DOCKET NO. UM 1688

Cover Sheet for Submission of
2014 Annual ETC Certification Reports

Name of Eligible Telecommunications Carrier: <u>North-State Telephone Co</u>

Filing date: _____

Is this: Original submission? __X_____
          OR
          Revised submission? _____

Person to contact for questions:

    Name <u>Delinda Kluser_____</u>

    Phone number <u>541-932-4411_____</u>

    E-mail address <u>dkluser@ortelco.net_____</u>

Documents included in this filing (please check applicable items):

      _____ CAF/ICC Support (47 CFR § 54.304)

      _____ Rate Floor Data (47 CFR § 54.313(h))

      __X__ Form 481 (High-cost per 47 CFR § 54.313, Low-income per 54.422)[1]

      _____ Form 690 (Mobility Fund per 47 CFR § 54.1009)

      _____ Affidavit for High-Cost Support

Filing deadlines: The deadlines for filing items required by 47 CFR § 54 are the same as the deadlines for filing with the FCC. The notarized affidavit for high-cost support must be filed no later than the due date for the FCC Form 481. Based on current information, it appears that all items other than CAF/ICC support data are due by <u>July 1, 2014</u>. The CAF/ICC support data are due the same day as the ETC's <u>interstate access tariff filing</u>.

If revisions to an original submission are filed with the FCC or USAC, a copy of the revisions must be filed with the Oregon Commission no later than five business days following submission to the FCC or USAC.

_____

[1] Lifeline-only ETCs must provide all information specified in 47 CFR § 54.422(b) even if the ETC does not submit this information to the FCC.

USAC
Universal Service Administrative Company

USAC Home | High Cost Program | Search Tools | Form 481

CONFIRMATION

Congratulations. Your filing has been successfully certified.

Filing 1 was successfully certified on Wed 25 Jun 14 02:49:46 PM EDT by dkluser@ortelco.net .

SAC : 532388

SPIN : 143002629

Carrier Name : NORTH STATE TEL CO.

Program Year : 2015

Return to 481 Search

FCC Form 481 - Carrier Annual Reporting Data Collection Form	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013

<010>	Study Area Code	532388
<015>	Study Area Name	NORTH STATE TEL CO.
<020>	Program Year	2015
<030>	Contact Name: Person USAC should contact with questions about this data	Delinda Kluser
<035>	Contact Telephone Number: Number of the person identified in data line <030>	5419324411 ext.
<039>	Contact Email Address: Email of the person identified in data line <030>	dkluser@ortelco.net

ANNUAL REPORTING FOR ALL CARRIERS		54.313 Completion Required	54.422 Completion Required
		(check box when complete)	
<100> Service Quality Improvement Reporting	(complete attached worksheet)	✓	
<200> Outage Reporting (voice)	(complete attached worksheet)	✓	
<210> ✓ <-- check box if no outages to report		✓	
<300> Unfulfilled Service Requests (voice) 0			
<310> Detail on Attempts (voice)	(attach descriptive document)		
<320> Unfulfilled Service Requests (broadband) 0		✓	
<330> Detail on Attempts (broadband)	(attach descriptive document)		
<400> Number of Complaints per 1,000 customers (voice)			
<410> Fixed 0.0		✓	
<420> Mobile 0.0			
<430> Number of Complaints per 1,000 customers (broadband)		✓	
<440> Fixed 0.0			
<450> Mobile 0.0			
<500> Service Quality Standards & Consumer Protection Rules Compliance	(check to indicate certification)	✓	
<510> 532388or510.pdf	(attached descriptive document)	✓	
<600> Functionality in Emergency Situations	(check to indicate certification)	✓	
<610> 532388or610.pdf	(attached descriptive document)	✓	
<700> Company Price Offerings (voice)	(complete attached worksheet)	✓	
<710> Company Price Offerings (broadband)	(complete attached worksheet)	✓	
<800> Operating Companies and Affiliates	(complete attached worksheet)	✓	✓
<900> Tribal Land Offerings (Y/N)? ○ ●	(if yes, complete attached worksheet)	✓	
<1000> Voice Services Rate Comparability	(check to indicate certification)	✓	
<1010>	(attach descriptive document)		
<1100> Terrestrial Backhaul (Y/N)? ● ○	(if not, check to indicate certification)	✓	
<1110>	(complete attached worksheet)		
<1200> Terms and Condition for Lifeline Customers	(complete attached worksheet)		✓

Price Cap Carriers, Proceed to Price Cap Additional Documentation Worksheet			
Including Rate-of-Return Carriers affiliated with Price Cap Local Exchange Carriers			
<2000>	(check to indicate certification)		
<2005>	(complete attached worksheet)		
Rate of Return Carriers, Proceed to ROR Additional Documentation Worksheet			
<3000>	(check to indicate certification)	✓	
<3005>	(complete attached worksheet)	✓	

(100) Service Quality Improvement Reporting
Data Collection Form

FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

<010> Study Area Code   532388

<015> Study Area Name   NORTH STATE TEL CO.

<020> Program Year   2015

<030> Contact Name - Person USAC should contact regarding this data   Delinda Kluser

<035> Contact Telephone Number - Number of person identified in data line <030>   5419324411 ext.

<039> Contact Email Address - Email Address of person identified in data line <030>   dkluser@ortelco.net

<110> Has your company received its ETC certification from the FCC?   (yes / no) ○ ◉

<111> If your answer to Line <110> is yes, do you have an existing §54.202(a) "5
      year plan" filed with the FCC?   (yes / no) ○ ○

      If your answer to Line <111> is yes, then you are required to file a progress
      report, on line <112> delineating the status of your company's existing §
      54.202(a) "5 year plan" on file with the FCC, as it relates to your provision of
      voice telephony service.

<112> Attach Five-Year Service Quality Improvement Plan or, in subsequent years,   532388or112.pdf
      your annual progress report filed pursuant to 47 C.F.R. § 54.313(a)(1). If your company is a
      CETC which only receives frozen support, your progress report is only
      required to address voice telephony service.

                                                                                          Name of Attached Document

      Please check these boxes below to confirm that the attached documents(s), on line
      112, contains a progress report on its five-year service quality improvement
      plan pursuant to § 54.202(a). The information shall be submitted at the wire
      center level or census block as appropriate.

<113> Maps detailing progress towards meeting plan targets   ✓

<114> Report how much universal service (USF) support was received   ✓

<115> How (USF) was used to improve service quality   ✓

<116> How (USF)was used to improve service coverage   ✓

<117> How (USF) was used to improve service capacity   ✓

<118> Provide an explanation of network improvement targets not met
      in the prior calendar year.

