jarbidge, NV

Dial One Met  
Unlimited cal  
\$.50 per m  
Prefixes inclu  
775 -  
200, 201, 202  
287, 303, 313  
337, 338, 342  
384, 386, 391  
544, 560, 562  
742, 745, 746  
823, 824, 825  
857, 858, 861

**Application of**  
The use of telep  
regardless of th

**Automatic An:**  
Long-distance c  
Charging begins

**Local Calling**  
Calls may be ma



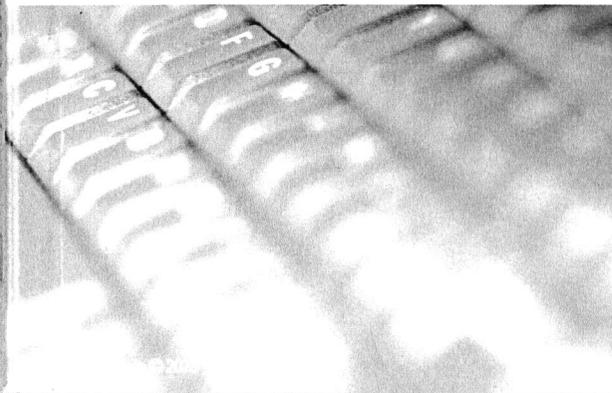
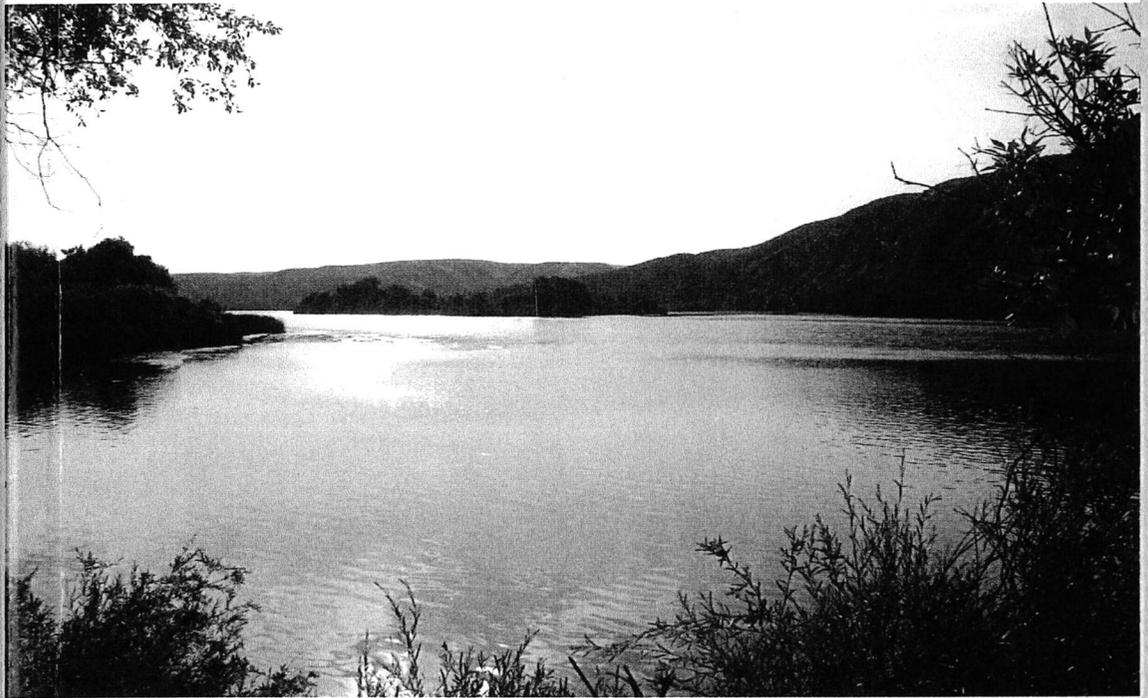
2013-2014  
DIRECTORY

### IDAHO 208

394 Shoup  
653 Boise River  
796 Tipanuk  
857 Three Creek  
864 Atlanta  
868 Prairie  
Includes listings for mountain  
home businesses

### NEVADA 775

969 Redrock  
970 Antelope Valley  
488 Jarbridge  
756 Tuscarora  
758 North Fork  
Includes listings for Cold Springs,  
Stead, and Lemmon Valley



**Rates, Rules & Regulations**

The Company's rates, rules and regulations applicable to its services are regulated by the Public Utilities Commission of your state and are available for inspection at our business office. Copies of these regulations may be obtained by contacting our business office toll free at 1-888-366-7821 or by contacting the Public Utilities Commission in your state.

**IDAHO**  
Public Utilities Commission  
1-800-432-0369

**NEVADA**  
Public Utilities Commission  
1-800-992-0900

website: [www.fcc.gov](http://www.fcc.gov)

**Customer Complaints and Disputes**

What to do when you have a complaint?

If you experience a problem with your telephone service or billing, please contact our office toll free at 1-888-366-7821. Our personnel are trained to handle service and billing situations. However, if you are unsatisfied with the explanation provided, don't hesitate to ask for a supervisor.

A customer may make a formal or informal complaint to the Public Utilities Commission for further review of the dispute or complaint. Telephone Company shall not terminate service while a complaint is pending.

**IDAHO**  
Public Utilities Commission  
1-800-432-0369  
P.O. Box 83720  
Boise, ID 83720-0074  
[www.puc.idaho.gov](http://www.puc.idaho.gov)

**NEVADA**  
Public Utilities Commission  
1-800-992-0900  
1150 E. William Street  
Carson City, NV 89701  
<http://puc.state.nv.us/>

**Application of Business Rates**

The use of telephone service for business purposes will automatically subject that service to business rates, regardless of the type of premises on which the telephone service is installed.

**Automatic Answering Machine**

Long-distance charges apply to station calls made to telephones with automatic answering machines. Charging begins when the called telephone is answered by the automatic answering machine.

**Local Calling Region**

The prefix(es) listed beside your community (communities) listed below, represent your local calling areas. This information was current as of July 16, 2009.

**Local Calling for Boise River, Prairie and Tipanuk**

Mountain Home (580, 587, 828, 832)

Caldwell (453, 454, 455, 459)

Boise (\*)

Boise River (653)

Bruneau (845)

Emmett (365, 398, 477)

Fruitland (452, 546)

Glenns Ferry (366)

Idaho City (392)

Kuna (922)

Melba (495)

Meridian (288, 706, 822, 846, 855, 844, 887, 888, 893, 895, 898)

Middleton (585)

Nampa (442, 461, 463, 465, 466, 467, 468)

New Plymouth (278)

Nu Acres (566, 570, 674)

Star (286)

Weiser (549)

Boise\* (302, 321, 322, 323, 327,  
331, 332, 333, 334, 336, 338, 342,  
343, 344, 345, 348, 362, 363, 364,  
367, 368, 373, 375, 376, 377, 378,  
381, 383, 384, 385, 386, 387, 388,  
389, 393, 395, 396, 422, 424, 426,  
433, 562, 658, 672, 685, 853, 854,  
938, 939)

**Local Calling For Shoup, ID**

(394, 756, 865)

**Local Calling In Nevada**

Calls may be made without a toll charge between the following exchanges, providing the use of direct dial:

North Fork, NV ↔ Tuscarora, NV  
Three Creek, ID ↔ Jarbidge, NV

**Dial One N**  
**Unlimited**  
**\$5.00 per**  
**Prefixes in**  
**775 -**

200, 201, 2  
287, 303, 3  
337, 338, 3  
384, 386, 3  
544, 560, 5  
742, 745, 7  
823, 824, 8  
857, 858, 8

**Applicator**  
The use of te  
regardless of

**Automatic**  
Long-distan  
Charging be

**Local Calli**  
Calls may be

**IDAHO 515  
RURAL TELEPHONE COMPANY  
GLENN'S FERRY, IDAHO**

**CONSOLIDATED FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
WITH INDEPENDENT AUDITOR'S REPORTS  
Years ended December 31, 2014 and 2013**

**RURAL TELEPHONE COMPANY  
GLENN'S FERRY, IDAHO**

**Contents**

	<u>Page</u>
Independent Auditor's Report.....	1 - 2
Consolidated Financial Statements:	
Consolidated Balance Sheets.....	3 - 4
Consolidated Statements of Operations .....	5
Consolidated Statements of Stockholders' Equity.....	6
Consolidated Statements of Cash Flows.....	7 - 8
Notes to Consolidated Financial Statements.....	9 - 19
Supplementary Information:	
Independent Auditor's Report on Supplementary Information.....	21
Consolidating Balance Sheet as of December 31, 2014.....	22 - 23
Consolidating Statement of Operations for the year ended December 31, 2014.....	24
Consolidating Balance Sheet as of December 31, 2013.....	25 - 26
Consolidating Statement of Operations for the year ended December 31, 2013.....	27
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Consolidated Financial Statements Performed in Accordance with <u>Government Auditing Standards</u> .....	28 - 30
Independent Auditor's Report on Compliance with Aspects of Contractual Agreements and Regulatory Requirements for Telecommunications Borrowers .....	31 - 34



## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Rural Telephone Company and Subsidiaries  
Glenns Ferry, Idaho

### **Report on the Consolidated Financial Statements**

We have audited the accompanying consolidated balance sheet of Rural Telephone Company (an Idaho corporation) and subsidiaries as of December 31, 2014, and the related consolidated statements of operations, stockholders' equity and cash flows for the year then ended, and the related notes to the consolidated financial statements.

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

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audit. We did not audit the 2014 financial statements of Syringa Networks, LLC (Syringa), a telecommunications and wireless company, the investment in which, as discussed in NOTE 2 to the financial statements, is accounted for by the equity method of accounting. The investment in Syringa was \$1,474,587 and \$1,397,143 as of December 31, 2014 and 2013, respectively, and the equity in its net income was \$137,058 and \$224,018 for the years then ended. The financial statements of Syringa were audited by other auditors whose report has been furnished to us, and our opinion insofar as it relates to the amounts included for Syringa is based solely on the report of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment; including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 estimates made by management as well as evaluating the overall presentation of the consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Rural Telephone Company and subsidiaries as of December 31, 2014, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Report on Other Legal and Regulatory Requirements**

In accordance with Government Auditing Standards, we have also issued a report dated April 24, 2015, on our consideration of Rural Telephone Company and subsidiary's internal control over financial reporting and our tests of their compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in assessing the results of our audit.

