

BEFORE THE STATE CORPORATION COMMISSION  
OF THE STATE OF KANSAS

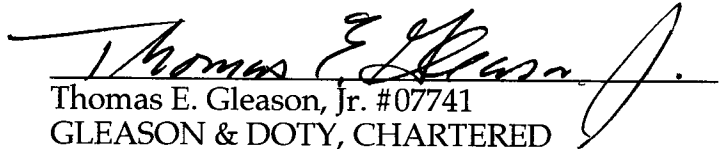
In the Matter of an Audit of Twin )  
Valley Telephone, Inc. to Determine its ) Docket No. 15-TWVT-213-AUD  
Cost-Based Kansas Universal Service )  
Fund Support Pursuant to K.S.A. 66-2008. )

**TWIN VALLEY TELEPHONE, INC. INITIAL FILING**

COMES NOW Twin Valley Telephone, Inc. ("Twin Valley" or the "company") and submits initial information pursuant to the December 9, 2014 Order of the Kansas Corporation Commission ("Commission"). Further, pursuant to the Joint motion of the company and Commission Staff ("Staff") and the Commission's April 14, 2015 approval thereof, portions of the information ordinarily required in an audit proceeding are omitted as not being necessary initially to the conduct of the proceeding.

Certain portions of the accompanying filing are submitted as proprietary and/or confidential under seal, as specified and as more fully set forth separately in an accompanying statement.

Respectfully submitted,

  
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**Twin Valley Telephone, Inc.  
Kansas Universal Service Fund Support Audit  
Docket No. 15-TWVT-213-AUD**

MORRISSEY EXHIBIT 2

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BEFORE THE STATE CORPORATION COMMISSION  
OF THE STATE OF KANSAS

In the Matter of an Audit of Twin	)	
Valley Telephone, Inc. to Determine its	)	Docket No. 15-TWVT-213-AUD
Cost-Based Kansas Universal Service	)	
Fund Support Pursuant to K.S.A. 66-2008.	)	

**CONFIDENTIALITY STATEMENT**

Pursuant to K.S.A. 66-1220(a) and K.A.R. 82-1-221 we submit the separately enclosed and designated portions of the Twin Valley Telephone audit of its cost-based Kansas Universal Service Fund support herewith as proprietary and confidential under seal. Portions of the application and supporting data as specified below are of such competitive sensitivity that their disclosure to any person other than the carrier, the Commission, and Staff is prohibited by K.S.A. 66-1220(a). Disclosure of other portions would violate the rights of others not parties to this proceeding. Disclosure of such trade secrets and confidential information to any person, including parties to this proceeding, is prohibited unless the Commission finds the disclosure is warranted, after considering all of the factors in the above-referenced statute and regulation.

1. Twin Valley's K.A.R. 82-1-231 Schedule, Section 7(iv), is designated confidential for the reason that the information constitutes confidential commercial information in the form of private financial data. The information consists of Twin Valley's consolidated capital structure, cost of debt, and historical interest coverage. Public access of such data by Twin Valley's competitors could be detrimental to the market position and the financial position of the Company by disclosing sensitive data about Twin Valley's cost of debt and ability to obtain financing to provide services.

Requiring disclosure would constitute governmental creation of competitive bias, by providing actual or potential competitors with competitively sensitive information while comparable information of the competitor(s) would not be made similarly available to Twin Valley. The resulting distortion of competition could deprive customers in the subject exchanges of the benefits of market competition free of governmentally opposed bias.

2. Twin Valley's Schedule, Section 9(ii), is designated confidential for the reason that the information constitutes confidential commercial information in the form of private financial data. The information consists of Twin Valley's personnel payroll and compensation data. Public access of such data by Twin Valley's competitors could be detrimental to the market position and the financial position of the Company by disclosing sensitive data about Twin Valley's payroll and compensation costs.

Requiring their disclosure would constitute governmental creation of competitive bias, by providing actual or potential competitors with competitively sensitive information while comparable information of the competitor(s) would not be made similarly available to Twin Valley. In addition, the disclosure of private, personal information such as payroll amounts would violate the privacy rights of Twin Valley's employees. Disclosure would leave Twin Valley potentially exposed to significant legal expenses, claims for injunctive relief and/or damages, and the possible loss of human resources. Any arguably non-confidential components of the response could be segregated only at significant additional administrative expense, and even then could be deemed by other parties as violating of confidentiality commitments, with adverse consequences for Twin Valley and/or the public as discussed above.



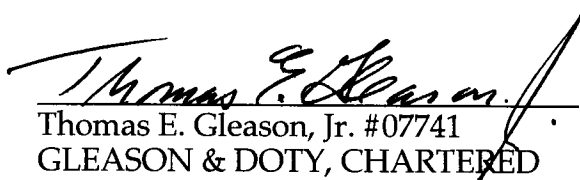
3. Twin Valley's Schedule 11(iv) is designated as confidential for the reason that the information constitutes private financial data. The information consists of personnel payroll data and private shareholder income information. Public access of such data by Twin Valley's competitors could be detrimental to the market position and the financial position of the Company by disclosing sensitive data about Twin Valley's payroll costs. Requiring their disclosure would constitute governmental creation of competitive bias, by providing actual or potential competitors with competitively sensitive information while comparable information of the competitor(s) would not be made similarly available to Twin Valley. In addition, the disclosure of private, personal information such as payroll and income amounts would violate the privacy rights of Twin Valley's employee/shareholder. Disclosure would leave Twin Valley in violation of confidentiality commitments, with adverse consequences for Twin Valley and/or the public as discussed above.

4. Twin Valley's Schedules, Sections 12(i) and portions of 12(v), are designated confidential since the schedules represent work product of a third party consultant. The response includes Twin Valley's cost separations studies and other cost studies which are the proprietary work of the Company's consultants and is confidential. Disclosure would violate the property rights of individuals not parties to this proceeding and would leave Twin Valley potentially exposed to significant legal expenses, claims for injunctive relief and/or damages.

5. Twin Valley's Schedules, Section 16 is designated confidential for the reason that the information constitutes confidential commercial information in the form of private financial data. The response information consists of Twin Valley's Consolidated Financial Statements which contains private financial, strategic, and operations data. Public access of such data by Twin Valley's competitors could be

extremely detrimental to the market position and the financial position of the Company by disclosing sensitive data about Twin Valley's operations, strategies, ability to obtain financing, and product usage by specific customers. Requiring their disclosure would constitute governmental creation of competitive bias, by providing actual or potential competitors with competitively sensitive information while comparable information of the competitor(s) would not be made similarly available to Twin Valley. The resulting distortion of competition could deprive customers in the subject exchanges of the benefits of market competition free of governmentally opposed bias. Any arguably non-confidential components of the response could be segregated only at significant additional administrative expense, and even then could be deemed by other parties as violating confidentiality commitments, with adverse consequences for Twin Valley and/or the public as discussed above.

Twin Valley stands ready to address individual data claimed by any party having an interest therein to be necessary for dissemination. Any such claim or intended disclosure is properly subject to K.S.A. 66-1220a (b) and K.A.R. 92-1-221a. Absent reasonable attempts to satisfy legitimate interests therein by other means, Twin Valley states unilateral disclosure of any information claimed to be confidential herein may cause irremediable harm to Twin Valley, to its actual or potential customers, and/or to the public interest generally.

  
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Twin Valley Telephone, Inc.  
Kansas Universal Service Fund Support Audit  
Docket No. 15-TWVT-213-AUD

K.A.R. 82-1-231 (c) (4) (A) Section 1:

Testimony of Benjamin M. Foster and Tim J. Morrissey

**THE STATE CORPORATION COMMISSION  
OF THE STATE OF KANSAS**

Before Commissioners:            Shari Feist Albrecht, Chair  
   Jay Scott Emler  
   Pat Apple

In the Matter of an Audit of Twin Valley    )  
Telephone, Inc. to Determine its Cost-Based )  
Kansas Universal Service Fund Support    )  
Pursuant to K.S.A. 66-2008.                )

Docket No. 15-TWVT-213-AUD

**PREFILED DIRECT TESTIMONY OF  
  
BENJAMIN M. FOSTER  
ON BEHALF OF  
TWIN VALLEY TELEPHONE COMPANY, INC.**

1    **Q.     Please state your name and business address.**

2    A.     My name is Benjamin M. Foster. My business address is Twin Valley Telephone  
3           Company, Inc. (Twin Valley), 22 Spruce, Miltonvale, Kansas 67466.

4

5    **Q.     What is your position with Twin Valley Telephone Company, Inc.?**

6    A.     I am the President and Chief Executive Officer.

7

8    **Q.     What is your educational and business background?**

9    A.     I graduated from Kansas State University in 1996 with Bachelor's degree in  
10          Business Administration. I have served as the President of Twin Valley  
11          Telephone since October 2009. Prior to my employment with Twin Valley  
12          Telephone I was employed at what is now AT&T for 7 years.

13

14   **Q.     Have you previously testified before this Commission?**

15   A.     No.

16

17   **Q.     What is the purpose of your testimony?**

18   A.     The Commission in its December 19, 2014 Order in this docket directed Twin  
19          Valley to submit to an audit to determine whether its level of KUSF support  
20          should be modified. The order required Direct Testimony from an officer or  
21          employee of Twin Valley. My testimony fulfills this requirement. I will provide  
22          an overview of Twin Valley's corporate structure, operations and accounting  
23          records. Additionally, I will provide a brief overview of the schedules and

1 supporting documentation filed in support of Twin Valley's filing for the audit.  
2 In my capacity as President I oversee the operations including the preparation of  
3 the financial accounting records.  
4

5 **Q. Please provide a brief summary of Twin Valley's structure and operations.**

6 A. Twin Valley Telephone, Inc. (TVT) is affiliated with three other companies:  
7 Twin Valley Management, Inc. Twin Valley Communications, Inc.(TVC), and  
8 ISG Technology, LLC. (ISG). Twin Valley Management is a holding company  
9 and owns 100% of the stock of all three entities; TVT, TVC, and ISG. This is the  
10 only function it provides; there are no goods or services offered to the public by  
11 Twin Valley Management. TVT primarily provides telecommunications services  
12 within its designated serving area. The company provides regulated  
13 telecommunications services as the carrier of last resort as required by K.S.A. 66-  
14 2009 in 19 rural exchanges in Kansas and serves approximately 5,000 access  
15 lines. TVC primarily provides telecommunications services outside of TVT's  
16 regulated service area. ISG provides information technology solution products  
17 and services. In Section 12(iv) of Twin Valley's audit filing, documentation is  
18 included explaining affiliate relationships and accounting for non-regulated  
19 services and affiliate transactions.  
20

21 **Q. Do you have any comments regarding Twin Valley's financial records?**

22 A. Yes. To the best of my knowledge, Twin Valley's records are complete and  
23 accurate. Twin Valley maintains its revenue, expense, investment and related

1 accounts in accordance with Federal Communication Commission (FCC) rules.  
2 These rules are contained in the Uniform System of Accounts (FCC Part 32);  
3 Regulated and Non-Regulated assignments (FCC Part 64). Twin Valley also  
4 conforms to the relevant sections of the FCC rules concerning affiliate  
5 transactions.

6

7 Mr. Morrissey's testimony will explain Twin Valley's documented "Regulated  
8 and Non-Regulated Cost Identification Processes" and the jurisdictional cost  
9 study process, contained in Section 12 of Twin Valley's submission.

10

11 **Q. Can you provide a summary of the specific information included with the**  
12 **application and references to the relevant sections of the filing submitted by**  
13 **Twin Valley?**

14 A. In its filing required for the audit, Twin Valley is filing the majority of the  
15 information that is in compliance with K.A.R. 82-1-231 and submitting  
16 documents that the Commission normally requests during the course of Kansas  
17 Universal Service Fund Audits. There is a limited amount of information  
18 required by K.A.R. 82-1-231 that is excluded. Twin Valley conferred with Staff  
19 and filed a "Joint Motion for Waiver of Certain Audit Requirements and For  
20 Extension Of Filing Date." Mr. Tim Morrissey's testimony identifies the  
21 sections required by K.A.R. 82-1-231 that were excluded, based on these  
22 discussions and this agreement conferring with Staff. Twin Valley is submitting  
23 the following information in support of its application:

- 1           • My direct testimony and the Direct Testimony of Mr. Tim Morrissey.
- 2           • The jurisdictional cost study that is the basis for the separations factors
- 3           used in the filing – this study is contained in Section 12(i), and is
- 4           sponsored by Mr. Morrissey.
- 5           • A detailed explanation of the proposed capital structure, including an
- 6           analysis of cost of capital and rate of return that is specific to Twin Valley
- 7           – this information is provided in Section 7 attached to Mr. Morrissey’s
- 8           testimony.
- 9           • A structural organization chart for the company, including all affiliates,
- 10          parents and subsidiaries – this information is included as Exhibit 1 to my
- 11          testimony.
- 12          • An organizational chart of the utility company, identifying various
- 13          departments, job titles and positions for all employee levels – this
- 14          information is contained in Exhibit 2 to my testimony-
- 15          • All allocation information required by K.A.R. 82-1-231(c)(4)(L). This
- 16          includes the cost allocation manual and a detailed written description of
- 17          the procedures, rationales and calculations underlying all allocation
- 18          formulas and ratios, together with references to the source documents and
- 19          copies of supporting documents – this information is contained in Section
- 20          12 attached to Mr. Morrissey’s testimony. Section 12 contains the
- 21          allocation ratios for the jurisdictional separations process, as well as a
- 22          description of that process. Section 12 also contains a detailed description
- 23          of Twin Valley’s non-regulated costing procedures.



1           • In Section 7, Twin Valley has provided information regarding its  
2           consolidated capital structure.

3

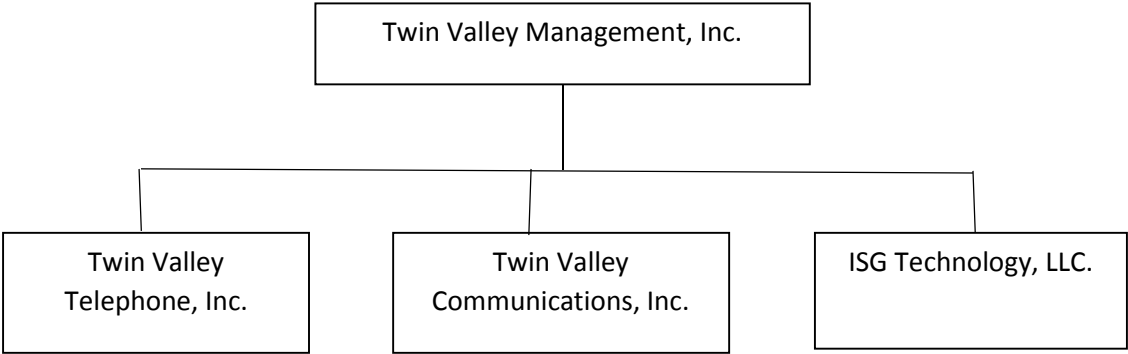
4           Other information, also required by K.A.R. 82-1-231, is contained in the  
5           schedules presented and described by Mr. Morrissey.

6

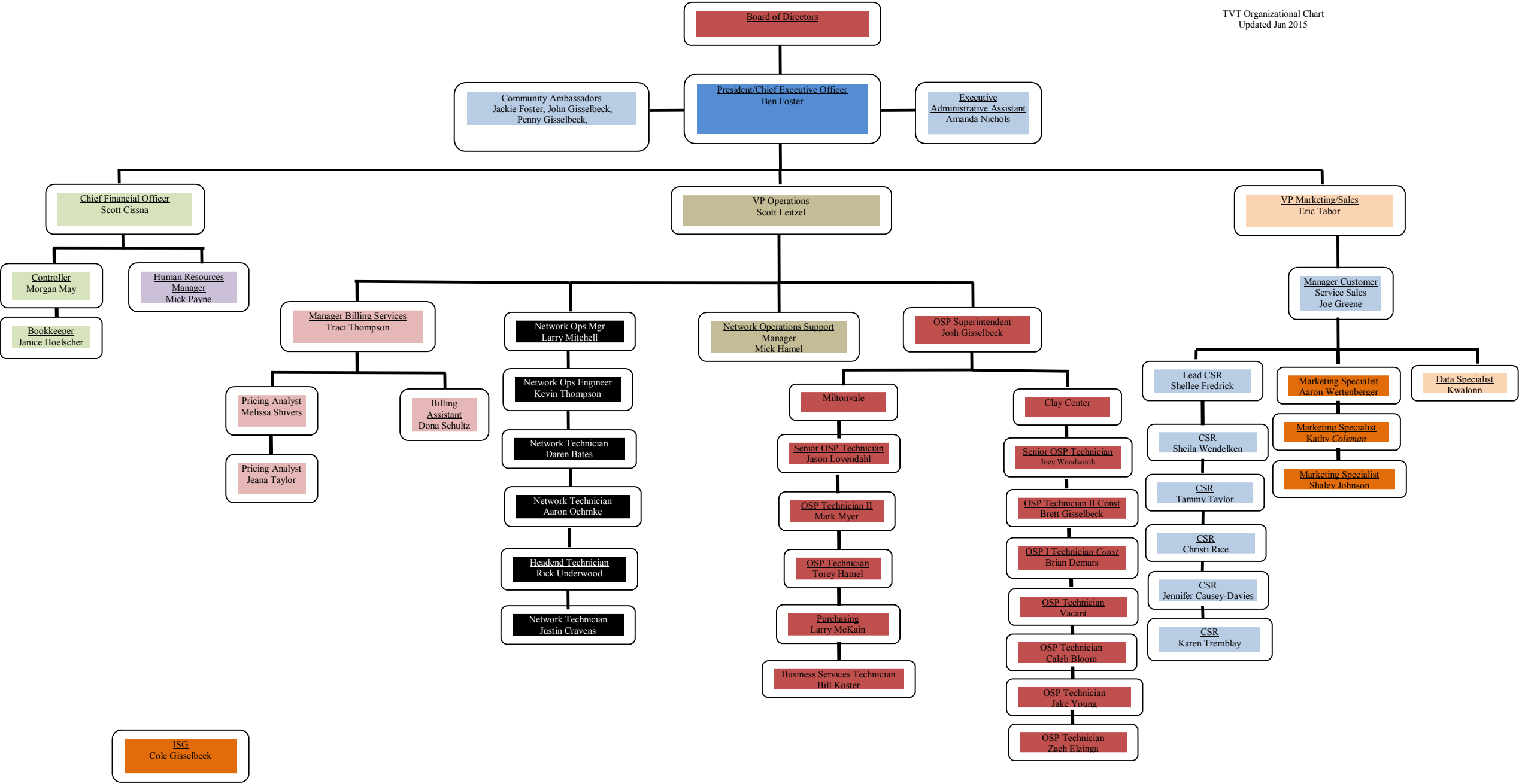
7   **Q.    Does this conclude your testimony?**

8   **A.    Yes, it does.**

9



TVT Organizational Chart  
Updated Jan 2015



**THE STATE CORPORATION COMMISSION  
OF THE STATE OF KANSAS**

Before Commissioners:

Shari Feist Albrecht, Chair  
Jay Scott Emler  
Pat Apple

In the Matter of an Audit of Twin Valley )  
Valley Telephone, Inc. to Determine its )  
Cost-Based Kansas Universal Service )  
Fund Support Pursuant to K.S.A. 66-2008 )

Docket No. 15-TWVT-213-AUD

**PREFILED DIRECT TESTIMONY OF  
TIM J. MORRISSEY**

**ON BEHALF OF  
TWIN VALLEY TELEPHONE COMPANY, INC.**

*April 14, 2015*

1    **Q.     Please state your name and business address.**

2    A.     My name is Tim J. Morrissey. My business address is 121 East College Street,  
3           Broken Arrow, Oklahoma 74012.

4    **Q.     By whom are you employed and what is your position?**

5    A.     I am employed by Fred Williamson and Associates as President.

6    **Q.     What is your educational and business background?**

7    A.     My educational and business backgrounds are provided in the accompanying  
8           Morrissey Exhibit No. 1.

9    **Q.     Have you previously testified before this Commission?**

10   A.     Yes. I have testified before the Commission regarding cost and universal service  
11          issues. I presented testimony in the following dockets: 97-SCCC-149-GIT, 98-  
12          SWBT-677-GIT, 99-GIMT-326-GIT, and 02-GIMT-068-KSF. Additionally, I  
13          presented testimony in the following Commission Kansas Universal Service Fund  
14          (KUSF) proceedings: Twin Valley Telephone, Inc., Docket No. 03-TWVT-1031-  
15          AUD; Totah Telecommunications, Inc., Docket No. 05-TTHT-895-AUD; H&B  
16          Communications, Inc. Docket No. 06-H&BT-1007-AUD; Moundridge Telephone  
17          Company, Inc., Docket No 08-MRGT-221-KSF; Twin Valley Telephone  
18          Company, Inc., Docket No. 09-TWVT-069-KSF; Pioneer Telephone Association,  
19          Inc., Docket No. 11-PNRT-315-KSF, and Moundridge Telephone Company, Inc.,  
20          Docket No. 15-MRGT-097-KSF.

21   **Q.     What is the purpose of your testimony?**

22   A.     On December 9, 2014, the Commission ordered Twin Valley Telephone, Inc.  
23          (Twin Valley) to submit to an audit to determine whether its level of KUSF

1 support should be modified. The Commission directed that Twin Valley shall  
2 file all data required under K.A.R. 82-1-231 and additional information. My  
3 testimony provides information in response to the Commission's Order to  
4 facilitate the audit process. Twin Valley is filing most of the information  
5 required by K.A.R. 82-1-231(c). After conferring with Staff, both Twin Valley  
6 and Staff agreed to exclude information that is not necessary to the appropriate  
7 and comprehensive conduct of this audit. Twin Valley and Staff filed a "Joint  
8 Motion for Waiver of Certain Audit Requirements and for Extension of Filing  
9 Date" (Motion)." The Motion contained a listing of Sections of K.A.R. 82-1-  
10 231(c) that Twin Valley and Staff considered unnecessary. The Motion also  
11 requested an extension of the due date for Twin Valley to file information  
12 necessary for the audit from March 31, 2015 to April 14, 2015. The extension  
13 allows the filing to reflect audited financials for the 2014 test year. As such, this  
14 eliminates the need for multiple filings and reduces costs. The Commission  
15 approved the Motion on April 14, 2015. My testimony, on behalf of Twin  
16 Valley, presents Twin Valley's intrastate operating results for the 2014 test period  
17 and provides the supporting information required by the Commission. My  
18 testimony also discusses Twin Valley's pro forma adjustments, accounting  
19 procedures for non-regulated costs, the capital structure, cost of capital and  
20 income taxes.

### 21 **Test Period Results**

22 **Q. What test period did Twin Valley employ in the preparation of its audit**  
23 **schedules submitted t?**

1 A. The test period employed by Twin Valley is the twelve months ending December  
2 31, 2014.

3 **Q. What are the results for Twin Valley's intrastate operations for the test**  
4 **period?**

5 A. As shown in the schedules contained in Section 3, Twin Valley's intrastate net  
6 operating income for the 2014 test period, as adjusted, is \$670,608. The intrastate  
7 rate base is \$22,745,096. Overall, based on the required intrastate rate of return on  
8 rate base of 7.26%, the filing schedules support a revenue deficiency of  
9 \$1,430,607. Development of this amount is shown in Section 3, Page B.

10 **K.A.R. 82-1-231 Supporting Information**

11 A. **Please describe the information, in support of the intrastate earnings results**  
12 **that you presented, that is required by K.A.R. 82-1-231. Also, please**  
13 **explain any information that is excluded based on the Motion discussed**  
14 **previously.**

15 Twin Valley's Audit filing contains an index and Sections as follows:

- 16 • K.A.R. (c)(4)(A) Section 1- Transmittal, consisting of pre-filed  
17 Testimonies of Benjamin M. Foster and Tim J. Morrissey.
- 18 • K.A.R. (c)(4)(B) Section 2 - General information about rate changes being  
19 sought – Twin Valley seeks no rate changes for recovery of the revenue  
20 deficiency presented in this filing. Staff and Twin Valley agreed to  
21 exclude this section.
- 22 • K.A.R. (c)(4)(C) Section 3 - Intrastate rate base, operating income and rate  
23 of return.

- 1           • K.A.R. (c)(4)(D) Section 4(i),(ii) - Plant investments – intrastate amounts.
- 2           • K.A.R. (c)(4)(E) Section 5(i),(ii) - Accumulated depreciation and
- 3           amortization – intrastate amounts.
- 4           • K.A.R. (c)(4)(F) Section 6(i),(ii) - Working capital – intrastate amounts.
- 5           • K.A.R. (c)(4)(G) Section 7(i-iv) - Capital and cost of money. (Twin
- 6           Valley Telephone Company and Consolidated) Pursuant to the Motion,
- 7           limited loan information is provided for Sections 7(ii and iii).
- 8           • K.A.R. (c)(4)(H) Section 8(i-v) – Staff and Twin Valley agreed that
- 9           information for this section should be excluded. Since other required
- 10          schedules in Twin Valley’s work papers rely on the test year amounts
- 11          presented in these sections, Twin Valley limited the information in these
- 12          schedules to the 2014 test year. Accounting data for the previous three
- 13          calendar years is unnecessary and was eliminated. Annual payrolls by
- 14          primary account, Section 8(v) were also excluded.
- 15          • K.A.R. (c)(4)(I) Section 9, 9(i), (ii) - Test year and pro forma income
- 16          statements.
- 17          • K.A.R. (c)(4)(J) Section 10 - Depreciation and amortization expense.
- 18          • K.A.R. (c)(4)(K) Section 11(i-vi) - Taxes – jurisdictional amounts.
- 19          Sections 11(v) and 11(vi) concerning deferred taxes were eliminated
- 20          pursuant to the Motion.
- 21          • K.A.R. (c)(4)(L) Section 12(i-v) - Allocation ratios including those
- 22          associated with non-regulated costs. The detailed description of



1 separation procedures, Section 12(ii) was eliminated pursuant to the  
2 Motion.

- 3 • K.A.R. (c)(4)(M) Section 13(i),(ii) - Twin Valley is not a publicly held  
4 corporation and preparation of an annual stockholder report is not  
5 required. Other annual reports are available to the Staff and these were  
6 eliminated from this section pursuant to the Motion.

- 7 • K.A.R. (c)(4)(P) Section 16 - Financial Statements.

- 8 • All other sections in K.A.R(c)(4)(N,O,Q, and R), Sections 14, 15, 17 and  
9 18, are not applicable to this filing and are not submitted, pursuant to the  
10 Joint Motion with Staff.

11 **Q. Were schedules applicable to the sections described above prepared by you**  
12 **or under your direct supervision?**

13 A. Yes.

14 **Q. Do you have any general comments regarding the schedules contained in**  
15 **these sections?**

16 A. Yes. As explained in Mr. Foster's testimony, the book balances employed in the  
17 schedules reflect amounts contained in the 2014 audited records and financials of  
18 Twin Valley. Twin Valley's accounting records track investments, reserves,  
19 expenses and taxes. Non-regulated costs are identified and excluded from account  
20 balances for the development of the intrastate revenue requirement. Jurisdictional  
21 allocations incorporated in the schedules are based on factors from the 2013 Twin  
22 Valley jurisdictional separations cost study. The NECA jurisdictional cost study  
23 was modified to reflect year-end plant balances, consistent with the test period

1 amounts, rather than average balances (beginning and end of year average)  
2 employed for the NECA study submission. The jurisdictional cost study is  
3 prepared in accordance with the FCC Part 36 jurisdictional separations rules.  
4 Detail concerning the jurisdictional cost study is contained in Section 12(i).  
5 Sources and references are indicated on the schedules. Minor differences may  
6 appear on the schedules due to rounding.

7 **Q. Please explain what you have treated as proprietary information on the**  
8 **schedules that are submitted to support this cause?**

9 **A.** A minimal amount of information contained in the submitted schedules has been  
10 treated as proprietary and marked confidential or redacted. For information that  
11 has been redacted, the primary reasons are: the information is employee specific  
12 or payroll related; the information is competitively sensitive and could cause harm  
13 to Twin Valley if it is available to outside parties; the information is sensitive  
14 financial information that divulges information that is not publicly available.  
15 Additionally, some information is designated as confidential since it was prepared  
16 by consultants and contains their proprietary work product. The issue of  
17 confidentiality is further addressed in Twin Valley's Confidentiality Statement  
18 filed in this proceeding.

19 **B. Pro Forma Adjustments**

20 **Q. Please briefly describe the pro forma adjustments contained in the schedules**  
21 **submitted in conformance with K.A.R. 82-1-231(c) requirements.**

22 **A.** Twin Valley has incorporated ten pro forma adjustments in the schedules. Below  
23 is a brief description of each pro forma adjustment. These adjustments reflect

1 known and measurable changes that have occurred since the end of the test period  
2 and affect the revenue, expense, income tax and rate base amounts. Details and  
3 supporting documentation for pro forma adjustments (I) through (IX) are shown  
4 in the schedules contained in Section 9(ii).

5 (I.) Plant Additions and Retirements – This adjustment recognizes additional  
6 investments in facilities and retirements that Twin Valley will make during  
7 the pro forma period.

8 (II.) Depreciation Reserve – Depreciation reserves were restated to recognize  
9 anticipated balances for the pro forma period.

10 (III.) Depreciation Expense – The Company adjusted depreciation expense to  
11 incorporate plant additions, retirements and reserve levels for the pro forma  
12 period.

13 (IV.) Local Revenues – An adjustment is made to normalize local revenue. The  
14 local revenue amount is restated so that it reflects current revenue levels.

15 (V.) Federal High Cost Support – The annual Federal USF high cost loop support  
16 amount is adjusted to align it with current amounts, based on USAC data.  
17 The adjusted support amount reflects, on an annualized basis, USAC  
18 payment levels for the second quarter of 2015.

19 (VI.) General and Administrative Expenses - this adjustment accounts for the  
20 amortization of the estimated costs of this audit, including consulting fees  
21 and Commission assessments, over a 5-year period.

22 (VII.) Employee Compensation– This adjustment accounts for the salary, wages  
23 and benefits to reflect levels for the pro forma period.

1 (VIII.) Cash Working Capital – Adjustments to Cash Working Capital are  
2 necessary to account for the impacts of the pro forma adjustments made to  
3 expense and tax amounts that affect the Section 6(i) cash working capital  
4 calculation.

5 (IX.) Fixed Charges – Sets fixed charges based on the test period rate base, as  
6 adjusted, times the actual weighted cost of debt.

7 (X.) Income Taxes – Adjustments to income taxes are made to account for the  
8 impacts of pro forma revenue and expense adjustments that affect the  
9 taxable income calculation. Additionally, pro forma adjustments are made  
10 to account for the impacts associated with deferred income taxes.

11 **Non-regulated Accounting Procedures and Adjustments**

12 **Q. Please briefly describe Twin Valley's accounting procedures for non-**  
13 **regulated costs and explain how non-regulated costs are dealt with in the**  
14 **Schedules.**

15 A. Section 12 contains documentation describing Twin Valley's non-regulated cost  
16 identification process that was effective during the 2014 test year, including a  
17 description of services and procedures used to account for transactions with  
18 affiliates. Support for non-regulated assignments is also provided in this section.  
19 Below I provide a brief summary of non-regulated cost identification procedures  
20 and where adjustments for non-regulated costs are incorporated in the schedules.

21  
22 Twin Valley provides non-regulated services that consist of inside wire, voice  
23 mail, payphone and conference calling services. An affiliate of Twin Valley,

1 Twin Valley Communications, Inc., provides long distance, cable television,  
2 Internet services and telephone systems within the served by Twin Valley and  
3 other select areas. Twin Valley furnishes labor to Twin Valley Communications  
4 for provision of installation and maintenance. Twin Valley also provides  
5 switching, customer service and billing, and management and administration  
6 services to Twin Valley Communications. Twin Valley has executed an  
7 agreement with Twin Valley Communications that covers services it provides and  
8 the accounting for these services. Twin Valley also provides a limited amount of  
9 management services to ISG Technology, LLC pursuant to an affiliate agreement.  
10

11 Consistent with FCC Rules, Twin Valley has implemented accounting procedures  
12 that directly identify or account for the majority of non-regulated costs. For those  
13 costs not directly accounted for, Twin Valley makes allocations to non-regulated  
14 operations on a cost-causative basis. Below is a summary of methods employed  
15 for assignment and allocation of costs to non-regulated operations.

- 16 • Direct Charges – For items obtained from outside vendors, that are  
17 attributable to non-regulated operations, costs are recorded directly on the  
18 separate accounting records of Twin Valley Communications, Inc. (TVC)  
19 or in non-regulated accounts of Twin Valley Telephone, Inc. (TVT).  
20
- 21 • General Support Assets and related expenses are allocated between  
22 regulated and non-regulated services based on special studies.  
23

- 1           • Switching Costs are assigned based on actual switch costs and relative  
2           usage of the switch by TVC.  
3
- 4           • Costs for Internet and video service transmission provided by TVT to  
5           TVC are identified and billed monthly based on regulated rates contained  
6           in the NECA Access Services Tariff – FCC No. 5.  
7
- 8           • Management, Administration and Other Labor Costs – TVT has set up  
9           time reporting and accounting systems that capture the management,  
10          administrative and other labor costs associated with non-regulated and  
11          affiliate services. Labor costs associated with services provided by TVT  
12          are captured and billed to TVC and ISG.  
13
- 14          • Customer Service and Billing and Collection Costs – Long Distance –  
15          TVT's time reporting and accounting systems directly capture the labor  
16          related costs associated with long distance services.  
17
- 18          • Customer Service and Billing and Collection Costs – Cable Television and  
19          Internet – For these services, direct time reporting is not practical. These  
20          costs are identified and billed to TVC based on the cost per customer of  
21          providing these services. This is based on a special cost study that is  
22          updated periodically.  
23

- 1                   • Non-wage related corporate expenses are assigned based on relative work  
2                   time.

3

4                   The procedures for identification of non-regulated costs are presented in more  
5                   detail in Section 12(iv).

6

7                   For preparation of Twin Valley's intrastate regulated operating results for this  
8                   case, adjustments are made for accounts that contain costs associated with both  
9                   regulated and non-regulated services. Adjustments are shown on the  
10                  appropriate schedules to remove investments, reserves, expenses and taxes  
11                  associated with non-regulated services. These adjustments are documented and  
12                  explained in Section 12(iii). The table below summarizes the sections that  
13                  contain schedules where adjustments are made to remove non-regulated costs.

14

**Summary of Sections Containing Adjustments****For Non-Regulated Costs**

<b>Section</b>	<b>Adjustment Description</b>
4(i)	Removal of non-regulated costs from plant accounts
5(i)	Removal of general support asset depreciation reserves associated with non-regulated plant
6(i)	Removal of non-regulated expenses from cash working capital calculation
9	Removal of non-regulated expenses and other taxes for calculation of net operating income
10	Removal of non-regulated depreciation expenses
11(i),(ii),(iii)	Removal of revenues and costs associated with non-regulated operations for determination of income taxes.

**Cost of Capital**

**Q. In Section 3 for development of revenue requirements you employ an intrastate rate-of-return on net investment of 7.26%. How was this rate of return developed?**

**A.** The table below summarizes the components of the rate of return that I used in Section 3 for development of revenue requirements.



**Capital and Cost of Money (Intrastate Rate-Of-Return)**  
**Twin Valley Telephone Company, Inc.**

Component (a)	Percentage (b)	Cost (c)	Average Cost (d=b*c)
1. Debt	52.19%	4.97%	2.60%
2. Equity	47.81%	9.75%	4.66%
3. Total (1+2)	100.00%	N/A	7.26%

As shown in the table, I employed percentages of 52.19 percent for debt and 47.81 percent for equity. The cost of debt represents Twin Valley's actual cost of debt of 4.97 percent. The cost of equity employed was 9.75 percent. Multiplying the cost of debt and equity by their respective weights and summing the two components results in a composite cost of capital or rate of return of 7.26%. Support for amounts contained in the above table is included in Section 7.

**Q. How did you develop the debt/equity mix of 52.19 percent for debt and 47.81 percent for equity?**

A. These percentages represent the actual percentages of debt and equity based on Twin Valley's 2014 consolidated capital structure. Staff typically will employ the actual percentage of equity, if it doesn't exceed 60 percent.<sup>1</sup> If the company is part of a parent company, Staff has typically utilized the consolidated capital structure.