(200) Service Outage Reporting (Voice)
Data Collection Form

FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

<010>	Study Area Code	532388
<015>	Study Area Name	NORTH STATE TEL CO.
<020>	Program Year	2015
<030>	Contact Name - Person USAC should contact regarding this data	Delinda Kluser
<035>	Contact Telephone Number - Number of person identified in data line <030>	5419324411 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	dkluser@ortelco.net

<220>

<a> NORS Reference Number	<b1> Outage Start Date	<b2> Outage Start Time	<b3> Outage End Date	<b4> Outage End Time	<c1> Number of Customers Affected	<c2> Total Number of Customers	<d> 911 Facilities Affected (Yes / No)	<e> Service Outage Description (Check all that apply)	<f> Did This Outage Affect Multiple Study Areas (Yes / No)	<g> Service Outage Resolution	<h> Preventative Procedures

(700) Price Offerings including Voice Rate Data
Data Collection Form

FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

<010> Study Area Code   532388

<015> Study Area Name   NORTH STATE TEL CO.

<020> Program Year   2015

<030> Contact Name - Person USAC should contact regarding this data   Delinda Kluser

<035> Contact Telephone Number - Number of person identified in data line <030>   541932411 ext.

<039> Contact Email Address - Email Address of person identified in data line <030>   dkluser@ortelco.net

<701> Residential Local Service Charge Effective Date   1/1/2014

<702> Single State-wide Residential Local Service Charge

<703>

<a1>	<a2>	<a3>	<b1>	<b2>	<b3>	<b4>	<b5>	<c>
State	Exchange (ILEC)	SAC (CETC)	Rate Type	Residential Local Service Rate	State Subscriber Line Charge	State Universal Service Fee	Mandatory Extended Area Service Charge	Total per line Rates and Fees
					-- See attached worksheet			

(710) Broadband Price Offerings
Data Collection Form

FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

<010>	Study Area Code	532388
<015>	Study Area Name	NORTH STATE TEL. CO.
<020>	Program Year	2015
<030>	Contact Name - Person USAC should contact regarding this data	Delinda Kluser
<035>	Contact Telephone Number - Number of person identified in data line <030>	541932441l ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	dkluser@ortelco.net

<711>

<a1>	<a2>	<b1>	<b2>	<c>	<d1>	<d2>	<d3>	<d4>
State	Exchange (ILEC)	Residential Rate	State Regulated Fees	Total Rate and Fees	Broadband Service - Download Speed (Mbps)	Broadband Service - Upload Speed (Mbps)	Usage Allowance (GB)	Usage Allowance Action Taken When Limit Reached (select)
				See attached worksheet				

(800) Operating Companies
Data Collection Form

FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

<010>	Study Area Code	532388
<015>	Study Area Name	NORTH STATE TEL CO.
<020>	Program Year	2015
<030>	Contact Name - Person USAC should contact regarding this data	Delinda Kluser
<035>	Contact Telephone Number - Number of person identified in data line <030>	5419324411 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	dkluser@ortelco.net

<810>	Reporting Carrier	North-State Telephone Co
<811>	Holding Company	NA
<812>	Operating Company	NA

<a1>	<a2>	<a3>
Affiliates	**SAC**	**Doing Business As Company or Brand Designation**
<813>		

-- See attached worksheet --

(900) Tribal Lands Reporting	FCC Form 481
Data Collection Form	OMB Control No. 3060-0986/OMB Control No. 3060-0819
	July 2013

<010> Study Area Code   532388

<015> Study Area Name   NORTH STATE TEL CO.

<020> Program Year   2015

<030> Contact Name - Person USAC should contact regarding this data   Delinda Kluser

<035> Contact Telephone Number - Number of person identified in data line <030>   5419324411 ext.

<039> Contact Email Address - Email Address of person identified in data line <030>   dkluser@ortelco.net

<910> Tribal Land(s) on which ETC Serves

<920> Tribal Government Engagement Obligation

Name of Attached Document

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

	Select (Yes,No, NA)

<921>   Needs assessment and deployment planning with a focus on Tribal community anchor institutions.

<922>   Feasibility and sustainability planning;

<923>   Marketing services in a culturally sensitive manner;

<924>   Compliance with Rights of way processes

<925>   Compliance with Land Use permitting requirements

<926>   Compliance with Facilities Siting rules

<927>   Compliance with Environmental Review processes

<928>   Compliance with Cultural Preservation review processes

<929>   Compliance with Tribal Business and Licensing requirements.

(1100) No Terrestrial Backhaul Reporting
Data Collection Form

FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

<010>	Study Area Code	532388
<015>	Study Area Name	NORTH STATE TEL CO.
<020>	Program Year	2015
<030>	Contact Name - Person USAC should contact regarding this data	Delinda Kluser
<035>	Contact Telephone Number - Number of person identified in data line <030>	5419324411 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	dkluser@ortelco.net

<1120> Please check this box to confirm no terrestrial backhaul options exist within the supported area pursuant to § 54.313(G) ☐

<1130> Please check this box to confirm the reporting carrier offers broadband service of at least 1 Mbps downstream and 256 kbps upstream within the supported area pursuant to § 54.313(G) ☐

(1200) Terms and Condition for Lifeline Customers

Lifeline

Data Collection Form

FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

<010> Study Area Code   532388

<015> Study Area Name   NORTH STATE TEL CO.

<020> Program Year   2015

<030> Contact Name - Person USAC should contact regarding this data   Delinda Kluser

<035> Contact Telephone Number - Number of person identified in data line <030>   5419324411 ext.

<039> Contact Email Address - Email Address of person identified in data line <030>   dkluser@ortelco.net

53238or1222.pdf

Name of Attached Document

<1210>   Terms & Conditions of Voice Telephony Lifeline Plans

<1220>   Link to Public Website   HTTP   http://www.puc.state.or.us/Pages/rspf/otap.aspx

"Please check these boxes below to confirm that the attached document(s), on line 1210,
or the website listed, on line 1220, contains the required information pursuant to
§ 54.422(a)(2) annual reporting for ETCs receiving low-income support, carriers must
annually report:

<1221>   Information describing the terms and conditions of any voice
         telephony service plans offered to Lifeline subscribers,   [✓]

<1222>   Details on the number of minutes provided as part of the plan,   [✓]

<1223>   Additional charges for toll calls, and rates for each such plan.   [✓]

(2000) Price Cap Carrier Additional Documentation

Data Collection Form

Including Rate-of-Return Carriers affiliated with Price Cap Local Exchange Carriers

FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

<010>	Study Area Code	532388
<015>	Study Area Name	NORTH STATE TEL CO.
<020>	Program Year	2015
<030>	Contact Name - Person USAC should contact regarding this data	Delinda Kluser
<035>	Contact Telephone Number - Number of person identified in data line <030>	5419324411 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	dkluser@ortelco.net

CHECK the boxes below to note compliance as a recipient of Incremental Connect America Phase I support, frozen High Cost support, High Cost support to offset access charge reductions, and Connect America Phase II support as set forth in 47 CFR § 54.313(b),(c),(d),(e) the information reported on this form and in the documents attached below is accurate.