*Kinling Associates LLP*

Madison, Wisconsin  
April 24, 2015

**RURAL TELEPHONE COMPANY  
GLENN'S FERRY, IDAHO**

**CONSOLIDATED BALANCE SHEETS**  
December 31, 2014 and 2013

<u>ASSETS</u>	<u>2014</u>	<u>2013</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 1,494,229	\$ 1,060,796
Special construction account	9,216	9,224
Marketable securities	81,211	19,112
Accounts receivable:		
Due from customers	217,315	163,790
Interexchange carriers		
Less allowance of \$0 and \$90,000, respectively	757,164	730,356
Affiliates	582,962	559,643
Other	117,506	874,741
Materials and supplies at average cost	753,389	811,490
Inventory at average cost	45,623	49,777
Prepayments	15,910	22,818
	<u>4,074,525</u>	<u>4,301,747</u>
<b>OTHER NONCURRENT ASSETS</b>		
Marketable securities	-	67,390
Equity method investments	1,474,587	1,397,143
Other investments	834,433	856,557
Deferred charges	39,403	52,184
Intangibles	513	513
	<u>2,348,936</u>	<u>2,373,787</u>
<b>PROPERTY, PLANT AND EQUIPMENT</b>		
Telephone plant in service	54,304,718	52,868,766
Other property	538,459	538,459
	<u>54,843,177</u>	<u>53,407,225</u>
Less accumulated depreciation	42,096,013	40,267,051
	<u>12,747,164</u>	<u>13,140,174</u>
Plant under construction	276,691	674,549
Plant acquisition adjustment, net	974,692	1,218,515
Property held for future use	5,250	5,250
	<u>14,003,797</u>	<u>15,038,488</u>
<b>TOTAL ASSETS</b>	<u>\$ 20,427,258</u>	<u>\$ 21,714,022</u>

The accompanying notes are an integral part of these consolidated financial statements.

**RURAL TELEPHONE COMPANY  
GLENN'S FERRY, IDAHO**

**CONSOLIDATED BALANCE SHEETS**  
**December 31, 2014 and 2013**

	2014	2013
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
<b>CURRENT LIABILITIES</b>		
Current portion of long-term debt	\$ 1,281,233	\$ 1,395,825
Accounts payable:		
Interexchange carriers	100,894	255,151
Other	673,290	720,603
Advance billing and payments	43,541	42,951
Customer deposits	13,286	11,671
Accrued income taxes	11,114	-
Accrued taxes	57,282	62,473
Accrued interest	7,342	7,342
Other accrued liabilities	212,198	200,714
	<u>2,400,180</u>	<u>2,696,730</u>
LONG-TERM DEBT, LESS CURRENT PORTION	<u>8,373,183</u>	<u>9,214,613</u>
<b>OTHER NONCURRENT LIABILITIES AND DEFERRED CREDITS</b>		
Deferred income taxes	2,171,939	-
Deferred investment tax credit	14,937	-
	<u>2,186,876</u>	<u>-</u>
<b>STOCKHOLDERS' EQUITY</b>		
Common stock - \$100 par value, 2,500 shares authorized, 569 shares issued and outstanding	56,900	56,900
Other capital	10,197	10,197
Retained earnings	7,399,922	9,735,582
	<u>7,467,019</u>	<u>9,802,679</u>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<u>\$ 20,427,258</u>	<u>\$ 21,714,022</u>

The accompanying notes are an integral part of these consolidated financial statements.

**RURAL TELEPHONE COMPANY  
GLENN'S FERRY, IDAHO**

**CONSOLIDATED STATEMENTS OF OPERATIONS  
Years ended December 31, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
<b>OPERATING REVENUES</b>		
Local network services	\$ 1,266,963	\$ 1,295,550
Network access services	7,932,005	7,594,506
Long distance services	74,777	77,906
Internet services	1,695,592	1,655,319
Video services	141,154	122,536
Other nonregulated services	328,176	316,487
Miscellaneous	197,885	158,584
Uncollectible, net of recoveries	48,080	(78,429)
	<u>11,684,632</u>	<u>11,142,459</u>
<b>OPERATING EXPENSES</b>		
Plant specific operations	2,889,615	2,673,359
Plant nonspecific operations	771,269	683,285
Cost of long distance services	50,449	44,838
Cost of internet services	1,418,411	1,459,784
Cost of video services	217,494	249,164
Depreciation and amortization	2,089,237	2,222,041
Customer operations	588,242	583,711
Corporate operations	2,799,677	2,485,532
General taxes	257,121	305,826
	<u>11,081,515</u>	<u>10,707,540</u>
<b>OPERATING INCOME</b>	<u>603,117</u>	<u>434,919</u>
<b>OTHER INCOME (EXPENSE)</b>		
Interest and dividend income	43,150	106,582
Allowance for funds used during construction	68,270	27,403
Equity income in unconsolidated affiliate	137,058	224,018
Interest expense	(561,389)	(619,104)
Other, net	(26,469)	135,511
	<u>(339,380)</u>	<u>(125,590)</u>
<b>INCOME BEFORE INCOME TAXES</b>	263,737	309,329
<b>INCOME TAXES</b>	<u>2,274,990</u>	<u>-</u>
<b>NET INCOME (LOSS)</b>	<u>\$ (2,011,253)</u>	<u>\$ 309,329</u>

The accompanying notes are an integral part of these consolidated financial statements.

**RURAL TELEPHONE COMPANY  
GLENN'S FERRY, IDAHO**

**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY  
December 31, 2014 and 2013**

	<u>Common Stock</u>	<u>Other Capital</u>	<u>Retained Earnings</u>	<u>Total Stockholders' Equity</u>
Balance at December 31, 2012	\$ 56,900	\$ 10,197	\$ 9,481,094	\$ 9,548,191
Net income			309,329	309,329
Dividends paid	<u>                    </u>	<u>                    </u>	<u>(54,841)</u>	<u>(54,841)</u>
Balance at December 31, 2013	56,900	10,197	9,735,582	9,802,679
Net loss			(2,011,253)	(2,011,253)
Dividends paid	<u>                    </u>	<u>                    </u>	<u>(324,407)</u>	<u>(324,407)</u>
Balance at December 31, 2013	<u>\$ 56,900</u>	<u>\$ 10,197</u>	<u>\$ 7,399,922</u>	<u>\$ 7,467,019</u>

The accompanying notes are an integral part of these consolidated financial statements.

**RURAL TELEPHONE COMPANY  
GLENN'S FERRY, IDAHO**

**CONSOLIDATED STATEMENTS OF CASH FLOWS  
Years ended December 31, 2014 and 2013**

	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income (loss)	\$ (2,011,253)	\$ 309,329
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation	1,845,415	1,978,338
Amortization	243,823	243,703
Deferred income taxes	2,171,939	-
Deferral/amortization of investment tax credits, net	14,937	-
Patronage in business conducted with cooperatives	(18,748)	(54,994)
Patronage received from business conducted with cooperatives	41,039	40,035
Equity income in unconsolidated affiliate	(137,058)	(224,018)
Distributions received from unconsolidated affiliate	59,614	27,840
(Gain) loss on trading securities	5,700	(7,200)
Allowance for funds used during construction	(68,270)	(27,403)
Changes in assets and liabilities:		
(Increase) Decrease in:		
Accounts receivable	3,913	166,051
Material and supplies and inventory	62,255	67,979
Prepayments and deferred charges	19,689	(39,048)
Increase (Decrease) in:		
Accounts payable	(182,602)	(305,594)
Accrued taxes	(13,045)	33,864
Advanced billings and customer deposits	2,205	(82,798)
Other accrued liabilities	11,484	743
Net cash provided by operating activities	2,051,037	2,126,827
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital expenditures	(1,006,277)	(1,584,631)
Purchases of investments	(576)	(64,848)
Proceeds from sales of investments	-	22,674
Salvage, net of cost of removing plant	20,000	-
Net cash used in investing activities	(986,853)	(1,626,805)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from long-term borrowing	436,930	2,380,895
Repayment of long-term debt	(1,392,952)	(3,161,534)
Change in special construction account	8	304,348
Dividends paid	(324,407)	(54,841)
Proceeds from RUS grant	649,670	299,501
Net cash used in financing activities	(630,751)	(231,631)
Net Increase in Cash and Cash Equivalents	433,433	268,391
Cash and Cash Equivalents at Beginning of Year	1,060,796	792,405
Cash and Cash Equivalents at End of Year	\$ 1,494,229	\$ 1,060,796

The accompanying notes are an integral part of these consolidated financial statements.

**RURAL TELEPHONE COMPANY  
GLENN'S FERRY, IDAHO**

**CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)  
Years ended December 31, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
SUPPLEMENTAL DISCLOSURES		
Noncash investing and financing transactions:		
Telecommunications plant acquisition	\$ 649,670	\$ (724,596)
Change in RUS grant receivable	\$ (649,670)	\$ 724,596
	<u>          -</u>	<u>          -</u>

The accompanying notes are an integral part of these consolidated financial statements.

**RURAL TELEPHONE COMPANY  
GLENN'S FERRY, IDAHO**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2014 and 2013**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Presentation

Rural Telephone Company and subsidiaries (herein referred to as "the Company") are providers of telecommunications exchange, local access, internet, cable television and long distance services in a service area located in southern Idaho, northern Nevada, northeast Washington, and northwest Oregon. The Company is a wholly-owned subsidiary of Martell Enterprises, Inc..

The accounting policies of the Company conform to accounting principles generally accepted in the United States of America. Management uses estimates and assumptions in preparing its consolidated financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Management has evaluated subsequent events through April 17, 2015, the date the consolidated financial statements were available for issue. Telephone operations reflect practices appropriate to the telephone industry. The accounting records of the telephone company are maintained in accordance with the Uniform System of Accounts for Class A and B Telephone Companies prescribed by the Federal Communications Commission (FCC) as modified by the state regulatory authorities.

Principles of Consolidation

The consolidated financial statements include the accounts of the parent company, Rural Telephone Company, and its 100% owned subsidiaries, Nehalem Telecommunications, Inc. and Pend Oreille Telephone Company. All material intercompany transactions have been eliminated in consolidation.

Cash Equivalents

All highly liquid investments with a maturity of three months or less at the time of purchase are considered cash equivalents.