**Q. How did Twin Valley determine the return on equity utilized in this filing?**

A. In order to reduce the cost of preparing the audit schedules for Twin Valley, Twin Valley did not base its return on equity on time consuming and expensive DCF (discounted cash flow) or CAPM (capital asset pricing model) studies. The return

<sup>1</sup> See .Direct Testimony of Adam Gatewood, 15-MRGT-097-KSF, Page 4, 1.16-1.18

1 on equity was established at 9.75 percent and is consistent with a recent  
2 recommendation supported by Staff testimony in a recent KUSF Application filed  
3 by Moundridge Telephone Company, Inc., an unaffiliated Kansas rural telephone  
4 company operating under regulatory form and statutory authority identical to that  
5 applicable to Twin Valley.<sup>2</sup>

6 **Income Taxes**

7 **Q. Why is it necessary to make adjustments for income taxes in Sections 9 and**  
8 **11?**

9 A. Twin Valley is treated under Subchapter S of the Internal Revenue Code. Since  
10 the company has elected Subchapter S status, taxable income, including  
11 deductions, are passed through to shareholders in proportion to their share of the  
12 corporation's total stock. Consequently, the income tax expenses are determined  
13 based on the individual tax rates of the company's shareholders rather than the  
14 Subchapter C or corporate tax rates. The regulated earnings of the company  
15 must be sufficient to cover the tax payments passed through to the shareholders.  
16 Since income tax expenses are not recorded in the tax accounts on the books and  
17 records of the company, it is necessary to make adjustments to account for federal  
18 and state income tax expenses. Adjustments must be made to recognize the  
19 appropriate level of income tax expenses, including deferred taxes, in the  
20 company's net operating income results and to incorporate the effect of  
21 accumulated deferred income taxes in the determination of rate base.

---

<sup>2</sup> i.d. Page 5, l.18-l.20

1   **Q.    Are the composite shareholder income tax rates less than the income tax**  
2       **rates applicable to a corporation?**

3    A.    Yes.   Section 11(iv) provides the applicable corporate income tax rates and  
4       shareholder-based tax rates for both federal and state income taxes.

5   **Q.    Which tax rate have you employed in the development of the revenue**  
6       **deficiency?**

7    A.    Since, the composite shareholder income tax rate is less than the corporate income  
8       tax rate, the composite shareholder rate was employed in the revenue deficiency  
9       calculation.

10   **Q.    Does this conclude your prefiled direct testimony?**

11   A.    Yes, it does.

**EDUCATION BACKGROUND AND WORK EXPERIENCE OF  
TIM J. MORRISSEY**

EDUCATIONAL BACKGROUND

In 1978, I graduated, Magna Cum Laude, from the University of Missouri at St. Louis with a Bachelor of Science degree in Business Administration/ Accounting. I also hold a Certified Public Accountant Certificate from the State of Missouri.

WORK EXPERIENCE

I am employed by Fred Williamson and Associates (FW&A), as President. In this position I primarily direct and provide consulting services to primarily small rural local exchange carriers regarding regulatory issues. A significant portion of my responsibilities concerns cost studies and financial analysis performed on behalf of clients. I began my employment with FW&A in July, 2001. I have held the positions of Regulatory Consultant and Vice President. In January 2014, I assumed my current position. Prior to Joining FW&A, I spent over 23 years working primarily in the regulatory facet of the telecommunications industry. From 1978 through 1981, I was employed by Continental Telephone Service Corporation. I held the position of Internal Auditor and later the position of Settlements Analyst. As a Settlements Analyst, I was responsible for the Interstate and Intrastate Annual Toll Cost Studies, toll revenues, and toll settlements for operations in Arkansas and Michigan. From December of 1981 through May of 2001 I was employed by Southwestern Bell/ SBC

Communications Inc. While at SBC I held several positions dealing with federal and state regulatory matters. I began working for Southwestern Bell as an Assistant Staff Manager - Cost Studies. In this position, I prepared cost studies for pricing special service arrangements and developed methodology for the development of loaded labor rates and other cost factors for use in service cost studies. In 1984, I was promoted to the position of Staff Manager - Separations. In this position I planned and prepared several studies for state and federal docket activities. I also chaired a United States Telephone Association task group which developed proposed rules and quantified impacts for the conformance of Part 69 rules with modified separations and accounting rules from the rewrite of the Uniform System of Accounts. In June of 1989, I moved to the position of Area Manager - Federal Docket Matters. I was responsible for the coordination and development of Southwestern Bell policies and positions concerning federal access charge issues. From November, 1990 to May, 2001 I was primarily responsible for cost analyses supporting regulatory efforts concerning separations, access tariffs, universal service, and interconnection.

I have testified before State Commissions in Arkansas, Kansas, Missouri, Oklahoma and Texas.

**Twin Valley Telephone, Inc.**  
**Kansas Universal Service Fund Support Audit**  
**Docket No. 15-TWVT-213-AUD**

MORRISSEY EXHIBIT 2

82-1-231(c)(4)(A) <u>Section No.</u>	<u>Index of Filing Schedules</u>	<u>Description</u>
Section 1	Confidentiality Statement	Testimony of Benjamin M. Foster and Tim J. Morrissey
Section 2		General information and publicity (Excluded)
Section 3		Summary of rate base, operating income, and rate of return
Section 4:(i)		Plant Investments - Adjusted Rate Base
Section 4:(ii)		Plant Investments - Book Balances
Section 5:(i)		Accumulated provision for depreciation and amortization - Adjusted Balances
Section 5:(ii)		Accumulated provision for depreciation and amortization - Book Balances
Section 6:(i)		Working Capital - Calculations
Section 6:(ii)		Working Capital - NECA Separations Issue 7.2
Section 7:(i)pg1		Capital and cost of money - Cost Calculations
Section 7:(i)pg2		Capital and cost of money - Equity Balances
Section 7:(ii)&(iii)		Capital and cost of money - Historical Interest
Section 7:(iv)		Capital and cost of money - Consolidated Capital Structure
Section 7:(Support)		Capital and cost of money - Supporting Information
Section 8:(i)		Financial and Operating Data - Balance Sheet by Primary Account (Preceding 3 Years Excluded)
Section 8:(ii)		Financial and Operating Data - Comparative Income & Retained Earnings (Preceding 3 Years Excluded)
Section 8:(iii)		Financial and Operating Data - Revenue and Expense by Primary Account (Preceding 3 Years Excluded)
Section 8:(iv)		Financial and Operating Data - (Not an Applicable Section for this Filing) (Preceding 3 Years Excluded)
Section 8:(v)		Financial and Operating Data - Annual Payroll by Primary Account (Excluded)
Section 9:		Test Year and Pro Forma Income Statements - Summary
Section 9:(i)		Test Year and Pro Forma Income Statements - Normalization Adjustments
Section 9:(ii) ProForma(I)		Test Year and Pro Forma Income Statements - ProForma(I)
Section 9:(ii)ProForma(II)		Test Year and Pro Forma Income Statements - ProForma (II)
Section 9:(ii)ProForma(III)		Test Year and Pro Forma Income Statements - ProForma (III)
Section 9:(ii)ProForma(IV)		Test Year and Pro Forma Income Statements - ProForma (IV)
Section 9:(ii)ProForma(V)		Test Year and Pro Forma Income Statements - ProForma (V)
Section 9:(ii)ProForma(VI)		Test Year and Pro Forma Income Statements - ProForma (VI)
Section 9:(ii)ProForma(VII)		Test Year and Pro Forma Income Statements - ProForma (VII)
Section 9:(ii)ProForma(VIII)		Test Year and Pro Forma Income Statements - ProForma (VIII)
Section 9:(ii)ProForma(IX)		Test Year and Pro Forma Income Statements - ProForma (IX)
Section 9:(ii)ProForma(X)		Test Year and Pro Forma Income Statements - ProForma (X)
Section 9:(Support)		Test Year and Pro Forma Income Statements - Supporting Documentation
Section 10:		Depreciation and Amortization
Section 11:(i)		Taxes - Adjusted Operating Taxes
Section 11:(ii)&(iii)		Taxes - Income Tax Adjustment and Calculation
Section 11:(iv)		Taxes - Tax Rate Summary - (Corporate Rates)
Section 11:(iv)(a)		Taxes - Tax Rate Summary - (Shareholder Rates)
Section 11:(v)		Taxes - Deferred ITC (Excluded)
Section 11:(vi)		Taxes - Ten Years of Deferred Income Tax Balances (Excluded)
Section 11:(vi)(a)		Taxes - Deferred Income Taxes - Current Balance
Section 11:(Support)		Taxes - Supporting Documentation
Section 12:		Allocation Ratios - Index
Section 12:(i)		Allocation Ratios - Intrastate
Section 12:(ii)		Allocation Ratios - Separations Procedures (Excluded)
Section 12:(iii)		Allocation Ratios - Summary of Telephone Plant Adjustments (TPAs)
Section 12:(iii)		Allocation Ratios - Summary of Separations Study Adjustments (SSAs)
Section 12:(iv)		Allocation Ratios - Narrative of Regulated/Nonregulated Allocations and Support
Section 12:		Allocation Ratios - Supporting Documentation: NECA Cost Study, Chart of Accounts
Section 13:		Annual Report - KCC Annual Report and Annual RUS Form 479 (Excluded)
Section 14:		Additional Evidence - (Not Applicable in this Filing and Excluded)
Section 15:		Additional Evidence - (Not Applicable in this Filing and Excluded)
Section 16:		Financial Statements - Audited Financial Statements
Section 17:		Applications and Schedules Filed by Gas or Electric Utilities - (Not Applicable and Excluded)
Section 18:		Proposed Rate Change Schedules - (Not Applicable in this Filing and Excluded)

Twin Valley Telephone, Inc.  
Kansas Universal Service Fund Support Audit  
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K.A.R. 82-1-231 (c) (4) (C) Section 3:

**Summary of rate base, operating income, and rate of return**

**Page A**

RATE BASE, OPERATING INCOME, AND RATE  
OF RETURN FOR THE TEST YEAR ENDED  
DECEMBER 31, 2014

		<b><u>TOTAL REGULATED COMPANY</u></b>	<b><u>TOTAL REGULATED INTRASTATE</u></b>
<b><u>Rate Base</u></b>			
1	Telecommunications Plant in Service	\$ 87,713,083	\$ 51,289,278
2	Accumulated Depreciation and Amortization	(51,874,109)	(28,046,379)
3	Materials and Supplies	158,645	105,074
4	Investment in non-affiliated Company	-	-
5	Telecommunications Plant Under Construction	130,368	75,492
6	OPEB	(346,777)	(174,312)
7	Deferred Income Taxes	(1,119,635)	(716,604)
8	Customer Deposits	(20,960)	(12,137)
9	Cash Working Capital	473,537	224,685
10	Total Rate Base (Sum of lines 1 through 9)	\$ 35,114,152	\$ 22,745,096
<b><u>Operating Revenues</u></b>			
11	Local Network Services	\$ 1,675,184	\$ 1,675,184
12	Federal High Cost Support	2,486,340	2,486,340
13	Kansas Universal Service Support	3,697,046	3,697,046
14	Network Access	9,341,038	807,183
15	Long Distance Network Service	(62)	-
16	Billing and Collection	31,889	27,530
17	Miscellaneous	59,488	59,488
18	Uncollectibles	(17,867)	(17,867)
19	Total Revenues (Sum of lines 11 through 18)	\$ 17,273,057	\$ 8,734,904
<b><u>Operating Expenses</u></b>			
20	Plant Specific Operations	\$ 2,735,231	\$ 1,120,000
21	Plant Non-Specific Operations	7,614,673	4,533,757
22	Customer Operations	1,060,398	736,280
23	Corporate Operations	1,767,031	809,832
24	Total Operating Expenses (Sum of lines 20 through 23)	\$ 13,177,333	\$ 7,199,869
<b><u>Taxes and Other</u></b>			
25	Federal Income Taxes (Line 44)	\$ 585,425	\$ 78,537
26	State Income Taxes (Line 42)	28,329	3,800
27	Other Operating Taxes	1,184,554	685,935
28	AFUDC	-	-
29	Other Expenses	207,566	96,154
30	Total Taxes and Other (Sum of lines 25 through 29)	\$ 2,005,873	\$ 864,426
31	Income (Loss) (line 19 minus lines 24 and 30)	\$ 2,089,851	\$ 670,608
32	RATE OF RETURN (line 31 divided by line 10)	5.95%	2.95%
<b><u>Income Tax Calculation</u></b>			
33	Operating Revenue (line 19)	\$ 17,273,057	\$ 8,734,904
34	Less: Operating Expenses (line 24)	\$ 13,177,333	\$ 7,199,869
35	Less: Other Expenses (line 29)	\$ 207,566	\$ 96,154
36	Less: Other Taxes (line 27)	\$ 1,184,554	\$ 685,935
37	Less: AFUDC (line 28)	\$ -	\$ -
38	Less: Other Adjustments	\$ -	\$ -
39	Less: Fixed Charges	911,445	590,386
40	Plus: Income Tax Adj.	188,886	103,204
41	State Taxable Income (Loss)	\$ 1,981,046	\$ 265,764
42	State Income Tax @ 1.43% (0 if loss) (line 41 * 1.43%)	28,329	3,800
43	Federal Taxable Income (Loss) (line 41 minus line 42)	\$ 1,952,717	\$ 261,963
44	Federal Tax @ 29.98% (0 if loss) (line 43 * 29.98%)	\$ 585,425	\$ 78,537

Twin Valley Telephone, Inc.  
Kansas Universal Service Fund Support Audit  
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K.A.R. 82-1-231 (c) (4) (C) Section 3:

**Page B**

REVENUE REQUIREMENT CALCULATION  
DECEMBER 31, 2014

Revenue Requirement Calculation		<u>TOTAL REGULATED COMPANY</u>	<u>TOTAL REGULATED INTRASTATE</u>
1	Total Rate Base	Page A, line 10 \$ 35,114,152	\$ 22,745,096
2	Return on Rate Base	<u>7.26%</u>	<u>7.26%</u>
3	Net Operating Income	line 1 * line 2 <u>\$ 2,548,405</u>	<u>\$ 1,650,722</u>
4	Fixed Charges	Page A, line 39 \$ 911,427	\$ 590,386
5	Income Tax Adj.	Page A, line 40 <u>188,886</u>	<u>103,204</u>
6	Income for Taxes	line 3 minus line 4 plus line 5 \$ 1,825,864	\$ 1,163,540
7	Effective Income Tax Rate	Corporate Rate 31.41%	31.41%
8	Tax Gross-up Factor	line 7/(1-line 7) 0.4579	0.4579
9	State & Fed Income Taxes	line 6 * line 8 <u>836,133</u>	<u>532,830</u>
10	Operating Expenses	Page A, line 24 \$ 13,177,333	\$ 7,199,869
11	Other Expenses	Page A, line 35 \$ 207,566	\$ 96,154
12	AFUDC	Page A, line 28 \$ -	\$ -
13	Other Adjustments	Page A, line 38 \$ -	\$ -
14	Other Taxes	Page A, line 36 <u>\$ 1,184,554</u>	<u>\$ 685,935</u>
15	Revenue Requirement	(line 3+line 9+(Lines 10...14 \$ 17,953,990	\$ 10,165,511
16	Revenues	Page A, line 19 <u>17,273,057</u>	<u>8,734,904</u>
17	Surplus/ (Deficiency)	line 15 - line 16 <u>\$ (680,933)</u>	<u>\$ (1,430,607)</u>
<b>Detail of Effective Tax Rate:</b>			
18	Effective State Income Tax Rate	Corp Rate 1.43%	
19	Effective Federal Tax Rate	Corp Rate 29.98%	
20	Combined Effective Rate	Line 17 plus Line 18 31.41%	



Twin Valley Telephone, Inc.  
Kansas Universal Service Fund Support Audit  
Docket No. 15-TWVT-213-AUD  
PRO FORMA RATE BASE  
FOR THE TEST YEAR ENDED DECEMBER 31, 2014

K.A.R. 82-1-231 (c) (4) (D) Section 4: (i)

Plant Investments (Telecommunications Services)  
(Source - KCC Telephone Utility Annual Report and audited financial statements)

Line No.	Acct	Description	A Balance Per Books	Telephone Plant Adjustment Number	B Cost Study Adjustments	C Regulated Balance	D ProForma Number	D Pro Forma Adjustments	E Pro Forma Balance	F Other Adjustments	G Adjusted Balance	H Intrastate Percentages	I Intrastate Total
1	2111	Land	\$ 348,794	1	\$ (58,471)	\$290,323		\$ -	\$290,323	\$ -	\$290,323		\$ -
2	2112	Vehicles	1,078,282	3	(141,367)	936,914			936,914		936,914		-
3	2114	Special Purpose Vehicles	-						-		-		-
4	2114	Garage Work Equipment	-		-				-		-		-
5	2116	Other Work Equipment	1,015,764	3	(133,171)	882,593			882,593		882,593		-
6	2121	Buildings	6,324,069	1	(669,951)	5,654,118			5,654,118		5,654,118		-
7	2122	Furniture	399,272	2	(64,127)	335,145			335,145		335,145		-
8	2123	Office Equipment	203,081	2	(32,617)	170,464			170,464		170,464		-
9	2124	General Purpose Computers	595,683	2	(95,672)	500,011			500,011		500,011		-
10		Total General Support Facilities	\$ 9,964,945		\$ (1,195,376)	\$ 8,769,569		\$ -	\$ 8,769,569	\$ -	\$ 8,769,569	0.579066	\$ 5,078,160
11	2212	Digital Electric Switching Equip.	\$ 2,506,559	10	\$ (614,626)	\$ 1,891,932		\$ -	1,891,932	\$ -	\$ 1,891,932		\$ -
12	2220	Operator Systems	-			-			-		-		-
13	2232	Circuit Equipment	16,729,713	9,10	\$ 561,459	17,291,173	(I)	(1,860,708)	15,430,465		15,430,465		-
14		Total Central Office Equipment	\$ 19,236,272		\$ (53,167)	\$ 19,183,105		\$ (1,860,708)	\$ 17,322,397	\$ -	\$ 17,322,397	0.311637	\$ 5,398,301
15	2311	Station Apparatus	\$ -		\$ -	\$ -		\$ -	\$ -	\$ -	\$ -		\$ -
16	2321	Customer Premises Wiring	-		-	-		-	-	-	-		-
17	2351	Public Telephone Equipment	-		-	-		-	-	-	-		-
18	2362	Other Terminal Equipment	-		-	-		-	-	-	-		-
19		Total Info Orig/Term Equipment	\$ -		\$ -	\$ -		\$ -	\$ -	\$ -	\$ -	-	\$ -
20	2411	Poles	\$ -		\$ -	\$ -		\$ -	\$ -	\$ -	\$ -		\$ -
21	2421	Aerial Cable	-		-	0		-	0	-	-		-
22	2422	Underground Cable	29,230			29,230			29,230		29,230		-
23	2423	Buried Cable	6,446,657		-	6,446,657			6,446,657		6,446,657		-
24	2424	Fiber Optic Cable	55,513,723	7	(372,355)	55,141,368			55,141,368		55,141,368		-
25	2441	Conduit Systems	3,861		-	3,861			3,861		3,861		-
26		Total Cable and Wire Facilities	\$ 61,993,472		\$ (372,355)	\$ 61,621,116		\$ -	\$ 61,621,116	\$ -	\$ 61,621,116	0.662319	\$ 40,812,817

Twin Valley Telephone, Inc.  
Kansas Universal Service Fund Support Audit  
Docket No. 15-TWVT-213-AUD  
PRO FORMA RATE BASE  
FOR THE TEST YEAR ENDED DECEMBER 31, 2014

K.A.R. 82-1-231 (c) (4) (D) Section 4: (i)

Plant Investments (Telecommunications Services)  
(Source - KCC Telephone Utility Annual Report and audited financial statements)

Line No.	Acct	Description	A Balance Per Books	Telephone Plant Adjustment Number	B Cost Study Adjustments	C Regulated Balance	ProForma Number	D Pro Forma Adjustments	E Pro Forma Balance	F Other Adjustments	G Adjusted Balance	H Intrastate Percentages	I Intrastate Total
27	2682	Leasehold Improvements	\$ -		\$ -	\$ -		\$ -	\$ -	\$ -	\$ -	-	\$ -
28	2690	Intangibles	-		\$ -	\$ -		-	-	-	-	-	-
29		Gross Telephone Plant	\$ 91,194,689		\$ (1,620,898)	\$ 89,573,791		\$ (1,860,708)	\$ 87,713,083	\$ -	\$ 87,713,083		\$ 51,289,278
30	3100	Accumulated Depreciation	\$ (56,058,738)	1,2,3,7,9,10	\$ 1,211,581	\$ (54,847,157)	(I),(II)	2,973,048	\$ (51,874,109)	-	\$ (51,874,109)	0.540662	\$ (28,046,379)
31	3600	Misc Accum. Depr and Amort	-		-	-		-	-	-	-	-	-
32		Net Telephone Plant	\$ 35,135,951		\$ (409,317)	\$ 34,726,634		\$ 1,112,340	\$ 35,838,974	\$ -	\$ 35,838,974		\$ 23,242,899
33	1220	Materials and Supplies	\$ 158,645		\$ -	\$ 158,645		\$ -	\$ 158,645	\$ -	\$ 158,645	0.662319	\$ 105,074
34	1402	Invest. In Nonaffiliated Co.-RTB Stock	-		-	-		-	-	-	-	-	-
35	2003	TPUC - Short Term	126,495		-	126,495	(VII)	3,873	130,368		130,368	0.579066	75,492
36	1410	OPEB	-	6,8	(346,777)	(346,777)			(346,777)		(346,777)	0.502663	(174,312)
37	4340	Deferred Income Taxes	-	1,2,3,5	(1,577,518)	(1,577,518)	(X)	457,884	(1,119,635)		(1,119,635)	0.640034	(716,604)
38	4040	Customer Deposits	(20,960)			(20,960)			(20,960)		(20,960)	0.579066	(12,137)
39	MISC	Other Credit Accounts	-		-	-		-	-	-	-	-	-
40		Net Investment	\$ 35,400,131		\$ (2,333,613)	\$ 33,066,519		\$ 1,574,097	\$ 34,640,616	\$ -	\$ 34,640,616		\$ 22,520,411
41		Cash Working Capital		4	\$ 467,058	\$ 467,058		\$ 6,479	\$ 473,537	\$ -	\$ 473,537		\$ 224,685
42		Total Rate Base	\$ 35,400,131		\$ (1,866,555)	\$ 33,533,577		\$ 1,580,575	\$ 35,114,152	\$ -	\$ 35,114,152		\$22,745,096

\* See section 12 for detailed separations categories and allocation information.  
Balances in Section 4 are per the G/L account balances, and do not reflect separations categorizations.

Twin Valley Telephone, Inc.  
Kansas Universal Service Fund Support Audit  
Docket No. 15-TWVT-213-AUD

K.A.R. 82-1-231 (c) (4) (D) Section 4: (ii) Plant Investments

Plant investments (Telecommunications Services)  
(Source - audited financial statements)

		TEST YEAR		Three Preceding Calendar Years				
		% Change 2014 to 2013	Balance Per Books * 12/31/2014	% Change 2013 to 2012	Balance Per Books 12/31/2013	% Change 2012 to 2011	Balance Per Books 12/31/2012	Balance Per Books 12/31/2011
TPIS - General support assets:								
1	2111 Land	0.00%	\$ 348,794	2.03%	\$ 348,794	0.00%	\$ 341,848	\$ 341,848
2	2112 Motor vehicles	0.00%	1,078,282	0.00%	1,078,282	0.00%	1,078,282	1,078,282
3	2114 Other work equipment	0.00%	1,015,764	0.00%	1,015,764	0.00%	1,015,764	1,015,764
4	2121 Buildings	0.00%	6,324,069	0.00%	6,324,069	0.46%	6,324,069	6,294,914
5	2122 Furniture	6.03%	399,272	0.00%	376,571	0.00%	376,571	376,571
6	2123 Office equipment	1.48%	203,081	2.69%	200,111	0.00%	194,861	194,861
7	2124 General purpose computers	0.00%	595,683	4.96%	595,683	0.91%	567,557	562,423
8	Total - General support assets	(Sum of lines 1 through 7)	\$ 9,964,945	0.41%	\$ 9,939,275	0.35%	\$ 9,898,952	\$ 9,864,663
TPIS - Central office assets:								
9	2212 Digital electronic switching	0.00%	\$ 2,506,559	1.61%	\$ 2,506,559	-46.84%	\$ 2,466,893	\$ 4,640,426
10	2231 Radio systems	0.00%	-	0.00%	-	0.00%	-	-
11	2232 Circuit equipment	-15.24%	16,729,713	0.83%	19,737,947	-0.20%	19,574,703	19,614,153
12	Total - Central office assets	(Sum of lines 9 through 11)	\$ 19,236,272	0.92%	\$ 22,244,506	-9.12%	\$ 22,041,596	\$ 24,254,579
13	2311 Station Apparatus	0.00%	\$ -	0.00%	\$ -	0.00%	\$ -	\$ -
14	Total - Information/Termination Equipment	(Line 13)	\$ -		\$ -		\$ -	\$ -

Twin Valley Telephone, Inc.  
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K.A.R. 82-1-231 (c) (4) (D) Section 4: (ii) Plant Investments

Plant investments (Telecommunications Services)  
(Source - audited financial statements)

			TEST YEAR		Three Preceding Calendar Years				
			% Change 2014 to 2013	Balance Per Books * 12/31/2014	% Change 2013 to 2012	Balance Per Books 12/31/2013	% Change 2012 to 2011	Balance Per Books 12/31/2012	Balance Per Books 12/31/2011
TPIS Cable and wire facilities assets:									
15	2411 Poles	0.00%	\$	-	0.00%	\$ -	0.00%	\$ -	\$ -
16	2421 Aerial cable	0.00%		-	0.00%	-	0.00%	-	-
17	2422 Underground cable	0.00%		29,230	0.00%	29,230	0.00%	29,230	29,230
18	2423 Buried cable	0.53%		6,446,657	0.01%	6,412,353	0.43%	6,411,527	6,384,251
19	2423 Fiber Optic Cable	0.08%		55,513,723	0.15%	55,468,544	0.15%	55,383,170	55,299,394
20	2431 Aerial Wire	0.00%		-	0.00%	-		-	-
21	2441 Conduit systems	0.00%		3,861	0.00%	3,861	0.00%	3,861	3,861
22	Total - C&W facilities assets	(Sum of lines 15 through 21)	\$	61,993,472	0.14%	\$ 61,913,988	0.18%	\$ 61,827,788	\$ 61,716,736
23	2682 Leasehold Improvements	0.00%	\$	-	0.00%	\$ -	0.00%	\$ -	\$ -
24	2690 Intangibles	0.00%		-	0.00%	-	0.00%	-	-
25	Total 2001 - TPIS	(Sum of lines 8,12,13,22,23,24)	\$	91,194,689	0.35%	\$ 94,097,768	-2.16%	\$ 93,768,336	\$ 95,835,979
26	1220 Material and supplies	-8.48%	\$	158,645	11.54%	\$ 173,353	7.72%	\$ 155,414	\$ 144,281
27	1402 Investments in R.T.B. Class B Stock	0.00%	\$	-	0.00%	\$ -	0.00%	\$ -	\$ -
28	2003 T P U C	0.79%	\$	126,495	7311.64%	\$ 125,502	-10.43%	\$ 1,693	\$ 1,890
29	2005 Telephone Plant Adjustments					\$ -		-	-
30	2007 Goodwill	0.00%	\$	10,406,836	0.00%	\$ 10,406,836	0.00%	\$ 10,406,836	\$ 10,406,836

\* Section 4(i), Column A

Twin Valley Telephone, Inc.  
Kansas Universal Service Fund Support Audit  
Docket No. 15-TWVT-213-AUD

K.A.R. 82-1-231 (c) (4) (E) Section 5: (i)

Accumulated provision for depreciation and amortization (telecommunications services)  
(Source - audited financial statements)

	TEST YEAR Year End Balance Per Books* 12/31/2014	TPA/ SSA #	Adjustment	TEST YEAR Adjusted Regulated Balance Per Books 12/31/2014
Accumulated Depreciation - General support assets:				
1 3100.2111 Land	-			-
2 3100.2112 Motor vehicles	\$ 1,078,282	3	(141,367)	\$ 936,914
3 3100.2116 Tools and other work equipment	1,015,764	3	(133,171)	882,593
4 3100.2121 Buildings	4,378,251	1	(463,817)	3,914,434
5 3100.2122 Furniture	399,272	2	(64,127)	335,145
6 3100.2123 Office equipment	203,081	2	(32,617)	170,464
7 3100.2124 General purpose computers	595,683	2	(95,672)	500,011
8 Total - General support assets (Sum of lines 1 through 7)	<u>\$ 7,670,333</u>		<u>(930,771)</u>	<u>\$ 6,739,562</u>
Accumulated Depreciation - Central office assets:				
9 3100.2212 Digital electronic switching	\$ 2,076,860	10	\$ (532,823)	\$ 1,544,038
10 3100.2231 Radio systems	-		-	-
11 3100.2232 Circuit equipment	15,333,902	9,10	499,795	15,833,697
12 Total -Central office assets (Sum of lines 9 through 11)	<u>\$ 17,410,762</u>		<u>\$ (33,027)</u>	<u>\$ 17,377,735</u>
13 3100.2362 Other terminal equipment	\$ -		\$ -	\$ -
Accumulated Depreciation - Cable and wire facilities assets:				
14 3100.2411 Poles	\$ -			\$ -
15 3100.2421 Aerial cable	-			-
16 3100.2422 Underground cable	29,230			29,230
17 3100.2423 Buried cable	4,828,064			4,828,064
18 3100.2424 Fiber Optic Cable	26,116,488	7	(247,783)	25,868,705
19 3100.242 Aerial Wire	-			-
20 3100.2441 Conduit systems	3,861			3,861
21 Total - C&W facilities assets (Sum of lines 14 through 20)	<u>\$ 30,977,643</u>		<u>\$ (247,783)</u>	<u>\$ 30,729,860</u>
22 3100.2682 Leasehold Improvements	\$ -		\$ -	-
23 Total 3100 - Acc. Depr. TPIS (Sum of lines 8,12,13,21,22)	<u>\$ 56,058,738</u>		<u>\$ (1,211,581)</u>	<u>\$ 54,847,157</u>

\* Schedule 4(i) Column A

Telephone Plant Adjustments (TPAs): (For explanation of nonregulated allocations please refer to narrative in Section 12)

Twin Valley Telephone, Inc.  
Kansas Universal Service Fund Support Audit  
Docket No. 15-TWVT-213-AUD

K.A.R. 82-1-231 (c) (4) (E) Section 5: (ii)

Accumulated provision for depreciation and amortization (telecommunications services)  
(Source - audited financial statements,)

		TEST YEAR		Three Preceding Calendar Years				
		% Change 2014 to 2013	Balance Per Books * 12/31/2014	% Change 2013 to 2012	Balance Per Books 12/31/2013	% Change 2012 to 2011	Balance Per Books 12/31/2012	Balance Per Books 12/31/2011
Accumulated Depreciation - General support assets:								
1	3100.2111 Land	-	-	-	-	-	-	-
2	3100.2112 Motor vehicles	0.00%	\$ 1,078,282	0.00%	\$ 1,078,282	0.00%	\$ 1,078,282	\$ 1,078,282
3	3100.2116 Tools and other work equipment	0.00%	1,015,764	0.00%	1,015,764	0.00%	1,015,764	1,015,764
4	3100.2121 Buildings	7.18%	4,378,251	8.43%	4,084,843	9.18%	3,767,400	3,450,483
5	3100.2122 Furniture	6.03%	399,272	0.00%	376,571	0.00%	376,571	376,571
6	3100.2123 Office equipment	2.03%	203,081	2.15%	199,043	0.00%	194,861	194,861
7	3100.2124 General purpose computers	0.00%	595,683	4.96%	595,683	1.39%	567,557	559,757
8	Total - General support assets (Sum of lines 1 through 7)	4.36%	\$ 7,670,333	5.00%	\$ 7,350,186	4.86%	\$ 7,000,434	\$ 6,675,718
Accumulated Depreciation - Central office assets:								
9	3100.2212 Digital electronic switching	12.02%	\$ 2,076,860	18.42%	\$ 1,854,041	-51.10%	\$ 1,565,602	\$ 3,201,774
10	3100.2231 Radio systems		-		-		-	-
11	3100.2232 Circuit equipment	-22.07%	15,333,902	10.17%	19,675,942	10.21%	17,859,965	16,204,827
12	Total -Central office assets (Sum of lines 9 through 11)	-19.13%	\$ 17,410,762	10.83%	\$ 21,529,983	0.10%	\$ 19,425,567	\$ 19,406,600
13	3100.2311 Station Apparatus		\$ -		\$ -		\$ -	\$ -
Accumulated Depreciation - Cable and wire facilities assets:								
14	3100.2411 Poles		\$ -		\$ -		\$ -	\$ -
15	3100.2421 Aerial cable		-		-		-	-
16	3100.2422 Underground cable		29,230		29,230		29,230	29,165
17	3100.2423 Buried cable	8.18%	4,828,064	8.46%	4,463,144	9.67%	4,115,164	3,752,351
18	3100.2424 Fiber Optic Cable		26,116,488		22,964,799		19,822,872	16,681,186
19	Aerial wire		-		-		-	-
20	3100.2441 Conduit systems	0.00%	3,861	0.00%	3,861	0.00%	3,861	3,861
21	Total - C&W facilities assets (Sum of lines 14 through 20)	12.81%	\$ 30,977,643	14.56%	\$ 27,461,035	17.12%	\$ 23,971,128	\$ 20,466,563
22	3100.2682 Leasehold Improvements		\$ -		\$ -		\$ -	\$ -
23	Total 3100 - Acdd deprn TPIS (Sum of lines 8,12,13,21,22)	-0.50%	\$ 56,058,738	11.79%	\$ 56,341,204	8.27%	\$ 50,397,129	\$ 46,548,882
24	Total 3200 - Telephone Plant Adjustments		\$ -		\$ -		\$ -	\$ -
25	Total Depreciation and Amort. (Sum of lines 23 and 24)		\$ 56,058,738		\$ 56,341,204		\$ 50,397,129	\$ 46,548,882

\* Schedule 4(i) Column A

Twin Valley Telephone, Inc.  
Kansas Universal Service Fund Support Audit  
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K.A.R. 82-1-231 (c) (4) (F) Section 6: (i)

Working Capital (telecommunications services)\*  
For the Test Year Ended December 31, 2014  
(Source - audited financial statements)

Account name(s)	Source Reference	Account #s	Year End Balance Per Books 12/31/2014	SSA/ TPA #	Cost Study Adjustments	Regulated Balance 12/31/2014	ProForma Number	Pro Forma Amount	Pro Forma Balance 12/31/2014	Intrastate Amount
1 Plant specific expenses	Sec 9 Ln 17	6110 - 6410	\$ 2,749,466	1,2,11,& 14	\$ (68,536)	\$ 2,680,929	VII	\$ 54,301	\$ 2,735,231	\$ 1,120,000
2 Plant non-specific expenses	Sec 9 Ln 23	6510 - 6560	5,768,193	11 & 9	(88,723)	5,679,470	VII, III	1,935,204	7,614,673	4,533,757
3 Less : depreciation	Sec 9 Ln 20,21	6560	(4,405,961)	1,2,3,11,13,14,& 16	92,955	(4,313,006)	III	(1,906,390)	(6,219,396)	(3,820,336)
4 Customer operations	Sec 9 Ln 28	6610 - 6620	1,241,245	11 & 12	(211,022)	1,030,223	VII	30,175	1,060,398	736,280
5 Corporate operations	Sec 9 Ln 32	6710 - 6790	1,833,608	4,11, & 18	(125,062)	1,708,546	VII,VI	58,485	1,767,031	809,832
6 Operating taxes	Sec 9 Lns 33,34,35,36,37	7200 less 7250	1,200,000	1,2,3,& 6	954,897	2,154,897	X	(14,127)	2,140,770	1,401,240
7 Other expenses - contributions	Sec 9 Ln 39	7370	213,119	17	(5,553)	207,566			207,566	96,154
8 Interest expense	Sec 8(ii) Ln 27,	7540 - 7500	2,219,399	5	(2,980)	2,216,419			2,216,419	590,386
9 Total cash operating expense base	(Sum of lines 1 through 8)		\$ 10,819,068		\$ 545,975	\$ 11,365,044		\$ 157,648	\$ 11,522,692	\$ 5,467,314
10 Standard allowance factor						0.041096		0.041096	0.041096	0.041096
11 Cash working capital	(Line 9 X line 10)				\$ 467,058			\$ 6,479	\$ 473,537	\$ 224,685