Incremental Connect America Phase I reporting

<2010>   2nd Year Certification (47 CFR § 54.313(b)(1))

<2011>   3rd Year Certification (47 CFR § 54.313(b)(2))

Price Cap Carrier Receiving Frozen Support Certification (47 CFR § 54.312(a))

<2012>   2013 Frozen Support Certification

<2013>   2014 Frozen Support Certification

<2014>   2015 Frozen Support Certification

<2015>   2016 and future Frozen Support Certification

Price Cap Carrier Connect America ICC Support (47 CFR § 54.313(d))

<2016>   Certification Support Used to Build Broadband

Connect America Phase II Reporting (47 CFR § 54.313(e))

<2017>   3rd year Broadband Service Certification

<2018>   5th year Broadband Service Certification

<2019>   Interim Progress Certification

<2020>   Please check the box to confirm that the attached document(s), on line 2021, contains the required information pursuant to § 54.313 (e)(3)(iii), as a recipient of CAF Phase II support shall provide the number, names, and addresses of community anchor institutions to which began providing access to broadband service in the preceding calendar year.

<2021>   Interim Progress Community Anchor Institutions

Name of Attached Document Listing Required Information

(3000) Rate Of Return Carrier Additional Documentation	FCC Form 481
Data Collection Form	OMB Control No. 3060-0986/OMB Control No. 3060-0819
	July 2013

<010> Study Area Code   532388

<015> Study Area Name   NORTH STATE TEL. CO.

<020> Program Year   2015

<030> Contact Name - Person USAC should contact regarding this data   Delinda Kluser

<035> Contact Telephone Number - Number of person identified in data line <030>   5419324411 ext.

<039> Contact Email Address - Email Address of person identified in data line <030>   dkluser@ortelco.net

CHECK the boxes below to note compliance on its five year service quality plan (pursuant to 47 CFR § 54.202(a)) and, for privately held carriers, ensuring compliance with the financial reporting requirements set forth in 47 CFR § 54.313(f)(2). I further certify that the information reported on this form and in the documents attached below is accurate.

(3010) **Progress Report on 5 Year Plan**
Milestone Certification {47 CFR § 54.313(f)(1)(i)}

(3011) Please check this box to confirm that the attached document(s), on line 3012 contains the required information pursuant to § 54.313 (f)(1)(i)}, the carrier shall provide the number, names, and addresses of community anchor institutions to which began providing access to broadband service in the preceding calendar year.

       Name of Attached Document Listing Required Information

(3012) Community Anchor Institutions {47 CFR § 54.313(f)(1)(ii)}

       Name of Attached Document Listing Required Information

(3013) Is your company a Privately Held ROR Carrier {47 CFR § 54.313(f)(2)}   (Yes/No)

(3014) If yes, does your company file the RUS annual report   (Yes/No)

Please check these boxes to confirm that the attached document(s), on line 3017, contains the required information pursuant to § 54.313(f)(2) compliance requires:

(3015) Electronic copy of their annual RUS reports (Operating Report for Telecommunications Borrowers)

(3016) Document(s) for Balance Sheet, Income Statement and Statement of Cash Flows

(3017) If the response is yes on line 3014, attach your company's RUS annual report and all required documentation   532388or3017.pdf

       Name of Attached Document Listing Required Information

(3018) If the response is no on line 3014, is your company audited?   (Yes/No)

If the response is yes on line 3018, please check the boxes below to confirm your submission, on line 3026 pursuant to § 54.313(f)(2), contains

(3019) Either a copy of their audited financial statement; or (2) a financial report in a format comparable to RUS Operating Report for Telecommunications

(3020) Document(s) for Balance Sheet, Income Statement and Statement of Cash Flows

(3021) Management letter issued by the independent certified public accountant that performed the company's financial audit.

If the response is no on line 3018, please check the boxes below to confirm your submission, on line 3026 pursuant to § 54.313(f)(2), contains:

(3022) Copy of their financial statement which has been subject to review by an independent certified public accountant; or 2) a financial report in a format comparable to RUS Operating Report for Telecommunications Borrowers,

(3023) Underlying information subjected to a review by an independent certified public accountant

(3024) Underlying information subjected to an officer certification.

(3025) Document(s) for Balance Sheet, Income Statement and Statement of Cash Flows

(3026) Attach the worksheet listing required information

       Name of Attached Document Listing Required Information

Certification - Reporting Carrier Data Collection Form	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013

<010>	Study Area Code	532388
<015>	Study Area Name	NORTH STATE TEL CO.
<020>	Program Year	2015
<030>	Contact Name - Person USAC should contact regarding this data	Delinda Kluser
<035>	Contact Telephone Number - Number of person identified in data line <030>	5419324411 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	dkluser@ortelco.net

TO BE COMPLETED BY THE REPORTING CARRIER, IF THE REPORTING CARRIER IS FILING ANNUAL REPORTING ON ITS OWN BEHALF:

Certification of Officer as to the Accuracy of the Data Reported for the Annual Reporting for CAF or LI Recipients

I certify that I am an officer of the reporting carrier; my responsibilities include ensuring the accuracy of the annual reporting requirements for universal service support recipients; and, to the best of my knowledge, the information reported on this form and in any attachments is accurate.

Name of Reporting Carrier: NORTH STATE TEL CO.

Signature of Authorized Officer: CERTIFIED ONLINE   Date

Printed name of Authorized Officer: Delinda Kluser

Title or position of Authorized Officer: Vice-Pres, General Manager

Telephone number of Authorized Officer: 5419324411 ext.

Study Area Code of Reporting Carrier: 532388   Filing Due Date for this form: 07/01/2014

Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.

Certification – Agent / Carrier **Data Collection Form**		**FCC Form 481** **OMB Control No. 3060-0986/OMB Control No. 3060-0819** **July 2013**

<010>	Study Area Code	532388
<015>	Study Area Name	NORTH STATE TEL CO.
<020>	Program Year	2015
<030>	Contact Name - Person USAC should contact regarding this data	Delinda Kluser
<035>	Contact Telephone Number - Number of person identified in data line <030>	5419324411 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	dkluser@ortelco.net

TO BE COMPLETED BY THE REPORTING CARRIER, IF AN AGENT IS FILING ANNUAL REPORTS ON THE CARRIER'S BEHALF:

Certification of Officer to Authorize an Agent to File Annual Reports for CAF or LI Recipients on Behalf of Reporting Carrier

I certify that (Name of Agent)_____ is authorized to submit the information reported on behalf of the reporting carrier. I also certify that I am an officer of the reporting carrier; my responsibilities include ensuring the accuracy of the annual data reporting requirements provided to the authorized agent; and, to the best of my knowledge, the reports and data provided to the authorized agent is accurate.