Accounts Receivable

Accounts receivable are reported net of an allowance for doubtful accounts. The allowance is based on management's estimate of the amount of receivables that will actually be collected.

Inventory

Inventory is stated at the lower of cost or market with cost determined by the average cost method. Inventory consists of various nonregulated equipment that is purchased by the Company primarily for sale to customers.

**RURAL TELEPHONE COMPANY  
GLENN'S FERRY, IDAHO**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2014 and 2013**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Investments

Debt and marketable securities bought and held principally for selling in the near future are classified as trading securities and carried at fair value. Unrealized holding gains and losses on trading securities are reported in earnings. Marketable securities classified as available-for-sale are carried at fair value with unrealized holding gains and losses recorded as a separate component of stockholders' equity. Debt securities for which the Company has both the positive intent and ability to hold to maturity are classified as held-to-maturity and are carried at amortized cost. The Company uses the specific identification method of computing realized gains and losses.

Nonmarketable equity investments over which the Company has significant influence are reflected on the equity method. Other nonmarketable equity investments are stated at cost.

Property, Plant and Equipment

Telephone plant is capitalized at original cost including the capitalized cost of salaries and wages, materials, certain payroll taxes, employee benefits and interest incurred during the construction period.

The Company provides for depreciation for financial reporting purposes on the straight-line method by the application of rates based on the estimated service lives of the various classes of depreciable property as approved by the state regulatory authorities. These estimates are subject to change in the near term.

Renewals and betterments of units of telephone property are charged to telephone plant in service. When telephone plant is retired, its cost is removed from the asset account and charged against accumulated depreciation less any salvage realized. No gains or losses are recognized in connection with routine retirements of depreciable telephone property. Repairs and renewals of minor items of telephone property are included in plant specific operations expense.

Repairs of other property, as well as renewals of minor items, are charged to plant specific operations expense. A gain or loss is recognized when other property is sold or retired.

Asset Retirement Obligations

Generally accepted accounting principles require entities to record the fair value of a liability for legal obligations associated with an asset retirement in the period in which the obligations are incurred. When the liability is initially recorded, the entity capitalizes the cost of the asset retirement obligation by increasing the carrying amount of the related long-lived asset. Over time, the liability is accreted to its present value each period, and the capitalized cost is depreciated over the useful life of the related asset.

**RURAL TELEPHONE COMPANY  
GLENN'S FERRY, IDAHO**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2014 and 2013**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Asset Retirement Obligations (Continued)

The Company has determined it does not have a material legal obligation to remove long-lived assets, and accordingly, there have been no liabilities recorded for the years ended 2014 and 2013.

Software

The Company capitalizes software costs (including right-to-use fees) associated with externally acquired software for internal use. Software maintenance and training costs are expensed as incurred. Capitalized software is generally amortized on a straight-line basis over its useful life, not to exceed five years.

Long-Lived Assets

The Company would provide for impairment losses on long-lived assets when no longer cost of service regulated, indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amount. Based on current conditions, management does not believe any of its long-lived assets are impaired.

Income Taxes

The Company was taxed as an S Corporation for federal and state income tax purposes for the year ending December 31, 2013. The shareholders included their respective shares of income or loss on their individual tax returns. Accordingly, no provision was made in the accompanying financial statements. The Company is included in the consolidated return of Martell Enterprises, Inc. In 2014, Martell Enterprises, Inc. revoked their S Corporation election. As a result, the Company recognized into current expense the deferred tax consequences of all book to tax differences at the time of revocation.

Beginning in 2014, income taxes are accounted for using a liability method and provide for the tax effects of transactions reported in the consolidated financial statements including both taxes currently due and deferred. Deferred taxes are adjusted to reflect deferred tax consequences at current enacted tax rates. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred taxes arise from the effects of accelerated depreciation on property and equipment for tax purposes. The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible, when the assets and liabilities are recovered or settled.

Investment tax credits (ITC), which were deferred prior to the Tax Reform Act of 1986, are being amortized over the regulatory life of the plant which produced the ITC.

**RURAL TELEPHONE COMPANY  
GLENN'S FERRY, IDAHO**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2014 and 2013**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Revenue Recognition

The Company recognizes revenues when earned regardless of the period in which they are billed. The Company is required to provide telephone service to subscribers within its defined service territory.

Local network service, video, and internet revenues are recognized over the period a subscriber is connected to the network.

Network access and long distance service revenues are derived from charges for access to the Company's local exchange network. The interstate portion of access revenues is based on a cost separation procedure settlement formula administered by the National Exchange Carrier Association (NECA) which is regulated by the FCC. The intrastate portion of access revenues are billed based on an individual company tariff access charge structure approved by the state regulatory authorities. The tariffs developed from this structure are used to charge the connecting carrier and recognize revenues in the period the traffic is transported based on the minutes of traffic carried. Long distance revenues are recognized at the time a call is placed based on the minutes of traffic processed at contracted rates.

Reported network access revenues are estimates subject to settlement adjustments in the near term resulting from changes in expense and plant investment levels and rate of return experience.

Revenues from network access were increased/(decreased) by approximately \$(201,000) and \$109,000 in 2014 and 2013, respectively, as a result of adjustments to prior years' estimates.

The Company recognizes internet revenue as the total amount earned from charges to customers in the statement of operations as internet services. In accordance with tariffs filed with the FCC by NECA, the Company charges its non-regulated internet operations the tariffed wholesale DSL rate for the use of the Company's regulated plant facilities. These charges in network access services and cost of internet services totaled \$595,190 and \$576,167 in 2014 and 2013, respectively.

The Company recognizes taxes charged to customers on a net basis.

Advertising Costs

Advertising costs are expensed as incurred. Advertising expenses were \$208,552 and \$200,554 in 2014 and 2013, respectively.

**RURAL TELEPHONE COMPANY  
GLENN'S FERRY, IDAHO**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2014 and 2013**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Fair Value Measurements

The Company determined the fair value of its financial assets and liabilities based on the fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The following three levels of inputs may be used to measure fair value:

- Level 1 Quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.
- Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Reclassifications

Certain reclassifications have been made to the 2013 consolidated financial statements to conform with the 2014 presentation.

**NOTE 2. EQUITY METHOD AND OTHER INVESTMENTS**

The Company has a 3.84% interest in Syringa Networks, LLC which provides fiber transport and other services throughout Idaho. For investments (\$1,474,587 and \$1,397,143 at December 31, 2014 and 2013, respectively) accounted for under the equity method, the Company recognizes its proportionate share of the income and losses accruing to it under the terms of its membership agreement.

The following is a summary of condensed financial information pertaining to the investment described above:

	December 31,	
	2014	2013
Assets	\$ 84,017,421	\$ 82,272,432
Liabilities	45,397,344	45,704,131
Equity	\$ 38,620,077	\$ 36,568,301
	Years Ended December 31,	
	2014	2013
Revenues	\$ 56,058,165	\$ 54,067,678
Expenses	52,488,936	48,233,868
Net Income	\$ 3,569,229	\$ 5,833,810

**RURAL TELEPHONE COMPANY  
GLENN'S FERRY, IDAHO**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2014 and 2013**

**NOTE 2. EQUITY METHOD AND OTHER INVESTMENTS (Continued)**

Other investments consist of the following at December 31:

	2014	2013
CoBank patronage capital certificates	\$ 354,664	\$ 395,703
National Rural Telecommunications Cooperative patronage capital certificates	421,279	402,531
Independent NECA Services	30,000	30,000
Other	28,490	28,323
	\$ 834,433	\$ 856,557

Because of the lack of quoted market prices and the inability to estimate fair value without incurring excessive costs, management has determined it is not practical to estimate the fair value of these investments. However, management believes that the carrying amount of these investments at December 31, 2014, included in other investments is not impaired.

**NOTE 3. PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment includes the following:

	2014	2013
Telephone plant in service:		
Land	\$ 288,914	\$ 288,914
Buildings	1,873,178	1,873,178
Furniture and office equipment	1,041,753	1,032,369
Vehicles and work equipment	2,780,597	2,578,377
Switching equipment	19,269,311	19,167,405
Outside plant	28,846,616	27,724,174
Leasehold improvements	204,349	204,349
Subtotal	54,304,718	52,868,766
Other property:		
Internet equipment	133,128	133,128
Wireless equipment	296,321	296,321
CATV equipment	90,180	90,180
Other	18,830	18,830
Subtotal	538,459	538,459
Total property, plant and equipment	\$ 54,843,177	\$ 53,407,225

Depreciation on depreciable property resulted in composite rates of 3.48% and 3.81% for 2014 and 2013, respectively.

**RURAL TELEPHONE COMPANY  
GLENN'S FERRY, IDAHO**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2014 and 2013**

**NOTE 3. PROPERTY, PLANT AND EQUIPMENT (Continued)**

Plant acquisition adjustments of \$3,655,545 have been approved by the state regulatory authorities and are included as a component of property, plant and equipment due to the underlying assets which produced the adjustment. The adjustments are being amortized over 15 years.

Estimated amortization expense for the next four years is:

2015	\$	243,823
2016		243,823
2017		243,823
2018		243,223

**NOTE 4. LONG-TERM DEBT**

Long-term debt consists of:

	2014	2013
RDUP mortgage notes - 2%	\$ 115,725	\$ 156,484
RDUP mortgage notes - 5%	7,199,366	8,049,298
RUS note payable for ARRA Broadband Initiative Program - 2.567%	81,774	86,425
RUS note payable for ARRA Broadband Initiative Program - 3.051%	119,358	125,757
RUS note payable for ARRA Broadband Initiative Program - 2.756%	273,362	-
Long-term note to Umpqua Bank, 5.00% at December 31, 2014	1,690,156	2,143,963
Long-term note to US Bank - 4.49%	8,114	18,779
Long-term note to Chrysler Credit - 6.19%	25,748	29,732
Long-term note to Ford Credit - 7.99%	110,102	-
Long-term note to Ford Credit - 8.79%	30,711	-
Total long-term debt	9,654,416	10,610,438
Less current portion	1,281,233	1,395,825
	\$ 8,373,183	\$ 9,214,613

The annual requirements for principal payments on long-term debt for the next five years are as follows:

2015	\$	1,281,233
2016		1,288,186
2017		1,333,222
2018		813,625
2019		756,574

**RURAL TELEPHONE COMPANY  
GLENN'S FERRY, IDAHO**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2014 and 2013**

**NOTE 4. LONG-TERM DEBT (Continued)**

Substantially all assets of the Company are pledged as security for the long-term debt under certain loan agreements with the Rural Development Utilities Program (RDUP). These mortgage notes are to be repaid in equal monthly and quarterly installments covering principal and interest beginning after date of issue and expiring by 2029.