\* Source for cash working capital calculation NECA Cost Issue 7.2 and FCC rules 65.820 (d) and (e).  
(See section 6.(ii) for copy of NECA Cost Issue 7.2)

Twin Valley Telephone, Inc.  
Kansas Universal Service Fund Support Audit  
Docket No. 15-TWVT-213-AUD

K.A.R. 82-1-231 (c) (4) (F) Section 6: (ii)

Working Capital (telecommunications services)

Copy of NECA Separations Cost Issue 7.2 covering acceptable methods of calculating  
Cash Working Capital attached



Twin Valley Telephone, Inc.  
Kansas Universal Service Fund Support Audit  
Docket No. 15-TWVT-213-AUD

K.A.R. 82-1-231 (c) (4) (G) Section 7: (i)

Capital and cost of money (telecommunications services)  
(Source - audited financial statements)

	<u>Beginning of Test Year 12/31/2013</u>				<u>End of Test Year 12/31/2014</u>				<u>Source Reference</u>
<u>Debt:</u>	<u>Amount</u>	<u>Weight</u>	<u>Cost</u>	<u>Average Cost</u>	<u>Amount</u>	<u>Weight</u>	<u>Cost</u>	<u>Average Cost</u>	
1 Loans	\$ 34,973,030	67.71%	4.97%	3.37%	\$ 18,480,935	50.20%	4.97% *	2.50%	Sec 7 (ii&iii) Line 25
2 Customer Deposits	21,710	0.04%	0.00%	0.00%	20,960	0.06%	0.00%	0.00%	Sec 8(i) Ln 36
	<u>\$ 34,994,740</u>	67.76%	4.97%	<u>3.37%</u>	<u>\$ 18,501,895</u>	<u>50.25%</u>	4.97%	<u>2.50%</u>	
<u>Equity:</u>									
3 Regulated equity ( <i>Page 2, line 7</i> )	<u>\$ 16,653,180</u>	32.24%	9.75%	<u>3.14%</u>	<u>\$ 18,315,241</u>	<u>49.75%</u>	9.75%	<u>4.85%</u>	
4 Regulated equity and long term debt	<u>\$ 51,647,920</u>	100.00%		<u>6.51%</u>	<u>\$ 36,817,136</u>	<u>100.00%</u>		<u>7.35%</u>	

Twin Valley Telephone, Inc.  
Kansas Universal Service Fund Support Audit  
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K.A.R. 82-1-231 (c) (4) (G) Section 7: (i)

Capital and cost of money (telecommunications services)

Calculation of regulated equity (telecommunications services):  
(Source - audited financial statements)

	Beginning of Test Year <u>12/31/2013</u>	End of Test Year <u>12/31/2014</u>	Source Reference
5 Total Equity (Including Nonregulated Assets and Investments)	\$ 16,764,953	\$ 18,427,014	Sec 8(i) Ln 54
Adjustments to remove nonregulated assets:			
6 Nonregulated assets - other (net of accumulated depreciation)	111,773	111,773	Sec 8(i) Lns 19, 27
7 Total regulated equity	(line 5 minus line 6) <u>\$ 16,653,180</u>	<u>\$ 18,315,241</u>	

Twin Valley Telephone, Inc.  
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K.A.R. 82-1-231 (c) (4) (G) Section 7: (ii and iii)

Capital and cost of money (telecommunications services)

Historical interest coverage (telecommunications services)  
(Source - KCC Telephone Utility Annual Report)

	(a)	(b)	(c)	(d)	(e)	(f)	(g)*	(h)*	(i)	(j)	(k)	(l)	
	Date of Note	Date of Maturity	Original Loan Amount	Loan Balance 12/31/2013	Loan Balance 12/31/2014	Effective Interest Rate	Weighted Cost of Debt 12/31/2013	Weighted Cost of Debt 12/31/2014	Test Year 2014 Interest	2013 Interest	2012 Interest	2011 Interest	
Loans													
1	RUS 12110	Feb-80	2/1/2015	\$ 856,000	\$ 44,139	\$ 8,460	2.000%	0.0000252	0.0000059	\$ 615	\$ 1,319	\$ 2,012	\$ 2,688
2	RUS 12120	Mar-89	2/1/2024	2,471,000	1,227,441	1,131,534	5.000%	0.0017548	0.0019585	59,172	63,839	68,289	72,506
3	RUS 12160 - 12164	3/1/2000	3/1/2014	2,880,000	52,868	-	5.000%	0.0000756	-	330	11,011	26,055	40,334
4	RUS 12165 - 12167	3/1/2000	3/1/2015	2,190,170	306,021	43,145	5.000%	0.0004375	0.0000747	9,292	22,079	34,269	45,837
5	RUS 12170	10/31/2005	10/1/2021	14,993,000	9,622,617	8,562,567	4.585%	0.0126153	0.0135903	418,914	466,361	511,684	554,892
6	RUS 12180 - 12850	10/31/2005	10/1/2021	44,376,829	29,285,703	26,108,929	5.000%	0.0418690	0.0451903	1,391,502	1,546,057	1,693,426	1,833,157
7	RTB-2-1	3/1/2000	3/1/2014	2,158,800	76,071	-	5.170%	0.0001125	-	566	10,360	21,909	32,842
8	RTB-3-1 - 3-3	10/31/2005	10/1/2021	9,995,000	6,551,858	5,760,710	5.490%	0.0102850	0.0109480	338,944	379,381	414,817	448,198
9													
10	Cushion of Credit			(12,193,689)	(12,727,575)	5.000%	-0.0174330	(0.0220293)					
11													
12													
13													
14													
15													
16													
17													
18													
19													
20													
21													
22													
23													
24													
25	Totals		(Sum of lines 1 through 24)	\$ 34,973,030	\$ 28,887,770		4.9742%	4.9738%	**	\$ 2,219,334	\$ 2,500,409	\$ 2,772,460	\$ 3,030,455

\* Calculation for weighted cost of debt - the sum of each note balance at end of year divided by total debt times interest rate for note.

\*\* Cost of long term debt used in Schedule 7(i) Line 1.

Twin Valley Telephone, Inc.  
Kansas Universal Service Fund Support Audit  
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K.A.R. 82-1-231 (c) (4) (G) Section 7: (iv)

Consolidated Capital Structure  
(Source - Consolidated Financial Information)

	<u>December 31, 2013</u>				<u>December 31, 2014</u>			
<u>Debt:</u>	<u>Amount</u>	<u>Weight</u>	<u>Cost</u>	<u>Average Cost</u>	<u>Amount</u>	<u>Weight</u>	<u>Cost</u>	<u>Weighted Cost</u>
1 Total Long Term Obligations								
2 Total long Term Debt								
<u>Equity:</u>								
3 Total Equity								
4 Total long Term Debt and Equity								

REDACTED

Prepared by FWA, Inc.  
4/14/2015

Twin Valley Telephone, Inc.  
Kansas Universal Service Fund Support Audit  
Docket No. 15-TWVT-213-AUD

K.A.R. 82-1-231(c) (4) (H) Section 8: (i)

Financial and Operating Data

Balance sheet by primary account:  
(Source - audited financial statements)

			TEST YEAR		Three Preceding Calendar Years		
			%	Company	%	Company	Company
			Change	Balance	Change	Balance	Balance
			2014 to	Year Ended	2012 to	Year Ended	Year Ended
			2013	12/31/2014	2012	12/31/2013	12/31/2012
<u>Assets</u>							
1	1120	Cash and cash equivalents		\$ 4,754,871			
2	1170	Telecommunications accounts receivable		1,875,411			
3	1181	Accounts receivable - allowance		-			
4	1190	Other accounts receivable		-			
5	1200	Note receivable		-			
6	1210	Interest and dividends receivable		-			
7	1220	Materials and supplies		215,559			
8	1280	Prepayments		278,583			
9	1310	Prepaid insurance		-			
10	1320	Prepaid directory expenses		-			
11	1330	Other prepayments		-			
12	1350	Other current assets		-			
13	Total Current Assets (Sum of lines 1 through 12)			<u>\$ 7,124,424</u>			
14	1401	Investments in affiliated companies		\$ -			
15	1402	Investments in nonaffiliated companies		-			
16	1402.5	Investments in Municipal Bonds		-			
17	1402.6	Investment in Corporate Stock		-			
18	1402.7	Investment in IRB		-			
19	1406	Nonregulated investments		111,773			
20	1407	Unamortized Debt Issuance Expense		-			
21	1410	Other Noncurrent Assets		131,780			
22	Total Noncurrent Assets (Sum of lines 14 through 21)			<u>\$ 243,553</u>			
23	2001	Telecommunications plant in service		\$ 91,194,689			
24	2003	Telecommunications under construction		126,495			
25	2005	Telecommunications plant adjustment		-			
26	2007	Goodwill		10,406,836			
27	Gross Regulated Plant (Sum of lines 23 through 26)			<u>\$ 101,728,020</u>			
28	3100	Accumulated depreciation		\$ 56,058,738			
29	3200	Accumulated depr. And amort. - Plant Adj.		-			
30	Total depreciation and amortization (Sum of lines 28 and 29)			<u>\$ 56,058,738</u>			
31	Total Assets and Other Debits						
32	(Sum of lines 13,22,27 minus line 30)			<u>\$ 53,037,259</u>			

Twin Valley Telephone, Inc.  
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Financial and Operating Data

Balance sheet by primary account:  
(Source - audited financial statements)

	% Change 2014 to 2013	TEST YEAR Company Balance Year Ended 12/31/2014	% Change 2013 to 2012	Three Preceding Calendar Years			
				Company Balance Year Ended 12/31/2013	% Change 2012 to 2011	Company Balance Year Ended 12/31/2012	Company Balance Year Ended 12/31/2011
<u>Liabilities and equity</u>							
33 4000 Current Accounts and Notes Payable		\$ 1,721,119					
34 4020 Notes payable		-					
35 4030 Advance billing and payments		150,000					
36 4040 Customer deposits		20,960					
37 4050 Current maturities - long term debt		5,345,856					
38 4070 Accrued Income Taxes		-					
39 4080 Other taxes - accrued		616,096					
40 4110 Net Def. Nonoperating Income Taxes		-					
41 4130 Other current liabilities		743,315					
42 Total Current Liabilities (Sum of lines 33 through 41)		<u>\$ 8,597,346</u>		<u></u>		<u></u>	<u></u>
43 4210 Funded debt		\$ 23,541,914					
44 4270 Other long-term debt		-					
45 Total Long-Term Debt (Sum of lines 43 and 44)		<u>\$ 23,541,914</u>		<u></u>		<u></u>	<u></u>
46 4310 Other long-term liabilities		\$ 2,470,985					
47 4360 Other Deferred Credits		-					
48 4340 Net Noncurrent Operating Income Taxes		-					
49 Total Other Liabilities and							
50 Deferred Credits (Sum of lines 46 and 48)		<u>\$ 2,470,985</u>		<u></u>		<u></u>	<u></u>
51 4510 Capital stock		\$ 36,840					
52 4520 Additional Paid-In Capital		-					
53 4530 Treasury Stock		-					
54 4540 Other Capital		(380,352)					
55 4550 Retained earnings		18,770,526					
56 Total Stockholders' Equity (Sum of lines 51 through 55)		<u>\$ 18,427,014</u>		<u></u>		<u></u>	<u></u>
57 Total Liabilities and							
58 Other Credits (Sum of lines 42, 45, 50, 56)		<u>\$ 53,037,259</u>		<u></u>		<u></u>	<u></u>

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Docket No. 15-TWVT-213-AUD

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Financial and Operating Data

Comparative income and retained earnings statements:  
(Source - audited financial statements)

			TEST YEAR	Three Preceding Calendar Years					
			% Change 2014 to 2013	Company Balance Year Ended 12/31/2014	% Change 2013 to 2012	Company Balance Year Ended 12/31/2013	% Change 2012 to 2011	Company Balance Year Ended 12/31/2012	Company Balance Year Ended 12/31/2011
<u>Telephone Operating Income</u>									
1	5000	Operating Revenues		\$ 17,684,324					
2	6000	Operating Expenses		11,895,300					
3	7100	Other Operating Income & Expenses-Net		167,186					
4	7210	Operating Investment Tax Credits		-					
5	7220	Federal Income Taxes-Operating		-					
6	7230	State & Local Income Taxes-Operating		-					
7	7240	Other Operating Taxes		1,200,000					
8	7250	Provision for Deferred Operating Inc. Taxes-Net		-					
9	7200	Total Operating Taxes		1,200,000					
10 Operating Income (Line 1 minus lines 2 through 9)				\$ 4,756,210					
<u>Non Operating Income and Expenses</u>									
11	6728	NonBusiness Expense		-					
12	7310	Dividend Income		103,001					
13	7320	Interest Income		621,802					
14	7340	Allowance for Funds Used During Const.		-					
15	7350	Gain or Loss from Disposition of Property		30,600					
16	7360	Other Nonoperating Income		7,317					
17	7370	Special Charges		(213,119)					
18	7300	Non Operating Income & Expenses-Net		549,601					
19	7400	Total Nonoperating Taxes		-					
20 Total Non Operating Income and									
21	Expenses	(Line 18 minus Line 19)		\$ 549,601					
22 Income Available for Fixed Charges (Line 10 plus line 21)				\$ 5,305,811					

Twin Valley Telephone, Inc.  
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Financial and Operating Data

Comparative income and retained earnings statements:  
(Source - audited financial statements)

		% Change 2014 to 2013	TEST YEAR Company Balance Year Ended 12/31/2014	% Change 2013 to 2012	Three Preceding Calendar Years Company Balance Year Ended 12/31/2013	% Change 2012 to 2011	Company Balance Year Ended 12/31/2012	Company Balance Year Ended 12/31/2011
	<u>Fixed Charges</u>							
23	7500 Interest on Funded Debt		\$ 2,219,381					
24	7520 Interest Expense - Capital Leases		-					
25	7530 Amortization on Debt Issuance Expense		-					
26	7540 Other Interest Charges		17					
27	Total Interest & Related Items <i>(Sum of lines 23 through 26)</i>		<u>\$ 2,219,399</u>					
28	7600 Total Extraordinary Items		-					
29	Net Income (after Non Operating, Fixed charges, and							
30	Extraordinary items) <i>(Line 22 minus lines 27 &amp; 28)</i>		<u>\$ 3,086,412</u>					
31	7910 Effect of Jurisdictional Ratemaking Differences - Net		\$ -					
32	7990 Nonregulated Net Income		<u>(125,658)</u>					
33	Net Income (after Ratemaking Differences including							
34	Nonregulated Net Income) <i>(Sum of lines 30, 31 and 32)</i>		<u>\$ 2,960,754</u>					
	<u>4550 Retained Earnings</u>							
	Unappropriated Retained Earnings							
35	(at beginning of year)		\$ 17,657,264					
	<u>Credits During the Year</u>							
36	Balance Transferred from Income Accounts		2,960,754					
37	Miscellaneous Credits to Retained Earnings		-					
38	Total Credits <i>(Sum of lines 36 and 37)</i>		<u>\$ 2,960,754</u>					
	<u>Debits During the Year</u>							
39	Miscellaneous Debits to Retained Earnings		\$ -					
40	Reservations of Retained Earnings		-					
41	Dividends Declared		1,847,492					
42	Total Debits <i>(Sum of lines 39 through 41)</i>		<u>\$ 1,847,492</u>					
	Unappropriated Retained Earnings							
43	(at end of year) <i>(Line 35 plus line 38 minus line 42)</i>		<u>\$ 18,770,526</u>					



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Financial and Operating Data

Operating revenue and expenses by primary accounts  
(Source - audited financial statements)

		% Change 2014 to 2013	TEST YEAR Company Balance Year Ended 12/31/2014	% Change 2013 to 2012	Company Balance Year Ended 12/31/2013	Three Preceding Calendar Years % Change 2012 to 2011		Company Balance Year Ended 12/31/2012	Company Balance Year Ended 12/31/2011
			<u># of Subscribers</u>						
<u>Operating revenue</u>			5,173						
1	5001 Basic area revenue		\$ 1,180,745						
2	5003 Cellular mobile service revenue		-						
3	5060 Other local exchange revenue		512,349						
4	5069 Other revenues		-						
5	5069 Federal USF support		2,474,693						
6	5084 State KUSF support		3,697,046						
7	5081 End user revenue		852,136						
8	5082 Interstate switched access		4,112,861						
9	5083 Interstate special access revenue		3,905,525						
10	5084 Intrastate switched access revenue		360,122						
11	5084 Intrastate special access revenue		110,393						
12	5100 Long distance service revenue		(62)						
13									
14	5230 Directory revenue		40,368						
15	5240 Other rent revenue		-						
16	5250 Corporate operations revenue								
17	5260 Other miscellaneous revenue		19,120						
18	5270 Carrier billing & collection revenue (Interstate)		4,360						
19	5270 Carrier billing & collection revenue (Intrastate)		27,530						
20	5300 Uncollectible revenue - telecommunications		(17,867)						
21	5280 Nonregulated operating revenue		405,004						
22	Total operating revenue (Sum of lines 1 through 21)		<u>\$ 17,684,324</u>						

Twin Valley Telephone, Inc.  
Kansas Universal Service Fund Support Audit  
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K.A.R. 82-1-231(c) (4) (H) Section 8: (iii)

Financial and Operating Data

Operating revenue and expenses by primary accounts  
(Source - audited financial statements)

		% Change 2014 to 2013	TEST YEAR Company Balance Year Ended 12/31/2014	% Change 2013 to 2012	Company Balance Year Ended 12/31/2013	Three Preceding Calendar Years % Change 2012 to 2011	Company Balance Year Ended 12/31/2012	Company Balance Year Ended 12/31/2011
	<u>Operating expenses</u>							
23	6112 Motor vehicle expense		\$ -					
24	6116 Tools and other work equipment		-					
25	6121 Land and building expenses		239,652					
26	6122 Furniture and artworks expense		2,054					
27	6123 Office equipment expense		23,080					
28	6124 General purpose computers expense		94,393					
29	6212 Digital electronic expense		207,257					
30	6232 Circuit Equipment Expense		1,661,041					
31	6311 Station apparatus exchange		-					
32	6351 Public telephone terminal equipment expense		-					
33	6362 Other terminal equipment expense		-					
34	6411 Poles expense		-					
35	6421 Aerial cable expense		-					
36	6422 Underground cable expense		-					
37	6423 Buried cable expense		521,989					
38	6424 Fiber Optic		-					
39	6441 Conduit systems expense		-					
40	6512 Provisioning expense		-					
41	6531 Power expense		196,755					
42	6532 Network administration expense		-					
43	6533 Testing expense		98,001					
44	6534 Plant operations administration expense		707,862					
45	6535 Engineering expense		-					
46	6540 Access expense		359,613					
47	6561 Depreciation expense - telecommunications							
48	plant in service		4,405,961					
49	6565 Amortization Expense - Other		-					
50	6610 Marketing		559,772					
51	6621 Operator		-					
52	6622 Directory		16,920					
53	6623 Services		664,553					
54	6710 Executive		-					
55	6720 General and administration		1,833,608					
56	6000 Nonregulated operating expenses		302,788					
57	Total operating expenses (Sum of lines 23 through 56)		<u>\$ 11,895,300</u>					

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Financial and Operating Data

This schedule of operating statistics is not applicable  
to telecommunications service providers, at this time.

Twin Valley Telephone, Inc.  
Kansas Universal Service Fund Support Audit  
Docket No. 15-TWVT-213-AUD  
PRO FORMA OPERATING INCOME STATEMENT  
FOR THE TEST YEAR ENDED DECEMBER 31, 2014

K.A.R. 82-1-231(c) (4) (I) Section 9:

Test Year and Pro Forma Income Statements

(Source - audited financial statements, cost study and pro forma adjustments)

Line No.	Acct. No.	Description	A Balance Per Books	SSA/ TPA #	B Cost Study Adjustments	C Regulated Balance	D Proforma Number	E Proforma Amount	F Proforma Balance	G Other Adjustments	H Adjusted Balance	I Intrastate Percentages	J Intrastate Access	K Local	L Intrastate Total
<u>Operating Revenues</u>															
1	5000	Local Network Services Revenues	\$ 1,693,094		\$ -	\$ 1,693,094	(IV)	\$ (17,910)	\$ 1,675,184		\$ 1,675,184			\$ 1,675,184	\$ 1,675,184
2	5069	Federal High Cost Loop Support	2,474,693			2,474,693	(V)	11,647	2,486,340		2,486,340			2,486,340	\$ 2,486,340
3	5084	Kansas Universal Service Support	3,697,046			3,697,046			3,697,046	1,430,607	5,127,653		5,127,653		5,127,653
4	5080	Network Access Revenue	9,341,038			9,341,038			9,341,038		9,341,038		444,942	362,240	807,183
5	5100	Long Distance Network Service Rev	(62)			(62)			(62)		(62)		0		0
6	5270	Billing and Collection	31,889			31,889			31,889		31,889			27,530	27,530
7	52XX	Misc Revenue	59,488			59,488			59,488		59,488			59,488	59,488
8	5300	Uncollectible Revenue	(17,867)			(17,867)			(17,867)		(17,867)			(17,867)	(17,867)
9	7100	Other Operating Income & Expense	167,186	17	(167,186)	0		0	0		0			0	0
10		Total revenues	\$ 17,446,507		(167,186)	17,279,320		(6,263)	17,273,057	1,430,607	18,703,664		5,572,596	4,592,915	10,165,511
<u>Plant Specific Operations Expenses</u>															
11	6110	Network Support Expense	\$ -			\$ -		\$ -	\$ -		\$ -	0.000000		\$ -	\$ -
12	6120	General Support Expense	359,178	1,2,11	(45,935)	313,243	(VII)	1,644	314,888		314,888	0.579066			182,341
13	6210	Central Office Switching Expense	207,257	11	(1,343)	205,914	(VII)	2,401	208,316		208,316	0.311637			64,919
14	6230	Central Office Transmission Expense	1,661,041	11	(10,761)	1,650,281	(VII)	38,791	1,689,071		1,689,071	0.311637			526,377
15	6310	Information Orig/Term Expense	-			-			-		-	0.000000			-
16	6410	Cable and Wire Facilities Exp	521,989	11,14	(10,498)	511,491	(VII)	11,465	522,956		522,956	0.662319			346,363
17		Total Plant Specific Operations Exp.	\$ 2,749,466		(68,536)	2,680,929		54,301	2,735,231	-	2,735,231				1,120,000
<u>Plant Non-Specific Operations Expense</u>															
18	6510	Other Plant Expense	\$ -			\$ -		\$ -	\$ -		\$ -	0.000000		\$ -	\$ -
19	6530	Network Operations Expense	1,002,619	11	(6,495)	996,124	(VII)	28,813	1,024,937		1,024,937	0.579066			593,506
20	6540	Access Expense	359,613	9	10,727	370,340			370,340		370,340	0.323796			119,915
21	6560	Depreciation & Amortization	4,405,961	1,2,3,11,13,14,16	(92,955)	4,313,006	(III)	1,906,390	6,219,396		6,219,396	0.614262			3,820,336
22	6565	Amort of Plant Acquisition Adjustment	-			-			-		-	0.000000			-
23		Total Plant Non-Specific Operations Exp.	\$ 5,768,193		(88,723)	5,679,470		1,935,204	7,614,673	-	7,614,673				4,533,757
<u>Customer Operations Expense</u>															
24	6610	Marketing Expense	\$ 559,772	11,12	(95,166)	464,606	(VII)	15,009	479,615		479,615	0.617651			296,235
25	6621	Operator Services	-			-			-		-	0.000000			-
26	6622	Directory Expense	16,920	11,12	(2,877)	14,044			14,044		14,044	0.818405			11,493
27	6623	Services Expense	664,553	11,12	(112,979)	551,573	(VII)	15,166	566,740		566,740	0.756171			428,552
28		Total Customer Operations Expense	\$ 1,241,245		(211,022)	1,030,223		30,175	1,060,398	-	1,060,398				736,280
<u>Corporate Operations Expense</u>															
29	6710	Executive and Planning Exp	\$ -		\$ -	\$ -		\$ -	\$ -		\$ -	0.502663		\$ -	\$ -
30	6720	General and Administrative Exp	1,833,608	4,11,18	(125,062)	1,708,546	(VII)	28,485	1,737,031		1,737,031	0.448945			779,832
31	6720	Gen. and Adm. - Audit Expenses					(VI)	30,000	30,000		30,000	1.000000			30,000
32		Total Corporate Operations Expense	\$ 1,833,608		(125,062)	1,708,546		58,485	1,767,031	-	1,767,031				809,832

Twin Valley Telephone, Inc.  
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PRO FORMA OPERATING INCOME STATEMENT  
FOR THE TEST YEAR ENDED DECEMBER 31, 2014

K.A.R. 82-1-231(c) (4) (I) Section 9:

Test Year and Pro Forma Income Statements

(Source - audited financial statements, cost study and pro forma adjustments)

Line No.	Acct. No.	Description	A Balance Per Books	SSA/ TPA #	B Cost Study Adjustments	C Regulated Balance	Proforma Number	D Proforma Amount	E Proforma Balance	F Other Adjustments	G Adjusted Balance	H Intrastate Percentages	I Intrastate Access	J Local	K Intrastate Total
<u>Operating Taxes &amp; Other Operating Expenses</u>															
33	7210	Amortization of ITC	\$ -			\$ -			\$ -		\$ -				\$ -
34	7220	Operating Federal Income Taxes	-	6	780,951	780,951	(X)	131,732	912,683		912,683				682,740
35	7230	Operating State Income Taxes	-	6	189,392	189,392	(X)	(145,858)	43,534		43,534				32,566
36	7240	Other Operating Taxes	1,200,000	1,2,3	(15,446)	1,184,554		1,184,554	1,184,554		1,184,554	0.579066			685,935
37	7250	Deferred Operating Income Taxes	-	7	123,914	123,914	(X)	(457,884)	(333,970)		(333,970)				(182,475)
38	7340	Allow. for Funds Used During Const.	-			0		0	0		0	0.000000			0
39	7370	Contributions and Fees	213,119	17	(5,553)	207,566		207,566	207,566		207,566	0.463247			96,154
40	7500	Interest on Customer Deposits	-			-		-	-		-	0.639622			-
41		Total Oper. Taxes & Other Oper. Exp.	\$ 1,413,119		1,073,258	2,486,376		(472,010)	2,014,366	-	2,014,366				1,314,919
42		Total Operating Expenses	\$ 13,005,630		579,914	13,585,544		1,606,155	15,191,699	-	15,191,699				8,514,788
43		Net Operating Income	\$ 4,440,876		(\$747,100)	\$3,693,776		(\$1,612,418)	\$2,081,358	\$ 1,430,607	\$3,511,965				\$1,650,722

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Test Year and Pro Forma Income Statements

Adjustments to reflect the elimination or normalization of nonrecurring and unusual items.

Twin Valley Telephone, Inc.  
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K.A.R. 82-1-231 (c) (4) (I) Section 9: (ii)

Test Year and Pro Forma Income Statements

Adjustments for known or determinable changes in revenue and expenses

I	To adjust assets and reserves for pro forma plant additions and retirements
II	To adjust accumulated depreciation to pro forma levels
III	To adjust depreciation expense to pro forma levels
IV	This proforma is to reflect changes in Intrastate Local Revenues
V	To adjust Federal USF - High Cost Loop Support to reflect pro forma levels
VI	Adjustment for Commission Charges, Legal, and Consultant Fees associated with audit
VII	To adjust compensation and benefits amounts to pro forma levels
VIII	To adjust Cash Working Capital to reflect the effect of other Pro Forma adjustments.
IX	To adjust interest expense to rate base levels
X	To adjust income taxes adjustment to reflect pro forma taxable income.

Twin Valley Telephone, Inc.  
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K.A.R. 82-1-231 (c) (4) (I) Section 9: (ii)

Test Year and Pro Forma Balance Sheet

Pro forma adjustment (I):

To adjust assets and reserves for proforma plant additions and retirements

	June, 2015 Account Changes
<u>CENTRAL OFFICE EQUIPMENT</u>	
CHANGES TO ACCT2232 CIRCUIT EQUIPMENT - ACQUIRED	
PLANT ADDITIONS:	3,500,000
PLANT RETIREMENTS	(5,360,708)
TOTAL CIRCUIT EQUIPMENT	<u>\$ (1,860,708)</u>
CHANGES TO ACCT3232 ACCUM DEPR CIRCUIT EQUIPMENT - ACQUIRED	
RELATED TO PLANT ADDITIONS:	-
RELATED TO PLANT RETIREMENTS:	(5,360,708)
TOTAL ACCUM DEPR CIRCUIT EQUIPMENT	<u>\$ (5,360,708)</u>

This proforma recognizes that for the period of January through June 2015, Twin Valley Telephone, Inc. will place into service approximately \$3,500,000 in plant upgrades. Additionally, this adjustment recognizes retirements of plant being replaced.



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K.A.R. 82-1-231 (c) (4) (I) Section 9: (ii)

Test Year and Pro Forma Income Statements

Adjustments for known or determinable changes in revenue and expenses

Pro forma adjustment (II):

This adjustment is necessary for depreciation reserves balances for the pro forma period.

ACCOUNT	Source	Regulated Test Year Plant Balances		Depreciation Rate	6 Months of Regulated Depr. Expense	6/30/2015 Pro Forma Accum Depr
		Plant Balances*	Accumulated Depreciation**			
GENERAL SUPPORT ASSETS						
1 2111 LAND		\$ 290,323	\$ -	-	\$ -	\$ -
2 2112 MOTOR VEHICLES		936,914	936,914	26.27%	-	936,914
3 2116 OTHER WORK EQUIPMENT		882,593	882,593	23.98%	-	882,593
4 RESERVED						
5 2121 BUILDINGS - EXISTING		4,644,077	2,904,392	5.02%	116,566	3,020,959
6 2121 BUILDINGS - ACQUIRED		1,010,042	1,010,042	5.02%	-	1,010,042
7 2122 FURNITURE		335,145	335,145	15.57%	-	335,145
8 2123 OFFICE EQUIPMENT		170,464	170,464	18.10%	-	170,464
9 2124 GENERAL PURPOSE COMPUTERS		500,011	500,011	18.57%	-	500,011
10 TOTAL GENERAL SUPPORT ASSETS	Lines 1...9	\$ 8,769,569	\$ 6,739,562		\$ 116,566	\$ 6,856,128
CENTRAL OFFICE EQUIPMENT						
11 2212 DIGITAL SWITCHING - EXISTING		\$ 791,990	\$ 444,096	11.58%	45,856	489,952
12 2212 DIGITAL SWITCHING - ACQUIRED		\$ 1,099,942	1,099,942	11.58%	-	1,099,942
13 2232 CIRCUIT EQUIPMENT - EXISTING		6,131,836	4,674,361	15.53%	476,137	5,150,498
14 2232 CIRCUIT EQUIPMENT - ACQUIRED		11,159,337	11,159,337	15.53%	-	11,159,337
15 TOTAL CENTRAL OFFICE EQUIPMENT	Lines 11...14	19,183,105	17,377,735		521,993	17,899,728
CABLE & WIRE FACILITIES						
16 2411 POLES		\$ -	\$ -	12.00%	-	-
17 2421 AERIAL CABLE		-	-	12.00%	-	-
18 2422 UNDERGROUND CABLE		29,230	29,230	5.38%	-	29,230
19 2423 BURIED CABLE - EXISTING		6,393,016.33	4,819,588	5.68%	181,562	5,001,149
20 2423 BURIED CABLE - ACQUIRED		53,641	8,476	5.68%	1,523	10,000
21 2424 FIBER OPTIC CABLE - EXISTING		6,179,809	5,344,376	5.68%	175,507	5,519,883
22 2424 FIBER OPTIC CABLE - ACQUIRED		48,961,559	20,524,328	5.68%	1,390,508	21,914,837
23 2441 CONDUIT SYSTEMS		3,861	3,861	6.48%	-	3,861
24 TOTAL CABLE & WIRE FACILITIES	Lines 16...23	\$ 61,621,116	\$ 30,729,860		\$ 1,749,100	\$ 32,478,960
25 2682 LEASEHOLD IMPROVEMENTS		-	-	0.00%	-	-
26 TOTAL	Lines 10+15+24+25	\$ 89,573,791	\$ 54,847,157		\$ 2,387,660	\$ 57,234,817
27 2014 Regulated Depreciation Reserve Per Cost Study						54,847,157
28 Pro Forma Adjustment Depreciation Reserve	Line 26 - 27					\$ 2,387,660

\* Sec 4(i)

\*\* Sec 5(i)

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Test Year and Pro Forma Income Statements

Adjustments for known or determinable changes in revenue and expenses

Pro forma adjustment (III):

This adjustment is necessary for depreciation expenses to adjust depreciation expense so it is based on pro forma plant balances

ACCOUNT	Source	Regulated Pro Forma Plant Balances		Depreciation Rate	Deprec. Exp Based on Pro Forma Bal.
		Plant Balances*	Accumulated Depreciation**		
GENERAL SUPPORT ASSETS					
1 2111 LAND		\$ 290,323	\$ -	-	\$ -
2 2112 MOTOR VEHICLES		936,914	936,914	26.27%	-
3 2116 OTHER WORK EQUIPMENT		882,593	882,593	23.98%	-
4 RESERVED					
5 2121 BUILDINGS - EXISTING		4,644,077	3,020,959	5.02%	233,133
6 2121 BUILDINGS - ACQUIRED		1,010,042	1,010,042	5.02%	-
7 2122 FURNITURE		335,145	335,145	15.57%	-
8 2123 OFFICE EQUIPMENT		170,464	170,464	18.10%	-
9 2124 GENERAL PURPOSE COMPUTERS		500,011	500,011	18.57%	-
10 TOTAL GENERAL SUPPORT ASSETS	Lines 1...9	\$ 8,769,569	\$ 6,856,128		\$ 233,133
CENTRAL OFFICE EQUIPMENT					
11 2212 DIGITAL SWITCHING - EXISTING		\$ 791,990	\$ 489,952	11.58%	91,712
12 2212 DIGITAL SWITCHING - ACQUIRED		1,099,942	1,099,942	11.58%	-
13 2232 CIRCUIT EQUIPMENT - EXISTING		6,131,836	5,150,498	15.53%	952,274
14 2232 CIRCUIT EQUIPMENT - ACQUIRED		9,298,629	5,798,629	15.53%	1,444,077
15 TOTAL CENTRAL OFFICE EQUIPMENT	Lines 11...14	17,322,397	12,539,021		2,488,064
CABLE & WIRE FACILITIES					
16 2411 POLES		\$ -	\$ -	12.00%	-
17 2421 AERIAL CABLE		-	-	12.00%	-
18 2422 UNDERGROUND CABLE		29,230	29,230	5.38%	-
19 2423 BURIED CABLE - EXISTING		6,393,016.33	5,001,149	5.68%	363,123
20 2423 BURIED CABLE - ACQUIRED		53,641	10,000	5.68%	3,047
21 2424 FIBER OPTIC CABLE - EXISTING		6,179,809	5,519,883	5.68%	351,013
22 2424 FIBER OPTIC CABLE - ACQUIRED		48,961,559	21,914,837	5.68%	2,781,017
23 2441 CONDUIT SYSTEMS		3,861	3,861	6.48%	-
24 TOTAL CABLE & WIRE FACILITIES	Lines 16...23	\$ 61,621,116	\$ 32,478,960		\$ 3,498,200
25 2682 LEASEHOLD IMPROVEMENTS		-	-	0.00%	-
26 TOTAL	Lines 10+15+24+25	\$ 87,713,083	\$ 51,874,109		\$ 6,219,396
27 2014 Regulated Depreciation Per Cost Study					4,313,006
28 Pro Forma Adjustment Depreciation Expense	Line 26 - 27				\$ 1,906,390

\* Sec 4(i)

\*\* Sec\_9(ii)ProForma(I) & Sec\_9(ii)ProForma(II)

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Test Year and Pro Forma Income Statements

Adjustments for known or determinable changes in revenue and expenses

Pro forma adjustment (IV):

This adjustment is to reflect pro forma changes in Intrastate Local Revenues

#	Description	Source	Amount
1	February 2015 Basic Local Revenues	Company Billing Records	\$ 96,902.88
2	Pro Forma Annual Basic Local Revenues	Line 1 * 12	\$ 1,162,834.56
3	Journalized 2014 Basic Local Revenues	Company General Ledger	<u>\$ 1,180,745.02</u>
4	2015 Basic Local Revenues Proforma Adjustment	Line 2 - Line 3	\$ (17,910.46)

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Test Year and Pro Forma Income Statements

Adjustments for known or determinable changes in revenue and expenses

Pro forma adjustment (V):

Adjustment to reflect Federal HCL - High Cost Loop Support amounts for the pro forma period

Study Area Name  
 Twin Valley Telephone Company, Inc.