Name of Authorized Agent:	
Name of Reporting Carrier:	
Signature of Authorized Officer:	Date:
Printed name of Authorized Officer:	
Title or position of Authorized Officer:	
Telephone number of Authorized Officer:	
Study Area Code of Reporting Carrier:	Filing Due Date for this form:

Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.

TO BE COMPLETED BY THE AUTHORIZED AGENT:

Certification of Agent Authorized to File Annual Reports for CAF or LI Recipients on Behalf of Reporting Carrier

I, as agent for the reporting carrier, certify that I am authorized to submit the annual reports for universal service support recipients on behalf of the reporting carrier; I have provided the data reported herein based on data provided by the reporting carrier; and, to the best of my knowledge, the information reported herein is accurate.

Name of Reporting Carrier:	
Name of Authorized Agent or Employee of Agent:	
Signature of Authorized Agent or Employee of Agent:	Date:
Printed name of Authorized Agent or Employee of Agent:	
Title or position of Authorized Agent or Employee of Agent	
Telephone number of Authorized Agent or Employee of Agent:	
Study Area Code of Reporting Carrier:	Filing Due Date for this form:

Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.

Attachments

(700) Price Offerings including Voice Rate Data
Data Collection Form

FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

<010>	Study Area Code	532388
<015>	Study Area Name	NORTH STATE TEL CO.
<020>	Program Year	2015
<030>	Contact Name - Person USAC should contact regarding this data	Delinda Kluser
<035>	Contact Telephone Number - Number of person identified in data line <030>	5419324411 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	dkluser@ortelco.net

<701>	Residential Local Service Charge Effective Date	1/1/2014
<702>	Single State-wide Residential Local Service Charge	

<703>

	<a1>	<a2>	<a3>	<b1>	<b2>	<b3>	<b4>	<b5>	<c>
	State	Exchange (ILEC)	SAC (CETC)	Rate Type	Residential Local Service Rate	State Subscriber Line Charge	State Universal Service Fee	Mandatory Extended Area Service Charge	Total per line Rates and Fees
	OR	467		FR	12.45	0.0	1.23	6.4	20.08

(710) Broadband Price Offerings
Data Collection Form

<010>	Study Area Code	532388
<015>	Study Area Name	NORTH STATE TEL CO.
<020>	Program Year	2015
<030>	Contact Name - Person USAC should contact regarding this data	Delinda Kluser
<035>	Contact Telephone Number - Number of person identified in data line <030>	5419324411 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	dkluser@ortelco.net

<711>

<a1>	<a2>	<b1>	<b2>	<c>	<d1>	<d2>	<d3>	<d4>
State	Exchange (ILEC)	Residential Rate	State Regulated Fees	Total Rates and Fees	Broadband Service - Download Speed (Mbps)	Broadband Service - Upload Speed (Mbps)	Usage Allowance (GB)	Usage Allowance Action Taken When Limit Reached (select)
OR	467	29.95	0.0	29.95	0.512	0.256	0.0	Other, Unlimited
OR	467	39.95	0.0	39.95	1.5	0.756	0.0	Other, Unlimited
OR	467	49.95	0.0	49.95	3.0	1.5	0.0	Other, Unlimited
OR	467	59.95	0.0	59.95	6.0	3.0	0.0	Other, Unlimited
OR	467	69.95	0.0	69.95	10.0	5.0	0.0	Other, Unlimited
OR	467	79.95	0.0	79.95	20.0	10.0	0.0	Other, Unlimited
OR	467	89.95	0.0	89.95	30.0	15.0	0.0	Other, Unlimited

(800) Operating Companies
Data Collection Form

<010>	Study Area Code	532388
<015>	Study Area Name	NORTH STATE TEL CO.
<020>	Program Year	2015
<030>	Contact Name - Person USAC should contact regarding this data	Delinda Kluser
<035>	Contact Telephone Number - Number of person identified in data line <030>	5419324411 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	dkluser@ortelco.net
<810>	Reporting Carrier	North-State Telephone Co
<811>	Holding Company	NA
<812>	Operating Company	NA

<a1>	<a2>	<a3>
Affiliates	SAC	Doing Business As Company or Brand Designation
North State Cablevision		North State Cablevision
Skyline Telecom Inc	520581	Skyline Telecom Inc

Study Area Code	532388
Study Area Name	North-State Telephone Co.
Program Year	2015
Contact Name	DELINDA KLUSER
Contact Telephone Number	541 932 4411
Contact Email Address	dkluser@ortelco.net

North-State Telephone Co.
FIVE YEAR SERVICE QUALITY IMPROVEMENT PLAN

PREAMBLE

This 5 year improvement plan is a section of the Company's 2014 Annual Report. It is in compliance with § 54.313(a)(1) adopted in the FCC's USF/ICC Transformation Order (11-161). This document also incorporates further clarifications identified in subsequent Reconsideration Orders, as applicable, in effect prior to the filing of the Annual Report.

North-State Telephone Co. (NSTC) has carefully developed its improvement plan, concentrating on the delivery and continuation of a robust network which provides, at a minimum, the federally required voice and broadband connectivity as stipulated by regulatory rule. In certain situations (and as noted herein), the plan may also incorporate specific state requirements.

NSTC is currently a recipient of state support from the Oregon Universal Service Fund ("OUSF"). However the Fund is currently under formal state commission staff investigation (docket UM 1481), to assure the Fund contribution and support mechanisms, and those qualifying for support, are in concert with the current regulatory and market conditions. The outcome of the OUSF docket, the timing of a decision, and its impact upon NSTC is unknown at the time of the report.

NSTC advises that this improvement plan has been carefully crafted, matching measured network deployment, improvement and quality service levels with known financial implications of the Transformation Order upon the company's support cash-flows. The uncertainty of such cash flows being received in the outer-years as a result of current and potential regulatory action on rural rate-of-return carriers has resulted in the Company taking a balanced yet realistic approach.

The environment in which the Company operates remains dynamic, not static. As a result, NSTC reserves the opportunity to modify its plan in response to further regulatory decisions as they are adopted, and their implication upon the Company's financial viability in providing the required services and service level quality becomes known.