The mortgage to the United States of America, underlying the RDUP notes, contains certain restrictions on the declaration or payment of cash dividends, redemption of capital stock or investment in affiliated companies except as might be specifically authorized in writing in advance by the RDUP noteholders.

The security and loan agreements underlying the Sterling Bank note contains certain restrictions on distributions to stockholders, and investment in or loans to others. The Company is required to maintain certain financial ratios for long-term debt to net worth and debt service coverage.

Cash paid for interest net of amounts capitalized for 2014 and 2013 totaled \$561,389 and \$609,785, respectively.

Unadvanced funds at December 31, 2014 and 2013 for long-term notes totaled \$6,495,000 and \$11,279,640, respectively for Pend Oreille Telephone Company.

Under the provisions of the loan contract, advances of loan funds shall be deposited in a special construction account and held in trust for the government until disbursed. The loan contract restricts disbursements to such expenditures as RDUP may authorize. All payments from the trust accounts are subject to RDUP approval.

**NOTE 5. INCOME TAXES**

Income taxes reflected in the Consolidated Statements of Operations consist of the following:

	2014	2013
Federal income taxes:		
Current tax expense	\$ 65,469	\$ -
Deferred tax expense	2,073,601	-
State income taxes:		
Current tax expense	22,645	-
Deferred tax expense	98,338	-
Investment tax credits, net	14,937	-
Total income tax expense	\$ 2,274,990	\$ -

Cash paid for income taxes and estimated income taxes for 2014 totaled \$77,000.

**RURAL TELEPHONE COMPANY  
GLENN'S FERRY, IDAHO**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2014 and 2013**

**NOTE 5. INCOME TAXES (Continued)**

Deferred federal and state tax liabilities and assets reflected in the Consolidated Balance Sheets are summarized as follows:

	2014	2013
Deferred Tax Liabilities		
Federal	\$ 2,073,601	\$ -
State	<u>116,151</u>	<u>-</u>
Total Deferred Tax Liabilities	<u>2,189,752</u>	<u>-</u>
Deferred Tax Assets		
State	<u>17,813</u>	<u>-</u>
Total Deferred Tax Assets	<u>17,813</u>	<u>-</u>
Net Deferred Tax (Assets)/Liabilities	<u>\$ 2,171,939</u>	<u>\$ -</u>
Long-term Portion	<u>\$ 2,171,939</u>	<u>\$ -</u>

The tax provision differs from the expense that would result from applying the federal statutory rates to operations before income taxes because the Company revoked their S Corporation election and as a result, the deferred tax consequences of all book to tax differences were recognized into current income in the current year.

The Company has evaluated its income tax positions and has determined that there are no uncertain income tax positions that need to be recorded or reported in the financial statements at December 31, 2014 and 2013.

The Company's federal and state income tax returns for years 2011 to present remain subject to examination.

**NOTE 6. EMPLOYEE BENEFITS**

The Company has a Safe Harbor 401(k) plan (Plan) covering all eligible employees. Plan expense for 2014 and 2013 was \$159,792 and \$172,583, respectively. The Company makes contributions to the Plan equivalent to amounts accrued, which are limited to amounts permitted under Internal Revenue Service rules.

**RURAL TELEPHONE COMPANY  
GLENN'S FERRY, IDAHO**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2014 and 2013**

**NOTE 7. RELATED PARTY TRANSACTIONS**

Related party receivables at December 31 consists of the following:

	2014	2013
Accounts receivable, stockholders and employees	\$ 227,860	\$ 219,678
Accounts receivable, Martell Enterprises, Inc.	124,536	121,940
Accounts receivable, Little Valley Elk Ranch	230,566	218,025
	\$ 582,962	\$ 559,643

The Company leases equipment from Little Valley Elk Ranch (LVER). Leasing expenses were \$309,604 and \$329,213 in 2014 and 2013, respectively. LVER is a related party to the Company as shareholders of the Company own LVER.

**NOTE 8. CONCENTRATIONS OF CREDIT RISK**

The Company grants credit to customers, all of whom are located in the franchised service area, and telecommunications intrastate and interstate long distance carriers. The Company is subject to competition for telecommunications services including telecommunications exchange services offered by other providers in the franchised area.

The Company received 68% of its 2014 revenues from access revenues and assistance provided by the Federal Universal Service Fund. As a result of the Telecommunications Act of 1996, the manner in which access revenues and Universal Service Funds are determined is currently being modified by regulatory bodies.

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash equivalents. The Company places its cash equivalents in several financial institutions which limits the amount of credit exposure in any one financial institution. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

**NOTE 9. BROADBAND INITIATIVES PROGRAM GRANT**

In 2010, the Company signed an agreement with the United States Department of Agriculture Rural Utilities Service (RUS) under its Broadband Initiatives Program. In accordance with the Agreement, the Company shall receive grants in the amount of \$1,770,300 and a \$728,700 loan over a maximum five-year period to finance the construction of a broadband infrastructure project (Project) to serve certain designated areas in Nevada. The Company recognizes grants receivable when grant approved project costs have been incurred.

**RURAL TELEPHONE COMPANY  
GLENN'S FERRY, IDAHO**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2014 and 2013**

**NOTE 9. BROADBAND INITIATIVES PROGRAM GRANT (Continued)**

Under the grant, the RUS retains a security interest in the property and, accordingly, must provide consent for the sale of the property to a third party or affiliate. In addition, the agreement contains other provisions including an obligation to provide broadband services for the term of the agreement and the composite economic life (19 years) of the facilities financed by the grant; a requirement to achieve a minimum current ratio of one beginning on December 31, 2011; and certain restrictions on distributions to stockholders or members and, investment in, or loans to others.

At December 31, 2014, the Company has received funds in the amount of of \$1,158,514. In January, 2015, the Company received an additional \$122,764.

**NOTE 10. REGULATORY ACCOUNTING**

For its telephone operations, the Company follows generally accepted accounting principles for regulated enterprises. Accordingly, the Company defers certain cost and obligations and depreciates plant and equipment over lives approved by regulators. While the Company continues to believe the current regulatory and competitive environment supports this accounting treatment, should conditions change the Company would be required to write-off these deferred cost and obligations and evaluate the net carrying value of its plant and equipment for any impairment losses absent the future recovery currently permitted by the regulators.

**NOTE 11. REGULATORY MATTERS**

The Company receives revenues from access revenues and assistance provided by the Federal Universal Service Fund. As a result of the National Broadband Fund the manner in which access revenues and Universal Service Funds are determined has been modified by the Federal Communications Commission in an order effective December 29, 2011. Among other things, this order provides for (1) a requirement to provide broadband services; (2) the establishment of a Connect America Fund (CAF) to replace current USF and high cost support mechanisms with a cap on the total fund; (3) modifications to the current rate of return support model including caps on the recovery of certain expenditures; (4) a reduction in the terminating access charges billed by the Company over a nine year period with eventual transition to a bill-and-keep framework for the exchange of traffic between carriers; (5) a new access recovery charge on monthly customer bills; and (6) a national framework for reporting and oversight.

The order calls for further guidelines to be adopted on implementation and other topics. Portions of this order applicable to the Company are being challenged. Accordingly, neither the outcome of these proceedings nor their potential impact on the Company can be predicted at this time.



**INDEPENDENT AUDITOR'S REPORT ON  
SUPPLEMENTARY INFORMATION**

To the Board of Directors  
Rural Telephone Company and Subsidiaries  
Glenns Ferry, Idaho

We have audited the consolidated financial statements of Rural Telephone Company and subsidiaries as of and for the years ended December 31, 2014, and our report thereon, which contained an unmodified opinion of those consolidated financial statements. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating supplementary information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements, but is required by the United States of America Rural Development Utilities Programs. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, which insofar as it relates to the Company's equity method investment in Syringa Networks, LLC is based on the reports of other auditors, and the consolidating supplementary information as of and for the year ended December 31, 2014 which was audited by other auditors, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

*Kiesling Associates LLP*

Madison, Wisconsin  
April 24, 2015

**RURAL TELEPHONE COMPANY  
GLENN'S FERRY, IDAHO**

**CONSOLIDATING BALANCE SHEET  
December 31, 2014**

ASSETS

	<u>Rural Telephone Company</u>	<u>Nehalem Telecommunications, Inc.</u>	<u>Pend Oreille Telephone Company</u>	<u>Intercompany Eliminations</u>	<u>Consolidated</u>
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	\$ 253,896	\$ 673,812	\$ 566,521	\$ -	\$ 1,494,229
Special construction account	8,351	-	865	-	9,216
Marketable securities	13,412	-	67,799	-	81,211
Accounts receivable:					
Due from customers	103,921	55,606	57,788	-	217,315
Interexchange carriers	381,870	175,451	199,843	-	757,164
Affiliates	1,075,841	79,559	374,629	(947,067)	582,962
Other	107,602	-	9,904	-	117,506
Materials and supplies at average cost	450,240	84,257	218,892	-	753,389
Inventory at average cost	27,427	8,479	9,717	-	45,623
Prepayments	15,910	-	-	-	15,910
	<u>2,438,470</u>	<u>1,077,164</u>	<u>1,505,958</u>	<u>(947,067)</u>	<u>4,074,525</u>
<b>OTHER NONCURRENT ASSETS</b>					
Investment in affiliates	4,112,118	-	-	(4,112,118)	-
Equity method investments	1,474,587	-	-	-	1,474,587
Other investments	234,360	267,808	332,265	-	834,433
Deferred charges	-	39,403	-	-	39,403
Intangibles	-	513	-	-	513
	<u>5,821,065</u>	<u>307,724</u>	<u>332,265</u>	<u>(4,112,118)</u>	<u>2,348,936</u>
<b>PROPERTY, PLANT AND EQUIPMENT</b>					
Telephone plant in service	26,867,676	10,810,337	16,626,705	-	54,304,718
Other property	511,555	-	26,904	-	538,459
	<u>27,379,231</u>	<u>10,810,337</u>	<u>16,653,609</u>	<u>-</u>	<u>54,843,177</u>
Less accumulated depreciation	19,383,862	8,370,846	14,341,305	-	42,096,013
	<u>7,995,369</u>	<u>2,439,491</u>	<u>2,312,304</u>	<u>-</u>	<u>12,747,164</u>
Plant under construction	236,563	-	40,128	-	276,691
Plant acquisition adjustment, net	-	974,692	-	-	974,692
Property held for future use	4,000	-	1,250	-	5,250
	<u>8,235,932</u>	<u>3,414,183</u>	<u>2,353,682</u>	<u>-</u>	<u>14,003,797</u>
<b>TOTAL ASSETS</b>	<u>\$ 16,495,467</u>	<u>\$ 4,799,071</u>	<u>\$ 4,191,905</u>	<u>\$ (5,059,185)</u>	<u>\$ 20,427,258</u>