Support amounts - 2015		(a) <u>Per Month</u>		(b) = (a x 12) <u>Per Year</u>
1	Monthly USF-HCL Support - 2015	\$55,104	*	\$661,248
2	Monthly USF-SVS Support - 2015	152,091	*	\$1,825,092
3	Reserved			
4	Reserved			
5	Annual total support amounts - 2015	<i>(Sum of lines 1 through 4)</i>		\$2,486,340
6	G/L balance of USF revenues @ 12/31/2014			<u>2,474,693</u> Sec 9 Ln2
7	Projected decrease in USF revenues	<i>(Line 5 minus line 6)</i>		\$ 11,647

\* Source: USAC 2nd Qtr. Appendices - 2015 HC01 - High Cost Support Projected by State by Study Area - 2nd Q 2015

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Test Year and Pro Forma Income Statements

Adjustments for known or determinable changes in revenue and expenses

Pro forma adjustment (VI):

This adjustment incorporates an estimate of Commission charges of \$ 10,000 for the KUSF support audit and an estimate of \$ 140,000 in expenses for preparation of K.A.R. 82-1-231 Sections, data request responses, testimony etc.

Twin Valley Telephone Company, Inc. has amortized the expenses over a five-year period as allowed in prior KUSF audit dockets.

Projected Cost of KUSF Support Audit:			
1	Commission Charges		\$10,000
2	Legal & Consultant Fees		<u>140,000</u>
3	Total projected rate audit costs	(Sum of lines 1 and 2)	\$150,000
4	Number of years to amortize costs		<u>5</u>
5	Amortization amount per year	(Line 3 divided by line 4)	<u><u>\$30,000</u></u>

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Test Year and Pro Forma Income Statements

Adjustments for known or determinable changes in revenue and expenses

Pro forma adjustment (VII):

To include payroll increases effective for the pro forma period:

		Employee Compensation	Social Security	Medicare	401K	Health	Total Benefits
<b>Increase in Compensation and Benefits</b>							
2015 Pro Forma Payroll Costs							
2014 Total Payroll Related Costs							
Difference							
		Payroll Distribution Percentage	Compensation	Benefits	Pro Forma Payroll Increase		
<u>Construction</u>							
2003	Plant Under Construction						
<u>Plant Specific Operations Expenses</u>							
6110	Network Support Expense						
6120	General Support Expense						
6210	Central Office Switching Expense						
6230	Central Office Transmission Expense						
6410	Cable and Wire Facilities Exp						
	Total Plant Specific Operations Exp.						
<u>Plant Non-Specific Operations Expense</u>							
6510	Other Plant Expense						
6530	Network Operations Expense						
	Total Plant Non-Specific Operations Exp.						
<u>Customer Operations Expense</u>							
6610	Marketing Expense						
6621	Operator Services						
6622	Directory Expense						
6623	Services Expense						
	Total Customer Operations Expense						
<u>Corporate Operations Expense</u>							
6710	Executive and Planning Exp						
6720	General and Administrative Exp						
	Total Corporate Operations Expense						
79XXX	Non-Regulated Expense						
TOTAL							

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Test Year and Pro Forma Income Statements

Adjustments for known or determinable changes in revenue and expenses

Pro forma adjustment (VIII):

To adjust Cash Working Capital to reflect the effect of other Pro Forma adjustments.

Refer to Section 6 for the calculation of this adjustment.

	<u>Amount</u>	
1 Cash Working Capital	\$ 6,479	Section 6(i) Line 11

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Test Year and Pro Forma Income Statements

Adjustments for known or determinable changes in revenue and expenses

Pro forma adjustment (IX)

To adjust interest expense to rate base levels

Line No.	Description		Twin Valley Pro Forma Balance	Intrastate
1	Rate base	<i>Sec 4(i) Ln 41</i>	35,114,152	\$22,745,096
2	Weighted cost of debt	<i>Sec7(i)pg 1</i>	<u>2.5957%</u>	<u>2.5957%</u>
3	Interest expense	<i>(Line 1 * line 2)</i>	\$911,445	<u><u>\$590,386</u></u>
4	Current Fixed Charges	Sec 11(ii+iii) Lns 8+9	<u>2,216,419</u>	
5	Net Change Amount		<u>(\$1,304,975)</u>	



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Test Year and Pro Forma Income Statements

Adjustments for known or determinable changes in revenue and expenses

Pro forma adjustment (X):

To adjust income taxes to revised balances calculated after accounting for the impacts of pro forma adjustments affecting taxable income (Section 11)

		(a) Year End Balance Per Books	(b) Separations Study Adjustments	(c) = (a + b) Regulated Balances	(d) Pro Forma Adjustment (I)	(e) = (c + d) Pro Forma Balances	
1	7220 - Operating federal income taxes	\$ -	\$ 780,951	\$ 780,951	\$ 131,732	\$ 912,683	Sec 11(ii & iii) Ln 29
2	7230 - Operating state and local income taxes	-	189,392	189,392	(145,858)	43,534	Sec 11(ii & iii) Ln 28
3	7250 - Provision for deferred operating income taxes	-	123,914	123,914	(457,884)	(333,970)	Sec 11(ii & iii) Ln 33
4	Totals	<u>\$ -</u>	<u>\$1,094,257.00</u>	<u>\$1,094,257.00</u>	<u>\$ (472,010.45)</u>	<u>\$ 622,246.55</u>	

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K.A.R. 82-1-231 (c) (4) (G) Section 9:

Test Year and Pro Forma Income Statements

Supporting Documentation

Pro Forma VII support is being provided to Staff electronically in the Drop Box Folder  
labeled Pro Forma VII.

Twin Valley Telephone, Inc.  
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K.A.R. 82-1-231 (c) (4) (J) Section 10:

Depreciation and Amortization  
Depreciation - account 6561 (telecommunications services)

		Depreciation Rates	Balance Per Books Depreciation Expense 12/31/2014	SSA/ TPA #	Adjustments	Adjusted Balance Regulated Depreciation Expense 12/31/2014	Amounts charged to:		
		%					Operations	Clearing Accounts	Construction
TPIS - General support assets depreciation expense									
1	2111 Land		-						
2	2112 Motor vehicles	26.27%	\$ -		\$ -	\$ -	\$ -		
3	2116 Tools and other work equipment	23.98%	-		-	-	-		
4	2121 Buildings	5.02%	293,408	1,2,11	(32,782)	260,626	260,626		
5	2122 Furniture	15.57%	22,700	2,11	(3,769)	18,931	18,931		
6	2123 Office equipment	18.10%	4,038	2,11	(670)	3,367	3,367		
7	2124 General purpose computers	18.57%	-		-	-	-		
8	Total (Sum of lines 1 through 7)		\$ 320,146		\$ (37,222)	\$ 282,925	\$ 282,925	-	-
TPIS - Central office assets depreciation expense									
9	2212 Digital electronic switching	11.58%	\$ 222,819	11,16	\$ (53,375)	\$ 169,444	\$ 169,444		
10	2231 Radio systems - microwave		-			-	-		
11	2232 Circuit equipment	15.53%	346,387	11,13,16	41,431	387,818	387,818		
12	Total (Sum of lines 9 through 11)		\$ 569,206		\$ (11,944)	\$ 557,262	\$ 557,262	-	-
13	2682 Amort. Exp.-Leasehold Improvements		\$ -		\$ -	\$ -	\$ -		
TPIS - Cable and wire facilities assets depreciation expense									
14	2411 Poles	12.00%	\$ -		\$ -	\$ -	\$ -		
15	2421 Aerial cable	12.00%	-			-	-		
16	2422 Underground cable	5.38%	-			-	-		
17	2423 Buried cable	5.68%	364,920	11	(2,364)	362,556	362,556		
18	2423 Fiber Optic Cable	5.68%	3,151,688	11,14	(41,425)	3,110,264	3,110,264		
19	2441 Conduit systems	6.48%	-			-	-		
20	Total (Sum of lines 14 through 19)		\$ 3,516,608		\$ (43,789)	\$ 3,472,819	\$ 3,472,819	-	-
21	Total (Sum of lines 8,12,13,20)		\$ 4,405,961	Sec 9, Lns 20,21	\$ (92,955)	\$ 4,313,006	\$ 4,313,006	\$ -	\$ -

K.A.R. 82-1-231 (c) (4) (K) Section 11: (i)

Taxes (telecommunications services)

		Source Reference	TEST YEAR Year End Balance Per Books 12/31/2013	SSA #	Adjustment	TEST YEAR Adjusted Regulated Balance Per Books 12/31/2014	#	TEST YEAR Pro Forma Adjustments	TEST YEAR Adjusted Pro Forma Taxes Chargeable to Regulated Operations 12/31/2014	Intrastate Percentages	Intrastate Amount
<u>Taxes chargeable to operations:</u>											
1	7220 - Operating federal income taxes	Sec 11(ii&iii) Ln 29	\$ -		\$ 780,951	\$ 780,951	(I)	\$ 131,732	\$ 912,683		\$ 682,740
2	7230 - Operating state and local income taxes	Sec 11(ii&iii) Ln 28	-		189,392	189,392	(I)	(145,858)	43,534		32,566
3	7240 - Operating other taxes	Sec 9 Ln 35	1,200,000		(15,446)	1,184,554		-	1,184,554	0.579066	685,935
4	7250 - Provision for deferred operating income taxes	Sec 11(ii&iii) Ln 33	-		123,914	123,914	(I)	(457,884)	(333,970)		(182,475)
5	Total taxes chargeable to operations	Sec 8(ii) Ln 9	<u>\$ 1,200,000</u>		<u>\$ 1,078,811</u>	<u>\$ 2,278,811</u>		<u>\$ (472,010)</u>	<u>\$ 1,806,800</u>		<u>\$ 1,218,765</u>

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K.A.R. 82-1-231 (c) (4) (K) Section 11: (ii) and (iii)

Taxes (telecommunications services) - description of adjustments to arrive at taxable income

Taxes (telecommunications services) - calculation of income taxes with a division of taxes to reflect current and deferred taxes

TAXABLE INCOME RECONCILIATION (12/31/05)										
Line No.	Description	Per Books Twin Valley Telephone	SSA # / Source	Cost Study and Other Adjustments	Regulated Balance	Proforma Number	Pro Proforma Adjustments	Proforma Balance	Intrastate Percentages	Intrastate Regulated Amount
1	Regulated Operating Revenues (Sec 9 Ln 10)	17,279,320		-	17,279,320	(IV)(V)	(6,263)	17,273,057		10,165,511
2	Nonregulated Operating Revenues (directly identified)	(23,443)	G/L Acct #s 7990+5280-6000	23,443	-			-		
3	Less: Operating Expenses (Sec 9 Lns 17,23,28,32)	11,592,511	1,2,3,6,7,9,11,12,13,14,16,18	(493,344)	11,099,168	(III)(VII)(XI)	2,078,165	13,177,333		7,199,869
4	Less: Other Operating Income and Expenses - Net (Sec. 8(ii) L. 3)	167,186		(167,186)	-			-		
5	Less: AFUDC (Acct. 7340) (Sec 9 Ln 38)	-		-	-			-	0.000000	-
6	Less: Other Taxes and Expense (Sec 9 Lns 36,39,40)	1,413,119	1,2,3,17	(20,999)	1,392,119		-	1,392,119		782,089
7	Net operating income (Sum of lines 1 and 2 minus lines 3 through 6)	4,417,433		537,786	4,788,033		(2,084,429)	2,703,605		2,183,552
8	Less: Fixed Chrgs-RUS debt	2,219,381	5	(2,980)	2,216,402	(II)	(1,304,975)	911,427		590,386
9	Less: Fixed Chrgs - Other (g/l acct #s 7530 & 7540)	17			17			17		
10	Plus: Nonoperating Items (GL 7310,7320,7360)	732,120	Acts 7310,7320,7360	(732,120)	-			-		-
11	Net Income (Loss) per Books (Line 7 minus lines 8 and 9 plus line 10)	2,930,155			2,571,614		(779,454)	1,792,160		1,593,166
Permanent Tax Differences:										
12	Permanent Tax Differences	188,886			188,886			188,886	0.546383	103,204
13		-			-			-		
14		-			-			-		
15		-			-			-		
16		-			-			-		
17	Total Permanent Differences (Sum of lines 12 through 16)	188,886		-	188,886		-	188,886		103,204
Temporary Differences:										
18	Temporary Differences	1,063,259			1,063,259			1,063,259	0.546383	580,947
19										
20										
21										
22	Total Temporary Differences (Sum of lines 18 through 23)	1,063,259		-	1,063,259		-	1,063,259		580,947
23	Reserved									
24	Taxable Income - Federal (Sum of lines 11, 17, 22 and 23)	4,182,300		-	3,823,759		(779,454)	3,044,305		2,277,317
25	Less: Government Interest	-			-			-		
26	Add: Charitable Contributions	-			-			-		
27	Taxable Income - Kansas (Sum of Lines 24, 25, and 26)	4,182,300		-	3,823,759		(779,454)	3,044,305		2,277,317
<b>Effective Rate</b>										
<b>Current Income Taxes:</b>										
28	State 1.43%	59,807			54,680			43,534		32,566
29	Federal 29.98%	1,253,853			1,146,363			912,683		682,740
30	Total (Sum of lines 28 and 29)	1,313,660			1,201,043			956,216		715,305
<b>Deferred Income Taxes:</b>										
31	State 1.43%	(15,205)			(15,205)			(15,205)		(8,308)
32	Federal 29.98%	(318,765)			(318,765)			(318,765)		(174,168)
33	Total (Sum of lines 31 and 32)	(333,970)			(333,970)			(333,970)		(182,475)
<b>Total Income Taxes</b>										
34	State (Sum of lines 28 and 31)	44,602			39,475			28,329		24,258
35	Federal (Sum of lines 29 and 32)	935,088			827,598			593,918		508,572
36	Total (Sum of lines 34 and 35)	979,691			867,073			622,247		532,830

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K.A.R. 82-1-231 (c) (4) (K) Section 11: (iv)

Taxes (telecommunications services) - calculation of income tax rates

INCOME TAX ON REGULATED INCOME (Corporate Rates)  
December 31, 2014

**Federal Rates**

Regulated Taxable Income from Twin Valley Telephone Company, Inc.	\$ 4,054,089
Deduct: State Taxes	(282,286)
Federal Taxable Income	\$ 3,771,803
Effective Federal Rate	<u>31.63%</u>
Total Tax	\$ 1,282,413

**State Rates**

Regulated Taxable Income from Twin Valley Telephone Company, Inc.	\$ 4,054,089
Composite State Rate	<u>6.96%</u>
Tax	\$ 282,286
Total Federal and State Income Taxes	<u>\$ 1,564,699</u>

**State Tax Calculation**

Tax on First \$ 50,000  
Tax on Remainder

Tax Calculation		
Rate	Amount	Tax
4.00%	\$ 50,000	\$ 2,000
7.00%	\$ 4,004,089	\$ 280,286
	<u>\$ 4,054,089</u>	<u>\$ 282,286</u>

Composite State Tax Rate **6.96%**

**Federal Tax Calculation**

	<u>Not over</u>	<u>Not over</u>	<u>Not over</u>	<u>Not over</u>	<u>Not over</u>	<u>Not over</u>	<u>Not over</u>
Tax Brackets	\$ 50,000	\$ 75,000	\$ 100,000	\$ 335,000	\$ 10,000,000	\$ 15,000,000	\$ 18,333,333
Tax Rates	15.0%	25.0%	34.0%	39.0%	34.0%	35.0%	38.0%
Total Income	\$ 50,000	\$ 125,000	\$ 225,000	\$ 560,000	\$ 10,560,000	\$ 25,560,000	\$ 43,893,333
Tax:		\$ 7,500	\$ 26,250	\$ 60,250	\$ 190,900	\$ 3,590,900	\$ 8,840,900
+ Tax Rates	15.0%	25.0%	34.0%	39.0%	34.0%	35.0%	38.0%

Amount of Federal Taxable Income: **\$ 3,771,803**

Tax Calculation #1		
Income Per: Bracket	Tax	
1st Bracket < 50,000:	\$ 50,000	\$ 7,500
2nd Bracket: 50,000 to 75,000:	\$ 25,000	\$ 6,250
3rd Bracket: 75,000 to 100,000:	\$ 25,000	\$ 8,500
4th Bracket: 100,000 to 335,000:	\$ 235,000	\$ 91,650
5th Bracket: 335,000 to 10,000,000:	\$ 3,436,803	\$ 1,168,513
6th Bracket: 10,000,000 to 15,000,000:	\$ -	\$ -
7th Bracket: 15,000,000 to 18,333,333:	\$ -	\$ -
<b>TOTAL</b>	<b>\$ 3,771,803</b>	<b>\$ 1,282,413</b>

**34.00%**

Twin Valley Telephone, Inc.  
Kansas Universal Service Fund Support Audit  
Docket No. 15-TWVT-213-AUD

K.A.R. 82-1-231 (c) (4) (K) Section 11: (iv)pg1

Taxes (telecommunications services) - calculation of income tax rates

INCOME TAX ON REGULATED INCOME (Shareholder Rates)  
December 31, 2014

Twin Valley Telephone Company, Inc.  
Effective Tax Rate Utilizing Adjusted Taxable Income  
12/31/2014

Stockholders	Ownership Percentage	Twin Valley Telephone Company, Inc. Only					State Income Tax	Federal Income Tax	Medicare Tax	Total Income Tax	Effective Tax Rate
		Adjusted Net Income	Wages from Telephone	Total Fed Net Income	Total Inv. Income	Total State Net Income					
Shareholder #1											
Shareholder #2											
Shareholder #3											
Shareholder #4											
Shareholder #5											
Shareholder #6											
Shareholder #7											
Shareholder #8											
Shareholder #9											
Shareholder #10											
Shareholder #11											
Shareholder #12											
Shareholder #13											
Totals											

**Reconciliation Starting with Book Income per Financials**

Net Book Income  
Add: Net Addl. Cost Study Non-Reg Adjustments  
Eliminate Non Regulated Uncollectible Revenue  
Eliminate Non-Regulated Income (Net)  
Add special Charges Contributions  
Eliminate Other Non-Operating Income (Net)  
Add: Rate filing adjustment  
Add: Permanent tax differences  
Adjusted net income

**Reconciliation Starting with Taxable Income**

Net taxable income  
Book/tax timing differences  
Unregulated Timing Differences  
Add: Net Addl. Cost Study Non-Reg and Non-Opr. Adj.  
Eliminate Non-Regulated book/tax timing differences  
Eliminate Non Regulated Uncollectible Revenue  
Add: Special Charges Contributions  
Eliminate Non-Regulated Income Taxable (Net)  
Eliminate Non-Operating Income Taxable (Net)  
Add: Rate filing adjustment  
Adjusted net income

No tax on ordinary pass-through income:

Interest Income  
Dividend Income  
Capital Gains  
Investment Income Taxable to Federal  
Non-Kansas Municipal Interest  
Investment Income Taxable to Kansas

Twin Valley Telephone, Inc.  
Kansas Universal Service Fund Support Application  
Docket No. 15-TWVT-213-AUD

K.A.R. 82-1-231 (c) (4) (K) Section 11: (iv)pg1

Taxes (telecommunications services) - calculation of income tax rates

INCOME TAX ON REGULATED INCOME (Shareholder Rates)  
December 31,2014

**Federal Tax Calculation**

Tax Brackets	Not over	Not over	Not over	Not over	Not over	Not over	Not over
Tax Rates							
Total Income							
Tax:							
+ Tax Rates							

Amount of Federal Taxable Income:

	<b>Tax Calculation #1</b>	
	<b>Income Per:</b>	
	<b>Bracket</b>	<b>Tax</b>
1st Bracket < 18.150k:		
2nd Bracket: 18.15k to 73.8k:		
3rd Bracket: 73.8k to 148.85k:		
4th Bracket: 148.85k to 226.85k:		
5th Bracket: 226.85k to 405.1k:		
6th Bracket: 405.1k to 457.6k:		
7th Bracket: Over 457.6k:		
<b>TOTAL</b>		

	<b>Tax Calculation #6</b>	
	<b>Income Per:</b>	
	<b>Bracket</b>	<b>Tax</b>
1st Bracket < 18.150k:		
2nd Bracket: 18.15k to 73.8k:		
3rd Bracket: 73.8k to 148.85k:		
4th Bracket: 148.85k to 226.85k:		
5th Bracket: 226.85k to 405.1k:		
6th Bracket: 405.1k to 457.6k:		
7th Bracket: Over 457.6k:		
<b>TOTAL</b>		

	<b>Tax Calculation #9</b>	
	<b>Income Per:</b>	
	<b>Bracket</b>	<b>Tax</b>
1st Bracket < 18.150k:		
2nd Bracket: 18.15k to 73.8k:		
3rd Bracket: 73.8k to 148.85k:		
4th Bracket: 148.85k to 226.85k:		
5th Bracket: 226.85k to 405.1k:		
6th Bracket: 405.1k to 457.6k:		
7th Bracket: Over 457.6k:		
<b>TOTAL</b>		

	<b>Tax Calculation #12</b>	
	<b>Income Per:</b>	
	<b>Bracket</b>	<b>Tax</b>
1st Bracket < 18.150k:		
2nd Bracket: 18.15k to 73.8k:		
3rd Bracket: 73.8k to 148.85k:		
4th Bracket: 148.85k to 226.85k:		
5th Bracket: 226.85k to 405.1k:		
6th Bracket: 405.1k to 457.6k:		
7th Bracket: Over 457.6k:		
<b>TOTAL</b>		

	<b>Tax Calculation #3</b>	
	<b>Income Per:</b>	
	<b>Bracket</b>	<b>Tax</b>
1st Bracket < 18.150k:		
2nd Bracket: 18.15k to 73.8k:		
3rd Bracket: 73.8k to 148.85k:		
4th Bracket: 148.85k to 226.85k:		
5th Bracket: 226.85k to 405.1k:		
6th Bracket: 405.1k to 457.6k:		
7th Bracket: Over 457.6k:		
<b>TOTAL</b>		

	<b>Tax Calculation #7</b>	
	<b>Income Per:</b>	
	<b>Bracket</b>	<b>Tax</b>
1st Bracket < 18.150k:		
2nd Bracket: 18.15k to 73.8k:		
3rd Bracket: 73.8k to 148.85k:		
4th Bracket: 148.85k to 226.85k:		
5th Bracket: 226.85k to 405.1k:		
6th Bracket: 405.1k to 457.6k:		
7th Bracket: Over 457.6k:		
<b>TOTAL</b>		

	<b>Tax Calculation #10</b>	
	<b>Income Per:</b>	
	<b>Bracket</b>	<b>Tax</b>
1st Bracket < 18.150k:		
2nd Bracket: 18.15k to 73.8k:		
3rd Bracket: 73.8k to 148.85k:		
4th Bracket: 148.85k to 226.85k:		
5th Bracket: 226.85k to 405.1k:		
6th Bracket: 405.1k to 457.6k:		
7th Bracket: Over 457.6k:		
<b>TOTAL</b>		

	<b>Tax Calculation #13</b>	
	<b>Income Per:</b>	
	<b>Bracket</b>	<b>Tax</b>
1st Bracket < 18.150k:		
2nd Bracket: 18.15k to 73.8k:		
3rd Bracket: 73.8k to 148.85k:		
4th Bracket: 148.85k to 226.85k:		
5th Bracket: 226.85k to 405.1k:		
6th Bracket: 405.1k to 457.6k:		
7th Bracket: Over 457.6k:		
<b>TOTAL</b>		

	<b>Tax Calculation #5</b>	
	<b>Income Per:</b>	
	<b>Bracket</b>	<b>Tax</b>
1st Bracket < 18.150k:		
2nd Bracket: 18.15k to 73.8k:		
3rd Bracket: 73.8k to 148.85k:		
4th Bracket: 148.85k to 226.85k:		
5th Bracket: 226.85k to 405.1k:		
6th Bracket: 405.1k to 457.6k:		
7th Bracket: Over 457.6k:		
<b>TOTAL</b>		

	<b>Tax Calculation #8</b>	
	<b>Income Per:</b>	
	<b>Bracket</b>	<b>Tax</b>
1st Bracket < 18.150k:		
2nd Bracket: 18.15k to 73.8k:		
3rd Bracket: 73.8k to 148.85k:		
4th Bracket: 148.85k to 226.85k:		
5th Bracket: 226.85k to 405.1k:		
6th Bracket: 405.1k to 457.6k:		
7th Bracket: Over 457.6k:		
<b>TOTAL</b>		

	<b>Tax Calculation #11</b>	
	<b>Income Per:</b>	
	<b>Bracket</b>	<b>Tax</b>
1st Bracket < 18.150k:		
2nd Bracket: 18.15k to 73.8k:		
3rd Bracket: 73.8k to 148.85k:		
4th Bracket: 148.85k to 226.85k:		
5th Bracket: 226.85k to 405.1k:		
6th Bracket: 405.1k to 457.6k:		
7th Bracket: Over 457.6k:		
<b>TOTAL</b>		



Twin Valley Telephone, Inc.  
Kansas Universal Service Fund Support Audit  
Docket No. 15-TWVT-213-AUD

K.A.R. 82-1-231 (c) (4) (K) Section 11: (vi)(a)

Taxes (telecommunications services) - deferred taxes

<u>Line No.</u>	<u>Deferred Taxes</u>	
1	Balance per Section 11(vi) @ 12/31/2014	\$ -
	Less:	
2	TPAs	18,886
3	ProFormas	457,884
4		
5	Balance Deferred Taxes - Section 4(i) Line 36	<u><u>\$476,770</u></u>

Twin Valley Telephone, Inc.  
Kansas Universal Service Fund Support Audit  
Docket No. 15-TWVT-213-AUD

K.A.R. 82-1-231 (c) (4) (L) Section 12:

Allocation ratios:

- (i) Jurisdictional separations study with Intrastate allocations (Year End Plant)
- (ii) Reserved
- (iii) Regulated/nonregulated and other separations cost study adjustments

**Twin Valley Telephone, Inc.**

Kansas Universal Service Fund Support Audit  
Docket No. 15-TWVT-213-AUD

K.A.R. 82-1-231 (c) (4) (L) Section 12: (i) Allocation Ratios

Intrastate Allocation Ratios		
Category	Source	Ratio
Rate Base	Pg. 1 - Line 1	
Interest During Construction	Pg. 1 - Line 4	
Net Return	Pg. 1 - Line 7	
State Income Tax	Pg. 1 - Line 14	
Federal Income Tax	Pg. 1 - Line 15	
Operating Expenses	Pg. 1 - Line 16	
Revenue Requirement	Pg. 1 - Line 22	
Net Rate Base	Pg. 2 - Line 29	
Total Operating Expense excluding Income Taxes	Pg. 3 - Line 31	
Account 2001 - Plant in Service	Pg. 4 - Line 1	
Account 2002 - Property Held for Future Use	Pg. 10 - Line 10	
Total Acct 2003 - Pl. Und. Constr., Short Term	Pg. 9 - Line 30	
Total Acct 2004 - Pl. Und. Constr., Long Term	Pg. 9 - Line 40	
Plant Under Construction	Pg. 4 - Line 3	
Total Account 2005 - Plant Acquisition Adjust.	Pg. 9 - Line 50	
Total Account 2110 - Land and Support Assets	Pg. 8 - Line 38	
Distribution of Account 2210 - COE, Switching	Pg. 9 - Line 3	
Distribution of Account 2220 - COE, Operator Systems	Pg. 9 - Line 4	
Distribution of Account 2230 - COE, Transmission	Pg. 9 - Line 5	
Equal Access Investment	Pg. 8 - Line 40	
Total Central Office Equipment (Incl Equal Acc)	Pg. 7 - Line 39	
Distribution of Account 2310 - Info Orig/Term Equipment	Pg. 9 - Line 2	
Total Account 2410, Cable and Wire Facilities	Pg. 5 - Line 30	
Distribution of Account 2680 - Tangible Assets	Pg. 9 - Line 8	
Total Account 2690 - Intangible Assets	Pg. 8 - Line 50	
Account 1220 - Materials and Supplies	Pg. 8 - Line 51	
Rural Telephone Bank Stock	Pg. 8 - Line 52	
Equal Access Investment	Pg. 10 - Line 11	
Acc. Depr. - Cable and Wire Facilities	Pg. 10 - Line 12	
Acc. Depr. - Info Orig/Term Equip	Pg. 10 - Line 13	
Acc. Depr. - Switching Equipment	Pg. 10 - Line 14	
Acc. Depr. - Operator Systems	Pg. 10 - Line 15	
Acc. Depr. - Transmission Equipment	Pg. 10 - Line 16	
Acc. Depr. - Land and Support Assets	Pg. 10 - Line 17	
Acc. Amort - Tangible Assets	Pg. 10 - Line 21	
Total Account 3100 - Accumulated Depreciation	Pg. 10 - Line 19	
Total Account 3600 - Other Accumulated Amort.	Pg. 10 - Line 31	
Account 4340 - Net Non-current Acc. Def. Inc. Tax	Pg. 10 - Line 47	
OPEB	Pg. 10 - Line 48	
Net Telephone Plant	Pg. 4 - Line 2	
Total Account 6110 - Network Support Expense	Pg. 11 - Line 13	
Total Account 6120 - General Support Expense	Pg. 11 - Line 16	
Account 6210 - Switching Expense	Pg. 11 - Line 17	
Account 6220 - Operator Systems Expense	Pg. 11 - Line 18	
Account 6230 - Transmission Expense	Pg. 11 - Line 19	
Total Account 6310 - Info Orig/Term Expense	Pg. 11 - Line 23	
Account 6410 - Cable and Wire Facilities Exp.	Pg. 11 - Line 24	
Total Plant Specific Operations Expense	Pg. 11 - Line 25	
Account 6510 - Other Prop., Plant and Eq. Exp.	Pg. 11 - Line 28	
Total Account 6530 - Network Operations Expense	Pg. 11 - Line 31	
Account 6540 - Access Expense	Pg. 11 - Line 32	
Total Plant Non-Specific Operations Expense	Pg. 11 - Line 33	
Equal Access Expense	Pg. 11 - Line 34	
Total Account 6560 - Depreciation Expense	Pg. 12 - Line 19	
Total Account 6560 - Amortization Expense	Pg. 12 - Line 30	
Account 6610 - Marketing Expense	Pg. 13 - Line 22	
Account 662 - Operator Services	Pg. 13 - Line 23	
Account 662 - Directory Services	Pg. 13 - Line 27	
Account 662 - Other Services	Pg. 13 - Line 42	
Total Account 6620 - Services Expense	Pg. 13 - Line 43	
Total Customer Operations Expense	Pg. 13 - Line 44	
Big 3 Expense	Pg. 14 - Line 8	
Account 6710 - Executive and Planning Expense	Pg. 14 - Line 17	
Account 6720 - General and Admin. Expense	Pg. 14 - Line 22	
Total Corporate Operations Expense	Pg. 14 - Line 23	
Total Account 7200 - Other Operating Taxes	Pg. 14 - Line 28	
Account 7370 - Special Charges (Allowed Portion Only)	Pg. 14 - Line 29	
Account 7540 - Interest on Customer Deposits	Pg. 14 - Line 30	
Uncollectible Revenue	Pg. 14 - Line 34	

Account/Category	Total Company Amount	MTS	Separated Amount WATS	PL	EAS (Lcl)	INTRASTATE	
						Total Allocated	Allocation Ratios
1. Rate Base							
2. Rate of Return							
3. Return on Rate Base							
4. Interest During Construction							
5. ITC and Excess Deferred Tax Amortization							
6. Other Adjustments							
7. Net Return							
14. State Income Tax							
15. Federal Income Tax							
16. Operating Expenses							
17. Uncollectibles							
22. Revenue Requirement							

Twin Valley Telephone, Inc.  
Kansas Universal Service Fund Support Audit  
Docket No. 15-TWVT-213-AUD, Section 12(i)  
For the Year Ending 12/31/2014  
Account/Category

Docket No. 15-TWVT-213-AUD, Section 12(i) For the Year Ending 12/31/2014		Total Company Amount	Page Reference	MTS	Separated Amount			INTRASTATE	
Account/Category					WATS	PL	EAS (Lcl)	Total Allocated	Allocation Ratios
Section 4(i) Col C									
Account 2001 - Plant in Service:									
1. Account 2410 - Cable and Wire Facilities			Page 5						
2. Account 2310 - Information Orig/Term Equip			Page 6						
3. Account 2210 - Switching Equipment			Page 6						
4. Account 2220 - Operator Systems			Page 6						
5. Account 2230 - Transmission Systems			Page 7						
6. Account 2110 - Land and Support Assets			Page 8						
7. Account 2680 - Tangible Assets			Page 8						
8. Account 2690 - Intangible Assets			Page 8						
9. Total Account 2001 - Plant in Service									
11. Equal Access Investment			Page 8						
12. Account 2002 - Property Held for Future Use			Page 9						
13. Account 2003 - Plt. Und. Const., Short Term			Page 9						
14. Account 2004 - Plt. Und. Const., Long Term			Page 9						
15. Account 2005 - Plant Acquisition Adjustment			Page 9						
16. Account 1220 - Materials and Supplies			Page 8						
17. Rural Telephone Bank Stock			Page 8						
18. Cash Working Capital			Note 1						
19. Gross Rate Base									
20. Account 3100 - Accumulated Depreciation			Page 10						
21. Account 3200 - Deprec. on Prop. Held for Fut. Use			Page 10						
22. Account 3400 - Accumulated Amort. on Tang. Assets			Page 10						
23. Account 3500 - Accumulated Amort. on Intangibles			Page 10						
24. Account 3600 - Other Accumulated Amortization			Page 10						
25. Account 4040 - Customer Deposits			Note 2						
25. Account 4100 - Current Deferred Income Taxes			Page 10						
26. Account 4310 - OPEB			Page 10						
27. Account 4340 - Non-current Deferred Income Tax			Page 10						
28. Equal Access Reserves			Page 10						
29. Total Reserves									
30. Net Rate Base									

Docket No. 15-TWVT-213-AUD, Section 12(i)  
For the Year Ending 12/31/2014

Account/Category	Total Company Amount	Page Reference	MTS	Separated Amount			INTRASTATE	
				WATS	PL	EAS (Lcl)	Total Allocated	Allocation Ratios
Section 9 Col C								
Plant Specific Operations Expense:								
1. Account 6110 - Network Support Expense		Page 11						
2. Account 6120 - General Support Expense		Page 11						
3. Account 6210 - Switching Expense		Page 11						
4. Account 6220 - Operator Systems Expense		Page 11						
5. Account 6230 - Transmission Expense		Page 11						
6. Account 6310 - Info Orig/Term Expense		Page 11						
7. Account 6410 - Cable and Wire Facilities Exp.		Page 11						
8. Total Plant Specific Operations Expense								
Plant Non-Specific Expense:								
9. Account 6510 - Oth. Prop., Plt. and Eq. Exp.		Page 11						
10. Account 6530 - Network Operations Expense		Page 11						
11. Account 6540 - Access Expense		Page 11						
12. Account 6560 - Deprec. of Plant in Service		Page 12						
13. Account 6560 - Amort. of Plant in Service		Page 12						
14. Account 6560 - Amortization of Acq. Adj.		Page 12						
15. Equal Access Expense		Page 11						
18. Total Plant Non-Specific Operations Expense								
Customer Operations Expense:								
19. Account 6610 - Marketing Expense		Page 13						
20. Account 6620 - Services Expense		Page 13						
21. Total Customer Operations Expense								
Corporate Operations Expense:								
22. Account 6710 - Exec. and Planning Expense		Page 14						
23. Account 6720 - General and Admin. Expense		Page 14						
24. Total Corporate Operations Expense								
Other Operating Taxes								
27. Account 7200 - Other Operating Taxes		Page 14						
Other Expenses								
28. Account - 7370 Special Charges (Allowed Portion Only)		Page 14						
29. Account - 7540 Interest on Customer Deposits		Page 14						
30. Total Other Expenses								
31. Total Operating Expense excluding Income Taxes								