NSTC will re-evaluate this plan on an annual basis. Action, however, may also be taken abruptly on the presented plan for both current and outer years in the event of evolving regulatory conditions and/or changes in technology (vendor)-driven support. All adjustments to the improvement plan in this document will be reflected and explained in subsequent annual reports.

OVERVIEW

NSTC, as an Eligible Telecommunications Carrier (ETC) provides Universal Service supported services to approximately 389 customers covering approximately 330 square miles.

Consistent with Commission requirements, this Service Quality Improvement Plan addresses only NSTC's regulated eligible telecommunications carrier operations.[1] A detailed description of NSTC's plans for the provision of the supported services in the five-year period starting with January 2015 is provided herein.

Per the Universal Service Administrative Company (USAC), for the calendar year 2013, NSTC received a total of $1,512,816 (as of 05/29/14) in USF support funds. The breakdown of the funding for the year was:

- $1,028,922 High Cost Loop Support,
- $ 9,486 Local Switching Support-Prior Period Adjustment
- $ 46,878 Connect America Fund-Intercarrier Compensation Support
- $ 416,427 Interstate Common Line Support
- $ 11,103 Safety Net Additive

All funds were used in 2013 to both: 1) maintain, upgrade, and improve the Company's network and, 2) cover its operating expenses and debt commitments as necessary to permit it to offer a high level of service for both voice and broadband throughout its service area.

IMPROVEMENT PLANS BY YEAR (2015-2019 inclusive)

Summary descriptions of network improvements planned for the next five years in accordance with Part 54.202(a)(1)(ii) and Part 54.313(a)(1) by year and by exchange are presented below. Detailed expenditures are summarized in the attached Excel worksheet (Attachment 1). Where available, area and subscribers impacted by the improvements are identified in the worksheet. Costs are broken out by voice and broadband service.

- Network improvement expenditures identify the cost to provide those services supported by the universal service funding mechanisms. When a project involves expenditures for both regulated and non-regulated services, the non-regulated investment costs have been removed. The Company estimates non-regulated costs using the appropriate allocation rules. Details of those costs are retained by the Company and available for inspection.

---

[1]Per 47 C.F.R. § 54.314, federal USF support, "will be used only for the provision, maintenance, and upgrading of facilities and services for which the support is intended." If investments or expenses are for service areas larger than the supported service areas, then allocations of the expenditures are required.

- Costs are reported only for those service areas in which the Company is authorized to receive USF funding.

Due to the current uncertainty of the amounts of support funds the company may receive in future years, NSTC advises the Commission that the deployment of specific network improvement projects may be modified, and the meeting of projected service goals muted, to accommodate the actual amount of support that will be received.

BASELINE NARRATIVE

NSTC is an independent local exchange carrier providing telecommunications services in Wasco County in Oregon. There are approximately 244 households in Dufur with a current population of 605, over a geographic area of 330 sq. miles. NSTC provides service to the city of Dufur which is located between Mount Hood and the Deschutes River. The service territory is largely on rolling hills however the soil condition is composed of extremely hard rock. The economic base is largely farming of wheat, tree fruit and grapes. There is a public school in the exchange. At this time, the Company provides phone service only to the school. Data services are currently provided by the ESD.

The median household income is approximately $37,500. Currently we have 10 Lifeline subscribers.

NSTC serves its subscribers using a soft switch. NSTC was able to procure a fiber backbone in 2013 bringing even higher speed broadband to the area. NSTC has been using RUS funds for a number of years to continually upgrade and build-out areas. Our wire center contains FTTH customers. It is NSTC's plan to build out fiber to repeater sites in order to increase Broadband speeds for customers on the outskirts currently served by copper.

Subscribers currently served by FTTH are able to receive a minimum of 3MB upload and 10MB download. There are currently 19 subscribers served by copper with 756K upload and 1.5MB download speeds. Currently NSTC serves 255 DSL/Broadband customers. There are 217 route miles of facilities.

While no terrestrial competitor offers voice and data service throughout the service area, competition is limited to AT&T Wireless and Verizon Wireless in the exchange. NSTC has lost both voice and data subscribers due to unemployment and competition in the area.

NSTC's toll network is also fiber fed.

NSTC has been using RUS funds for a number of years to continually upgrade and build-out areas. Payments of those loans come from cash flows of support payments. Much of our wire center contains FTTH customers. It is NSTC's plan to build out fiber to repeater sites in order to increase Broadband speeds for customers on the outskirts.

SUMMARY DISCUSSION OF PLANS BY YEAR

2015

<u>Long Hollow Fiber Build:</u> For 2015, NSTC intends to use operating cash flow to deploy mainline and drop fiber to the Long Hollow area. This project will continue from the 2014 Easton Canyon Project.

The Fiber Project cost is estimated at $125,000. The project involves placement of approximately 2.5 route miles of fiber to 3 subscribers currently served over copper. When complete, these 3 subscribers will have a minimum of 1 MB upload and 6 MB download broadband speeds available. NSTC expects an increase in broadband services as a result of this project based on past experience with fiber upgrades to existing exchanges. This project was staked in fall 2013 and existing subscribers were informed at that time of the Company's plans to upgrade their service. As a result of a short construction season necessitated by extreme weather conditions, this project is scheduled for completion in the third quarter 2015. The Company's Field Engineer will be on-site, working alongside the construction crews on a daily basis and will provide weekly Progress Reports to Company Management to ensure deadlines are met.

<u>Transmission:</u> This project will also require the addition of a new electronics in the field to replace the current system. The estimated cost of NSTC labor and material will be $4,000.

<u>DC Rectifier and Battery Upgrades:</u> NSTC's policy is to upgrade emergency and backup power generation capabilities on a rotating basis. Battery life and years in service are evaluated each year and replacements are completed as necessary. Generators and batteries at the Central office and batteries at each DLC or remote are all considered. Rectifiers and inverters are also included. In 2015, assuming support becomes more predictable and continuing to upgrade remains economically viable NSTC has planned on replacing batteries in the Central Office. The budgeted amount is $50,000.

<u>Vehicles:</u> In 2015 the Company plans to replace one service truck. Because the Company's service area is so large, by necessity significant miles (an average of 30,000 annually) are put on service trucks in order to serve subscribers. To ensure the safety of employees as well as ensuring serviceable vehicles, the Company replaces most fleet vehicles every six years. The vehicle to be replaced in 2015 is expected to cost $35,000.

<u>General Expenditures:</u> NSTC expects to spend $12,000 in miscellaneous additions.

2016

<u>Tygh Road Fiber Build:</u> In 2016, assuming support becomes more predictable and continuing to upgrade remains economically viable, NSTC intends to use operating cash flow to deploy mainline and drop fiber to the Tygh Road area. This project will continue from the 2015 Long Hollow Project.