See Independent Auditor's Report on Supplementary Information

**RURAL TELEPHONE COMPANY  
GLENN'S FERRY, IDAHO**

**CONSOLIDATING BALANCE SHEET  
December 31, 2014**

LIABILITIES AND STOCKHOLDERS' EQUITY

	<u>Rural Telephone Company</u>	<u>Nehalem Telecommunications, Inc.</u>	<u>Pend Oreille Telephone Company</u>	<u>Intercompany Eliminations</u>	<u>Consolidated</u>
<b>CURRENT LIABILITIES</b>					
Current portion of long-term debt	\$ 668,225	\$ 519,600	\$ 93,408	\$ -	\$ 1,281,233
Accounts payable:					
Interexchange carriers	44,632	30,896	25,366	-	100,894
Affiliates	89,407	803,801	53,859	(947,067)	-
Other	527,583	82,272	63,435	-	673,290
Advance billing and payments	43,541	-	-	-	43,541
Customer deposits	7,497	879	4,910	-	13,286
Accrued income taxes	11,114	-	-	-	11,114
Accrued taxes	48,133	9,149	-	-	57,282
Accrued interest	-	7,342	-	-	7,342
Other accrued liabilities	119,552	40,267	52,379	-	212,198
	<u>1,559,684</u>	<u>1,494,206</u>	<u>293,357</u>	<u>(947,067)</u>	<u>2,400,180</u>
<b>LONG-TERM DEBT, LESS CURRENT PORTION</b>	<u>6,001,795</u>	<u>1,170,556</u>	<u>1,200,832</u>	<u>-</u>	<u>8,373,183</u>
<b>OTHER NONCURRENT LIABILITIES AND DEFERRED CREDITS</b>					
Deferred income taxes	1,452,036	376,957	342,946	-	2,171,939
Deferred investment tax credit	14,937	-	-	-	14,937
	<u>1,466,973</u>	<u>376,957</u>	<u>342,946</u>	<u>-</u>	<u>2,186,876</u>
<b>STOCKHOLDERS' EQUITY</b>					
Common stock	56,900	1,600,000	2,666,346	(4,266,346)	56,900
Other capital	10,197	-	-	-	10,197
Retained earnings	7,399,918	157,352	(311,576)	154,228	7,399,922
	<u>7,467,015</u>	<u>1,757,352</u>	<u>2,354,770</u>	<u>(4,112,118)</u>	<u>7,467,019</u>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<u>\$ 16,495,467</u>	<u>\$ 4,799,071</u>	<u>\$ 4,191,905</u>	<u>\$ (5,059,185)</u>	<u>\$ 20,427,258</u>

See Independent Auditor's Report on Supplementary Information

**RURAL TELEPHONE COMPANY  
GLENN'S FERRY, IDAHO**

**CONSOLIDATING STATEMENT OF OPERATIONS  
Year Ended December 31, 2014**

	Rural Telephone Company	Nehalem Telecommunications, Inc.	Pend Oreille Telephone Company	Intercompany Eliminations	Consolidated
<b>OPERATING REVENUES</b>					
Local network services	\$ 390,288	\$ 483,567	\$ 393,108	\$ -	\$ 1,266,963
Network access services	4,283,537	1,743,335	1,905,133	-	7,932,005
Long distance services	-	74,777	-	-	74,777
Internet services	607,781	668,012	419,799	-	1,695,592
Video services	141,154	-	-	-	141,154
Other nonregulated services	273,026	34,338	20,812	-	328,176
Miscellaneous	19,353	151,505	27,027	-	197,885
Uncollectible, net of recoveries	60,665	(2,672)	(9,913)	-	48,080
	<u>5,775,804</u>	<u>3,152,862</u>	<u>2,755,966</u>	-	<u>11,684,632</u>
<b>OPERATING EXPENSES</b>					
Plant specific operations	1,638,022	558,167	693,426	-	2,889,615
Plant nonspecific operations	412,190	167,122	191,957	-	771,269
Cost of long distance services	-	50,449	-	-	50,449
Cost of internet services	510,692	519,459	388,260	-	1,418,411
Cost of video services	217,494	-	-	-	217,494
Depreciation and amortization	1,168,316	604,973	315,948	-	2,089,237
Customer operations	263,687	159,502	165,053	-	588,242
Corporate operations	1,312,967	689,499	797,211	-	2,799,677
General taxes	131,653	70,912	54,556	-	257,121
	<u>5,655,021</u>	<u>2,820,083</u>	<u>2,606,411</u>	-	<u>11,081,515</u>
<b>OPERATING INCOME (LOSS)</b>	<u>120,783</u>	<u>332,779</u>	<u>149,555</u>	-	<u>603,117</u>
<b>OTHER INCOME (EXPENSE)</b>					
Interest and dividend income	31,472	4,423	17,951	(10,696)	43,150
Allowance for funds used during construction	67,319	886	65	-	68,270
Equity income in unconsolidated affiliate	137,058	-	-	-	137,058
Interest expense	(375,842)	(125,828)	(70,415)	10,696	(561,389)
Other, net	20,125	(40,494)	(6,100)	-	(26,469)
	<u>(119,868)</u>	<u>(161,013)</u>	<u>(58,499)</u>	-	<u>(339,380)</u>
<b>INCOME BEFORE INCOME TAXES AND EQUITY EARNINGS (LOSS) OF SUBSIDIARIES</b>	915	171,766	91,056	-	263,737
<b>INCOME TAXES</b>	<u>1,436,761</u>	<u>451,425</u>	<u>386,804</u>	-	<u>2,274,990</u>
<b>INCOME (LOSS) BEFORE EQUITY EARNINGS (LOSS) OF SUBSIDIARIES</b>	(1,435,846)	(279,659)	(295,748)	-	(2,011,253)
<b>EQUITY EARNINGS (LOSS) OF SUBSIDIARIES</b>	<u>(575,406)</u>	-	-	<u>575,406</u>	-
<b>NET LOSS</b>	<u>\$ (2,011,252)</u>	<u>\$ (279,659)</u>	<u>\$ (295,748)</u>	<u>\$ 575,406</u>	<u>\$ (2,011,253)</u>

See Independent Auditor's Report on Supplementary Information

**RURAL TELEPHONE COMPANY  
GLENN'S FERRY, IDAHO**

**CONSOLIDATING BALANCE SHEET  
December 31, 2013**

ASSETS

	<u>Rural Telephone Company</u>	<u>Nehalem Telecommunications, Inc.</u>	<u>Pend Oreille Telephone Company</u>	<u>Intercompany Eliminations</u>	<u>Consolidated</u>
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	\$ 231,367	\$ 511,626	\$ 317,803	\$ -	\$ 1,060,796
Special construction account	8,359	-	865	-	9,224
Marketable securities	19,112	-	-	-	19,112
Accounts receivable:					
Due from customers	70,580	46,664	46,546	-	163,790
Interexchange carriers					
Less allowance of \$90,000	366,035	101,294	263,027	-	730,356
Affiliates	937,387	78,371	263,209	(719,324)	559,643
Other	864,277	7,599	2,865	-	874,741
Materials and supplies at average cost	512,498	78,466	220,526	-	811,490
Inventory at average cost	31,943	11,972	5,862	-	49,777
Prepayments	1,340	21,478	-	-	22,818
	<u>3,042,898</u>	<u>857,470</u>	<u>1,120,703</u>	<u>(719,324)</u>	<u>4,301,747</u>
<b>OTHER NONCURRENT ASSETS</b>					
Investment in affiliates	4,687,523	-	-	(4,687,523)	-
Marketable securities	-	-	67,390	-	67,390
Equity method investments	1,397,143	-	-	-	1,397,143
Other investments	222,651	266,316	367,590	-	856,557
Deferred charges	-	52,184	-	-	52,184
Intangibles	-	513	-	-	513
	<u>6,307,317</u>	<u>319,013</u>	<u>434,980</u>	<u>(4,687,523)</u>	<u>2,373,787</u>
<b>PROPERTY, PLANT AND EQUIPMENT</b>					
Telephone plant in service	25,521,401	10,729,546	16,617,819	-	52,868,766
Other property	511,555	-	26,904	-	538,459
	<u>26,032,956</u>	<u>10,729,546</u>	<u>16,644,723</u>	<u>-</u>	<u>53,407,225</u>
Less accumulated depreciation	18,231,999	8,009,695	14,025,357	-	40,267,051
	<u>7,800,957</u>	<u>2,719,851</u>	<u>2,619,366</u>	<u>-</u>	<u>13,140,174</u>
Plant under construction	634,578	-	39,971	-	674,549
Plant acquisition adjustment, net	-	1,218,515	-	-	1,218,515
Property held for future use	4,000	-	1,250	-	5,250
	<u>8,439,535</u>	<u>3,938,366</u>	<u>2,660,587</u>	<u>-</u>	<u>15,038,488</u>
<b>TOTAL ASSETS</b>	<u>\$ 17,789,750</u>	<u>\$ 5,114,849</u>	<u>\$ 4,216,270</u>	<u>\$ (5,406,847)</u>	<u>\$ 21,714,022</u>