Docket No. 15-TWVT-213-AUD, Section 12(i) For the Year Ending 12/31/2014							INTRASTATE	
Account/Category	Total Company Amount	Page Reference	MTS	Separated Amount WATS	PL	EAS (Lcl)	Total Allocated	Allocation Ratios
Separations Factors								
1. Account 2001 - Plant in Service								
2. Net Telephone Plant								
3. Plant Under Construction								
4. Plant Spec. Ops. Exp., excl. Gen. & Ntwk. Sup.								
5. Network Operations Expense								
6. Customer Operations Expense								
7. Big 3 Expense (Lines 4 thru 6)								
8. Distribution of Line 7								
Access Factors								
9. Plant Specific Operations Expense								
10. Plant Non-specific Operations Expense								
11. Customer Operations Expense								
12. Big 3 Expense (Lines 9 thru 11)								
13. Distribution of Line 12								
14. IO/T, C&WF, COE, Gen. Supp., & Equal Access								
15. Account 2001 - Plant in Service (IX Carrier)								
Income Adjustments for Taxes								
16. ITC Amortization		Line 1						
17. Excess Deferred Tax Amortization		Line 1						
18. Fixed Charges		Line 2						
19. Depreciation Adjustment		Line 2						
20. Allowance for Funds Used During Construction		Line 3						
21. Other Adjustments for Income Taxes		Line 2						
22. Total Income Adjustments								

Account/Category	Total Company Amount	Separation Factor	MTS	Separated Amount WATS	PL	EAS (Lcl)	INTRASTATE	
							Total Allocated	Allocation Ratios
<b>Separations Factors</b>								
1. Working Loop Distribution								
2. IX CM Distribution								
3. HR MOUM Distribution								
4. Basic NTS Factor								
5. Wideband MMM Factor								
6. CMM Factor								
7. Wideband MOU Factor								
8. Interoffice MOU Factor								
<b>Access Factors</b>								
9. Equivalent Loops for Outside Plant Cat. 1.33								
10. Distribution of IX Wideband C & WF -- Message								
11. Distribution of IX Wideband C & WF -- PL								
12. Distribution of IX C & WF Provided to Others -- Message								
13. Distribution of IX C & WF Provided to Others -- PL								
14. Distribution of All Other IX C & WF -- Message								
15. Distribution of All Other IX C & WF -- PL								
<b>Account 2410 - Category 1: Exchange Line C &amp; WF excluding Wideband</b>								
16. Exchange Line C & WF		Lines 1&4						
17. Account 2410, C and WF - Category 1								
<b>Account 2410 - Category 2: Wideband and Exchange Trunk C &amp; WF</b>								
18. Wideband PL C & WF		Records						
19. Wideband Message C & WF		Line 7						
20. Interoffice C & WF		Line 8						
21. Extended Area Service C & WF		Direct						
22. Exchange PL C & WF		Records						
23. Account 2410, C and WF - Category 2								
<b>Account 2410 - Category 3: Interexchange C &amp; WF including Wideband</b>								
24. Wideband Interexchange C & WF		Line 5						
25. Interexchange C & WF Provided to Others		Direct						
26. All Other Interexchange C & WF		Lines 2&6						
27. Account 2410, C and WF - Category 3								
<b>Account 2410 - Category 4: Host-Remote C &amp; WF</b>								
28. Host-Remote C & WF - Excluding WATS		Line 3						
29. Account 2410, C and WF - Category 4								
30. Total Account 2410, Cable and Wire Facilities								



Docket No. 15-TWVT-213-AUD, Section 12(i) For the Year Ending 12/31/2014		Total Company Amount	Reference	MTS	Separated Amount WATS	PL	EAS (Lcl)	INTRASTATE	
Account/Category								Total Allocated	Allocation Ratios
<b>Separations Factors</b>									
1. Basic NTS Factor									
2. Weighted Standard Work Seconds									
3. Tandem Switching MOU									
4. Local Switching Factor									
5. Service Observation Board Factor									
<b>Access Factors</b>									
6. Equivalent Access Lines for Station Equipment									
7. Distribution of Category 2 Central Office Equipment									
8. Weighted Standard Work Seconds									
9. Central Office Equipment Categories 2 and 3, and Other Cat. 1									
<b>Account 2310 - Information Origination/Termination Equipment</b>									
10. Category 1 - Other Info Orig/Term Equipment									
11. Pay Telephone			Line 1						
12. Other			Line 1						
13. Category 2 - New Customer Premises Equipment			Direct						
14. Total Account 2310 - Info Orig/Term Equipment									
<b>Account 2210 - Central Office Equipment: Switching</b>									
15. Category 2 - Tandem Switching Equipment			Line 3						
16. Category 3 - Local Switching Equipment			Line 4						
17. Total Account 2210, COE - Switching									
<b>Account 2220 - Central Office Equipment: Operator Systems</b>									
18. Category 1 - Operator Systems									
19. Service Observation Boards			Line 5						
20. All Other			Line 2						
21. Total Account 2220, COE - Operator Systems									

Kansas Universal Service Fund Support Fund Docket No. 15-TWVT-213-AUD, Section 12(i) For the Year Ending 12/31/2014							INTRASTATE	
Account/Category	Total Company Amount	Separation Factor	MTS	Separated Amount WATS	PL	EAS (Lcl)	Total Allocated	Allocation Ratios
Separations Factors								
1. Wideband PL Exchange C & WF								
2. Wideband Message Exchange C & WF								
3. Wideband Interexchange C & WF								
4. Interoffice C & WF								
5. Extended Area Service C & WF								
6. Exchange Private Line C & WF								
7. Exchange Line C & WF Excluding Wideband								
8. Conversation Minute Factor								
9. Interexchange Circuit Terminations Factor								
10. Host-Remote Cable & Wire Facilities								
Access Factors								
11. Interexchange Wideband C & WF -- Message								
12. Interexchange Wideband C & WF -- PL								
13. Interexchange C & WF Provided to Others -- Message								
14. Interexchange C & WF Provided to Others -- PL								
15. All Other Interexchange C & WF -- Message								
16. All Other Interexchange C & WF -- PL								
17. Distribution of Special IX Ckt Equipment								
Account 2230 - Central Office Equipment: Category 4 - Transmission Equipment								
18. Category 4.1 - Exchange Circuit Equipment								
19. Category 4.11 - Wideband								
20. Private Line		<u>Line 1</u>						
21. Message		<u>Line 2</u>						
22. Category 4.12 - Exchange Trunk Circuit Equipment								
23. Interoffice		<u>Line 4</u>						
24. Extended Area Service		<u>Line 5</u>						
25. Exchange Private Line		<u>Line 6</u>						
26. Category 4.13 - Exchange Line Circuit Equipment								
27. Special		<u>Records</u>						
28. Basic		<u>Line 7</u>						
29. ST - Category 4.1								
30. Category 4.2 - Interexchange Circuit Equipment								
31. Category 4.21 - IX Ckt. Eq. Furn. to Others		<u>Records</u>						
32. Category 4.22 - Wideband		<u>Line 3</u>						
33. Category 4.23 - Other								
34. Special		<u>Records</u>						
35. Basic		<u>Lines 8&amp;9</u>						
36. ST - Category 4.2								
37. Category 4.3 - Host-Remote Circuit Equipment		<u>Line 10</u>						
38. Total Account 2230, COE - Transmission								
39. Total Central Office Equipment								

Account/Category	Total Company Amount	Reference	MTS	Separated Amount			INTRASTATE	
				WATS	PL	EAS (Lcl)	Total Allocated	Allocation Ratios
<b>Separations Factors</b>								
1. Cable and Wire Facilities - Cat. 1.3								
2. Cable and Wire Facilities - Other								
3. Total Cable and Wire Facilities ( lines 1 & 2 )								
4. Information Origination/Termination Equipment								
5. Account 2210 - COE, Switching								
6. Account 2220 - COE, Operator Systems								
7. Account 2230 - COE, Transmission								
8. Total COE ( lines 5 through 7 )								
9. Total COE, IOT, C&WF excl. CAT 1.3 ( lines 2,4,8 )								
10. Total COE, IOT, C&WF ( lines 3 through 7 )								
11. Land and Support Assets (from below)								
12. CWF, IOT, COE, GSF (Lines 10 & 11)								
13. Equal Access Usage Factor								
14. Equal Access Investment (from below)								
15. Total Lines 12,14								
16. Distribution of Line 3								
17. Distribution of Line 4								
18. Distribution of Line 5								
19. Distribution of Line 6								
20. Distribution of Line 7								
21. Distribution of Line 8								
22. Distribution of Line 9								
23. Distribution of Line 10								
24. Distribution of Line 12								
25. Distribution of Line 15								
26. Account 2680 - Tangible Assets (from below)								
27. Account 2001 excluding Account 2690 (lines 12 & 26)								
28. Distribution of Line 27								
29. Account 2690 - Intangible Assets (from below)								
30. Total Account 2001 (lines 27 & 29)								
31. Distribution of Line 30								
<b>Account 2110 - Land and Support Assets</b>								
32. Land		<u>Line 23</u>						
33. Buildings		<u>Line 23</u>						
34. Motor Vehicles and Work Equipment		<u>Line 23</u>						
35. Aircraft		<u>Line 23</u>						
36. Other Communications Equipment		<u>Line 23</u>						
37. Furniture and Office Equipment		<u>Line 23</u>						
38. Total Account 2110 - Land and Support Assets								
<b>Equal Access Investment</b>								
39. Equal Access Investment		<u>Line 13</u>						
40. Total Equal Access Investment								
<b>Account 2680 - Tangible Assets</b>								
<b>Capital Leases and Leasehold Improvements</b>								
41. Related to Cable and Wire Facilities		<u>Line 16</u>						
42. Related to Info Orig/Term Equipment		<u>Line 17</u>						
43. Related to Central Office Equipment		<u>Line 21</u>						
44. Related to Land and Support Assets		<u>Line 23</u>						
45. Other		<u>Line 24</u>						
46. Total Account 2680 - Tangible Assets								
<b>Account 2690 - Intangible Assets</b>								
47. Organization		<u>Line 28</u>						
48. Franchises		<u>Line 28</u>						
49. Patents		<u>Line 28</u>						
50. Total Account 2690 - Intangible Assets								
51. Account 1220 - Materials and Supplies		<u>Line 16</u>						
52. Rural Telephone Bank Stock		<u>Line 31</u>						

Account/Category	Total Company Amount	Reference	MTS	Separated Amount			INTRASTATE	
				WATS	PL	EAS (Lcl)	Total Allocated	Allocation Ratios
<b>Separations Factors</b>								
1. Distribution of Account 2410 - Cable and Wire Facilities								
2. Distribution of Account 2310 - Info Orig/Term Equipment								
3. Distribution of Account 2210 - COE, Switching								
4. Distribution of Account 2220 - COE, Operator Systems								
5. Distribution of Account 2230 - COE, Transmission								
6. Distribution of Total Central Office Equipment								
7. Distribution of Account 2110 - Land and Support Assets								
8. Distribution of Account 2680 - Tangible Assets								
9. Distribution of Account 2690 - Intangible Assets								
10. Distribution of Account 2001								
<b>Account 2002 - Property Held for Future Use</b>								
11. Information Orig/Term Equipment		Line 2						
12. Switching Equipment		Line 3						
13. Operator Systems		Line 4						
14. Transmission Equipment		Line 5						
15. Cable and Wire Facilities		Line 1						
16. Land and Support Assets		Line 7						
17. Tangible Assets		Line 8						
18. Intangible Assets		Line 9						
19. Not Classified		Line 10						
20. Total Account 2002 - Property Held for Future Use								
<b>Account 2003 - Plant Under Construction, Short Term</b>								
21. Information Orig/Term Equipment		Line 2						
22. Switching Equipment		Line 3						
23. Operator Systems		Line 4						
24. Transmission Equipment		Line 5						
25. Cable and Wire Facilities		Line 1						
26. Land and Support Assets		Line 7						
27. Tangible Assets		Line 8						
28. Intangible Assets		Line 9						
29. Not Classified		Line 10						
30. Total Acct 2003 - Pl. Und. Constr., Short Term								
<b>Account 2004 - Plant Under Construction, Long Term</b>								
31. Information Orig/Term Equipment		Line 2						
32. Switching Equipment		Line 3						
33. Operator Systems		Line 4						
34. Transmission Equipment		Line 5						
35. Cable and Wire Facilities		Line 1						
36. Land and Support Assets		Line 7						
37. Tangible Assets		Line 8						
38. Intangible Assets		Line 9						
39. Not Classified		Line 10						
40. Total Acct 2004 - Pl. Und. Constr., Long Term								
<b>Account 2005 - Plant Acquisition Adjustment</b>								
41. Information Orig/Term Equipment		Line 2						
42. Switching Equipment		Line 3						
43. Operator Systems		Line 4						
44. Transmission Equipment		Line 5						
45. Cable and Wire Facilities		Line 1						
46. Land and Support Assets		Line 7						
47. Tangible Assets		Line 8						
48. Intangible Assets		Line 9						
49. Not Classified		Line 10						
50. Total Account 2005 - Plant Acquisition Adjust.								

Account/Category	Total Company Amount	Reference	MTS	Separated Amount			INTRASTATE	
				WATS	PL	EAS (Lcl)	Total Allocated	Allocation Ratios
<b>Separations Factors</b>								
1. Account 2410 - Cable and Wire Facilities								
2. Account 2310 - Info Orig/Term Equip								
3. Account 2210 - Switching Equipment								
4. Account 2220 - Operator Systems								
5. Account 2230 - Transmission Equipment								
6. Account 2110 - Land & Support Assets, ex. Land								
7. Account 2680 - Tangible Assets								
8. Account 2690 - Intangible Assets								
9. Account 2001 - Plant In Service								
10. Account 2002 - Property Held for Future Use								
11. Equal Access Investment								
<b>Account 3100 - Accumulated Depreciation on Plant in Service</b>								
12. Cable and Wire Facilities		Line 1						
13. Info Orig/Term Equip		Line 2						
14. Switching Equipment		Line 3						
15. Operator Systems		Line 4						
16. Transmission Equipment		Line 5						
17. Land and Support Assets		Line 6						
18. Not Classified		Line 9						
19. Total Account 3100 - Accumulated Depreciation								
<b>Account 3200 - Accumulated Depr. on Property Held for Future Use</b>								
20. Property Held for Future Use		Line 10						
<b>Account 3400 - Accumulated Amortization on Tangible Assets</b>								
21. Tangible Assets		Line 7						
<b>Account 3500 - Accumulated Amortization on Intangible Assets</b>								
22. Intangible Assets		Line 8						
<b>Equal Access Investment Reserves</b>								
23. Equal Access Investment Reserves		Line 11						
<b>Account 3600 - Other Accumulated Amortization</b>								
24. Cable and Wire Facilities		Line 1						
25. Info Orig/Term Equip		Line 2						
26. Switching Equipment		Line 3						
27. Operator Systems		Line 4						
28. Transmission Equipment		Line 5						
29. Land and Support Assets		Line 6						
30. Not Classified		Line 9						
31. Total Account 3600 - Other Accumulated Amort.								
<b>Account 4100 - Net Current Accum. Def. Inc. Taxes</b>								
32. Cable and Wire Facilities		Line 1						
33. Info Orig/Term Equip		Line 2						
34. Switching Equipment		Line 3						
35. Operator Systems		Line 4						
36. Transmission Equipment		Line 5						
37. Land and Support Assets		Line 6						
38. Not Classified		Line 9						
39. Total Account 4100 - Net Current ADIT								
<b>Account 4340 - Net Non-current Acc. Def. Inc. Tax</b>								
40. Cable and Wire Facilities		Line 1						
41. Info Orig/Term Equip		Line 2						
42. Switching Equipment		Line 3						
43. Operator Systems		Line 4						
44. Transmission Equipment		Line 5						
45. Land and Support Assets		Line 6						
46. Not Classified		Line 9						
47. Total Account 4340 - Net Non-current ADIT								
48. Account 4310 - OPEB		Pg 8, Ln 25						

Docket No. 15-TWVT-213-AUD, Section 12(i) For the Year Ending 12/31/2014		Total Company Amount	Reference	MTS	Separated Amount			INTRASTATE	
Account/Category					WATS	PL	EAS (Lcl)	Total Allocated	Allocation Ratios
<b>Separations Factors</b>									
1. Distribution of Account 2410 - Cable and Wire Facilities									
2. Distribution of Account 2310 - Info Orig/Term Equipment									
3. Distribution of Account 2210 - COE, Switching									
4. Distribution of Account 2220 - COE, Operator Systems									
5. Distribution of Account 2230 - COE, Transmission									
6. Distribution of Total Central Office Equipment									
7. Distribution of COE, IOT, CWF									
8. Distribution of Account 2110 - Land and Support Assets									
9. Distribution of Equal Access Investment									
10. Distribution of Account 2001									
<b>Plant Specific Expenses</b>									
11. Account 6110 - Network Support Expense			Line 8						
12. Account 6110 - Network Support Expense (Direct Assignments)			Records						
13. Total Account 6110 - Network Support Expense									
14. Account 6120 - General Support Expense			Line 8						
15. Account 6120 - General Support Expense (Direct Assignments)			Records						
16. Total Account 6120 - General Support Expense									
17. Account 6210 - Switching Expense			Line 6						
18. Account 6220 - Operator Systems Expense			Line 6						
19. Account 6230 - Transmission Expense			Line 6						
20. Account 6310 - Info Orig/Term Expense									
21. Other Info Orig/Term Equipment			Line 2						
22. New Info Orig/Term Equipment			Direct						
23. Total Account 6310 - Info Orig/Term Expense									
24. Account 6410 - Cable and Wire Facilities Exp.			Line 1						
25. Total Plant Specific Operations Expense									
<b>Plant Non-Specific Expenses</b>									
26. Account 6510 - Other Prop., Plant and Eq. Exp.			Line 10						
27. Account 6510 - Other Prop., Plant and Eq. Exp. (Direct Assignments)			Records						
28. Total Account 6510 - Other Prop., Plant and Eq. Exp.									
29. Account 6530 - Network Operations Expense			Line 7						
30. Account 6530 - Network Operations Expense (Direct Assignments)			Records						
31. Total Account 6530 - Network Operations Expense									
32. Account 6540 - Access Expense			Records						
33. Total Plant Non-Specific Operations Expense									
<b>Equal Access Expense</b>									
34. Equal Access Expense			Line 9						

Account/Category	Total Company Amount	Reference	MTS	Separated Amount			INTRASTATE	
				WATS	PL	EAS (Lcl)	Total Allocated	Allocation Ratios
<b>Separations Factors</b>								
1. Account 2410 - Cable and Wire Facilities								
2. Account 2310 - Info Orig/Term Equip								
3. Account 2210 - Switching Equipment								
4. Account 2220 - Operator Systems								
5. Account 2230 - Transmission Equipment								
6. Account 2110 - Land & Support Assets, ex. Land								
7. Account 2680 - Tangible Assets								
8. Account 2690 - Intangible Assets								
9. Account 2001 - Plant In Service								
10. Account 2002 - Property Held for Future Use								
11. Equal Access Investment								
<b>Account 6560 - Depreciation Expense</b>								
12. Cable and Wire Facilities		<u>Line 1</u>						
13. Info Orig/Term Equip		<u>Line 2</u>						
14. Switching Equipment		<u>Line 3</u>						
15. Operator Systems		<u>Line 4</u>						
16. Transmission Equipment		<u>Line 5</u>						
17. Land and Support Assets		<u>Line 6</u>						
18. Not Classified		<u>Line 9</u>						
19. Total Account 6560 - Depreciation Expense								
20. Equal Access Depreciation and Amortization		Line 11						
<b>Account 6560 - Amortization of Plant in Service</b>								
21. Cable and Wire Facilities		Line 1						
22. Info Orig/Term Equip		Line 2						
23. Switching Equipment		Line 3						
24. Operator Systems		Line 4						
25. Transmission Equipment		Line 5						
26. Land and Support Assets		Line 6						
27. Tangible Assets		Line 7						
28. Intangible Assets		Line 8						
29. Not Classified		Line 9						
30. Total Account 6560 - Amort. of Plant in Service								
<b>Account 6560 - Amortization of Acquisition Adjustment</b>								
31. Cable and Wire Facilities		Line 1						
32. Info Orig/Term Equip		Line 2						
33. Switching Equipment		Line 3						
34. Operator Systems		Line 4						
35. Transmission Equipment		Line 5						
36. Land and Support Assets		Line 6						
37. Not Classified		Line 9						
38. Total Account 6560 - Amort. of Acquisition Adj.								

Docket No. 15-TWVT-213-AUD, Section 12(ii) For the Year Ending 12/31/2014		Total Company Amount	Separation Factor	Separated Amount			INTRASTATE		
Account/Category				MTS	WATS	PL	EAS (Lcl)	Total Allocated	Allocation Ratios
Separations Factors									
1. Billing, excluding Connecting Company									
2. Weighted Standard Work Seconds									
3. Subscriber Line Usage (SLU)									
4. Weighted End User Service Orders									
5. End User Billed Revenue incl Access									
6. Weighted End User Bill Inquiry									
7. Weighted IX Carrier Service Orders									
8. IX Carrier Billed Revenue									
9. Weighted IX Carrier Bill Inquiry									
10. Coin Revenue									
11. Messages Processed									
12. Revenue Accounting Users									
13. OB&C Factor									
14. Other Services, Categories 1 and 2									
15. Other Investment									
16. IO/T, C&WF, COE, Gen Sup, Eq Acc (69.309)									
17. Distribution of Line 16									
18. Billed End User Toll Revenue									
19. IO/T, C&WF, COE (SW, INF, TR, SA, EA)									
20. Distribution of Line 19									
21. Acct 6620 ex Other Svcs. Cat. 3									
Account 6610 - Marketing Expense									
22. Account 6610 - Marketing Expense			Line 1						
Account 6620 - Services Expense									
23. Operator Services			Line 2						
24. Directory Services									
25. Classified			Direct						
26. Alphabetized			Line 3						
27. Other			Records						
28. Other Services									
29. Cat. 1 - Local Business Office									
30. End User Service Order Processing			Line 4						
31. End User Payment & Collection			Line 5						
32. End User Bill Inquiry			Line 6						
33. IXC Service Order Processing			Line 7						
34. IXC Payment & Collection			Line 8						
35. IXC Bill Inquiry			Line 9						
36. Coin Collection & Administration			Line 10						
37. Cat. 2 - Customer Services (Rev. Acctg.)									
38. Message Processing			Line 11						
39. Other Billing and Collecting			Records						
40. End User Access Billing			Records						
41. Carrier Access Billing			Records						
42. Cat. 3 - Other Services			Line 14						
43. Total Account 6620 - Services Expense									
44. Total Customer Operations Expense									



For the Year Ending 12/31/2014							INTRASTATE	
Account/Category	Total Company Amount	Separation Factor	MTS	Separated Amount WATS	PL	EAS (Lcl)	Total Allocated	Allocation Ratios
<b>Separations Factors</b>								
1. Account 2001 - Plant in Service								
2. Net Telephone Plant								
3. Plant Under Construction								
4. Plant Spec. Ops. Exp., excl. Gen. & Ntwk. Sup.								
5. Network Operations Expense								
6. Customer Operations Expense								
7. Big 3 Expense (Lines 4 thru 6)								
8. Distribution of Line 7								
<b>Access Factors</b>								
9. Plant Specific Operations Expense								
10. Plant Non-specific Operations Expense								
11. Customer Operations Expense								
12. Big 3 Expense (Lines 9 thru 11)								
13. Distribution of Line 12								
14. IO/T, C&WF, COE, Gen. Supp., & Equal Access								
15. Account 2001 - Plant in Service (IX Carrier)								
16. Distribution of Line 23								
<b>Account 6710 - Executive and Planning Expense</b>								
17. Account 6710 - Executive and Planning Expense		Line 8						
18. Account 6710 - Executive and Planning Expense (Directly Assigned)		Records						
19. Total Account 6710 - Exec. & Planning Expense								
<b>Account 6720 - General and Admin. Expense</b>								
20. Account 6720 - General and Admin. Expense		Line 8						
21. Account 6720 - General and Admin. Expense (Directly Assigned)		Records						
22. Account 6720 - General and Admin. Expense								
23. Total Corporate Operations Expense								
<b>Account 7200 - Other Operating Taxes</b>								
24. Payroll Taxes		Line 1						
25. Gross Receipts Taxes		Line 1						
26. Ad Valorem Taxes		Line 1						
27. Other Taxes		Line 1						
28. Total Account 7200 - Other Operating Taxes								
<b>Other Expenses</b>								
29. Account 7370 - Special Charges (Allowed Portion Only)		Line 16						
30. Account 7540 - Interest on Customer Deposits		Line 2						
31. Total Other Expenses								
<b>Uncollectible Revenue</b>								
32. End Users		Records						
33. IX Carriers		Records						
34. Total Uncollectibles								

Twin Valley Telephone, Inc.  
Kansas Universal Service Fund Support Audit  
Docket No. 15-TWVT-213-AUD

K.A.R. 82-1-231 (c) (4) (L) Section 12(iii)

Summary of 2014 Cost Study Telephone Plant Adjustments

Acct #	Description	TPA #1 12/31/2014	TPA #2 12/31/2014	TPA #3 12/31/2014	TPA #4 12/31/2014	TPA #5 12/31/2014	TPA #6 12/31/2014	TPA #7 12/31/2014	TPA #8 12/31/2014	TPA #9 12/31/2014	TPA #10 12/31/2014	Total TPAs 12/31/2014	Balance Used in
<b>Assets</b>													
1	Cash and cash equivalents				\$ (458,526)							\$ (458,526)	
2	2111 Land	\$ (58,471)										(58,471)	Sec 4(i) Ln 1
3	2112 Vehicles			\$ (141,367)								(141,367)	Sec 4(i) Ln 2
4	2116 Other work equipment			(133,171)								(133,171)	Sec 4(i) Ln 5
5	2121 Buildings	(669,951)										(669,951)	Sec 4(i) Ln 6
6	2122 Furniture		\$ (64,127)									(64,127)	Sec 4(i) Ln 7
7	2123 Office equipment		(32,617)									(32,617)	Sec 4(i) Ln 8
8	2124 General purpose computers		(95,672)									(95,672)	Sec 4(i) Ln 9
9	2212 Central office equipment - switching										\$ (614,626)	(614,626)	Sec 4(i) Ln 11
10	2232 Central office equipment - circuit									\$ (53,167)	614,626	561,459	Sec 4(i) Ln 13
11	2311 Station Apparatus											-	Sec 4(i) Ln 15
12	2423 Buried Fiber Optic Cable											-	Sec 4(i) Ln 23
13	2424 Fiber Optic Cable							\$ (372,355)				(372,355)	Sec 4(i) Ln 24
14	2441 Conduit Systems											-	Sec 4(i) Ln 25
15	2681 Capital Leases				458,526							-	Sec 4(i) Ln 27
16	CWC Cash working capital											458,526	Sec 4(i) Ln 41
17	2003 Telephone Plant Under Construction											-	Sec 4(i) Ln 35
<b>Accumulated Depreciation</b>													
18	3100.1406 Non-regulated investments											-	
19	3100.2112 Vehicles			141,367								141,367	Sec 5(i) Ln 2
20	3100.2116 Other work equipment			133,171								133,171	Sec 5(i) Ln 3
21	3100.2121 Buildings	463,817										463,817	Sec 5(i) Ln 4
22	3100.2122 Furniture		64,127									64,127	Sec 5(i) Ln 5
23	3100.2123 Office equipment		32,617									32,617	Sec 5(i) Ln 6
24	3100.2124 General purpose computers		95,672									95,672	Sec 5(i) Ln 7
25	3100.2212 Central office equipment - switching										532,823	532,823	Sec 5(i) Ln 9
26	3100.2232 Central office equipment - circuit									33,027	(532,823)	(499,795)	Sec 5(i) Ln 11
27	3100.2311 Station Apparatus											-	Sec 5(i) Ln 13
28	3100.2424 Fiber Optic Cable							247,783				247,783	Sec 5(i) Ln 18
29	3100.2681 Capital Leases											-	Sec 5(i) Ln 22
<b>Deferred Taxes and Retained Earnings</b>													
30	4300.2112 Vehicles											-	Sec 4(i) Ln 37
31	4300.2116 Other work equipment											-	Sec 4(i) Ln 37
32	4300.2121 Buildings	9,437										9,437	Sec 4(i) Ln 37
33	4300.2122 Furniture											-	Sec 4(i) Ln 37
34	4300.2123 Office equipment											-	Sec 4(i) Ln 37
35	4300.2124 General purpose computers											-	Sec 4(i) Ln 37
36	4300.2212 Digital Switching										3,745	3,745	Sec 4(i) Ln 37
37	4300.2232 Circuit Equipment										(3,745)	(3,745)	Sec 4(i) Ln 37
38	4300.2311 Station Apparatus											-	Sec 4(i) Ln 37
39	4300.2424 Fiber Optic cable							5,703				5,703	Sec 4(i) Ln 37
40	4300.2681 Capital Leases											-	Sec 4(i) Ln 37
41	4300.XXXX Deferred Taxes					\$ (1,592,659)						(1,592,659)	Sec 4(i) Ln 37
42	4310.1100 OPEB						\$ 423,850		\$ (77,072)			346,777	Sec 4(i) Ln 36
43	1406 Nonregulated Investment	255,167						118,869		20,140		394,176	
44	4500 Retained earnings					1,592,659	(423,850)		77,072			1,245,882	
(Sum of lines 1 through 44)		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	

Telephone Plant Adjustments (TPAs):

- #1 To reclassify land and building investment associated with inside employees non-regulated activities
- #2 To reclassify investment in general support assets associated with inside employees non-regulated activities
- #3 To reclassify investment associated with outside employees non-regulated activities
- #4 To record the allowance for Cash Working Capital
- #5 To record off book deferred taxes
- #6 To adjust other post employment benefits
- #7 To remove C&WF leased to KFN
- #8 To removed non-regulated OPEB
- #9 To remove non-regulated COE equipment
- #10 To move common power and other per COE studies

Twin Valley Telephone, Inc.  
Kansas Universal Service Fund Support Audit  
Docket No. 15-TWVT-213-AUD

K.A.R. 82-1-231 (c) (4) (L) Section 12(iii)

Summary of 2014 Cost Study - Separations Study Adjustments

Acct #	Description	SSA #1 12/31/2014	SSA #2 12/31/2014	SSA #3 12/31/2014	SSA #4 12/31/2014	SSA #5 12/31/2014	SSA #6 12/31/2014	SSA #7 12/31/2014	SSA #8 12/31/2014	SSA #9 12/31/2014	SSA #10 12/31/2014	SSA #11 12/31/2014	SSA #12 12/31/2014	SSA #13 12/31/2014	SSA #14 12/31/2014	SSA #15 12/31/2014	SSA #16 12/31/2014	SSA #17 12/31/2014	SSA #18 12/31/2014	Total SSAs 12/31/2014	Balance Used In
<b>Revenue &amp; Expenses</b>																					
45	5000 Local Service Revenue																			\$ -	Sec 9 Line 1
46	5001.51 Basic Area Revenue - Access Lines																			-	Sec 9 Line 1
47	5050.6 Customer Premise Revenue																			-	Sec 9 Line 1
48	5069.2 Other Local Exchange Revenue																			-	Sec 9 Line 1
49	5069.21 Other Local Exchange Revenue																			-	Sec 9 Line 1
50	5280 Nonregulated Operating Revenue												\$ (202,981)							(202,981)	
51	5700 Nonregulated Wireless Revenue																	\$ (202,023)		(202,023)	
52	6000 Television Expense																	\$ (139,994)		(139,994)	
53	6070 Wireless Expense																	\$ (162,794)		(162,794)	
54	6112 Motor Vehicles																			-	Sec 9 Line 11
55	6116 Other Work Equipment																			-	Sec 9 Line 11
56	6121 Land and Building Expense	\$ (25,223)										\$ (1,553)								(26,776)	Sec 9 Line 12
57	6122 Furniture/Artwork Expense		\$ (328)									(13)								(341)	Sec 9 Line 12
58	6123 Office Equipment											(150)								(3,832)	Sec 9 Line 12
59	6124 General Purpose Computers											(612)								(14,985)	Sec 9 Line 12
60	6212 Switching Expense											(1,343)								(1,343)	Sec 9 Line 13
61	6232 Circuit Expense											(10,761)								(10,761)	Sec 9 Line 14
62	6311 Station Apparatus Expense																			-	Sec 9 Line 15
63	6423 Buried Cable Expense														\$ (7,116)					(10,498)	Sec 9 Line 16
64	6351 Public telephone equipment exp												(3,382)							-	Sec 9 Line 15
65	6531 Power Expense												(1,275)							(1,275)	Sec 9 Line 19
66	6533 Testing Expense												(635)							(635)	Sec 9 Line 19
67	6534 Plant Oper. Admin. Expense												(4,586)							(4,586)	Sec 9 Line 19
68	6541 Access Expense								\$ 10,727											10,727	Sec 9 Line 20
69	6561.2112 Depr. Expense - Motor Vehicles																			-	Sec 10 Line 2, Sec 9 Line 21
70	6561.2116 Depr. Expense - Other Work Equip.																			-	Sec 10 Line 3, Sec 9 Line 21
71	6561.2121 Depr. Expense - Buildings - Other	(30,881)																		(32,782)	Sec 10 Line 4, Sec 9 Line 21
72	6561.2122 Depr. Expense - Office Furniture		(3,622)									(1,901)								(3,769)	Sec 10 Line 5, Sec 9 Line 21
73	6561.2123 Depr. Expense - Office Equipment		(644)									(147)								(670)	Sec 10 Line 6, Sec 9 Line 21
74	6561.2124 Depr. Expense - Gen Pur Comp.											(26)								-	Sec 10 Line 7, Sec 9 Line 21
75	6561.2212 Depr. Expense - Digital Switching											(1,443)								(53,375)	Sec 10 Line 9, Sec 9 Line 21
76	6561.223 Depr. - Transmission Equipment											(2,244)		\$ (8,257)			\$ (51,931)			41,431	Sec 10 Line 11, Sec 9 Line 21
77	6561.2423 Depr. Expense - Buried Cable											(2,364)					51,931			(2,364)	Sec 10 Line 17, Sec 9 Line 21
78	6561.2424 Depr. Expense - Fiber Optic Cable											(20,418)			(21,007)					(41,425)	Sec 10 Line 18, Sec 9 Line 21
79	6610 Marketing Expense												(3,626)							(95,166)	Sec 9 Line 24
80	6622 Directory Assistance											(110)								(2,877)	Sec 9 Line 26
81	6623 Services Expense												(4,305)							(112,979)	Sec 9 Line 27
82	6710 Executive																			-	Sec 9 Line 29
83	6720 Other General and Admin											(8,650)							(116,412)	(125,062)	Sec 9 Line 30
84	6728.19 Nonbusiness Expense																			-	
85	6728.6 Other General and Administrative																			-	
86	7100 Other Operating Income & Expense																	(167,186)		(167,186)	Sec 11(ii & iii) Ln 4
87	7220 Operating FIT						\$ 780,951													780,951	Sec 9 Line 34, Sec 11(i) Line 1
88	7230 Operating SIT/Local Tax						189,392													189,392	Sec 9 Line 35, Sec 11(i) Line 2
89	7240 Operating and Other Taxes	(9,302)	(2,532)	\$ (3,613)																(15,446)	Sec 9 Line 36, Sec 11(i) Line 3
90	7250 Deferred Operating FIT/SIT/Lcd							\$ 123,914												123,914	Sec 9 Line 34, Sec 11(i) Line 4
91	7360 Other Nonoperating Income																			-	
92	7370 Special Charges																	(5,553)		(5,553)	Sec 9 Line 39
93	75XX Fixed Charges					\$ (2,980)														(2,980)	Sec 11(ii & iii) Ln 8, Sec 6(i) Line
94	7990 Non-Regulated - Revenue											(74,853)								294,356	
95	7990 Non-Regulated - Expense	65,407	25,183	3,613		2,980						(5,311)		8,257	28,123			369,209.02	308,341	116,412	553,004
96	4550 Retained Earnings						(970,343)	(123,914)		(10,727)										(1,104,984)	
97	Revenue Netting Offset*											149,707	405,961							555,668	
(Sum of lines 45 through 97)		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Separations Study Adjustments (SSAs):