The Fiber Project cost is estimated at $215,000. The project involves placement of approximately 5.5 route miles of fiber to 14 subscribers currently served over copper. When complete, these 14 subscribers will have a minimum of 1 MB upload and 6 MB download broadband speeds available. NSTC expects an increase in broadband services as a result of this project based on past experience with fiber upgrades to existing exchanges. This project was staked in fall 2013

and existing subscribers were informed at that time of the Company's plans to upgrade their service. As a result of a short construction season necessitated by extreme weather conditions, this project is scheduled for completion in the third quarter 2016. The Company's Field Engineer will be on-site, working alongside the construction crews on a daily basis and will provide weekly Progress Reports to Company Management to ensure deadlines are met.

Transmission: This project will also require the addition of a new electronics in the field to replace the current system. The estimated cost of NSTC labor and material will be $3,000.

General Expenditures: In 2016 the Company expects to spend $12,000 in miscellaneous additions.

2017

DC Rectifier and Battery Upgrades: NSTC's policy is to upgrade emergency and backup power generation capabilities on a rotating basis. Battery life and years in service are evaluated each year and replacements are completed as necessary. Generators and batteries at each Central office and batteries at each DLC or remote are all considered. Rectifiers and inverters are also included. In 2017, assuming support becomes more predictable and continuing to upgrade remains economically viable, NSTC has planned on replacing rectifiers during 2017. The budgeted amount is $15,000.

97 North to Ward Mill Fiber project: For 2017, NSTC intends to use operating cash flow to deploy mainline and drop fiber to the final area in the Dufur exchange. This project will continue from prior year's projects.

The Fiber Project cost is estimated at $100,000. The project involves placement of approximately 2 route miles of fiber to 2 subscribers currently served over copper. When complete, these 2 subscribers will have a minimum of 1 MB upload and 6 MB download broadband speeds available. NSTC expects an increase in broadband services as a result of this project based on past experience with fiber upgrades to existing exchanges. This project was staked in fall 2013 and existing subscribers were informed at that time of the Company's plans to upgrade their service. As a result of a short construction season necessitated by extreme weather conditions, this project is scheduled for completion in the third quarter 2017. The Company's Field Engineer will be on-site, working alongside the construction crews on a daily basis and will provide weekly Progress Reports to Company Management to ensure deadlines are met.

Transmission: This project will also require the addition of a new electronics in the field to replace the current system. The estimated cost of NSTC labor and material will be $3,000.

General Expenditures: In 2017 the Company expects to spend $12,000 in miscellaneous additions.

2018

Building: In 2018, assuming support becomes more predictable and continuing to upgrade remains economically viable NSTC, has plans to improve the current warehouse through a remodeling project. The estimate for this project is $50,000. The Company will work with a general contractor throughout the entire project.

General Expenditures: In 2018 the Company expects to spend $7,000 in miscellaneous additions.

2019

As is our policy with critical network equipment, replacement of equipment deployed in the field must be replaced on a rotational basis.   During 2019 it is estimated that upgrades and/or replacement of remote cabinets should begin.   In 2019, assuming support becomes more predictable and continuing to upgrade remains economically viable, the estimated cost of the upgrades is $50,000.   The project will be under the direction of both Oregon Telephone Corporation's internal engineer as well as a vendor's engineer.

General Expenditures: In 2019 the Company expects to spend $13,000 in miscellaneous additions.

112

Five-Year Service Quality Improvement Plan

Study Area Code	532388
Study Area Name	North-State Telephone Co.
Program Year	2015
Contact Name	DELINDA KLUSER
Contact Telephone Number	541 932 4411
Contact Email Address	dkluser@ortelco.net

Attachment 1

The Company projects the expenditures, by Part 32 accounts for 2015-2019 related to the above identified projects will be:

	2015	2016	2017	2018	2019
Capital Expenditures					
COE Switching	$ 50,000	$	$ 15,000		
COE Transmission	$ 4,000	$ 3,000	$ 3,000	$	$ 50,000
Cable & Wire	$ 125,000	$ 215,000	$ 100,000	$	
General Support	$ 47,000	$ 12,000	$ 12,000	$ 57,000	$ 13,000
Operating Expenditures					
Plant Specific	$ 163,380	$ 171,549	$ 176,695	$ 181,996	$ 187,456
Plant Non-Specific	$ 82,320	$ 86,436	$ 89,029	$ 91,700	$ 94,451
Depreciation	$ 475,138	$ 482,519	$ 496,995	$ 511,904	$ 527,262
Customer Oper	$ 37,920	$ 40,026	$ 41,227	$ 42,464	$ 43,737
Corporate Oper	$ 336,630	$ 353,462	$ 364,066	$ 374,988	$ 386,237

Service Quality Standards & Consumer Protection Rules Compliance

Study Area Code	532388
Study Area Name	North-State Telephone Co
Program Year	2015
Contact Name	Delinda Kluser
Contact Telephone Number	541 932 4411
Contact E-Mail Address	dkluser@ortelco.net

Consumer Protection

Voice and Broadband

North-State Telephone Co. complies with the requirements of 47 CFR Part 64 Subpart U. Customer Proprietary Network Information and the Federal Trade Commission Red Flag rules to prevent Identity theft. A manual for each of those programs is in place and is part of the employees' handbook. Employee training is conducted annually and new hires are instructed on the programs as required by their job functions.

Service Quality Standards

Voice

North-State Telephone Co. complies with the service standards of the State of Oregon as promulgated in the Oregon Administrative Rules 860-034-0390, Retail Telecommunications Service Standards for Small Telecommunications Utilities.

Broadband

North-State Telephone Co follows the service standards noted in NECA Tariff #5 and is committed to provide the highest quality service to its broadband customers.