See Independent Auditor's Report on Supplementary Information

**RURAL TELEPHONE COMPANY  
GLENN'S FERRY, IDAHO**

**CONSOLIDATING BALANCE SHEET  
December 31, 2013**

LIABILITIES AND STOCKHOLDERS' EQUITY

	<u>Rural Telephone Company</u>	<u>Nehalem Telecommunications, Inc.</u>	<u>Pend Oreille Telephone Company</u>	<u>Intercompany Eliminations</u>	<u>Consolidated</u>
<b>CURRENT LIABILITIES</b>					
Current portion of long-term debt	\$ 812,327	\$ 496,063	\$ 87,435	\$ -	\$ 1,395,825
Accounts payable:					
Interexchange carriers	163,928	70,932	20,291	-	255,151
Affiliates	3,371	663,160	52,793	(719,324)	-
Other	530,323	139,317	50,963	-	720,603
Advance billing and payments	42,951	-	-	-	42,951
Customer deposits	7,032	969	3,670	-	11,671
Accrued taxes	52,425	10,048	-	-	62,473
Accrued interest	-	7,342	-	-	7,342
Other accrued liabilities	103,836	42,107	54,771	-	200,714
	<u>1,716,193</u>	<u>1,429,938</u>	<u>269,923</u>	<u>(719,324)</u>	<u>2,696,730</u>
 <b>LONG-TERM DEBT, LESS CURRENT PORTION</b>	 <u>6,270,884</u>	 <u>1,647,900</u>	 <u>1,295,829</u>	 <u>-</u>	 <u>9,214,613</u>
 <b>STOCKHOLDERS' EQUITY</b>					
Common stock	56,900	1,600,000	2,666,346	(4,266,346)	56,900
Other capital	10,197	-	-	-	10,197
Retained earnings	9,735,576	437,011	(15,828)	(421,177)	9,735,582
	<u>9,802,673</u>	<u>2,037,011</u>	<u>2,650,518</u>	<u>(4,687,523)</u>	<u>9,802,679</u>
 <b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	 <u>\$ 17,789,750</u>	 <u>\$ 5,114,849</u>	 <u>\$ 4,216,270</u>	 <u>\$ (5,406,847)</u>	 <u>\$ 21,714,022</u>

See Independent Auditor's Report on Supplementary Information

**RURAL TELEPHONE COMPANY  
GLENN'S FERRY, IDAHO**

**CONSOLIDATING STATEMENT OF OPERATIONS  
Year Ended December 31, 2013**

	Rural Telephone Company	Nehalem Telecommunications, Inc.	Pend Oreille Telephone Company	Intercompany Eliminations	Consolidated
<b>OPERATING REVENUES</b>					
Local network services	\$ 399,914	\$ 494,687	\$ 400,949	\$ -	\$ 1,295,550
Network access services	3,904,555	1,541,541	2,148,410	-	7,594,506
Long distance services	-	77,906	-	-	77,906
Internet services	579,789	671,545	403,985	-	1,655,319
Video services	122,536	-	-	-	122,536
Other nonregulated services	258,752	31,844	25,891	-	316,487
Miscellaneous	20,911	121,609	16,064	-	158,584
Uncollectible, net of recoveries	(67,122)	(5,466)	(5,841)	-	(78,429)
	<u>5,219,335</u>	<u>2,933,666</u>	<u>2,989,458</u>	<u>-</u>	<u>11,142,459</u>
<b>OPERATING EXPENSES</b>					
Plant specific operations	1,466,457	561,747	645,155	-	2,673,359
Plant nonspecific operations	353,552	157,533	172,200	-	683,285
Cost of long distance services	-	44,838	-	-	44,838
Cost of internet services	525,577	573,079	361,128	-	1,459,784
Cost of video services	249,164	-	-	-	249,164
Depreciation and amortization	1,323,011	598,155	300,875	-	2,222,041
Customer operations	251,961	164,640	167,110	-	583,711
Corporate operations	1,066,119	635,434	783,979	-	2,485,532
General taxes	147,541	105,910	52,375	-	305,826
	<u>5,383,382</u>	<u>2,841,336</u>	<u>2,482,822</u>	<u>-</u>	<u>10,707,540</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(164,047)</u>	<u>92,330</u>	<u>506,636</u>	<u>-</u>	<u>434,919</u>
<b>OTHER INCOME (EXPENSE)</b>					
Interest and dividend income	73,465	19,518	33,571	(19,972)	106,582
Allowance for funds used during construction	15,229	120	12,054	-	27,403
Equity income in unconsolidated affiliate	224,018	-	-	-	224,018
Interest expense	(396,733)	(171,403)	(70,940)	19,972	(619,104)
Other, net	165,377	(30,029)	163	-	135,511
	<u>81,356</u>	<u>(181,794)</u>	<u>(25,152)</u>	<u>-</u>	<u>(125,590)</u>
<b>INCOME BEFORE EQUITY EARNINGS (LOSS) OF SUBSIDIARIES</b>	(82,691)	(89,464)	481,484	-	309,329
<b>EQUITY EARNINGS (LOSS) OF SUBSIDIARIES</b>	<u>392,020</u>	<u>-</u>	<u>-</u>	<u>(392,020)</u>	<u>-</u>
<b>NET INCOME (LOSS)</b>	<u>\$ 309,329</u>	<u>\$ (89,464)</u>	<u>\$ 481,484</u>	<u>\$ (392,020)</u>	<u>\$ 309,329</u>

See Independent Auditor's Report on Supplementary Information



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF THE FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors  
Rural Telephone Company and Subsidiaries  
Glenns Ferry, Idaho

We have audited the accompanying consolidated financial statements of Rural Telephone Company and subsidiaries as of and for the year ended December 31, 2014, and have issued our report thereon dated April 24, 2015. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Rural Telephone Company's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

Our consideration of the internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's consolidated financial statements will not be prevented or detected and corrected on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in the Company's internal control to be significant deficiencies:

- **Comment:** Similar to other companies its size, the Company has a limited number of personnel, as a result, it had utilized accounting assistance from another party to draft financial statements and assist with preparation of certain normal annual closing entries.

**Potential Effects:** Lack of knowledge and experience in preparing financial statements and normal closing entries could result in incomplete disclosures and/or incorrect presentation of information which could have an adverse impact to investors relying on the financial statements.

**Management's Response:** The Company reviews and approves the results of these activities and believes this approach provides a cost effective solution in light of their limited resources.

- **Comment:** The Company's limited resources and personnel also limits their ability to have a formal internal control and information technology system, complete segregation of duties and a formal risk assessment and monitoring system.

**Potential Effects:** Due to the lack of segregation of duties, there is a potential for an employee to perpetrate and conceal a theft of assets from the Company.

**Management's Response:** The Company periodically performs an informal risk assessment and monitors the business risk associated with assignment of personnel to various activities.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Rural Telephone Company's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

#### Rural Telephone Company' Response to Findings

The Company's written response to the significant deficiencies identified in our audit has not been subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Company's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Company's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Kinling Associates LLP*

Madison, Wisconsin  
April 24, 2015



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH ASPECTS  
OF CONTRACTUAL AGREEMENTS AND REGULATORY REQUIREMENTS  
FOR TELECOMMUNICATIONS BORROWERS**

To the Board of Directors  
Rural Telephone Company and Subsidiaries  
Glenns Ferry, Idaho

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the consolidated financial statements of Rural Telephone Company and subsidiaries, which comprise the balance sheet as of December 31, 2014, and the related statements of operations, stockholders' equity and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated April 24, 2015. In accordance with Government Auditing Standards, we have also issued our report dated April 24, 2015, on our consideration of Rural Telephone Company's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. No reports other than the reports referred to above related to our audit have been furnished to management.

In connection with our audit, nothing came to our attention that caused us to believe that Rural Telephone Company failed to comply with the terms, covenants, provisions, or conditions of their loan, grant, and security instruments as set forth in 7 CFR Part 1773, *Policy on Audits of Rural Utilities Service Borrowers*, §1773.33 and the clarified RUS policy memorandum dated February 7, 2014, insofar as they relate to accounting matters as enumerated below. However, our audit was not directed primarily toward obtaining knowledge of noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding Rural Telephone Company's noncompliance with the above-referenced terms, covenants, provisions or conditions of the contractual agreements and regulatory requirements, insofar as they relate to accounting matters. In connection with our audit, we noted no matters regarding Rural Telephone Company's accounting and records to indicate that Rural Telephone Company did not:

- Maintain adequate and effective accounting procedures;
- Utilize adequate and fair methods for accumulating and recording labor, material and overhead costs, and the distribution of these costs to construction, retirement and maintenance or other expense accounts;
- Reconcile continuing property records to the controlling general ledger plant accounts;
- Clear construction accounts and accrue depreciation on completed construction;

- Record and properly price the retirement of plant;
- Seek the approval of the sale, lease or transfer of capital assets and disposition of proceeds for the sale or lease of plant, material or scrap;
- Maintain adequate control over materials and supplies;
- Prepare accurate and timely Financial and Operating Reports;
- Obtain written approval to enter into any contract for the management, operation, or maintenance of the borrower's system if the contract covers substantially all of the telecommunications system;
- Disclose material related party transactions in the financial statements, in accordance with requirements for related parties in generally accepted accounting principles;
- Record depreciation in accordance with RUS requirements (See RUS Bulletin 183-1, Depreciation Rates and Procedures);
- Comply with the requirements for the detailed schedule of investments.