- #1 To allocate a portion of land and building expense to non-regulated activities
- #2 To allocate a portion of general support asset expense to non-regulated activities
- #3 To allocate a portion of general support asset expense to non-regulated activities
- #4 To remove non-regulated expense from the rate base
- #5 To reclassify a portion of interest expense to non-operating
- #6 To record imputed income taxes
- #7 To record provision for off book deferred taxes
- #8 To adjust AFUDC to non-regulated
- #9 To adjust USAC expense based on NECA Procedures
- #10 To adjust property tax for Kansas K-36 tax credit
- #11 To remove expenses related to Kan-Ed lease
- #12 To remove non-regulated revenues and expenses related to TVC activities
- #13 To remove depreciation of non-regulated COE equipment
- #14 To remove expenses associated with KFN lease
- #15 To amortize special charges
- #16 To move depreciation associated with common power and other
- #17 To move non-regulated revenues and expenses

6610 Marketing Expense  
6623 Services Expense

Twin Valley Telephone, Inc.  
Kansas Universal Service Fund Support Audit  
Docket No. 15-TWVT-213-AUD

K.A.R. 82-1-231 (c) (4) (G) Section 12(v):

Supporting Documentation

- 1 Jurisdictional separations study with Intrastate allocations
- 2 Regulated/nonregulated and other separations cost study adjustments are provided in DR 47
- 3 Narrative of regulated/nonregulated allocations
- 4 Agreement between TVT and TVC
- 5 Agreement between TVT and ISG
- 6 Floor Space Agreement
- 7 TVC - Switching Cost Study
- 8 TVC Customer Service and Billing Cost Study
- 9 Chart of Accounts

# **NECA COST STUDY**

REDACTED

TWIN VALLEY TELEPHONE, INC. (ALL EXCHANGES)  
 COST STUDY FOR THE YEAR ENDED DECEMBER 31, 2014  
 INTERSTATE PART 36 PREPARED 4/6/2015

Account/Category	(a) Total Amount	(b)	(c) INTERSTATE		(e) Intrastate w/ Local	(f)	(g) Total Allocated LDI
			MTS/WATS	PL			
1. Rate Base							
2. Rate of Return							
3. Return on Rate Base							
4. Interest During Construction							
5. ITC and Excess Deferred Tax Amortization							
6. Other Adjustments							
7. Net Return							
14. State Income Tax							
15. Federal Income Tax							
16. Operating Expenses							
17. Uncollectibles							
18. Revenue Requirement (Pre-MAG)							
MAG SHIFT FOR JANUARY THROUGH JUNE 2014							
19. Line Port Shift							
20. TIC Allocation							
21. Revenue Requirement After MAG Adjustment							
MAG SHIFT FOR JULY THROUGH DECEMBER 2014							
22. Frozen Line Port Shift							
23. Frozen TIC Allocation							
24. Revenue Requirement After Frozen CAF							
25. Revenue Requirement After MAG Allocation							

TWIN VALLEY TELEPHONE, INC. (ALL EXCHANGES)  
COST STUDY FOR THE YEAR ENDED DECEMBER 31, 2014  
INTERSTATE PART 36 PREPARED 4/6/2015

INTERSTATE PART 36 PREPARED 4/6/2015

Account/Category	(a)	(b)	(c)		(d)	(e)	(f)	(g)
	Total Amount	Page Reference	INTERSTATE		Intrastate w/ Local	Page Reference	Total Allocated LDI	
			MTS/WATS	PL				
<b>Account 2001 - Plant in Service:</b>								
1. Account 2410 - Cable and Wire Facilities		Page 5					Page 5	
2. Account 2310 - Information Orig/Term Equip		Page 6					Page 6	
3. Account 2210 - Switching Equipment		Page 6					Page 6	
4. Account 2220 - Operator Systems		Page 6					Page 6	
5. Account 2230 - Transmission Systems		Page 7					Page 7	
6. Account 2110 - Land and Support Assets		Page 8					Page 8	
7. Account 2680 - Tangible Assets		Page 8					Page 8	
8. Account 2690 - Intangible Assets		Page 8					Page 8	
9. Total Account 2001 - Plant in Service								
11. Equal Access Investment		Page 8					Page 8	
12. Account 2002 - Property Held for Future Use		Page 9					Page 9	
13. Account 2003 - Plt. Und. Const., Short Term		Page 9					Page 9	
14. Account 2004 - Plt. Und. Const., Long Term		Page 9					Page 9	
15. Account 2005 - Plant Acquisition Adjustment		Page 9					Page 9	
16. Account 1220 - Materials and Supplies		Page 8					Page 8	
17. Rural Telephone Bank Stock		Page 8					Page 8	
18. Cash Working Capital		Note 1					Note 1	
19. Gross Rate Base								
20. Account 3100 - Accumulated Depreciation		Page 10					Page 10	
21. Account 3200 - Deprec. on Prop. Held for Fut. Use		Page 10					Page 10	
22. Account 3400 - Accumulated Amort. on Tang. Assets		Page 10					Page 10	
23. Account 3500 - Accumulated Amort. on Intangibles		Page 10					Page 10	
24. Account 3600 - Other Accumulated Amortization		Page 10					Page 10	
25. Account 4040 - Customer Deposits		Note 2					Note 2	
26. Account 4100 - Current Deferred Income Taxes		Page 10					Page 10	
27. Account 4310 - OPEB		Page 10					Page 10	
28. Account 4340 - Non-current Deferred Income Tax		Page 10					Page 10	
29. Equal Access Reserves		Page 10					Page 10	
30. Total Reserves								
31. Net Rate Base								

Note 1 : Separated based upon total expense less non-cash items. Allocated based upon "Other Investment" (Part 69.309)

Note 2 : Allocated based upon relative Telephone Plant in Service

TWIN VALLEY TELEPHONE, INC. (ALL EXCHANGES)  
COST STUDY FOR THE YEAR ENDED DECEMBER 31, 2014  
INTERSTATE PART 36 PREPARED 4/6/2015

Account/Category	(a)	(b)	(c)		(d)	(e)	(f)	(g)
	Total Amount	Page Reference	INTERSTATE		Intrastate w/ Local	Page Reference	Total Allocated LDI	
			MTS/WATS	PL				
<b><u>Plant Specific Operations Expense:</u></b>								
1. Account 6110 - Network Support Expense		Page 11				Page 11		
2. Account 6120 - General Support Expense		Page 11				Page 11		
3. Account 6210 - Switching Expense		Page 11				Page 11		
4. Account 6220 - Operator Systems Expense		Page 11				Page 11		
5. Account 6230 - Transmission Expense		Page 11				Page 11		
6. Account 6310 - Info Orig/Term Expense		Page 11				Page 11		
7. Account 6410 - Cable and Wire Facilities Exp.		Page 11				Page 11		
8. Total Plant Specific Operations Expense								
<b><u>Plant Non-Specific Expense:</u></b>								
9. Account 6510 - Oth. Prop., Plt. and Eq. Exp.		Page 11				Page 11		
10. Account 6530 - Network Operations Expense		Page 11				Page 11		
11. Account 6540 - Access Expense		Page 11				Page 11		
12. Account 6560 - Deprec. of Plant in Service		Page 12				Page 12		
13. Account 6560 - Amort. of Plant in Service		Page 12				Page 12		
14. Account 6560 - Amortization of Acq. Adj.		Page 12				Page 12		
15. Equal Access Expense		Page 11				Page 11		
18. Total Plant Non-Specific Operations Expense								
<b><u>Customer Operations Expense:</u></b>								
19. Account 6610 - Marketing Expense		Page 13				Page 13		
20. Account 6620 - Services Expense		Page 13				Page 13		
21. Total Customer Operations Expense								
<b><u>Corporate Operations Expense:</u></b>								
22. Account 6710 - Exec. and Planning Expense		Page 14				Page 14		
23. Account 6720 - General and Admin. Expense		Page 14				Page 14		
24. Total Corporate Operations Expense								
25. Account 7100 - Other Expenses		Page 14				Page 14		
<b><u>Other Operating Taxes</u></b>								
27. Account 7200 - Other Operating Taxes		Page 14				Page 14		
<b><u>Other Expenses</u></b>								
28. Account - 7370 Special Charges (Allowed Portion Only)		Page 14				Page 14		
29. Account - 7540 Interest on Customer Deposits		Page 14				Page 14		
30. Total Other Expenses								
31. Total Operating Expense excluding Income Taxes								



TWIN VALLEY TELEPHONE, INC. (ALL EXCHANGES)  
COST STUDY FOR THE YEAR ENDED DECEMBER 31, 2014  
INTERSTATE PART 36 PREPARED 4/6/2015

Account/Category	(a) Total Amount	(b) Page Reference	(c)		(d)	(e)	(f)	(g)
			INTERSTATE			Intrastate w/ Local	Access Factor	Total Allocated LDI
<b>Separations Factors</b>			MTS/WATS	PL				
1. Account 2001 - Plant in Service								
2. Net Telephone Plant								
3. Plant Under Construction								
4. Plant Spec. Ops. Exp., excl. Gen. & Ntwk. Sup.								
5. Network Operations Expense								
6. Customer Operations Expense								
7. Big 3 Expense (Lines 4 thru 6)								
8. Distribution of Line 7								
<b>Access Factors</b>								
9. Plant Specific Operations Expense								
10. Plant Non-specific Operations Expense								
11. Customer Operations Expense								
12. Big 3 Expense (Lines 9 thru 11)								
13. Distribution of Line 12								
14. IO/T, C&WF, COE, Gen. Supp., & Equal Access								
15. Account 2001 - Plant in Service (IX Carrier)								
<b>Income Adjustments for Taxes</b>								
16. ITC Amortization		Line 1					Line 14	
17. Excess Deferred Tax Amortization		Line 1					Line 14	
18. Fixed Charges		Line 2					Line 14	
19. Depreciation Adjustment		Line 2					Line 14	
20. Allowance for Funds Used During Construction		Line 3					Line 14	
21. Other Adjustments for Income Taxes		Line 2					Line 14	
22. Total Income Adjustments								

TWIN VALLEY TELEPHONE, INC. (ALL EXCHANGES)  
COST STUDY FOR THE YEAR ENDED DECEMBER 31, 2014  
INTERSTATE PART 36 PREPARED 4/6/2015

Account/Category	(a) Total Amount	(b) Separation Factor	(c) INTERSTATE		(e) Intrastate w/ Local	(f) Access Factor	(g) Total Allocated LDI
			MTS/WATS	PL			
<b>Separations Factors</b>							
1. Working Loop Distribution							
2. IX CM Distribution							
3. HR MOUM Distribution							
4. Basic NTS Factor							
5. Wideband MMM Factor							
6. CMM Factor							
7. Wideband MOU Factor							
8. Interoffice MOU Factor							
<b>Access Factors</b>							
9. Equivalent Loops for Outside Plant Cat. 1.33							
10. Distribution of IX Wideband C & WF -- Message							
11. Distribution of IX Wideband C & WF -- PL							
12. Distribution of IX C & WF Provided to Others -- Message							
13. Distribution of IX C & WF Provided to Others -- PL							
14. Distribution of All Other IX C & WF -- Message							
15. Distribution of All Other IX C & WF -- PL							
<b>Account 2410 - Category 1: Exchange Line C &amp; WF excluding Wideband</b>							Line 9 & Direct
16. Exchange Line C & WF		Lines 1&4					
17. Account 2410, C and WF - Category 1							
<b>Account 2410 - Category 2: Wideband and Exchange Trunk C &amp; WF</b>							Direct Direct Direct N/A Direct
18. Wideband PL C & WF		Records					
19. Wideband Message C & WF		Line 7					
20. Interoffice C & WF		Line 8					
21. Extended Area Service C & WF		Direct					
22. Exchange PL C & WF		Records					
23. Account 2410, C & WF - Category 2							
<b>Account 2410 - Category 3: Interexchange C &amp; WF including Wideband</b>							Lns 10&11 Lns 12&13 Lns 14&15
24. Wideband Interexchange C & WF		Line 5					
25. Interexchange C & WF Provided to Others		Direct					
26. All Other Interexchange C & WF		Lines 2&6					
27. Account 2410, C & WF - Category 3							
<b>Account 2410 - Category 4: Host-Remote C &amp; WF</b>							Direct
28. Host-Remote C & WF - Excluding WATS		Line 3					
29. Account 2410, C & WF - Category 4							
30. Total Account 2410, Cable and Wire Facilities							

TWIN VALLEY TELEPHONE, INC. (ALL EXCHANGES)  
COST STUDY FOR THE YEAR ENDED DECEMBER 31, 2014  
INTERSTATE PART 36 PREPARED 4/6/2015

INTERSTATE PART 36	PREPARED 4/6/2015	(a) Total Amount	(b) Separation Factor	(c) INTERSTATE		(d) PL	(e) Intrastate w/ Local	(f) Access Factor	(g) Total Allocated LDI
Account/Category					MTS/WATS				
Separations Factors									
1. Basic NTS Factor									
2. Weighted Standard Work Seconds									
3. Tandem Switching MOU									
4. Local Switching Factor									
5. Service Observation Board Factor									
Access Factors									
6. Equivalent Access Lines for Station Equipment									
7. Distribution of Category 2 Central Office Equipment									
8. Weighted Standard Work Seconds									
9. Central Office Equipment Categories 2 and 3, and Other Cat. 1									
Account 2310 - Information Origination/Termination Equipment									
10. Category 1 - Other Info Orig/Term Equipment									
11. Pay Telephone				Line 1				Direct	
12. Other				Line 1				Line 6	
13. Category 2 - New Customer Premises Equipment				Direct				N/A	
14. Total Account 2310 - Info Orig/Term Equipment									
Account 2210 - Central Office Equipment: Switching									
15. Category 2 - Tandem Switching Equipment				Line 3				Line 7	
16. Category 3 - Local Switching Equipment				Line 4				Direct	
17. Total Account 2210, COE - Switching									
Account 2220 - Central Office Equipment: Operator Systems									
18. Category 1 - Operator Systems									
19. Service Observation Boards				Line 5				Line 9	
20. All Other				Line 2				Line 8	
21. Total Account 2220, COE - Operator Systems									

TWIN VALLEY TELEPHONE, INC. (ALL EXCHANGES)  
COST STUDY FOR THE YEAR ENDED DECEMBER 31, 2014  
INTERSTATE PART 36 PREPARED 4/6/2015

Account/Category	(a) Total Amount	(b) Separation Factor	(c) INTERSTATE		(e) Intrastate w/ Local	(f) Access Factor	(g) Total Allocated LDI
			MTS/WATS	PL			
<b>Separations Factors</b>							
1. Wideband PL Exchange C & WF							
2. Wideband Message Exchange C & WF							
3. Wideband Interexchange C & WF							
4. Interoffice C & WF							
5. Extended Area Service C & WF							
6. Exchange Private Line C & WF							
7. Exchange Line C & WF Excluding Wideband							
8. Conversation Minute Factor							
9. Interexchange Circuit Terminations Factor							
10. Host-Remote Cable & Wire Facilities							
<b>Access Factors</b>							
11. Interexchange Wideband C & WF -- Message							
12. Interexchange Wideband C & WF -- PL							
13. Interexchange C & WF Provided to Others -- Message							
14. Interexchange C & WF Provided to Others -- PL							
15. All Other Interexchange C & WF -- Message							
16. All Other Interexchange C & WF -- PL							
17. Distribution of Special IX Ckt Equipment							
<b>Account 2230 - Central Office Equipment: Category 4 - Transmission Equipment</b>							
18. Category 4.1 - Exchange Circuit Equipment							
19. Category 4.11 - Wideband							
20. Private Line		Direct				Line 1	
21. Message		Line 2				Line 2	
22. Category 4.12 - Exchange Trunk Circuit Equipment							
23. Interoffice		Line 4				Line 4	
24. Extended Area Service		Line 5				N/A	
25. Exchange Private Line		Line 6				Line 6	
26. Category 4.13 - Exchange Line Circuit Equipment							
27. Special		Records				Direct	
28. Basic		Line 7				Line 7	
29. ST - Category 4.1							
30. Category 4.2 - Interexchange Circuit Equipment							
31. Category 4.21 - IX Ckt. Eq. Furn. to Others		Records				Records	
32. Category 4.22 - Wideband		Records				Records	
33. Category 4.23 - Other							
34. Special		Records				Line 17	
35. Basic		Lines 8&9				Lns 15&16	
36. ST - Category 4.2							
37. Category 4.3 - Host-Remote Circuit Equipment		Line 10				Line 10	
38. Total Account 2230, COE - Transmission							
39. Total Central Office Equipment							

TWIN VALLEY TELEPHONE, INC. (ALL EXCHANGES)  
COST STUDY FOR THE YEAR ENDED DECEMBER 31, 2014  
INTERSTATE PART 36 PREPARED 4/6/2015

Account/Category	(a) Total Amount	(b) Separation Factor	(c) INTERSTATE		(e) Intrastate w/ Local	(f) Access Factor	(g) Total Allocated LDI
			MTS/WATS	PL			
<b>Separations Factors</b>							
1. Cable and Wire Facilities - Cat. 1.3							
2. Cable and Wire Facilities - Other							
3. Total Cable and Wire Facilities ( lines 1 & 2 )							
4. Information Origination/Termination Equipment							
5. Account 2210 - COE, Switching							
6. Account 2220 - COE, Operator Systems							
7. Account 2230 - COE, Transmission							
8. Total COE ( lines 5 through 7 )							
9. Total COE, IOT, C&WF excl. CAT 1.3 ( lines 2,4,8 )							
10. Total COE, IOT, C&WF ( lines 3 through 7 )							
11. Land and Support Assets (from below)							
12. CWF, IOT, COE, GSF (Lines 10 & 11)							
13. Equal Access Usage Factor							
14. Equal Access Investment (from below)							
15. Total Lines 12,14							
16. Distribution of Line 3							
17. Distribution of Line 4							
18. Distribution of Line 5							
19. Distribution of Line 6							
20. Distribution of Line 7							
21. Distribution of Line 8							
22. Distribution of Line 9							
23. Distribution of Line 10							
24. Distribution of Line 12							
25. Distribution of Line 15							
26. Account 2680 - Tangible Assets (from below)							
27. Account 2001 excluding Account 2690 (lines 12 & 26)							
28. Distribution of Line 27							
29. Account 2690 - Intangible Assets (from below)							
30. Total Account 2001 (lines 27 & 29)							
31. Distribution of Line 30 + Line 13							
31a Pt 69 B&C Factor							
<b>Account 2110 - Land and Support Assets</b>							
32. Land		Line 23				Line 23	
33. Buildings		Line 23				Line 23	
34. Motor Vehicles and Work Equipment		Line 23				Line 23	
35. Aircraft		Line 23				Line 23	
36. Other Communications Equipment		Line 23				Line 23	
37. Furniture and Office Equipment (Excl Pt 69 B&C GPC)		Line 23				Line 23	
37a. General Purpose Computers - Pt 69 B&C		Line 23				Line 31a	
38. Total Account 2110 - Land and Support Assets							
<b>Equal Access Investment</b>							
39. Equal Access Investment		Line 13				Direct	
40. Total Equal Access Investment							
<b>Account 2680 - Tangible Assets</b>							
<b>Capital Leases and Leasehold Improvements</b>							
41. Related to Cable and Wire Facilities		Line 16				Line 25	
42. Related to Info Orig/Term Equipment		Line 17				Line 25	
43. Related to Central Office Equipment		Line 21				Line 25	
44. Related to Land and Support Assets		Line 23				Line 25	
45. Other		Line 24				Line 25	
46. Total Account 2680 - Tangible Assets							
<b>Account 2690 - Intangible Assets</b>							
47. Organization		Line 28				Line 25	
48. Franchises		Line 28				Line 25	
49. Patents		Line 28				Line 25	
50. Total Account 2690 - Intangible Assets							
51. Account 1220 - Materials and Supplies		Line 16				Line 31	
52. Account 1410 - Prepaid OPEB		Pg4,Ln7				Line 24	

TWIN VALLEY TELEPHONE, INC. (ALL EXCHANGES)  
 COST STUDY FOR THE YEAR ENDED DECEMBER 31, 2014  
 INTERSTATE PART 36 PREPARED 4/6/2015

Account/Category	(a) Total Amount	(b) Separation Factor	(c) INTERSTATE		(e) Intrastate w/ Local	(f) Access Factor	(g) Total Allocated LDI
			MTS/WATS	PL			
<u>Separations Factors</u>							
1. Distribution of Account 2410 - Cable and Wire Facilities							
2. Distribution of Account 2310 - Info Orig/Term Equipment							
3. Distribution of Account 2210 - COE, Switching							
4. Distribution of Account 2220 - COE, Operator Systems							
5. Distribution of Account 2230 - COE, Transmission							
6. Distribution of Total Central Office Equipment							
7. Distribution of Account 2110 - Land and Support Assets							
8. Distribution of Account 2680 - Tangible Assets							
9. Distribution of Account 2690 - Intangible Assets							
10. Distribution of Account 2001							
<u>Account 2002 - Property Held for Future Use</u>							
11. Information Orig/Term Equipment		Line 2				Line 2	
12. Switching Equipment		Line 3				Line 3	
13. Operator Systems		Line 4				Line 4	
14. Transmission Equipment		Line 5				Line 5	
15. Cable and Wire Facilities		Line 1				Line 1	
16. Land and Support Assets		Line 7				Line 7	
17. Tangible Assets		Line 8				Line 8	
18. Intangible Assets		Line 9				Line 9	
19. Not Classified		Line 10				Line 10	
20. Total Account 2002 - Property Held for Future Use							
<u>Account 2003 - Plant Under Construction, Short Term</u>							
21. Information Orig/Term Equipment		Line 2				Line 2	
22. Switching Equipment		Line 3				Line 3	
23. Operator Systems		Line 4				Line 4	
24. Transmission Equipment		Line 5				Line 5	
25. Cable and Wire Facilities		Line 1				Line 1	
26. Land and Support Assets		Line 7				Line 7	
27. Tangible Assets		Line 8				Line 8	
28. Intangible Assets		Line 9				Line 9	
29. Not Classified		Line 10				Line 10	
30. Total Acct 2003 - Pl. Und. Constr., Short Term							
<u>Account 2004 - Plant Under Construction, Long Term</u>							
31. Information Orig/Term Equipment		Line 2				Line 2	
32. Switching Equipment		Line 3				Line 3	
33. Operator Systems		Line 4				Line 4	
34. Transmission Equipment		Line 5				Line 5	
35. Cable and Wire Facilities		Line 1				Line 1	
36. Land and Support Assets		Line 7				Line 7	
37. Tangible Assets		Line 8				Line 8	
38. Intangible Assets		Line 9				Line 9	
39. Not Classified		Line 10				Line 10	
40. Total Acct 2004 - Pl. Und. Constr., Long Term							
<u>Account 2005 - Plant Acquisition Adjustment</u>							
41. Information Orig/Term Equipment		Line 2				Line 2	
42. Switching Equipment		Line 3				Line 3	
43. Operator Systems		Line 4				Line 4	
44. Transmission Equipment		Line 5				Line 5	
45. Cable and Wire Facilities		Line 1				Line 1	
46. Land and Support Assets		Line 7				Line 7	
47. Tangible Assets		Line 8				Line 8	
48. Intangible Assets		Line 9				Line 9	
49. Not Classified		Line 10				Line 10	
50. Total Account 2005 - Plant Acquisition Adjust.							

TWIN VALLEY TELEPHONE, INC. (ALL EXCHANGES)  
 COST STUDY FOR THE YEAR ENDED DECEMBER 31, 2014  
 INTERSTATE PART 36 PREPARED 4/6/2015

Account/Category	(a) Total Amount	(b) Separation Factor	(c) INTERSTATE		(e) Intrastate w/ Local	(f) Access Factor	(g) Total Allocated LDI
			MTS/WATS	PL			
<b>Separations Factors</b>							
1. Account 2410 - Cable and Wire Facilities							
2. Account 2310 - Info Orig/Term Equip							
3. Account 2210 - Switching Equipment							
4. Account 2220 - Operator Systems							
5. Account 2230 - Transmission Equipment							
6. Account 2110 - Land & Support Assets, ex. Land							
7. Account 2680 - Tangible Assets							
8. Account 2690 - Intangible Assets							
9. Account 2001 - Plant In Service							
10. Account 2002 - Property Held for Future Use							
11. Equal Access Investment							
<b>Account 3100 - Accumulated Depreciation on Plant in Service</b>							
12. Cable and Wire Facilities		Line 1				Line 1	
13. Info Orig/Term Equip		Line 2				Line 2	
14. Switching Equipment		Line 3				Line 3	
15. Operator Systems		Line 4				Line 4	
16. Transmission Equipment		Line 5				Line 5	
17. Land and Support Assets		Line 6				Line 6	
18. Not Classified		Line 9				Line 9	
19. Total Account 3100 - Accumulated Depreciation							
<b>Account 3200 - Accumulated Depr. on Property Held for Future Use</b>							
20. Property Held for Future Use		Line 10				Line 10	
<b>Account 3400 - Accumulated Amortization on Tangible Assets</b>							
21. Tangible Assets		Line 7				Line 7	
<b>Account 3500 - Accumulated Amortization on Intangible Assets</b>							
22. Intangible Assets		Line 8				Line 8	
<b>Equal Access Investment Reserves</b>							
23. Equal Access Investment Reserves		Line 11				Line 11	0
<b>Account 3600 - Other Accumulated Amortization</b>							
24. Cable and Wire Facilities		Line 1				Line 1	
25. Info Orig/Term Equip		Line 2				Line 2	
26. Switching Equipment		Line 3				Line 3	
27. Operator Systems		Line 4				Line 4	
28. Transmission Equipment		Line 5				Line 5	
29. Land and Support Assets		Line 6				Line 6	
30. Not Classified		Line 9				Line 9	
31. Total Account 3600 - Other Accumulated Amort.							
<b>Account 4100 - Net Current Accum. Def. Inc. Taxes</b>							
32. Cable and Wire Facilities		Line 1				Line 1	
33. Info Orig/Term Equip		Line 2				Line 2	
34. Switching Equipment		Line 3				Line 3	
35. Operator Systems		Line 4				Line 4	
36. Transmission Equipment		Line 5				Line 5	
37. Land and Support Assets		Line 6				Line 6	
38. Not Classified		Line 9				Line 9	
39. Total Account 4100 - Net Current ADIT							
<b>Account 4340 - Net Non-current Acc. Def. Inc. Tax</b>							
40. Cable and Wire Facilities		Line 1				Line 1	
41. Info Orig/Term Equip		Line 2				Line 2	
42. Switching Equipment		Line 3				Line 3	
43. Operator Systems		Line 4				Line 4	
44. Transmission Equipment		Line 5				Line 5	
45. Land and Support Assets		Line 6				Line 6	
46. Not Classified		Line 9				Line 9	
47. Total Account 4340 - Net Non-current ADIT							
48. Account 4310 - OPEB		Pg 8, Ln 25				Pg 8, Ln 25	

TWIN VALLEY TELEPHONE, INC. (ALL EXCHANGES)  
COST STUDY FOR THE YEAR ENDED DECEMBER 31, 2014  
INTERSTATE PART 36 PREPARED 4/6/2015

INTERSTATE PART 36	PREPARED 4/6/2015	(a) Total Amount	(b) Separation Factor	(c) INTERSTATE		(d) PL	(e) Intrastate w/ Local	(f) Access Factor	(g) Total Allocated LDI
Account/Category				MTS/WATS					
Separations Factors									
1. Distribution of Account 2410 - Cable and Wire Facilities									
2. Distribution of Account 2310 - Info Orig/Term Equipment									
3. Distribution of Account 2210 - COE, Switching									
4. Distribution of Account 2220 - COE, Operator Systems									
5. Distribution of Account 2230 - COE, Transmission									
6. Distribution of Total Central Office Equipment									
7. Distribution of COE, IOT, CWF									
8. Distribution of Account 2110 - Land and Support Assets									
9. Distribution of Equal Access Investment									
10. Distribution of Account 2001									
Plant Specific Expenses									
11. Account 6110 - Network Support Expense			Line 8					Line 10	
12. Account 6110 - Network Support Expense (Direct Assignments)			Records					Line 10	
13. Total Account 6110 - Network Support Expense									
14. Account 6120 - General Support Expense			Line 8					Line 8	
15. Account 6120 - General Support Expense (Direct Assignments)			Records					Line 8	
16. Total Account 6120 - General Support Expense									
17. Account 6210 - Switching Expense			Line 6					Line 3	
18. Account 6220 - Operator Systems Expense			Line 6					Line 4	
19. Account 6230 - Transmission Expense			Line 6					Line 5	
20. Account 6310 - Info Orig/Term Expense									
21. Other Info Orig/Term Equipment			Line 2					Line 2	
22. New Info Orig/Term Equipment			Direct					N/A	
23. Total Account 6310 - Info Orig/Term Expense									
24. Account 6410 - Cable and Wire Facilities Exp.			Line 1					Line 1	
25. Total Plant Specific Operations Expense									
Plant Non-Specific Expenses									
26. Account 6510 - Other Prop., Plant and Eq. Exp.			Line 10					Line 7	
27. Account 6510 - Other Prop., Plant and Eq. Exp. (Direct Assignments)			Records					Line 7	
28. Total Account 6510 - Other Prop., Plant and Eq. Exp.									
29. Account 6530 - Network Operations Expense			Line 7					Line 7	
30. Account 6530 - Network Operations Expense (Direct Assignments)			Records					Line 7	
31. Total Account 6530 - Network Operations Expense									
32. Account 6540 - Access Expense			Records					Direct	
33. Total Plant Non-Specific Operations Expense									
Equal Access Expense									
34. Equal Access Expense			Line 9					Direct	



TWIN VALLEY TELEPHONE, INC. (ALL EXCHANGES)  
COST STUDY FOR THE YEAR ENDED DECEMBER 31, 2014  
INTERSTATE PART 36 PREPARED 4/6/2015

Account/Category	(a) Total Amount	(b) Separation Factor	(c) INTERSTATE		(e) Intrastate w/ Local	(f) Access Factor	(g) Total Allocated LDI
			MTS/WATS	PL			
<b>Separations Factors</b>							
1. Account 2410 - Cable and Wire Facilities							
2. Account 2310 - Info Orig/Term Equip							
3. Account 2210 - Switching Equipment							
4. Account 2220 - Operator Systems							
5. Account 2230 - Transmission Equipment							
6. Account 2110 - Land & Support Assets, ex. Land							
7. Account 2680 - Tangible Assets							
8. Account 2690 - Intangible Assets							
9. Account 2001 - Plant In Service							
10. Account 2002 - Property Held for Future Use							
11. Equal Access Investment							
<u>Account 6560 - Depreciation Expense</u>							
12. Cable and Wire Facilities		Line 1				Line 1	
13. Info Orig/Term Equip		Line 2				Line 2	
14. Switching Equipment		Line 3				Line 3	
15. Operator Systems		Line 4				Line 4	
16. Transmission Equipment		Line 5				Line 5	
17. Land and Support Assets		Line 6				Line 6	
18. Not Classified		Line 9				Line 9	
19. Total Account 6560 - Depreciation Expense							
20. Equal Access Depreciation and Amortization		Line 11				Line 11	
<u>Account 6560 - Amortization of Plant in Service</u>							
21. Cable and Wire Facilities		Line 1				Line 1	
22. Info Orig/Term Equip		Line 2				Line 2	
23. Switching Equipment		Line 3				Line 3	
24. Operator Systems		Line 4				Line 4	
25. Transmission Equipment		Line 5				Line 5	
26. Land and Support Assets		Line 6				Line 6	
27. Tangible Assets		Line 7				Line 7	
28. Intangible Assets		Line 8				Line 8	
29. Not Classified		Line 9				Line 9	
30. Total Account 6560 - Amort. of Plant in Service							
<u>Account 6560 - Amortization of Acquisition Adjustment</u>							
31. Cable and Wire Facilities		Line 1				Line 1	
32. Info Orig/Term Equip		Line 2				Line 2	
33. Switching Equipment		Line 3				Line 3	
34. Operator Systems		Line 4				Line 4	
35. Transmission Equipment		Line 5				Line 5	
36. Land and Support Assets		Line 6				Line 6	
37. Not Classified		Line 9				Line 9	
38. Total Account 6560 - Amort. of Acquisition Adj.							

TWIN VALLEY TELEPHONE, INC. (ALL EXCHANGES)  
COST STUDY FOR THE YEAR ENDED DECEMBER 31, 2014  
INTERSTATE PART 36 PREPARED 4/6/2015

Account/Category	(a) Total Amount	(b) Separation Factor	(c) INTERSTATE		(e) Intrastate w/ Local	(f) Access Factor	(g) Total Allocated LDI
			MTS/WATS	PL			
<b>Separations Factors</b>							
1. Billing, excluding Connecting Company							
2. Weighted Standard Work Seconds							
3. Subscriber Line Usage (SLU)							
4. Weighted End User Service Orders							
5. End User Billed Revenue incl Access							
6. Weighted End User Bill Inquiry							
7. Weighted IX Carrier Service Orders							
8. IX Carrier Billed Revenue							
9. Weighted IX Carrier Bill Inquiry							
10. Coin Revenue							
11. Messages Processed							
12. Revenue Accounting Users							
13. OB&C Factor							
14. Other Services, Categories 1 and 2							
15. Other Investment							
16. IO/T, C&WF, COE, Gen Sup, Eq Acc (69.309)							
17. Distribution of Line 16							
18. Billed End User Toll Revenue							
19. IO/T, C&WF, COE (SW, INF, TR, SA, EA)							
20. Distribution of Line 19							
21. Acct 6620 ex Other Svcs. Cat. 3							
<b>Account 6610 - Marketing Expense</b>							
22. Account 6610 - Marketing Expense		Line 1				Line 17	
<b>Account 6620 - Services Expense</b>							
23. Operator Services		Line 2				Line 2	
24. Directory Services							
25. Classified		Direct				N/A	
26. Alphabetized		Line 3				Direct	
27. Other		Records				Direct	
28. Other Services							
29. Cat. 1 - Local Business Office							
30. End User Service Order Processing		Line 4				Records	
31. End User Payment & Collection		Line 5				Records	
32. End User Bill Inquiry		Line 6				Records	
33. IXC Service Order Processing		Line 7				Records	
34. IXC Payment & Collection		Line 8				Records	
35. IXC Bill Inquiry		Line 9				Records	
36. Coin Collection & Administration		Line 10				Direct	
37. Cat. 2 - Customer Services (Rev. Acctg.)							
38. Message Processing		Line 11				Direct	
39. Other Billing and Collecting		Records				Direct	
40. End User Access Billing		Records				Direct	
41. Carrier Access Billing		Records				Line 20	
42. Cat. 3 - Other Services		Line 14				Line 21	
43. Total Account 6620 - Services Expense							
44. Total Customer Operations Expense							

TWIN VALLEY TELEPHONE, INC. (ALL EXCHANGES)  
COST STUDY FOR THE YEAR ENDED DECEMBER 31, 2014  
INTERSTATE PART 36 PREPARED 4/6/2015

Account/Category	(a) Total Amount	(b) Separation Factor	(c) INTERSTATE		(e) Intrastate w/ Local	(f) Access Factor	(g) Total Allocated LDI
			MTS/WATS	PL			
<b>Separations Factors</b>							
1. Account 2001 - Plant in Service							
2. Net Telephone Plant							
3. Plant Under Construction							
4. Plant Spec. Ops. Exp., excl. Gen. & Ntwk. Sup.							
5. Network Operations Expense							
6. Customer Operations Expense							
7. Big 3 Expense (Lines 4 thru 6)							
8. Distribution of Line 7							
<b>Access Factors</b>							
9. Plant Specific Operations Expense							
10. Plant Non-specific Operations Expense							
11. Customer Operations Expense							
12. Big 3 Expense (Lines 9 thru 11)							
13. Distribution of Line 12							
14. IO/T, C&WF, COE, Gen. Supp., & Equal Access							
15. Account 2001 - Plant in Service (IX Carrier)							
16. Distribution of Line 23							
<u>Account 6710 - Executive and Planning Expense</u>							
17. Account 6710 - Executive and Planning Expense		Line 8				Line 13	
18. Account 6710 - Executive and Planning Expense (Directly Assigned)		Records				Line 13	
19. Total Account 6710 - Exec. & Planning Expense							
<u>Account 6720 - General and Admin. Expense</u>							
20. Account 6720 - General and Admin. Expense		Line 8				Line 13	
21. Account 6720 - General and Admin. Expense (Directly Assigned)		Records				Line 13	
22. Account 6720 - General and Admin. Expense							
23. Total Corporate Operations Expense							
23a. Account 7100 - Other Expenses		Pg 8, Ln 23					
<u>Account 7200 - Other Operating Taxes</u>							
24. Payroll Taxes		Pg 8, Ln 23				Line 14	
25. Gross Receipts Taxes		Pg 8, Ln 23				Line 14	
26. Ad Valorem Taxes		Pg 8, Ln 23				Line 14	
27. Other Taxes		Pg 8, Ln 23				Line 14	
28. Total Account 7200 - Other Operating Taxes							
<u>Other Expenses</u>							
29. Account 7370 - Special Charges (Allowed Portion Only)		Line 16				Line 14	
30. Account 7540 - Interest on Customer Deposits		Line 2				Line 14	
31. Total Other Expenses							
<u>Uncollectible Revenue</u>							
32. End Users		Records				Direct	
33. IX Carriers		Records				Line 15	
34. Total Uncollectibles							

**REGULATED/NONREGULATED  
AND OTHER SEPARATIONS  
COSTY STUDY ADJUSTMENTS  
ARE PROVIDED IN DR 47**

**Twin Valley Telephone, Inc.**  
**2014 Regulated and Non-regulated Cost Identification Processes**

Twin Valley Telephone, Inc. (TVT) is affiliated with three other companies: Twin Valley Management, Inc. Twin Valley Communications, Inc.(TVC), and ISG Technologies, Inc. (ISG). Twin Valley Management is a holding company and owns 100% of the stock of all three entities; TVT, TVC, and ISG. This is the only function it provides; there are no goods or services offered to the public by Twin Valley Management. TVT provides both regulated telecommunications services and non-regulated services. TVC only provides non-regulated services and does not have any employees. ISG provides information technology solution products and services. ISG primarily employs its own personnel. TVT provides services, including labor, to both TVC and ISG on a contractual basis. All entities maintain their own separate books and financial information. This document describes the accounting and cost procedures that TVT utilizes to account for investments and expenses associated with non-regulated services and its affiliates. Additionally, this document explains the inter-company transactions between the entities that support non-regulated services and administrative functions and the accounting process for those transactions.