610

Functionality in Emergency Situations

Study Area Code	532388
Study Area Name	North-State Telephone Co
Program Year	2015
Contact Name	Delinda Kluser
Contact Telephone Number	541 932 4411
Contact E-Mail Address	dkluser@ortelco.net

Exchange	Site Name	Battery Ah	Est Battery Life	Backup / Fuel Type		Capacity	Est Run Time
Dufur	Dufur CO	170 Ah	11 hrs	Generator	Propane	250 gal	100 hrs
Dufur	Dufur Valley Calix ODC-1000	170 Ah	15 hrs	N/A	N/A	N/A	N/A
Dufur	Dufur Valley Calix ODC-1000	170 Ah	15 hrs	N/A	N/A	N/A	N/A
Dufur	Adtran	50 Ah	7 hrs	N/A	N/A	N/A	N/A
Dufur	Adtran	50 Ah	7 hrs	N/A	N/A	N/A	N/A
Dufur	Adtran	50 Ah	7 hrs	N/A	N/A	N/A	N/A
Dufur	Adtran	50 Ah	7 hrs	N/A	N/A	N/A	N/A
The_Dalles	E7_2 City_Hall	170 Ah	11 hrs	Generator	Natural gas fed	N/A	Indefinite
Portland	The_Pittock_E7-2	170 Ah	11 hrs	Generator	Natural gas fed		Indefinite
Dufur	Calix ONTs	7.2 Ah	8 hrs	N/A	N/A	N/A	N/A

1200

Terms and Conditions for Lifeline
Customers

Study Area Code	532388
Study Area Name	NORTH-STATE TELEPHONE CO
Program Year	2015
Contact Name	DELINDA KLUSER
Contact Telephone Number	541 932 441:
Contact E-Mail Address	dkluser@ortelco.net

54.313 Lifeline customers MOU and additional toll charges
Lifeline subscribers receive the same residential service as a regular subscriber, but at a reduced
monthly recurring rate. Thus, lifeline subscribers have an unlimited number of local calling minutes. As
for toll, lifeline subscribers, similar to every North-State Telephone subscriber, are free to choose their
own toll usage plans through IXCs that serve North-State Telephone Co.

USDA-RUS			This data will be used by RUS to review your financial situation. Your response is required by 7 U.S.C. 901 et seq and, subject to federal laws and regulations regarding confidential information, will be treated as confidential.
OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS			BORROWER NAME: North-State Telephone Co. (Prepared with Audited Data)
INSTRUCTIONS-Submit report to RUS within 30 days after close of the period. For detailed instructions, see RUS Bulletin 1744-2. Report in whole dollars only.			PERIOD ENDING: December, 2013 — BORROWER DESIGNATION: OR0532

CERTIFICATION

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

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

DURING THE PERIOD COVERED BY THIS REPORT PURSUANT TO PART 1788 OF 7CFR CHAPTER XVII
(Check one of the following)

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

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

DATE: 3/17/14

PART A. BALANCE SHEET

ASSETS	BALANCE PRIOR YEAR	BALANCE END OF PERIOD	LIABILITIES AND STOCKHOLDERS' EQUITY	BALANCE PRIOR YEAR	BALANCE END OF PERIOD
CURRENT ASSETS			**CURRENT LIABILITIES**		
1. Cash and Equivalents	2,588,387	2,772,121	25. Accounts Payable	248,501	311,062
2. Cash-RUS Construction Fund			26. Notes Payable		
3. Affiliates:			27. Advance Billings and Payments	32,000	30,060
a. Telecom, Accounts Receivable	38,732	42,187	28. Customer Deposits	1,450	675
b. Other Accounts Receivable	2,584	9,812	29. Current Mat. L/T Debt	386,242	405,402
c. Notes Receivable			30. Current Mat. L/T Debt-Rur. Dev.		
4. Non-Affiliates:			31. Current Mat.-Capital Leases		
a. Telecom, Accounts Receivable			32. Income Taxes Accrued	64,640	
b. Other Accounts Receivable	171,375	130,030	33. Other Taxes Accrued		
c. Notes Receivable	98,940	98,940	34. Other Current Liabilities		
5. Interest and Dividends Receivable	7,008	9,976	35. Total Current Liabilities (25 thru 34)	732,833	747,199
6. Material-Regulated			**LONG-TERM DEBT**		
7. Material-Nonregulated		317	36. Funded Debt-RUS Notes	7,571,079	7,177,903
8. Prepayments	3,256	151,796	37. Funded Debt-RTB Notes		
9. Other Current Assets			38. Funded Debt-FFB Notes		
10. Total Current Assets (1 Thru 9)	2,910,282	3,215,179	39. Funded Debt-Other		
NONCURRENT ASSETS			40. Funded Debt-Rural Develop. Loan		
11. Investment in Affiliated Companies			41. Premium (Discount) on L/T Debt		
a. Rural Development	1,669,490	1,399,550	42. Reacquired Debt		
b. Nonrural Development	165,025	111,357	43. Obligations Under Capital Lease	129,620	116,984
12. Other Investments			44. Adv. From Affiliated Companies		
a. Rural Development			45. Other Long-Term Debt	490,644	460,584
b. Nonrural Development	11,000	11,000	46. Total Long-Term Debt (36 thru 45)	8,191,343	7,755,471
13. Nonregulated Investments			**OTHER LIAB. & DEF. CREDITS**		
14. Other Noncurrent Assets			47. Other Long-Term Liabilities	774	547
15. Deferred Charges			48. Other Deferred Credits	1,120,709	1,285,051
16. Jurisdictional Differences			49. Other Jurisdictional Differences		
17. Total Noncurrent Assets (11 thru 16)	1,845,515	1,521,907	50. Total Other Liabilities and Deferred Credits (47 thru 49)	1,121,483	1,285,598
PLANT, PROPERTY, AND EQUIPMENT			**EQUITY**		
18. Telecom, Plant-in-Service	11,817,277	11,887,986	51. Cap. Stock Outstand. & Subscribed	1,349,950	1,349,950
19. Property Held for Future Use			52. Additional Paid-in-Capital	2,150	2,150
20. Plant Under Construction			53. Treasury Stock	(1,347,850)	(1,347,850)
21. Plant Adj., Nonop. Plant & Goodwill			54. Membership and Cap. Certificates		
22. Less Accumulated Depreciation	3,569,559	3,923,977	55. Other Capital		
23. Net Plant (18 thru 21 less 22)	8,247,718	7,964,009	56. Patronage Capital Credits		
24. TOTAL ASSETS (10+17+23)			57. Retained Earnings or Margins	2,953,606	2,908,577
			58. Total Equity (51 thru 57)	2,957,856	2,912,827
			59. TOTAL LIABILITIES AND EQUITY (35+46+50+58)		
	13,003,515	12,701,095		13,003,515	12,701,095