**RURAL TELEPHONE COMPANY AND SUBSIDIARIES**  
**SCHEDULE OF SUBSIDIARY AND AFFILIATE INVESTMENTS**  
**December 31, 2014 and 2013**

<u>Entity Name</u>	<u>Nehalem Telecommunications, Inc.</u>	<u>Pend Oreille Telephone Company</u>	<u>Syringa Networks LLC</u>
Principal Business	Local exchange and access	Local exchange and access	Broadband Technology/Data Transport
Ownership Percentage	100%	100%	4%
Accounting method	Consolidated	Consolidated	Equity
Year ended December 31, 2013			
Original Investment	\$ 1,600,000	\$ 2,666,346	\$ -
Prior years	-	-	361,576
Earnings (losses)			
Prior years	526,475	402,745	1,069,407
Current year	(89,464)	481,484	224,018
Dividends received			
Prior years	-	(900,057)	(230,018)
Current year	<u>-</u>	<u>-</u>	<u>(27,840)</u>
Book value of investment December 31, 2013	<u>2,037,011</u>	<u>2,650,518</u>	<u>1,397,143</u>
Year ended December 31, 2014			
Earnings (losses)			
Current year	(279,659)	(295,748)	137,058
Dividends received			
Current year	<u>-</u>	<u>-</u>	<u>(59,614)</u>
Book value of investment December 31, 2014	<u>\$ 1,757,352</u>	<u>\$ 2,354,770</u>	<u>\$ 1,474,587</u>

This report is intended solely for the information and use of the audit committee, board of directors and management of the Company, the Rural Development Utilities Program and supplemental lenders, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

*Kinley Associates LLP*

Madison, Wisconsin  
April 24, 2015



FCC Account and Description	Line No.	Note No.	Total Idaho Operations Subject To Separations	Interstate Operation			Intrastate Operation			
				MTS & WATS Switched Access	TOLL PLS Special Access	Total	MTS & WATS Switched Access	TOLL PLS Special Access	Total	
<b>SUMMARY (continued)</b>										
Average Rate Base										
2001 Telecom Plant in Service	1.	(5b)	13,287,985	4,251,164	1,103,030	5,354,194	3,123,853	24,745	4,518,835	7,913,791
2005 Plant Acquisition Adjustment	2.		-	-	-	-	-	-	-	-
3100 Less: Accumulated Depr. (-)	3.	(5c)	(9,059,221)	(2,957,317)	(859,471)	(3,816,788)	(2,113,516)	(17,458)	(2,901,324)	(5,242,433)
34xx-36xx Accumulated Amort. (-)	4.	(5)	(27,825)	(8,915)	(2,313)	(11,228)	(6,551)	(52)	(9,477)	(16,597)
4100-4340 Accum. Deferred Tax (-)	5.		(834,451)	(267,364)	(69,372)	(336,736)	(196,466)	(1,556)	(284,199)	(497,715)
1220 Materials and Supplies	6.		310,137	81,767	12,550	94,317	78,740	757	135,035	215,820
4040 Customer Deposits	7.		(1,355)	(434)	(113)	(547)	(319)	(3)	(461)	(808)
4310 Other Long Term Liabilities	8.		-	-	-	-	-	-	-	-
Equal Access Equipment	9.	(7)	-	-	-	-	-	-	-	-
Other Rate Base	10.		138,794	36,285	39,144	75,429	109,544	607	(58,142)	63,365
<b>Total Average Rate Base</b>	<b>11.</b>		<b>3,794,064</b>	<b>1,135,186</b>	<b>223,455</b>	<b>1,358,641</b>	<b>995,285</b>	<b>7,040</b>	<b>1,400,267</b>	<b>2,435,423</b>
<b>PLANT IN SERVICE DETAIL</b>										
21XX General Support Facilities	1.		1,548,537	496,163	128,737	624,900	364,592	2,888	527,404	923,637
22XX Central Office Equipment:										
CAT 1-Operator Systems	2.		-	-	-	-	-	-	-	-
CAT 2-Tandem Switching (Alloc.)	3.		-	-	-	-	-	-	-	-
CAT 2-Tandem Switching (Assign.)	4.		-	-	-	-	-	-	-	-
CAT 3-Local Switching	5.		878,283	746,541	-	746,541	-	-	131,742	131,742
CAT 4.12 -Exch. Trunk (Joint Use)	6.		185,016	-	-	-	-	-	185,016	185,016
CAT 4.12 -Exch. Trunk (Ded. Use)	7.		657,188	-	655,365	655,365	-	1,823	-	1,823
CAT 4.13 -Subscr. Line (Ded. Use)	8.		1,166,751	291,888	-	291,888	291,888	-	583,375	875,063
CAT 4.13 -Subscr. Line (Joint Use)	9.		-	-	-	-	-	-	-	-
CAT 4.23 -IX Trunk (Joint Use)	10.		1,276,925	722,995	-	722,995	553,930	-	-	553,930
CAT 4.23 -IX Trunk Ckt. (Ded. Use)	11.		11,624	-	9,958	9,958	-	1,666	-	1,666
CAT 4.3 -Host/Remote Trunk Ckt.	12.		-	-	-	-	-	-	-	-
Other COE	13.		-	-	-	-	-	-	-	-
<b>Total COE</b>	<b>14.</b>		<b>4,175,787</b>	<b>1,761,224</b>	<b>665,323</b>	<b>2,426,547</b>	<b>845,618</b>	<b>3,489</b>	<b>715,117</b>	<b>1,749,240</b>
23XX Information Orig./Term. Equipment:										
CAT 1-Regulated CPE	15.		-	-	-	-	-	-	-	-
Other IOT	16.		-	-	-	-	-	-	-	-
<b>Total IOT</b>	<b>17.</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

FCC Account and Description	Note No.	Line No.	Total Idaho Operations Subject To Separations	Interstate Operation			Intrastate Operation					
				MTS & WATS Switched Access	TOLL PLS Special Access	Total	MTS & WATS Switched Access	TOLL PLS Special Access	EAS	Local (other)	Total	
<b>24XX Cable &amp; Wire Facilities:</b>												
CAT 1,3-Subscriber Line (Common)		18.	6,493,613	1,623,403		1,623,403	1,623,403				3,246,807	4,870,210
CAT 1,1,2-Subscriber Line (Ded.)		19.	-									-
CAT 2-Exch. Trunk (Joint Use)		20.	30,980						30,980			30,980
CAT 2-Exch. Trunk (Ded. Use)		21.	64,621	342,615	55,402	55,402	269,842	9,219				9,219
CAT 3-IX Trunk (Joint Use)		22.	737,546		125,089	467,704						269,842
CAT 3-IX Trunk (Ded. Use)		23.	130,263		121,276	121,276		8,987				8,987
CAT 4-Host/Remote Trunk		24.	-									-
Other C&WF		25.	-									-
<b>Total C&amp;WF</b>		26.	<b>7,457,023</b>	<b>1,966,018</b>	<b>301,767</b>	<b>2,267,785</b>	<b>1,893,245</b>	<b>18,206</b>	<b>30,980</b>		<b>3,246,807</b>	<b>5,189,238</b>
<b>26XX Other Assets:</b>												
Capital Leases		27.	86,638	27,759	7,203	34,962	20,398	162	1,609		29,507	51,676
Leasehold Improvements		28.	-									-
Intangibles		29.	-									-
<b>Total Other Assets</b>		30.	<b>86,638</b>	<b>27,759</b>	<b>7,203</b>	<b>34,962</b>	<b>20,398</b>	<b>162</b>	<b>1,609</b>		<b>29,507</b>	<b>51,676</b>
<b>Total Telecom. Plant in Service</b>	(5b)	31.	<b>13,267,985</b>	<b>4,251,164</b>	<b>1,103,030</b>	<b>5,354,194</b>	<b>3,123,853</b>	<b>24,745</b>	<b>246,358</b>		<b>4,518,835</b>	<b>7,913,791</b>
<b>Depreciation &amp; Amortization</b>												
<b>Accumulated Depreciation Detail</b>												
311X General Support Facilities		1.	(931,266)	(296,385)	(77,420)	(375,805)	(219,260)	(1,737)	(17,292)		(317,172)	(555,461)
312X Central Office Switching		2.	(671,055)	(570,397)		(570,397)					(100,658)	(100,658)
312X Operator Systems		3.	-									-
312X Central Office Transmission		4.	(3,067,716)	(943,994)	(619,071)	(1,563,065)	(786,707)	(3,087)	(172,123)		(542,734)	(1,504,651)
313X Information Orig./Term. Equip.		5.	-									-
314X Cable & Wire Facilities		6.	(4,389,184)	(1,144,541)	(162,980)	(1,307,521)	(1,107,549)	(12,634)	(20,720)		(1,940,760)	(3,081,663)
<b>Total Accumulated Depreciation</b>	(5c)	7.	<b>(9,059,221)</b>	<b>(2,957,317)</b>	<b>(859,471)</b>	<b>(3,816,788)</b>	<b>(2,113,516)</b>	<b>(17,458)</b>	<b>(210,135)</b>		<b>(2,901,324)</b>	<b>(5,242,433)</b>
<b>Accumulated Amortization Detail</b>												
3410 Capital Leases		8.	(27,825)	(8,915)	(2,313)	(11,228)	(6,551)	(52)	(517)		(9,477)	(16,597)
3420 Leasehold Improvements		9.	-									-
3500 Intangibles		10.	-									-
3600 Acquisition Adjustment		11.	-									-
<b>Total Accumulated Amortization</b>	(5c)	12.	<b>(27,825)</b>	<b>(8,915)</b>	<b>(2,313)</b>	<b>(11,228)</b>	<b>(6,551)</b>	<b>(52)</b>	<b>(517)</b>		<b>(9,477)</b>	<b>(16,597)</b>

FCC Account and Description	Note No.	Line No.	Total Idaho Operations Subject To Separations	Interstate Operation			Intrastate Operation				
				MTS & WATS Switched Access	TOLL PLS Special Access	Total	MTS & WATS Switched Access	TOLL PLS Special Access	Total		
<b>OPERATING EXPENSE DETAIL</b>											
<b>61XX-64XX Plant Specific Operations</b>											
6110-20 General Support Facilities		1.	144,141	46,184	11,983	58,167	33,937	269	2,676	49,092	85,974
621X Central Office Switching		2.	147,655	62,277	23,526	85,803	29,901	123	6,542	25,286	61,852
6220 Operator Systems		3.	-	-	-	-	-	-	-	-	-
623X Central Office Transmission		4.	358,404	151,164	57,104	208,268	72,579	299	15,880	61,378	150,136
63XX Information Orig./Term. Equip.		5.	826	206	-	206	206	-	-	413	619
64XX Cable & Wire Facilities		6.	204,600	53,942	8,280	62,222	51,945	500	850	89,083	142,378
<b>Total Plant Specific</b>	(5a)	7.	<b>855,626</b>	<b>313,773</b>	<b>100,893</b>	<b>414,666</b>	<b>188,568</b>	<b>1,191</b>	<b>25,948</b>	<b>225,252</b>	<b>440,959</b>
<b>65XX Plant Nonspecific Operations</b>											
6512 Provisioning	(8)	8.	-	-	-	-	-	-	-	-	-
653X Network Operations		9.	158,751	50,865	13,198	64,063	37,377	296	2,948	54,067	94,688
6540 Access Paid to LECs	(9)	10.	25,021	25,021	-	25,021	-	-	-	-	-
<b>Total Plant Nonspecific</b>	(5a)	11.	<b>183,772</b>	<b>75,886</b>	<b>13,198</b>	<b>89,084</b>	<b>37,377</b>	<b>296</b>	<b>2,948</b>	<b>54,067</b>	<b>94,688</b>
<b>656X Depreciation &amp; Amortization</b>											
6561 General Support Facilities	(8)	12.	58,349	18,695	4,851	23,546	13,738	109	1,083	19,873	34,803
6561 Central Office Switching		13.	62,632	53,237	-	53,237	-	-	-	9,395	9,395
6561 Operator Systems		14.	-	-	-	-	-	-	-	-	-
6561 Central Office Transmission		15.	322,086	99,107	64,998	164,105	82,594	335	18,072	56,980	157,981
6561 Information Orig./Term. Equip.		16.	-	-	-	-	-	-	-	-	-
6561 Cable & Wire Facilities		17.	282,047	75,600	12,849	88,449	72,275	506	928	119,889	193,598
6563 Capital Leases		18.	2,602	834	216	1,050	613	5	48	886	1,552
6563 Leasehold Improvements		19.	-	-	-	-	-	-	-	-	-
6564 Intangibles		20.	-	-	-	-	-	-	-	-	-
6565 Acquisition Adjustment		21.	-	-	-	-	-	-	-	-	-
<b>Total Depreciation &amp; Amortization</b>	(5a)	22.	<b>727,716</b>	<b>247,473</b>	<b>82,914</b>	<b>330,387</b>	<b>169,220</b>	<b>955</b>	<b>20,131</b>	<b>207,023</b>	<b>397,329</b>