**Non-regulated Services Provided by TVT and TVC**

1. Non-regulated services provided and accounted for by TVT:
  - a. Inside Wire – TVT performs installation, maintenance and repair of customer premise inside wire. The company offers inside wire maintenance plans and also provides installation and maintenance services at an hourly charge.
  - b. Voice Mail Services
  - c. Payphone Services
  - d. Conferencing Calling Service
2. Non-regulated services provided and accounted for by TVC:
  - a. Long Distance – TVC provides Interstate and Intrastate long distance.. This service is provided on a resale basis – TVC resells the services of a facilities-based long distance carrier.<sup>1</sup>

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<sup>1</sup> Prior to January, 2008 long distance services were provided by TVT. Effective January 1, 2008, these services were transferred to TVC.

- b. TVC provides cable television services in select service areas of TVT.
  - c. High speed Internet services are offered by TVC in service areas of TVT.
  - d. TVC provides competitive telecommunications services and cable television outside of the TVT regulated service area.
  - e. Telephone systems (Key, PBX, etc.) sales and installation and maintenance
  - f. Alarm Services
3. Pursuant to an Affiliate Agreement (See Attachment 1), TVT provides the following services to TVC:
- a. Labor including installation and maintenance services
  - b. Switching for voice telephone service
  - c. Customer service and billing and collection
  - d. Management and Administration
4. Pursuant to an Affiliate Agreement (See Attachment 2), TVT provides labor for engineering, management and administrative services to ISG. These services involve a limited number of TVT management employees.

### **FCC Rules for Allocation of Costs to Non-regulated Services and Affiliate Services**

TVT accounts for costs associated with providing non-regulated services in conformance with the FCC Part 64 FCC Rules. These rules govern the assignment and/or allocation of costs between regulated and non-regulated services. The requirements contained in the rules for small LECs are general guidelines. In assigning costs to regulated and non-regulated activities, carriers must follow these principles:

- ❑ Tariff services provided to a non-regulated activity will be charged at the tariff rates and credited to the regulated revenue account for that service.
- ❑ Costs shall be directly assigned to regulated or non-regulated activities whenever possible.
- ❑ Costs which cannot be directly assigned to either regulated or non-regulated are considered common and must be allocated based on the following criteria:

- Common costs should be first allocated based upon direct analysis of their origin.
- When direct analysis is not possible, common costs should be allocated based upon a cost causative linkage or another cost category for which direct analysis is possible.
- If neither of the above are possible, the common costs should be allocated based upon a general allocator computed by using the ratio of all expenses directly assigned or attributed to regulated and non-regulated activities.

Generally, the FCC Part 32 Rules require that services provided to affiliates be based on fully allocated costs.

### **TVT Procedures for Assignment of Costs to Non-regulated Operations**

Consistent with the FCC Rules, TVT has implemented accounting procedures that directly identify or account for the majority of non-regulated costs or identify non-regulated costs on a cost-causative allocation basis. TVT uses a variety of methods to assign costs to non-regulated operations or for costs associated with affiliate operations.

- Direct Charges – For items obtained from outside vendors, that are attributable to non-regulated operations, costs are recorded directly on the separate accounting records of TVC or in non-regulated accounts of TVT.
- General Support Assets and related expenses are allocated between regulated and non-regulated services based on special studies.
- Switching Costs are assigned based on actual switch costs and relative usage of the switch by TVC.
- Costs for Internet and video service transmission provided by TVT to TVC are identified and billed monthly based on regulated rates contained in the NECA Access Services Tariff – FCC No. 5.
- Management, Administration and Other Labor Costs – TVT has set up time reporting and accounting systems that capture the management, administrative and other labor costs associated with non-regulated and affiliate services. Labor costs associated with services provided by TVT are captured and billed to TVC and ISG.
- Customer Service and Billing and Collection Costs – Long Distance – TVT's time reporting and accounting systems directly capture the labor related costs associated with long distance services.

- Customer Service and Billing and Collection Costs – Cable Television and Internet – For these services, direct time reporting is not practical. These costs are identified and billed to TVC based on the cost per customer of providing these services. This is based on a special cost study that is updated periodically.
- Non-wage related corporate expense are assigned based on relative work time.

A summary of TVT's non-regulated cost identification process is presented in the table below. The procedures for identification of non-regulated costs are discussed in subsequent sections.



Cost Description	Directly Identified as Non-regulated	Assigned to Non-regulated on a Cost-Causative Basis		
		Time Reporting	Related Investment	Special Study
<b>Investments</b>				
-Switching			X	
-Payphone	X			
-Voicemail	X			
-Land				X
-Buildings				X
-Motor Vehicles		X		
-Tools & Oth Wk. Eq.		X		
-Furniture				X
-Office Equipment				X
-Computers				X
<b>Reserves</b>				
-Voicemail	X			
-Payphone	X			
-Other Reserves			X	
<b>Service Related Exp.</b>				
-Payphone	X			
-Term Equipment I&R.	X			
-Voice Mail	X			
-Long Distance (TVC)	X			
-Video and Internet (TVC)	X			X
- Contract Labor (TVC)	X			
<b>Depreciation Expense</b>				
-Voicemail	X			
-Payphone	X			
-Other Investments			X	
<b>Facility Related Exp.</b>				
-Switching			X	
-Buildings			X	
-Motor Vehicles		X		
-Tools & Oth Wk. Eq.			X	
-Furniture			X	
-Office Equipment			X	
-Computers			X	
<b>Other Expenses</b>				
-Billing and Collection				X
-Benefits		X		
-General and Admin		X		

### **Assignment of Direct Investments and Associated Reserves to Non-Regulated**

Direct investments or equipment that is deployed for Video, Voice Mail Services and Payphone Services are accounted for in separate accounts. The applicable TVT accounts are listed below<sup>2</sup>:

- ❑ Account 1406.120.00 – Non-regulated Investment – Voice Mail
- ❑ Account 1406.130.00 – Non-regulated Investment – Pay Phone

Reserves associated with Voice Mail and Payphone investments are directly accounted for in the following accounts:

- ❑ Account 1406.121.00 – Accumulated Depreciation Investment in Voice Mail
- ❑ Account 1406.131.00 – Accumulated Depreciation Investment in Pay Phone

### **Assignment of General Support Facilities Investments**

General Support investments, including related reserves, attributable to non-regulated services are allocated in the annual cost study process as indicated in Table 1:

**Table 1 – Investment/Reserve Non-regulated Allocation Methods**

<b>Account</b>	<b>Description</b>	<b>Allocation Method</b>
2111	Land – Miltonvale, Clay Center and Tech Center	Special Study
2121/3121	Buildings – Miltonvale , Clay Center and Tech Center	Special Study
2112/3112	Motor Vehicles	Time Study
2114/3114	Tools and Other Work Equipment	Time Study
2122/3122	Furniture	Time Study
2123/3123	Office Equipment	Time Study
2124/3124	Computers	Time Study

The Special Study allocates a portion of the Land and Building costs based on the floor space attributable to plant, customer and corporate operations and a time study that identifies the percentage of time spent by related TVT personnel on non-regulated services. All other General Support Facility related costs are assigned based on time studies. Maintenance, depreciation and deferred income tax reserves associated with

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<sup>2</sup> TVT also identifies the costs of other investments and life insurance investments in Accounts 1410.110.00 and 1410.130.00, respectively.

general support assets are allocated to non-regulated services based on the assignment of the related investment accounts.

### **Assignment of Switching Facilities Investments**

TVT assigns a portion of switching investment and associated expenses to TVC. TVC utilizes a portion of a TVT switch to provision service. The cost is developed based on the specific cost of the switch and is derived on a per line basis. The cost of the switch is analyzed periodically. Fixed costs of the switch are assigned based on a set percentage of costs. Costs that are variable per line are assigned based on the relative number of lines anticipated for use by TVC. Expenses, including depreciation, maintenance and overheads are assigned based on relative investment. The cost/charge per line is assessed by TVT for each line that TVC employs in the switch.

### **Internet and Video Data Transmission Facilities**

TVT provides wholesale access service for transmission of Internet and video data over local exchange facilities. This service is provided to TVC pursuant to the relevant rates, terms and conditions contained in the NECA Interstate Access Service Tariff No. 5, Section 8. TVC pays TVT for this service based on the wholesale rates contained in the NECA Tariff.

### **Assignment of Expenses to Non-regulated Services**

TVT has implemented accounting processes that identify and account for non-regulated expenses. For goods and services attributable to non-regulated services that are invoiced, such as supplies purchases or vendor billings, the related costs are directly assigned and accounted for as non-regulated expenses. If attributable to TVC, these are recorded directly on TVC's books. Labor-related expenses are primarily identified based on time reporting of employees that are involved with the provisioning and/or administration of non-regulated services. Customer service related labor costs attributable to TVC are captured in the per customer charge that is assessed to TVC monthly. Benefit costs and certain overheads are assigned to non-regulated services based on the associated labor costs or payroll hours. TVT utilizes clearing accounts for assignment of such costs. General Support related expenses are assigned to non-regulated based on related investment. Non-wage related corporate expenses are assigned based on relative work times.

### **Direct Accounting for Non-Regulated Expenses**

TVT has established and maintains the sub-accounts shown in Table 2 for purposes of directly accounting for non-regulated expenses. Table 2 also indicates the primary accounting basis for recording non-regulated costs.

**Table 2 – TVT Non-regulated Expense Accounts**

<b>Account</b>	<b>Description</b>	<b>Primary Basis</b>
7991.010.80	Non-reg Installation & Repair - Labor	Time Reporting
7991.360.217	Inside Wiring – Maintenance & Materials	Invoice
7991.360.75	Equipment Cost of Sales	Inventory Charge
7991.370.20	Non-reg Professional Services	Invoice
7991.390.75	Non-reg Exp –Kan-Ed Circuit Cost	Invoice
7991.570.70	Non-reg Professional Fees Legal	Invoice
7992.000.70	Non-reg Exp – Voice Mail Deprec	Journal
7993.000.75	Non-reg Exp – Payphone Equip.	Invoice
7994.000.75	Non-reg Exp – Conf Cost of Sales	Invoice

*7991.010.80 – Nonreg Installation & Repair - Labor* – Includes labor related costs associated with installation and repair customer premise wiring or inside wire.

*7991.360.217 – Inside Wiring - Maintenance & Materials* – Includes materials related costs associated with installation and repair customer premise wiring or inside wire.

*7991.360.75 – Equipment - Cost of Sales* – Includes non-regulated customer premises including routers, phones, etc.

*7991.370.20 – Nonreg Professional Services onReg Exp* – Contains engineering and consulting services related to nonregulated activities.

*7991.390.75 Kan-Ed Circuit - Cost of Sales* – Contains costs paid to other companies for their portions of Kan-Ed Circuits billed by TVT.

*7991.570.70 – Nonreg - Prof Fees - Legal* – Contains legal related to non-regulated activities.

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*7992.000.70 – Non-reg Exp – Voice Mail Depreciation* – Contains depreciation expenses associated with voice mail equipment.

*7993.000.75 – Pay Phone - Cost of Sales*– This reflects rental expenses associated with Payphone station equipment.

*7994.000.75 – Conferencing - Cost of Sales* – contains phone service expenses associated with conference calling service.

## **Description of Time Reporting System and Accounting for Labor Costs**

TVT has implemented and maintains a time-reporting system to capture labor-related costs associated with providing non-regulated services. The following labor related costs for non-regulated services provided by TVT are captured through the time reporting process:

- Payphone maintenance and coin collection
- Inside wire maintenance and repair
- Inside wire installation
- Customer services (service order, customer inquiry and billing) for long distance
- Installation and maintenance services performed.
- General and Administrative functions (management, engineering, accounting, and payroll).

TVT employees, including administrative and management personnel, input their time utilizing a mechanized system. Employees account for and input the amount of time each has spent on non-regulated services. Plant technicians, customer service/office personnel, and TVT managers submit time data on a semimonthly basis. When inputting time, the time is assigned to the appropriate account. For executives splitting time between entities, their total labor costs (detailed below) are allocated based upon a percentage of their time spent within those entities. Each executive role will have a different percentage allocated depending on their job function.

Payroll costs are assigned to non-regulated services based on the respective amount of work hours spent on non-regulated services. In addition to salaries and wages, other labor related costs are assigned or loaded. Different loadings are applicable to plant technicians and office personnel. The following costs are loaded onto the labor costs of all personnel (both plant technicians and office personnel):

- Health Insurance
- Social Security
- Pensions
- Life and Disability Insurance
- Profit Sharing and Bonuses

In addition to the above loadings, the following costs are loaded, based on payroll hours, onto the labor-related costs of plant technicians:

- Motor Vehicles Expense
- Other Work Equipment
- Plant Operations Administrative Expense

The above costs are billed to TVC and ISG on a monthly basis.

### **General Support Non-regulated Expense Allocations and Assignments**

General Support expenses attributable to Non-regulated Services are allocated in the annual cost study process as indicated in Table 3. These expenses are related to general support assets associated with employees reporting to the Miltonvale and Clay Center locations.

**Table 3 – Investment/Reserve Non-regulated Allocation Methods**

<b>Account</b>	<b>Description</b>	<b>Allocation Method</b>
6561	Depreciation Exp – Buildings	Building Invest.
6561	Depreciation Exp - Motor Vehicles	Motor Vehicle Invest.
6561	Depreciation Exp - Furniture	Furniture Invest
6561	Depreciation Exp – Office Eqpt	Office Eqpt. Invest
6561	Depreciation Exp - Computers	Computer Invest
6121	Land & Building Exp	Building Invest
6122	Furniture Exp	Furniture Invest
6123	Office Equipment Exp	Office Eqpt. Invest
6124	Computer Exp	Computer Invest
7240	Other Taxes – Property	Investment

As indicated in the above table, the depreciation and facility related expenses are allocated to non-regulated services based on the assignment of the related investment accounts.

### **Customer Service Expenses and Other Costs of Internet and Video Services**

A study identifies customer service expenses associated with non-regulated services. The labor related expenses are assigned to non-regulated services (primarily video and internet). The expense assignment are primarily based on a time study of customer service operations. In addition the study captures the costs associated with certain general support assets (other than land and buildings) and related overheads. This study is updated on a periodic basis. The cost is assessed to TVC based on the number of

customers receiving TVC services. This per customer charge is assessed to TVC on a monthly basis and the associated revenue is recorded by TVT in Account 5280.11, Non-regulated Operating Revenue. This revenue is netted against total costs in the annual cost study process and thereby excluded from the costs of regulated operations.

### **Non-Wage Related Corporate Expenses**

To the extent identifiable, certain corporate non-wage related expenses are directly assigned to the appropriate affiliate (TVT, TVC and ISG). Non-wage related corporate expenses are analyzed and a portion assigned to non-regulated operations based on wage allocations. This analysis and adjustments to exclude the expenses from regulated operations is performed as part of the annual cost study process.

### **Netting of Lease Costs Against Expenses**

TVT also has facility leases with third parties. The facility lease amounts/ revenues are based on the costs of the facilities involved with the lease. In the annual cost study process, facility lease amounts are netted against appropriate expense accounts. For instance fiber lease revenue is netted against cable and wire expenses.

**AGREEMENT BETWEEN  
TWIN VALLEY TELEPHONE, INC.**

**AND**

**TWIN VALLEY COMMUNICATIONS, INC.**

THIS AGREEMENT, made and entered into as of January 1, 2014, by and between TWIN VALLEY TELEPHONE, INC., (hereinafter called "TVT") a corporation organized under the laws of the State of Kansas and TWIN VALLEY COMMUNICATIONS, INC. (hereinafter called "TVC"), a corporation organized under the laws of the State of Kansas, and

WHEREAS, TVT operates a telephone system in areas located in Kansas exchanges and TVC sells and installs IPTV service, security systems, telephone equipment, internet services, and long distance services to Twin Valley Telephone's customers; and both parties are aware of the economies to be derived from a joint use of facilities, labor, and other services by agreement, and each company deems it advisable to enter into such an agreement; and

WHEREAS, TVT is organized, staffed and equipped, and authorized to render TVC facilities, labor and other services as herein provided; and

WHEREAS, TVC desires that TVT and TVT is willing to furnish to TVC facilities, labor and management services upon terms and conditions hereinafter set forth; and

WHEREAS, TVC is authorized to utilize those subject properties, services, and resources of TVT for facilities, management and technical services and expertise in all telecommunications, internet, and television matters as an independent contractor and not as an agent of TVT; and

WHEREAS, subject to the terms and conditions herein described, TVT is willing, upon request by TVC to render such services and provide such property and resources to TVC at cost, taking into consideration the fulfillment of each party's responsibilities; and

WHEREAS, TVC owns and maintains Digital Video Headend equipment in TVT's Bennington central office, and will require the use of TVT transmission facilities for provision of Television and Internet services; and

WHEREAS, TVC and TVT agree that costs associated with facilities, labor, management, and other services will be accounted for in accordance with FCC Part 32 and FCC Part 64 rules.

NOW, THEREFORE, in consideration of the premises and of the mutual agreements herein, the parties hereto hereby agree as follows:



## SECTION 1, FURNISHING OF LABOR, EQUIPMENT, MATERIALS AND/OR SUPPLIES

- (a) The responsibility for management, operation, and maintenance of the IPTV system and any other communications systems owned by TVC shall be that of TVC; nothing herein shall be construed to alter such responsibility.
- (b) On request of TVC, TVT shall furnish employees to perform maintenance, construction, or clerical duties for TVC as an independent contractor and not as the agent of TVC. In the event of scheduling conflicts, work required by TVT shall take precedence.
- (c) On request TVT shall furnish vehicles, tools, test equipment, computer billing equipment, office machines or such other items as are required and necessary to the operation, construction, and maintenance activity contemplated herein. Requirements of such equipment for TVT's own use shall take precedence.
- (d) When necessary or expedient to do so, TVC may request that TVT purchase equipment, materials, or supplies on TVC's behalf. TVT will directly account for such purchases and TVC shall reimburse TVT for their full cost within 90 days of the purchase date.
- (e) Time spent by TVT employees for maintenance, construction, administration or clerical duties for TVC shall be directly accounted for in accordance with TVT accounting procedures specified in TVT's Cost Allocation Manual ("Regulated And Non-regulated Cost Identification Processes"). As such, affected TVT employees performing functions for TVC will account for and report all time spent to appropriate time reporting codes.
- (f) Notwithstanding any other term or provision hereof, priority at all times in the allocation and/or commitment of facilities, resources, equipment, materials, supplies and/or services shall be given to TVT's provision of regulated telecommunications public utility services.

## SECTION 2, FURNISHING OF OTHER SERVICES AND FACILITIES

### (a) Wholesale Internet Transmission Access Service

TVT will provide Interstate DSL wholesale access service to TVC pursuant to the relevant rates, terms and conditions contained in the NECA Interstate Access Service Tariff No. 5, Section 8 – Digital Subscriber Line Access Services. This service, as described in the NECA Tariff, will provide TVC with transmission service over local exchange copper facilities that can be used for simultaneous voice and data communications. TVT will provide such service to TVC where available, between the customer-designated premises and designated Telephone Company Serving Wire Centers. Accordingly, TVC will pay TVT for this service based on the wholesale rates contained in the NECA Tariff for DSL Access Service.

(b) Building Floor Space for Equipment

To the extent that such space is available, TVT will provide TVC floor space and power in TVT's Bennington wire center to accommodate Digital Head End Equipment necessary for the provision of IPTV service. Additionally, to the extent available, TVT will provide floor space and power to TVC in other TVT wire centers at the request of TVC. The provision of building floor space by TVT to TVC shall be limited as may be necessary so as not to interfere with provision of telecommunications services by TVT. Building floor space provided by TVT to TVC is subject to the terms and conditions contained in the attached "Agreement for Floor Space, Power and Maintenance".

(c) Line Sharing Service for IPTV

TVC will deliver IPTV service based on a DSL platform that utilizes the subscriber line or loop facilities of TVT. In all cases where TVC provides IPTV service, utilizing DSL delivery, voice telephone service is provided by TVT through the subscriber line. The costs of the subscriber lines are recovered from rates customers pay for voice services as well as other Federal and State regulatory mandated recovery mechanisms.

(d) Customer Service Expenses

TVT will provide customer services, including service ordering, billing, collection, and handling customer inquiries, on behalf of TVC. TVC bills will be included as part of the bills that TVT renders for TVT's telecommunications service customers. Third-party billing vendor costs associated with preparation of bills on behalf of TVC will be directly assigned to TVC. A portion of other TVT customer service costs will be apportioned to TVC based on a work-time study of customer service and billing functions performed by TVT personnel for TVC. The study will be evaluated and revised periodically.

(f) Other Costs

All other costs that may be attributable to TVC, not covered above, shall be allocated directly, whenever possible, when direct allocation is not possible, amounts will be allocated to TVC based upon a cost-causative linkage or another cost category for which direct analysis is possible. If neither of the above is possible, costs shall be allocated on the assignment of expenses. The procedures for allocation of all other costs are described in TVT's Cost Allocation Manual.

### SECTION 3, PAYMENTS

Payment by TVC for services covered herein is due and payable upon invoice from TVT and shall be determined in accordance with the following:

- (a) Payments for labor shall be at the same rate incurred by TVT in the applicable month based on TVT's payroll accounting procedures as described in TVT's Cost Allocation Manual. These procedures require adjustment of the labor rates to include other wage-related expenses, including social security taxes, federal and state unemployment taxes, group insurances, and workman compensation. Also, the labor rates are adjusted for any and all costs associated with use of vehicles and other work equipment.
- (b) Payment for TVC's use of other services and facilities shall be made based on the costs identified pursuant to the methods defined above.

#### SECTION 4, DEPOSIT OF MONIES COLLECTED BY TVT.

Collection of customer bills for TVC Service or other TVC items shall be deposited to the credit of TVC in a separate account in a bank designated by TVC. TVT labor costs for these functions will be accounted for as described in Section 1(e).

#### SECTION 5, EFFECT AND TERM.

- (a) This Agreement shall become effective only upon approval thereof by the parties and shall, from such effective date, continue in force until terminated by either party giving six (6) months notice in writing of its desire to terminate the Agreement.
- (b) Upon termination of this Agreement, the TVT shall turn over to TVC materials and supplies which have been paid for by TVC, all monies subsequently received by TVT for the account of TVC, and all accounts, records and reports relating to TVC's System. TVT may retain from any of the within mentioned accounts any amount remaining due TVT and unpaid as of the date of termination.

#### SECTION 6, ASSIGNMENT.

Neither party shall have the right to assign this Agreement, except to the United States of America, without consent in writing of the other party.


IN WITNESS WHEREOF the parties hereto have caused this Agreement to be signed in their respective corporate names by their Presidents and attested by their Secretaries, all as of the day, month and year first above written.

Twin Valley Communications, Inc.

By: 

Name: Benjamin Foster

Twin Valley Telephone, Inc.

By: 

Name: Benjamin Foster

Title: President

Date: 4/9/15

Attest Secretary:

Penny L. Disselbeck

Title: President

Date: 4/9/15

Attest Secretary:

Penny L. Disselbeck

**AGREEMENT BETWEEN  
TWIN VALLEY TELEPHONE, INC.  
AND  
ISG TECHNOLOGIES, LLC**

THIS AGREEMENT, made and entered into as of January 1, 2013, by and between TWIN VALLEY TELEPHONE, INC., (hereinafter called "TVT") a corporation organized under the laws of the State of Kansas and ISG TECHNOLOGIES, LLC. (hereinafter called "ISG"), a corporation organized under the laws of the State of Kansas, and

WHEREAS, TVT operates a telephone system in areas located in Kansas and ISG provides IT and Data Center Services; and both parties are aware of the economies to be derived from a joint use of facilities, labor, and other services by agreement, and each company deems it advisable to enter into such an agreement; and

WHEREAS, TVT is organized, staffed and equipped, and authorized to render ISG facilities, labor and other services as herein provided; and

WHEREAS, ISG desires that TVT and TVT is willing to furnish to ISG facilities, labor and management services upon terms and conditions hereinafter set forth; and

WHEREAS, ISG is authorized to utilize those subject properties, services, and resources of TVT for facilities, management and technical services and expertise in all IT infrastructure and IT solutions as an independent contractor and not as an agent of TVT; and

WHEREAS, subject to the terms and conditions herein described, TVT is willing, upon request by ISG to render such services and provide such property and resources to ISG at cost, taking into consideration the fulfillment of each party's responsibilities; and

WHEREAS, ISG and TVT agree that costs associated with facilities, labor, management, and other services will be accounted for in accordance with FCC Part 32 and FCC Part 64 rules.

NOW, THEREFORE, in consideration of the premises and of the mutual agreements herein, the parties hereto hereby agree as follows:

## SECTION 1, FURNISHING OF LABOR, EQUIPMENT, MATERIALS AND/OR SUPPLIES

- (a) On request of ISG, TVT shall furnish employees to perform engineering, management, administration, or clerical duties for ISG as an independent contractor and not as the agent of ISG. In the event of scheduling conflicts, work required by TVT shall take precedence.
- (b) On request TVT shall furnish facilities to provide the aforementioned functions. Requirements of such facilities for TVT's own use shall take precedence.
- (c) When necessary or expedient to do so, ISG may request that TVT purchase materials, or supplies on ISG's behalf. TVT will directly account for such purchases and ISG shall reimburse TVT for their full cost within 60 days of the purchase date.
- (d) Time spent by TVT employees for engineering, management, administration or clerical duties for ISG shall be directly accounted for in accordance with TVT accounting procedures specified in TVT's Cost Allocation Manual ("Regulated And Non-regulated Cost Identification Processes"). As such, affected TVT employees performing functions for ISG will account for and report all time spent to appropriate time reporting codes.
- (e) Notwithstanding any other term or provision hereof, priority at all times in the allocation and/or commitment of facilities, resources, equipment, materials, supplies and/or services shall be given to TVT's provision of regulated telecommunications public utility services.

### (f) Other Costs

All other costs that may be attributable to ISG, not covered above, shall be allocated directly, whenever possible, when direct allocation is not possible, amounts will be allocated to ISG based upon a cost-causative linkage or another cost category for which direct analysis is possible. If neither of the above is possible, costs shall be allocated on the assignment of expenses. The procedures for allocation of all other costs are described in TVT's Cost Allocation Manual.

## SECTION 2, PAYMENTS

Payment by ISG for services covered herein is due and payable upon invoice from TVT and shall be determined in accordance with the following:

- (a) Payments for labor shall be at the same rate incurred by TVT in the applicable month based on TVT's payroll accounting procedures as described in TVT's Cost Allocation Manual. These procedures require adjustment of the labor rates to include other wage-related expenses, including social security taxes, federal and state unemployment taxes, group insurances, and workman compensation. Also, the labor rates are adjusted for any and all costs associated with use of vehicles and other work equipment.



- (b) Payment for ISG's use of other services and facilities shall be made based on the costs identified pursuant to the methods defined above.

### SECTION 3, EFFECT AND TERM.

(a) This Agreement shall become effective only upon approval thereof by the parties and shall, from such effective date, continue in force until terminated by either party giving six (6) months' notice in writing of its desire to terminate the Agreement.

(a) Upon termination of this Agreement, TVT shall turn over to ISG materials and supplies which have been paid for by ISG, all monies subsequently received by TVT for the account of ISG, and all accounts, records and reports relating to ISG's System. TVT may retain from any of the within mentioned accounts any amount remaining due TVT and unpaid as of the date of termination.

### SECTION 4, ASSIGNMENT.

Neither party shall have the right to assign this Agreement, except to the United States of America, without consent in writing of the other party.

IN WITNESS WHEREOF the parties hereto have caused this Agreement to be signed in their respective corporate names by their Presidents and attested by their Secretaries, all as of the day, month and year first above written.

ISG Technologies, LLC.

Twin Valley Telephone, Inc.

By: 

By: 

Name: Ben M. Foster

Name: Ben M. Foster

Title: President

Title: President

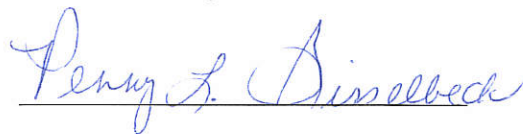
Date: 4/13/13

Date: 4/13/13

Attest Secretary:

Attest Secretary:





# **FLOOR SPACE AGREEMENT**



## AGREEMENT FOR FLOOR SPACE, POWER, AND MAINTENANCE

THIS AGREEMENT, made and entered into this 7st day of Jan, 2004, by and between Twin Valley Telephone, Inc., 22 Spruce, P.O. Box 395, Miltonvale, Kansas 67466, a Kansas Corporation, hereinafter called Lessor, and Twin Valley Communications, 22 Spruce, P.O. Box 395, Miltonvale, Kansas 67466, a Kansas corporation, hereinafter called Lessee.

This Agreement expresses the terms and conditions upon which Lessor will furnish to Lessee the following services and facilities at the rates shown below in connection with equipment that the Lessee maintains in the Lessor's building located at 107 West Washington Street, Bennington, Kansas.

	AMOUNT PER YEAR
FLOOR SPACE (1) 12.25 feet by 4.5 feet rack supporting digital head end equipment at \$36.70 per square foot per year.	\$2,022
FLOOR SPACE (2) 7.25 feet by 4.5 feet rack supporting digital head end equipment at \$36.70 per square foot per year.	\$1,196
POWER for above equipment... 88 Sq. Ft. X \$9.65/Sq. Ft. Year	<u>\$850</u>
TOTAL	\$4,068
<ol style="list-style-type: none"><li>1. The Lessor will furnish the services and facilities itemized above in connection with the equipment owned by the Lessee mentioned above.</li><li>2. The Lessee will pay to the Lessor as compensation for furnishing the services and facilities itemized above the sum of \$339.00 monthly. Each payment will be due by the 15<sup>th</sup> of the following the month that facilities and services were provided.</li><li>3. The Lessee shall have access at all times to the office for the purpose of inspecting, repairing or removing the equipment described above.</li><li>4. The term of this Agreement shall be One (1) year from the 1<sup>st</sup> day of January 2004 (the "Commencement Date") and shall thereafter be renewed automatically for successive One (1) year terms on all of the terms and conditions set forth herein (except with respect to term), unless terminated by either part giving the other a written termination notice at least thirty (30) days prior to the expiration date of the initial or any renewal term of this Lease.</li></ol>	

The Lessor may renegotiate with the Lessee the amount of rent and additional extensions of this Lease prior to the end of each lease term.

5. This Agreement shall not bind Lessor to furnishing additional space or power if, in Lessor's opinion, such additions may be detrimental to Lessor's communications operations. Nor shall this Agreement be modified or amended unless such modification of amendment is in writing and executed with the same formality as this original Agreement.

TWIN VALLEY TELEPHONE COMPANY, INC

BY *Mikolaj J. Forten*

TWIN VALLEY COMMUNICATIONS, INC.

BY *John F. Musselbeck*

# **TVC – SWITCHING COST STUDY**

Twin Valley Telephone, Inc.  
Analysis of Switching Lease - Clay Center

Description		Amount													
Investment - Switching Eq.		Development of Cost Factor													
		Years/Life	1	2	3	4	5	6	7	8	9	10	11	12	13
		Depreciation Expense													
		Maintenance Expense													
		Property Tax													
		Overhead													
		Total Expense Factor													
		Rate Base Fctr													
		ROR													
		ROR on Net Fctr													
		Income Tax Factor													
		Total Cost Factor													
Average Cost Factor															
Levelized Factor															

Information Per 2008 Cost Study:

Depreciation Rates	Rate	Life
Switching		
Maintenance - COE		
Investment - COE		
Factor		
Other Tax (Prop., Etc.)		
TPIS		
Factor		
Corporate Expense		
General Supp Exp		
Network Supp Exp		
Network Operations		
Return on Supp Assets		
Total Overheads		
Loading Factor - TPIS		



Jul-09

MetaSwitch Proprietary and Confidential

Date: 30 Oct 2009

Proposal number: TVMG3510DH2-C

Customer name: Twin Valley

**2 - MG3510**

Single Unit

1500  
Per Line

Component  
Hardware  
MetaSwitch

Description

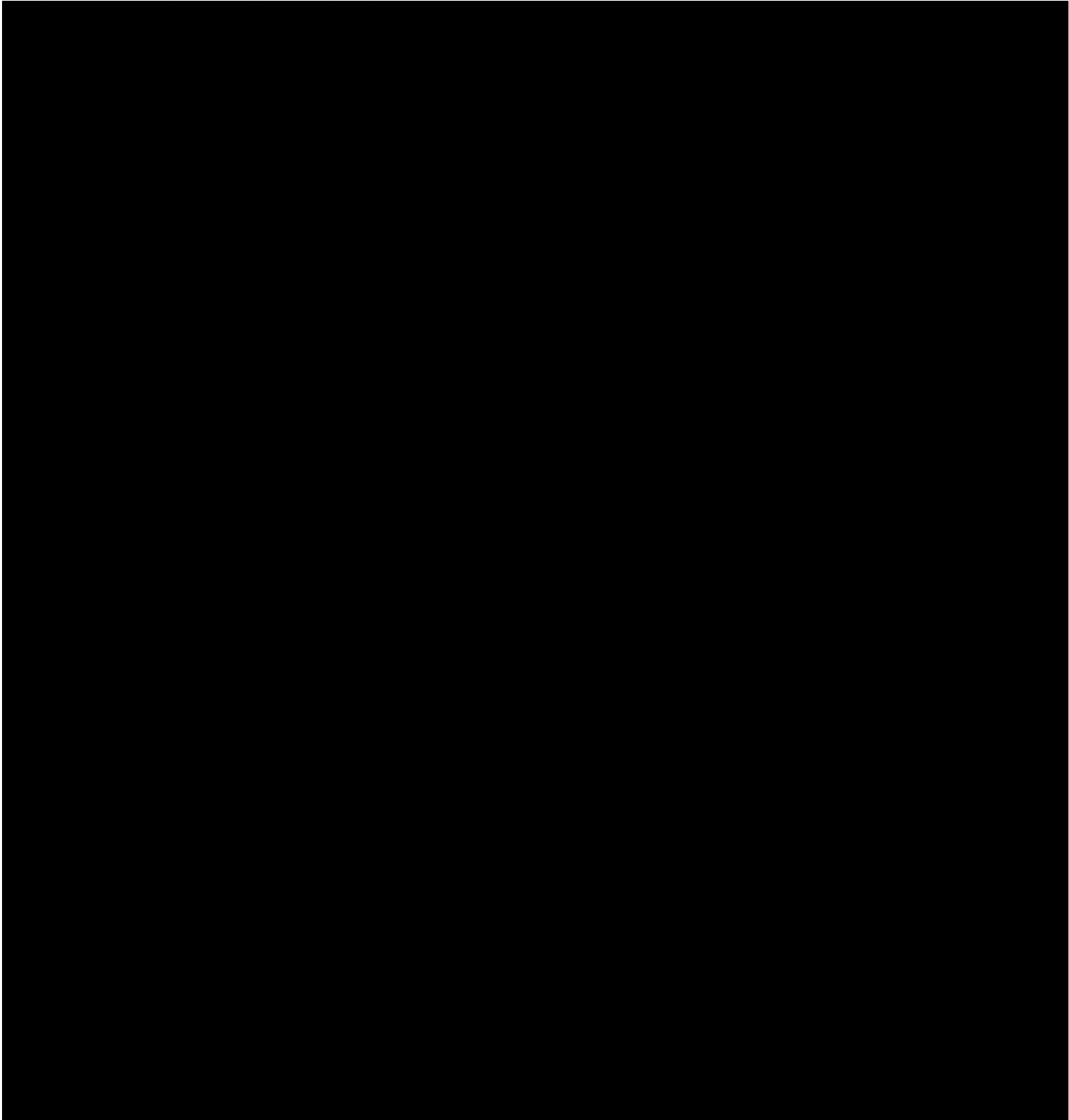
Qty.