Total Equity = 22.93% % of Total Assets

USDA-RUS

OPERATING REPORT FOR
TELECOMMUNICATIONS BORROWERS

INSTRUCTIONS- See RUS Bulletin 1744-2

BORROWER DESIGNATION

OR0532

PERIOD ENDING

December, 2013

PART B. STATEMENTS OF INCOME AND RETAINED EARNINGS OR MARGINS

ITEM	PRIOR YEAR	THIS YEAR
1. Local Network Services Revenues	125,113	112,452
2. Network Access Services Revenues	2,190,331	1,861,984
3. Long Distance Network Services Revenues		
4. Carrier Billing and Collection Revenues	12,813	9,637
5. Miscellaneous Revenues	30,729	30,402
6. Uncollectible Revenues	2,522	1,583
7. Net Operating Revenues (1 thru 5 less 6)	2,356,464	2,012,892
8. Plant Specific Operations Expense	220,174	270,609
9. Plant Nonspecific Operations Expense (Excluding Depreciation & Amortization)	66,488	89,472
10. Depreciation Expense	427,519	428,290
11. Amortization Expense		
12. Customer Operations Expense	33,158	33,966
13. Corporate Operations Expense	292,499	308,626
14. Total Operating Expenses (8 thru 13)	1,039,838	1,130,963
15. Operating Income or Margins (7 less 14)	1,316,626	881,929
16. Other Operating Income and Expenses	991	1,054
17. State and Local Taxes	52,581	15,167
18. Federal Income Taxes	257,080	176,469
19. Other Taxes	156,372	134,613
20. Total Operating Taxes (17+18+19)	466,033	326,249
21. Net Operating Income or Margins (15+16-20)	851,584	556,734
22. Interest on Funded Debt	406,883	388,629
23. Interest Expense - Capital Leases		
24. Other Interest Expense		2
25. Allowance for Funds Used During Construction		
26. Total Fixed Charges (22+23+24-25)	406,883	388,631
27. Nonoperating Net Income	17,291	261,156
28. Extraordinary Items		
29. Jurisdictional Differences		
30. Nonregulated Net Income	(103,599)	(145,584)
31. Total Net Income or Margins (21+27+28+29+30-26)	358,393	283,675
32. Total Taxes Based on Income	272,222	195,825
33. Retained Earnings or Margins Beginning-of-Year	2,595,212	2,953,606
34. Miscellaneous Credits Year-to-Date	1	5
35. Dividends Declared (Common)		328,709
36. Dividends Declared (Preferred)		
37. Other Debits Year-to-Date		
38. Transfers to Patronage Capital		
39. Retained Earnings or Margins End-of-Period [(31+33+34) - (35+36+37+38)]	2,953,606	2,908,577
40. Patronage Capital Beginning-of-Year		
41. Transfers to Patronage Capital		
42. Patronage Capital Credits Retired		
43. Patronage Capital End-of-Year (40+41-42)	0	0
44. Annual Debt Service Payments	775,281	775,281
45. Cash Ratio [(14+20-10-11) / 7]	0.4576	0.5112
46. Operating Accrual Ratio [(14+20+26) / 7]	0.8117	0.9170
47. TIER [(31+26) / 26]	1.8808	1.7299
48. DSCR [(31+26+10+11) / 44]	1.5385	1.4196

OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS	**PERIOD ENDED** December, 2013

INSTRUCTIONS – See help in the online application.

PART I – STATEMENT OF CASH FLOWS

1.	**Beginning Cash (Cash and Equivalents plus RUS Construction Fund)**	2,588,387
	CASH FLOWS FROM OPERATING ACTIVITIES	
2.	Net Income	283,675
	Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities	
3.	Add: Depreciation	428,290
4.	Add: Amortization	0
5.	Other (Explain) Interest Rec	(2,967)
	Changes in Operating Assets and Liabilities	
6.	Decrease/(Increase) in Accounts Receivable	30,662
7.	Decrease/(Increase) in Materials and Inventory	(317)
8.	Decrease/(Increase) in Prepayments and Deferred Charges	(148,540)
9.	Decrease/(Increase) in Other Current Assets	0
10.	Increase/(Decrease) in Accounts Payable	62,561
11.	Increase/(Decrease) in Advance Billings & Payments	(1,940)
12.	Increase/(Decrease) in Other Current Liabilities	(64,640)
13.	**Net Cash Provided/(Used) by Operations**	586,784
	CASH FLOWS FROM FINANCING ACTIVITIES	
14.	Decrease/(Increase) in Notes Receivable	0
15.	Increase/(Decrease) in Notes Payable	0
16.	Increase/(Decrease) in Customer Deposits	(775)
17.	Net Increase/(Decrease) in Long Term Debt (Including Current Maturities)	(416,712)
18.	Increase/(Decrease) in Other Liabilities & Deferred Credits	164,115
19.	Increase/(Decrease) in Capital Stock, Paid-in Capital, Membership and Capital Certificates & Other Capital	0
20.	Less: Payment of Dividends	(328,709)
21.	Less: Patronage Capital Credits Retired	0
22.	Other (Explain)	
23.	**Net Cash Provided/(Used) by Financing Activities**	(582,081)
	CASH FLOWS FROM INVESTING ACTIVITIES	
24.	Net Capital Expenditures (Property, Plant & Equipment)	(70,709)
25.	Other Long-Term Investments	323,608
26.	Other Noncurrent Assets & Jurisdictional Differences	0
27.	Other (Explain) Cost of Removal/Capital Expenditures	(73,868)
28.	**Net Cash Provided/(Used) by Investing Activities**	179,031
29.	**Net Increase/(Decrease) in Cash**	183,734
30.	**Ending Cash**	2,772,121

Revision Date 2010

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

Board of Directors
North State Telephone Company and Subsidiaries
Mt. Vernon, Oregon

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 North State Telephone Company and Subsidiaries, which comprise the consolidated balance sheet as of December 31, 2013 and 2012, and the related consolidated statements of revenue, comprehensive income, stockholders' equity and changes in cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 24, 2014. In accordance with *Government Auditing Standards,* we have also issued our report dated February 24, 2014, on our consideration of North State Telephone Company and Subsidiaries' 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 North State Telephone Company and Subsidiaries 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 clarified in the 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 North State Telephone Company and Subsidiaries' 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 North State Telephone Company and Subsidiaries' accounting and records to indicate that North State Telephone Company and Subsidiaries 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 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 RUS approval to enter into any contract for the management, operation, or maintenance of the borrower's system if the contract covers all or substantially all of the telephone system;

Disclose material related party transactions in the financial statements, in accordance with requirements of related parties in generally accepted accounting principles;

Record depreciation in accordance with RUS requirements (See RUS Bulletin 183-1, Depreciation Rates and Procedures) and

Comply with the requirements for the detailed schedule of investments.

This report is intended solely for the information and use of the board of directors, management, and the RUS 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.

Wiggins & Co, PC

Brigham City, Utah
February 24, 2014

30

Deedee Kluser

Congratulations. Your filing has been successfully certified.

Filing Number: 1

Certification Date and Time: Wed Jun 25 14:49:57 EDT 2014

Filing Created By: dkluser@ortelco.net

SAC: 532388

SPIN: 143002629

Carrier: NORTH STATE TEL CO.

Program Year: 2015

This is a system generated email. Please do not respond to this message.