FCC Account and Description	Note No.	Line No.	Total Idaho Operations Subject To Separations	Interstate Operation			Intrastate Operation			
				MTS & WATS Switched Access	TOLL PLS Special Access	Total	MTS & WATS Switched Access	TOLL PLS Special Access	Total	
<b>OPERATING EXPENSE (continued)</b>										
<b>66XX Customer Operations</b>										
661X Marketing		1.	47,561	12,071		12,071	4,718		30,772	35,490
662X Operator Services		2.	531						531	531
662X Directory Publishing-Alpha		3.	700	321		321	245		134	379
662X Directory Publishing-Classified		4.	-							-
662X Directory Publishing-Foreign		5.	-							-
6623 Service Order Proc.-End User		6.	20,656	8,403		8,403	12,253			12,253
6623 Payment & Collection-End User		7.	15,492	4,778		4,778	10,714			10,714
6623 Billing Inquiry-End User		8.	15,492	4,778		4,778	10,714			10,714
6623 Service Order Proc.-CXR		9.	-							-
6623 Payment & Collection-CXR		10.	-							-
6623 Billing Inquiry-CXR		11.	-							-
6623 Coin Administration		12.	-							-
6623 Rev. Acctg.-Toll Ticket Proc.		13.	-							-
6623 Rev. Acctg.-Local Mess. Proc.		14.	8,203	1,475		1,475	6,728			6,728
6623 Rev. Acctg.-Other Bill & Coll.		15.	7,267	2,167		2,167	2,550		2,550	5,100
6623 Rev. Acctg.-SLC Billing		16.	382	382		382				
6623 B & C Amts Paid to LECs	(9)	17.	5,828	2,914		2,914	2,914			2,914
6623 Other Customer Service	(9)	18.	-							-
6623 Other Customer Service	(9)	19.	1,913	1,913		1,913				
<b>Total Customer Operations</b>	(5a)	20.	<b>124,025</b>	<b>39,202</b>	<b>-</b>	<b>39,202</b>	<b>50,836</b>	<b>-</b>	<b>33,987</b>	<b>84,823</b>
<b>67XX Corporate Operations:</b>										
671X Executive & Planning		21.	116,007	41,730	11,914	53,644	28,335	142	3,059	62,362
672X General & Administrative		22.	350,884	135,006	34,626	169,632	82,351	413	8,891	181,252
6728 EAS Settlement Expense		23.	-							-
<b>Total Corporate Operations</b>	(5a)	24.	<b>466,891</b>	<b>176,736</b>	<b>46,540</b>	<b>223,276</b>	<b>110,686</b>	<b>555</b>	<b>11,950</b>	<b>243,614</b>
<b>Other Operating Expenses:</b>										
Equal Access Provision	(10)	25.	-							-
Universal Service Fund	(11)	26.	-							-
Lifeline Connection Assistance	(12)	27.	-							-
<b>Total Other</b>	(5a)	28.	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Operating Expenses</b>	(5a)	29.	<b>2,358,030</b>	<b>853,070</b>	<b>243,545</b>	<b>1,096,616</b>	<b>556,687</b>	<b>2,997</b>	<b>60,977</b>	<b>1,261,414</b>

FCC Account and Description	Note No.	Line No.	Total Idaho Operations Subject To Separations			Interstate Operation			Intrastate Operation			
			MTS & WATS Switched Access	TOLL PLS Special Access	Total	MTS & WATS Switched Access	TOLL PLS Special Access	Total	MTS & WATS Switched Access	TOLL PLS Special Access	Total	
<b>OPERATING TAXES DETAIL</b>												
<b>7240 General Taxes</b>												
7240 Property		1.	102,025	8,482	41,172	32,690	8,482	41,172	24,021	1,894	34,748	60,853
7240 Gross Receipts		2.	-	-	-	-	-	-	-	-	-	-
7240 PUC Fee		3.	-	-	-	-	-	-	-	-	-	-
7240 Franchise Fees		4.	-	-	-	-	-	-	-	-	-	-
7240 Other		5.	-	-	-	-	-	-	-	-	-	-
<b>Total General Taxes</b>		6.	<b>102,025</b>	<b>8,482</b>	<b>41,172</b>	<b>32,690</b>	<b>8,482</b>	<b>41,172</b>	<b>24,021</b>	<b>1,894</b>	<b>34,748</b>	<b>60,853</b>
<b>72XX Income Taxes (Calculated)</b>												
Net Income Before SIT & FIT	(13)	7.	(33,426)	(143,783)	(144,484)	(700)	(143,783)	(144,484)	(548,294)	(3,187)	(62,871)	111,058
Less Fixed Charges (-)		8.	95,493	4,816	33,525	28,709	4,816	33,525	23,140	168	561	61,968
<b>Subtotal (lines 7-8)</b>	(14)	9.	<b>(128,919)</b>	<b>(148,599)</b>	<b>(178,009)</b>	<b>(29,409)</b>	<b>(148,599)</b>	<b>(178,009)</b>	<b>(571,434)</b>	<b>(3,355)</b>	<b>(63,432)</b>	<b>49,090</b>
Other SIT Base Add/Ded. (+/-)	(15)	10.	-	-	-	-	-	-	-	-	-	-
<b>SIT Taxable Inc. (lines 9+-10)</b>	(15)	10.	<b>(128,919)</b>	<b>(148,599)</b>	<b>(178,009)</b>	<b>(29,409)</b>	<b>(148,599)</b>	<b>(178,009)</b>	<b>(571,434)</b>	<b>(3,355)</b>	<b>(63,432)</b>	<b>49,090</b>
7230 SIT-Current (at 4%)	(16)	12.	(8,934)	(10,298)	(12,336)	(1,176)	(10,298)	(12,336)	(39,600)	(233)	(47,631)	3,402
Other FIT Base Add/Ded. (+/-)	(17)	13.	-	-	-	-	-	-	-	-	-	-
<b>FIT Taxable Inc. (lines 9-12+-13)</b>	(17)	13.	<b>(119,965)</b>	<b>(138,302)</b>	<b>(165,673)</b>	<b>(28,233)</b>	<b>(138,302)</b>	<b>(165,673)</b>	<b>(531,834)</b>	<b>(3,122)</b>	<b>639,681</b>	<b>104,725</b>
Gross FIT at 25.62%		15.	(15,615)	(35,433)	(42,445)	(7,233)	(35,433)	(42,445)	(136,256)	(800)	163,886	26,830
7210P Claimed ITC (-)		16.	-	-	-	-	-	-	-	-	-	-
Surtax Elimination (-)		17.	-	-	-	-	-	-	-	-	-	-
<b>7220 FIT-Current (lines 15-16-17)</b>	(18)	18.	<b>(15,615)</b>	<b>(35,433)</b>	<b>(42,445)</b>	<b>(7,233)</b>	<b>(35,433)</b>	<b>(42,445)</b>	<b>(136,256)</b>	<b>(800)</b>	<b>163,886</b>	<b>26,830</b>

FCC Account and Description	Note No.	Line No.	Total Idaho Operations Subject To Separations	Interstate Operation		Intrastate Operation		TOLL PLS Special Access	TOLL PLS Local (other)	Total
				MTS & WATS Switched Access	TOLL PLS Special Access	MTS & WATS Switched Access	TOLL PLS Special Access			
2010 FORM 1 INPUT MASTER'										
For The Year Ended: December 31, 2010										
COMPANY NAME: Rural Telephone Company										
Separated Results of Idaho Operations										
Description			Total Idaho Operations Subject To Separations	Interstate Operation		Intrastate Operation		TOLL PLS Special Access		
Description			Interstate Toll	Intrastate Toll		Operation		Local (Other)		
Description				EAS		EAS				
<b>Separation Parameters</b>										
Plant (2000 Frozen Factors)										
		1.	5,586,686	1,851,407	1,241,457	1,483,712	1,010,110			
		2.	1,226,060	0,458,665	0,349,855	0,226,060	0,191,5			
		3.	1,000,000	0,25	0,25		0,5			
		4.	1,000,000	0,25	0,25		0,5			
		(20)	1,000,000	0,25	0,25		0,5			
		6.	1,000,000	0,85			0,15			
		7.	1,000,000	0,331,396	0,222,217	0,265,58	0,180,807			
		(21)	5,586,686	1,851,407	1,241,457	1,483,712	1,010,110			
		9.	1,000,000	0,85			0,15			
		(22)	-							
		(23)	-							
		(24)	-							
		(25)	-							
		(26)	-							
		15.	2,716,426	1,626,070	1,090,356					
		16.	-							
		17.	707							
		(27)	1,478,166							
		(28a)	346,393	87,913	34,351		224,129			
		(28b)	327,679	101,068	112,911		113,700			
		(28c)	300	100	200					
		(29a)	8,199	1,714	351		6,134			
		(29b)	-							
		(30a)	327,679	101,068	112,911		113,700			
		(30b)	300	100	200					
		(31)	166,552	29,947	136,605					
		27.	0							
		(32)	89,6079%	35,9722%	24,4246%		2,6371%			26,5740%
		29.	10,3921%	10,2696%	0,1225%					
		30.	0							
		31.	122,325	59,545	62,780					