Unit \$

Ext'd \$

Fixed

Per Line



# **TVC – CUSTOMER SERVICE AND BILLING COST STUDY**

**TWIN VALLEY TELEPHONE & TWIN VALLEY COMMUNICATIONS**  
**ALLOCATION OF JOINT USE ASSETS AND EXPENSES**  
Based on Year Ending December 31, 2007

Account/Description		Forecast - BB Cost Assignment - Twin Valley Communications
<b>TELECOM PLANT IN SERVICE</b>		
1	TOTAL LAND & SUPPORT ASSETS	
2	TOTAL COE EQUIPMENT	
3	OTHER TERMINAL EQUIPMENT	
4	CABLE AND WIRE FACILITIES	
5	TOTAL PLANT IN SERVICE	L1...L4
<b>DEPRECIATION &amp; AMORT RESERVE</b>		
6	ACC DEPR - LAND & SUPPORT ASSETS	
7	ACC DEPR - COE EQUIPMENT	
8	ACC DEPR - OTH TERMINAL EQUIP	
9	ACC DEPR - CABLE AND WIRE	
10	TOTAL	L6...L9
11	<b>NET INVESTMENT</b>	L5 - L10
<b>OPERATING EXPENSES</b>		
12	PLANT SPECIFIC EXPENSES	
13	PLANT NONSPECIFIC OPERATING EXPENSES	
14	TOTAL DEPRECIATION EXPENSE	
15	CUSTOMER OPERATIONS EXPENSE	
16	CORPORATE OPERATIONS EXPENSE	
17	<b>TOTAL OPERATING EXPENSES</b>	L12...L16
18	TOTAL OPERATING TAXES	
19	INTEREST AND RELATED ITEMS	
20	<b>NET NONOPERATING INCOME (EXPENSE)</b>	
21	NET RETURN	
22	INCOME TAXES	
23	OTHER TAXES (Annualized)	
24	TOTAL OPERATING EXPENSES (Annualized)	
25	NON OPERATING INCOME (EXPENSE)	
26	<b>TOTAL COSTS</b>	L56...L60
27	PROJECTED BB CUSTOMERS	Estimate
28	ANNUAL COST PER CUSTOMER	L26/L27
29	MONTHLY COST PER CUSTOMER	L28/12

NPV Cost 2007 - 2011  
Annual Payment

REDACTED

Average Demand 2007 - 2011  
**Approximate Monthly Cost Per Customer**

REDACTED

ALLOCATION OF JOINT USE ASSETS AND EXPENSES  
TWIN VALLEY TELEPHONE AND TWIN VALLEY COMMUNICATIONS  
Based on Year Ending December 31, 2007

Account/Description	Allocation Reference/Source
<b>TELECOM PLANT IN SERVICE</b>	
1 LAND - CLAY CENTER CS	Accounting Records
2 BUILDINGS - CLAY CENTER CS	Accounting Records
3 All OTHER SUPPORT ASSETS FOR ALLOCATION	
4 ALL OTHER SUPPORT ASSETS NOT ALLOCATED	Expense Allocation, Ln 47
5 TOTAL LAND & ASSETS	L1...L4
6 DIGITAL EQUIPMENT	NA
7a COE - CIRCUIT DIRECT ASSIGNMENT	NA
7b COE - CIRCUIT OTHER	Fctr Ln 21
8 TOTAL COE EQUIPMENT	L6+L7
9 OTHER TERMINAL EQUIPMENT	NA
10 CABLE AND WIRE FACILITIES	NA
11 TOTAL PLANT IN SERVICE	L5+L8+L9+L10
<b>DEPRECIATION &amp; AMORT RESERVE</b>	
12 ACC DEPR - BUILDINGS-CLAY CENTER CS	Fctr Ln 2
13 ACC DEPR - ALLOCATED SUPPORT ASSETS	Fctr Ln 3
14 ACC DEPR - UNALLOCATED SUPPORT ASSETS	Fctr Ln 4
15 ACC DEPR - DIGITAL EQUIP	Fctr Ln 6
16 ACC DEPR - COE CIRCUIT	Dist Ln 8
17 ACC DEPR - OTH TERMINAL EQUIP	Fctr Ln 9
18 ACC DEPR - CABLE AND WIRE	Dist Ln 10
19 TOTAL	L12...L18
20 <b>NET INVESTMENT</b>	
<b>PLANT SPECIFIC OPERATIONS EXP</b>	
21 LAND & SUPPORT EXPENSE	Dist Ln 5
22 DIGITAL EQUIPMENT EXPENSE	Fctr Ln 6
23 CIRCUIT EQUIPMENT EXPENSE	Dist Ln 8
24 OTHER TERMINAL EQUIP EXPENSE	Fctr Ln 9
25 CABLE AND WIRE EXPENSE	Dist Ln 10
26 TOTAL PLANT SPECIFIC EXPENSE	L21...L25
<b>PLANT NONSPECIFIC OPERATION EXP</b>	
27 POWER EXPENSE	Exclude
28 TESTING EXP - SUBSCRIBER LINES	Exclude
29 PLANT OPERATIONS ADMIN EXPENSE	Dist Lns 8 & 10 (COE & CV)
30 ACCESS EXP	Exclude
31 SUBTOTAL PLANT NONSPECIFIC OP EXP	L27...L30
<b>DEPR EXP - TELECOM PLANT IN SERV</b>	
32 - BUILDINGS-CLAY CENTER CS	Fctr Ln 2
33 - ALLOCATED SUPPORT ASSETS	Fctr Ln 3
34 - UNALLOCATED SUPPORT ASSETS	Fctr Ln 4
35 - DIGITAL EQUIP	Fctr Ln 6
36 - COE CIRCUIT	Dist Ln 8



ALLOCATION OF JOINT USE ASSETS AND EXPENSES  
TWIN VALLEY TELEPHONE AND TWIN VALLEY COMMUNICATIONS  
Based on Year Ending December 31, 2007

Account/Description	Allocation Reference/Source	
37 - OTH TERMINAL EQUIP	Fctr Ln 9	
38 - CABLE AND WIRE	Dist Ln 10	
39 TOTAL DEPRECIATION EXPENSE	L32...L38	
<b>CUSTOMER OPERATIONS EXPENSE</b>		
40 PRODUCT MANAGEMENT AND SALES	Special Study	
41 CUST SERV - SERV ORDER PROC	Special Study	
42 CUST SERV - PAY-COLLECT	Special Study	
43 CUST SERV - BILLING INQUIRY	Special Study	
44 OTHER BILLING & COLLECTIONS	Special Study	
45 OTHER CUSTOMER SERVICE EXPENSE	Exclude	
46 TOTAL	L41...L45	
47 SUBTOTAL EXP EXCL L&S, DEPREC AND CO	L22...L26+L46	
Corporate Expenses - Allocated	Dist Ln 47	
Corporate Expenses - Unallocated	Exclude	
48 CORPORATE OPERATIONS EXPENSE		
49 TOTAL OPERATING EXPENSE	L26+L31+L39+L46+L48	
<b>OPERATING TAX ACCOUNTS</b>		
50 OPER OTHER TAXES - PROPERTY	Dist Ln 11	
51 OPER OTHER TAXES - SEC OF STATE	Dist Ln 11	
52 OPER OTHER TAXES - KCC&FCC	Dist Ln 11	
53 TOTAL		
54 INTEREST AND RELATED ITEMS	Dist Ln 20	
55 NET NONOPERATING INCOME (EXPENSE)	Dist Ln 47	
56 NET RETURN	L20*ROR	
57 INCOME TAXES	L56*Tax GU	
58 OTHER TAXES (Annualized)	L53*Annual Factor	
59 TOTAL OPERATING EXPENSES (Annualized)	L49*Annual Factor	
60 NON OPERATING INCOME (EXPENSE)	L55*Annual Factor	
61 TOTAL COSTS	L56...L60	
62 PROJECTED BB CUSTOMERS	Estimate	
63 ANNUAL COST PER CUSTOMER	L61/L62	
64 MONTHLY COST PER CUSTOMER	L63/12	

Input Data for Cost Factors and Allocations

Twin Valley Telephone Company, Inc.

ROR

Combined Income Tax Rate

Building Depreciation Rate

Clay Center CS L&B Investment

-Land

-Building

Clay Center Reported Productive Hours (TWVT\_Time Study\_2007\_Sep)

Depreciation Expense

- BUILDINGS-CLAY CENTER CS

Customer Service Time Study.xls

Annualization Factor For Expenses

Assumed Annual Expense Growth

Property Tax Rate

Corporate Expenses - Wages (Exclude - Direct Reported)\*

\* See Wage and Salary Info - 2007

Customer Service Expense - Payroll (See Wage and Salary Info -2007)

6611.110.00 PRODUCT MANAGEMENT AND SALES

6613.110.00 PRODUCT ADVERTISING

6622.110.00 NUMBER SERVICES

6623.110.00 CUST SERV - END USER SERVICE ORDER

6623.120.00 CUST SERV - END USER PAY-COLLECT

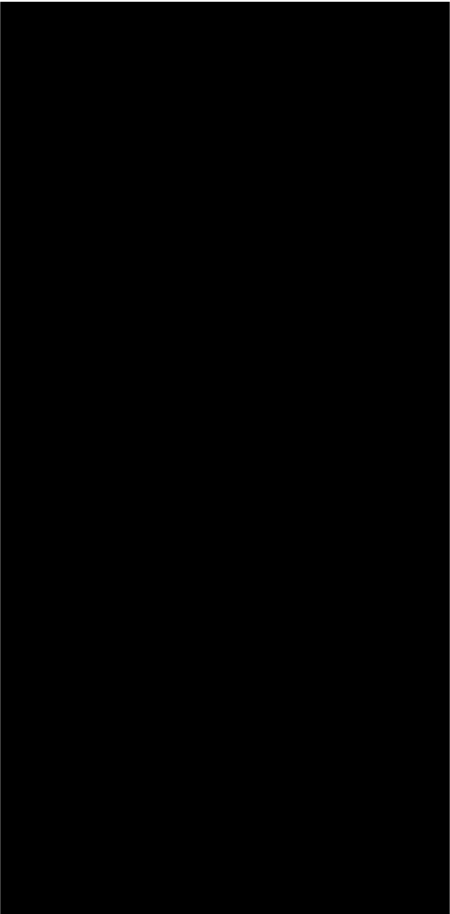
6623.130.00 CUST SERV - END USER BILL INQUIRY

6623.140.00 CUST SERV - CARRIER ACCESS

6623.150.00 CUST SERV - EQUAL ACCESS

6623.210.00 BILLING & COLLECTIONS

TOTAL CUSTOMER SERVICE WAGES



For customer service expenses only the Employees in Clay Center are subject to Non-Reg Allocations. Miltonvale employees direct charge all time to non-regulated operations.

**Twin Valley Telephone Company**  
Plant In Service & Accumulated Depreciation  
12/31/2007

		Per Financials
2111.110	Land	
2111.210	Land - Acquired	
2112.110	Motor Vehicles	
2114.110	Tools and Work Equipment	
2121.110	Buildings	
2121.210	Buildings - Acquired	
2122.110	Office Furniture	
2122.120	COE Furniture	
2123.110	Office Equipment - Support	
2123.120	Office Equip. - Comp. Comm.	
2124.110	General Office Computers	
2212.110	Digital Equipment - Existing	
2212.210	Digital Equipment - Acquired	
2232.110	COE Circuit Equip - Existing	
2232.210	COE Circuit Equip - Acquired	
2411.210	Poles - Acquired	
2421.210	Aerial Cable - Acquired	
2422.110	Underground Cable	
2422.210	Underground Cable - Acquired	
2422.220	Underground Fiber - Acquired	
2423.110	Buried Cable - Existing	
2423.120	Fiber Optic Cable - Existing	
2423.210	Buried Cable - Acquired	
2423.220	Fiber Optic Cable - Acquired	
2431.210	Aerial Wire - Acquired	
2441.110	Underground Conduit	
2441.210	Underground Conduit - Acquired	
<b>Total Regulated Property</b>		
1406.110	Nonreg Video Equipment	
1406.120	Nonreg. Invest. - Voice Mail	
1406.130	Nonreg. Invest. - Pay Phones	
<b>Total Non-Reg Property</b>		
<b>Grand Totals</b>		

REDACTED

TWIN VALLEY TELEPHONE, INC.  
REVENUE AND EXPENSE SUMMARY  
STUDY FOR THE YEAR ENDED DECEMBER 31, 2007

2007

ACCOUNT / DESCRIPTION

6112.11 MOTOR VEHICLE EXPENSE  
6116.16 OTHER WORK EQUIPMENT  
6121.11 LAND & BUILDING EXPENSE  
6122.11 FURNITURE EXPENSE  
6123.11 OFFICE EQUIPMENT EXPENSE  
6123.12 OFFICE PHONE EQUIPMENT EXPENSE  
6124.11 GENERAL PURPOSE COMPUTER EXPENSE  
GENERAL SUPPORT  
6210.11 COE SWITCHING DATABASE QUERY CHG  
6212.11 DIGITAL EQUIPMENT EXPENSE  
6212.12 DIGITAL EQUIPMENT REPAIR TOLL TRANS  
COE SWITCHING  
  
6232.11 CIRCUIT EQUIPMENT EXPENSE  
COE TRANSMISSION  
  
6351.11 PUBLIC TELEPHONE EQUIPMENT EXPENSE  
6362.11 OTHER TERMINAL EQUIPMENT EXPENSE  
INFO. ORIG. & TERM. EXPENSE  
6421.21 AERIAL CABLE EXPENSE  
6423.11 BURIED CABLE EXPENSE  
6423.12 FIBER OPTIC CABLE EXPENSE  
6423.13 REPAIR OF INSURANCE LOSSES  
C&W FACILITY EXPENSE  
  
PLANT SPECIFIC OPERATIONS EXPENSE  
  
6531.11 POWER EXPENSE  
6532.11 NETWORK ADMINISTRATIVE EXPENSE  
6533.11 TESTING EXPENSE - SUBSCRIBER LINES  
6534.11 PLANT OPERATIONS ADMINISTRATION EXPENSE  
NETWORK OPERATIONS EXPENSE  
6540.11 INTERSTATE ACCESS EXPENSE - USAC  
6540.12 INTRASTATE ACCESS EXPENSE  
ACCESS EXPENSE  
6561.2112 DEPRECIATION EXP--MOTOR VEHICLES  
6561.2116 DEPRECIATION EXP--O.W.E.  
6561.2121 DEPRECIATION EXP--BUILDINGS  
6561.2122 DEPRECIATION EXP--FURNITURE  
6561.2123 DEPRECIATION EXP--CO. COMMUNICATIONS  
6561.2124 DEPRECIATION EXP--GENERAL SUPPORT COMPUTERS  
6561.2215 DEPRECIATION EXP--DIGITAL SWITCHING  
6561.2232.11 DEPRECIATION EXP--COE CIRCUIT  
6561.2232.12 DEPRECIATION EXP--COE CIRCUIT IDSL  
6561.2362 DEPRECIATION EXP--POLES&AERIAL  
6561.2422 DEPRECIATION EXP--UNDERGROUND CABLE  
6561.2423 DEPRECIATION EXP--BURIED CABLE

REDACTED

TWIN VALLEY TELEPHONE, INC.  
REVENUE AND EXPENSE SUMMARY  
STUDY FOR THE YEAR ENDED DECEMBER 31, 2007

2007

ACCOUNT / DESCRIPTION

6561.2423 DEPRECIATION EXP--FIBER OPTIC  
6561.2441 DEPRECIATION EXP--CONDUIT  
6561.120 EXTRAORDINARY RETIREMENTS  
DEPRECIATION & AMORTIZATION

PLANT NONSPECIFIC OPERATING EXPENSES

6613.11 PRODUCT ADVERTISING  
6611.11 PRODUCT MANAGEMENT AND SALES  
6622.11 NUMBER SERVICES - DIRECTORY  
6623.11 CUSTOMER SERVICES - E.U. SERVICE ORDER PROC  
6623.12 CUSTOMER SERVICES - E.U. PAY-COLLECT  
6623.13 CUSTOMER SERVICES - E.U. BILLING INQUIRY  
6623.14 CUSTOMER SERVICES - CARRIER ACCESS  
6623.15 CUSTOMER SERVICES - E.U. EQUAL ACCESS  
  
6623.21 OTHER BILLING & COLLECTION  
  
6623.22 BILLING & COLLECTIONS - CABS

CUSTOMER OPERATIONS

6711.11 CORPORATE OPERATIONS 6720.11 & 6720.16  
6721.11 ACCT & FINANCE - PAYROLL & ACCTS PAY 6720.21  
6721.12 ACCT & FINANCE - FW&A 6720.23  
6721.13 ACCT & FINANCE - KENNEDY & COE 6720.24  
6721.14 ACCT & FINANCE - ALL MEMBERSHIPS 6720.13  
6721.15 ACCT & FINANCE - PLANT RECORDS 6720.22  
6721.16 ACCT & FINANCE - LEGASUS GROUP 6720.15  
6721.17 ACCT & FINANCE - KCC AUDIT  
6721.18 ACCT & FINANCE - ASSESS STRAT  
6722.11 EXTERNAL RELATIONS 6720.12  
6723.11 HUMAN RESOURCES 6720.31  
6725.11 LEGAL 6720.14  
6728.11 OTHER GEN & ADMIN - INSURANCE 6720.42  
6728.12 OTHER GEN & ADMIN - RENT 6720.41  
6728.13 OTHER GEN & ADMIN - RELIEF & PENSION 6720.32  
6728.14 OTHER GEN & ADMIN - NEW YORK LIFE 6720.43  
CORPORATE OPERATIONS

TOTAL OPERATING EXPENSES

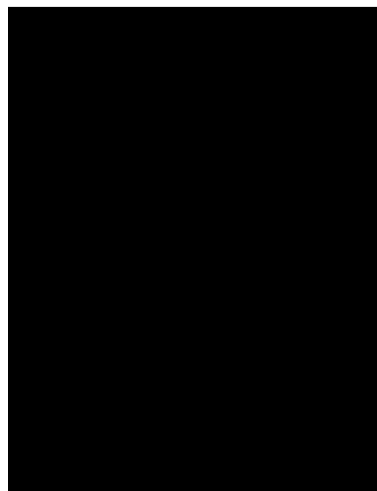
7240.11 OPERATING OTHER TAXES - PROPERTY  
7240.12 OPERATING OTHER TAXES - SECRETARY OF STATE  
7240.13 OPERATING OTHER TAXES - KCC  
7240.14 OPERATING OTHER TAXES - FCC Regulatory

REDACTED

TWIN VALLEY TELEPHONE, INC.  
REVENUE AND EXPENSE SUMMARY  
STUDY FOR THE YEAR ENDED DECEMBER 31, 2007

2007

ACCOUNT / DESCRIPTION	
OTHER OPERATING TAXES	
7510.11	INTEREST ON FUNDED DEBT
7510.13	INTEREST ON NYL INS LOAN
7510.14	INTEREST ON RTB FUNDED DEBT
7510.14	AMORT OF DEBT ISSUANCE EXP
7540.11	OTHER INTEREST DEDUCTIONS
	TOTAL INTEREST
AFUDC	
Special Charges	



# **CHART OF ACCOUNTS**

# Twin Valley Telephone, Inc.

## Chart of Accounts

<u>Account Number</u>	<u>Account Description</u>	<u>Account Type</u>
1120.110.00	Cash in Bank - CSB General	Current Asset
1120.111.00	Cash in Bank - UBT Checking	Current Asset
1120.120.00	Cash in Bank - CSB Money Market	Current Asset
1120.130.00	Cash - Restricted - RUS Const Fund	Current Asset
1120.140.00	Cash - Certificates of Deposit	Current Asset
1120.150.00	Cash - Merrill Lynch	Current Asset
1160.110.00	Marketable Investments - Merrill Lynch	Current Asset
1170.110.00	Accts Rec Customers - Cycle 01	Current Asset
1170.111.00	Accts Rec Customers - Cycle 10	Current Asset
1170.112.00	Accts Rec Customers - Cycle 20	Current Asset
1170.120.00	Accts Receivable - NECA	Current Asset
1170.130.00	Accts Receivable - KUSF	Current Asset
1170.140.00	Accts Receivable - Wireless Access	Current Asset
1170.150.00	Accts Receivable - Special Access	Current Asset
1170.170.00	Accts Receivable - USAC	Current Asset
1170.175.00	Accts Receivable - Emp Life/LTD Ins	Current Asset
1170.180.00	Accts Receivable - Emp Health Ins	Current Asset
1170.185.00	Accts Receivable - Emp Cancer Ins	Current Asset
1170.190.00	Accts Receivable - Other	Current Asset
1170.199.00	Accts Receivable - POS Clearing	Current Asset
1170.210.00	Accts Receivable - TVC	Current Asset
1170.220.00	Accts Receivable - TVM	Current Asset
1170.250.00	Accts Receivable - ISG	Current Asset
1170.260.00	Accts Receivable - ISG Labor	Current Asset
1170.310.00	Accts Receivable - AT&T/SWB	Current Asset
1170.320.00	Accts Receivable - AT&T	Current Asset
1170.330.00	Accts Receivable - Verizon/MCI	Current Asset
1170.340.00	Accts Receivable - Sprint	Current Asset
1170.350.00	Accts Receivable - CenturyLink	Current Asset
1170.360.00	Accts Receivable - Verizon/Wrldcm	Current Asset
1170.365.00	Accts Receivable - WILTEL	Current Asset
1170.390.00	Accts Receivable - MACC	Current Asset
1171.110.00	Accts Rec Allowance - Customers	Current Asset
1171.120.00	Accts Rec Allowance - Carriers	Current Asset
1220.110.00	Inventory - Telephone Materials	Current Asset
1220.210.00	Inventory - Television Equip	Current Asset
1220.310.00	Inventory - Wireless Handsets	Current Asset
1220.320.00	Inventory - Wireless Accessories	Current Asset
1220.410.00	Inventory - CPE & Other Equip	Current Asset
1220.510.00	Inventory - Security Equip	Current Asset
1280.110.00	Prepaid Property & Liability Insurance	Current Asset
1280.120.00	Prepaid Health Insurance	Current Asset



# Twin Valley Telephone, Inc.

## Chart of Accounts

<u>Account Number</u>	<u>Account Description</u>	<u>Account Type</u>
1280.130.00	Prepaid Life Insurance-KC Life	Current Asset
1280.140.00	Prepaid Disability Ins-Key Emp	Current Asset
1280.150.00	Prepaid Life/LTD Insurance	Current Asset
1280.160.00	Prepaid Life/Dep Life Insurance	Current Asset
1280.180.00	Prepaid Service Contracts	Current Asset
1280.190.00	Prepaid Legal Services	Current Asset
1406.120.00	Nonreg Voice Mail Equipment	Long Term Asset
1406.121.00	Acc Depr - Voice Mail Equipment	Long Term Asset
1406.130.00	Nonreg Pay Phone Equipment	Long Term Asset
1406.131.00	Acc Depr - Pay Phone Equipment	Long Term Asset
1410.110.00	Other Assets	Long Term Asset
1410.130.00	Investment in CSV of NY Life Ins	Long Term Asset
1410.210.00	Notes Receivable - TVC	Long Term Asset
2003.110.00	Telecom Plant Under Construction	Long Term Asset
2007.210.00	Goodwill - Acquired	Long Term Asset
2111.110.00	LAND	Long Term Asset
2111.210.00	LAND-ACQUIRED	Long Term Asset
2112.110.00	MOTOR VEHICLES	Long Term Asset
2114.110.00	TOOLS AND OTHER WORK EQUIPMENT	Long Term Asset
2121.110.00	BUILDINGS	Long Term Asset
2121.210.00	BUILDINGS-ACQUIRED	Long Term Asset
2122.110.00	OFFICE FURNITURE	Long Term Asset
2122.120.00	COE FURNITURE	Long Term Asset
2123.110.00	OFFICE EQUIPMENT-SUPPORT	Long Term Asset
2123.120.00	OFFICE EQUIPMENT-CO COMM	Long Term Asset
2124.110.00	GENERAL OFFICE COMPUTERS	Long Term Asset
2212.110.00	COE SWITCHING EQUIPMENT-EXISTING	Long Term Asset
2212.210.00	COE SWITCHING EQUIPMENT-ACQUIRED	Long Term Asset
2232.110.00	COE CIRCUIT EQUIPMENT-EXISTING	Long Term Asset
2232.210.00	COE CIRCUIT EQUIPMENT-ACQUIRED	Long Term Asset
2422.110.00	UNDERGROUND CABLE	Long Term Asset
2422.220.00	UNDERGROUND FIBER-ACQUIRED	Long Term Asset
2423.110.00	BURIED CABLE-EXISTING	Long Term Asset
2423.120.00	FIBER OPTIC CABLE-EXISTING	Long Term Asset
2423.210.00	BURIED CABLE-ACQUIRED	Long Term Asset
2423.220.00	FIBER OPTIC CABLE-ACQUIRED	Long Term Asset
2441.110.00	UNDERGROUND CONDUIT	Long Term Asset
3112.110.00	ACC DEPR - MOTOR VEHICLES	Long Term Asset
3114.110.00	ACC DEPR - TOOLS AND WORK EQUIP	Long Term Asset
3121.110.00	ACC DEPR - BUILDINGS	Long Term Asset
3121.210.00	ACC DEPR - BUILDINGS-ACQUIRED	Long Term Asset
3122.110.00	ACC DEPR - OFFICE FURNITURE	Long Term Asset

# Twin Valley Telephone, Inc.

## Chart of Accounts

<u>Account Number</u>	<u>Account Description</u>	<u>Account Type</u>
3122.120.00	ACC DEPR - COE FURNITURE	Long Term Asset
3123.110.00	ACC DEPR - OFFICE EQUIP-SUPPORT	Long Term Asset
3123.120.00	ACC DEPR - OFFICE EQUIP-CO COMM	Long Term Asset
3124.110.00	ACC DEPR - GEN OFFICE COMPUTERS	Long Term Asset
3212.110.00	ACC DEPR - DIGITAL EQUIP-EXISTING	Long Term Asset
3212.210.00	ACC DEPR - DIGITAL EQUIP-ACQUIRED	Long Term Asset
3232.110.00	ACC DEPR - COE CIRCUIT-EXISTING	Long Term Asset
3232.210.00	ACC DEPR - COE CIRCUIT-ACQUIRED	Long Term Asset
3422.110.00	ACC DEPR - UNDERGROUND CABLE	Long Term Asset
3422.210.00	ACC DEPR - UNDERGROUND CABLE-ACQUIRED	Long Term Asset
3422.220.00	ACC DEPR - UNDERGROUND FIBER-ACQUIRED	Long Term Asset
3423.110.00	ACC DEPR - BURIED CABLE-EXISTING	Long Term Asset
3423.120.00	ACC DEPR - FIBER OPTIC CABLE-EXISTING	Long Term Asset
3423.210.00	ACC DEPR - BURIED CABLE-ACQUIRED	Long Term Asset
3423.220.00	ACC DEPR - FIBER OPTIC CABLE-ACQUIRED	Long Term Asset
3441.110.00	ACC DEPR - UNDERGROUND CONDUIT	Long Term Asset
3441.210.00	ACC DEPR - UNDERGROUND CONDUIT-ACQUIRED	Long Term Asset
4000.100.00	Accounts Payable	Current Liability
4000.105.00	Accts Payable - Payroll	Current Liability
4000.110.00	Accts Payable - Fed Withholding	Current Liability
4000.120.00	Accts Payable - FICA Withholding	Current Liability
4000.130.00	Accts Payable - State Withholding	Current Liability
4000.135.00	Accts Payable - 401k Contributions	Current Liability
4000.140.00	Accts Payable - Flex Plan Contributions	Current Liability
4000.141.00	Accts Payable - Life Ins Withholding	Current Liability
4000.145.00	Accts Payable - Garnishment	Current Liability
4000.150.00	Accts Payable - State Sales Tax	Current Liability
4000.160.00	Accts Payable - Fed Excise Tax	Current Liability
4000.165.00	Accts Payable - 911 Tax - Wireless	Current Liability
4000.170.00	Accts Payable - 911 Tax - Wireline	Current Liability
4000.175.00	Accts Payable - Franchise Fees	Current Liability
4000.180.00	Accts Payable - NECA	Current Liability
4000.185.00	Accts Payable - USAC Grants	Current Liability
4000.190.00	Accts Payable - Other	Current Liability
4000.210.00	Accts Payable - TVC	Current Liability
4000.310.00	Current Maturities of L-T Debt	Current Liability
4030.000.00	Advance Billing - Telephone Basic	Current Liability
4030.100.00	Advance Billing - Telephone Features	Current Liability
4030.110.00	Advance Billing - Directory	Current Liability
4030.200.00	Advance Billing - End User	Current Liability
4030.210.00	Advance Billing - FUSF	Current Liability
4030.220.00	Advance Billing - KUSF	Current Liability

# Twin Valley Telephone, Inc.

## Chart of Accounts

<u>Account Number</u>	<u>Account Description</u>	<u>Account Type</u>
4030.230.00	Advance Billing - ARC	Current Liability
4030.300.00	Advance Billing - Maintenance	Current Liability
4030.310.00	Advance Billing - Voice Mail	Current Liability
4030.700.00	Advance Billing - Wireless Packages	Current Liability
4030.710.00	Advance Billing - Wireless Insurance	Current Liability
4030.720.00	Advance Billing - Wireless FUSF	Current Liability
4030.730.00	Advance Billing - Wireless KUSF	Current Liability
4040.110.00	Customer Deposits	Current Liability
4080.110.00	Accrued Taxes - Property	Current Liability
4080.120.00	Accrued Taxes - FICA Employer	Current Liability
4080.130.00	Accrued Taxes - Fed Unemployment	Current Liability
4080.140.00	Accrued Taxes - State Unemployment	Current Liability
4130.110.00	Accrued Profit Sharing Contributions	Current Liability
4130.120.00	Accrued Paid Leave	Current Liability
4130.130.00	Accrued Bonus Compensation	Current Liability
4130.140.00	Accrued Interest Payable	Current Liability
4200.100.00	Current Mat of L-T Debt - Contra RUS	Long Term Liability
4200.101.00	Current Mat of L-T Debt - Contra RTB	Long Term Liability
4200.105.00	Long Term Debt - Cushion of Credit	Long Term Liability
4200.110.00	Long-Term Debt - RUS Loans	Long Term Liability
4200.120.00	Long-Term Debt - RTB Loans	Long Term Liability
4300.110.00	Accrued Postretirement Benefits	Long Term Liability
4300.120.00	Accrued Deferred Compensation	Long Term Liability
4510.110.00	Capital Stock	Capital
4550.110.00	Retained Earnings	Capital
4550.130.00	Distributions	Capital
4550.140.00	Other Comprehensive Income - Postret Ben	Capital
4550.150.00	Other Comprehensive Income - Investments	Capital
5001.000.00	Local Service - Basic	Revenue
5060.000.00	Local Service - Features	Revenue
5060.100.00	Local Service - Service Charge	Revenue
5060.200.00	Local Service - Late Charge	Revenue
5060.300.00	Local Service - 911 Trunk	Revenue
5060.400.00	Local Service - Interstate PIC Charge	Revenue
5060.450.00	Local Service - Intrastate PIC Charge	Revenue
5069.000.00	High Cost Loop Support - USAC	Revenue
5081.000.00	End User - Common Line	Revenue
5081.100.00	End User - FUSF	Revenue
5081.200.00	End User - KUSF	Revenue
5081.300.00	End User - ARC	Revenue
5082.000.00	Interstate Access - TS	Revenue
5082.100.00	Interstate Access - NECA	Revenue

# Twin Valley Telephone, Inc.

## Chart of Accounts

<u>Account Number</u>	<u>Account Description</u>	<u>Account Type</u>
5082.200.00	Interstate Access - Local Trn	Revenue
5083.000.00	Interstate Special Access - Circuits	Revenue
5083.100.00	Interstate Special Access - DSL	Revenue
5084.000.00	State Access - TS	Revenue
5084.100.00	State Access - KUSF	Revenue
5085.000.00	State Intralata Access - TS	Revenue
5085.100.00	State Intralata Access - Wireless	Revenue
5086.000.00	State Special Access - Circuits	Revenue
5087.000.00	Local Special Access - Interconnection	Revenue
5100.000.00	Long Distance Messages	Revenue
5100.100.00	Long Distance - Bundled Plans	Revenue
5100.200.00	Long Distance - Bundled Surcharges	Revenue
5230.000.00	Directory Revenue	Revenue
5260.000.00	Miscellaneous Revenue	Revenue
5270.000.00	Billing & Collection - Interstate	Revenue
5270.100.00	Billing & Collection - Intrastate	Revenue
5280.000.00	Nonregulated Operating Revenue	Revenue
5300.000.00	Uncollectible Revenue - Customers	Revenue
5310.000.00	Uncollectible Revenue - Other	Revenue
5700.000.00	Wireless - Package Services	Revenue
5700.100.00	Wireless - Overage Charges	Revenue
5700.200.00	Wireless - Prepaid Services	Revenue
5700.300.00	Wireless - Insurance	Revenue
5700.400.00	Wireless - Service Charges	Revenue
5700.500.00	Wireless - FUSF Charges	Revenue
5700.510.00	Wireless - KUSF Charges	Revenue
5700.520.00	Wireless - Regulatory Charges	Revenue
5700.600.00	Wireless - Handset Sales	Revenue
5700.650.00	Wireless - Accessory Sales	Revenue
5700.700.00	Wireless - Promotional Discounts	Revenue
6000.360.75	Television - STB & Remotes	Expense
6000.380.75	Television - STB Outsourced Repairs	Expense
6070.000.75	Wireless - Packages	Expense
6071.000.75	Wireless - Overages	Expense
6072.000.75	Wireless - Prepaid	Expense
6073.000.75	Wireless - Other	Expense
6074.000.75	Wireless - FUSF	Expense
6075.000.75	Wireless - KUSF	Expense
6076.000.75	Wireless - Regulatory	Expense
6077.000.75	Wireless - Handsets	Expense
6078.000.75	Wireless - Accessories	Expense
6112.010.80	Motor Vehicle - Labor	Expense

# Twin Valley Telephone, Inc.

## Chart of Accounts

<u>Account Number</u>	<u>Account Description</u>	<u>Account Type</u>
6112.360.31	Motor Vehicle - Maintenance & Repairs	Expense
6112.610.31	Motor Vehicle - Insurance	Expense
6114.010.80	Work Equipment - Labor	Expense
6114.360.32	Work Equipment - Maintenance & Repairs	Expense
6114.360.33	Work Equipment - Tools	Expense
6121.010.80	Land & Building - Labor	Expense
6121.260.30	Land & Building - Maintenance & Repairs	Expense
6121.270.30	Land & Building - Utilities	Expense
6121.610.30	Land & Building - Insurance	Expense
6122.000.30	Furniture & Decorations	Expense
6123.000.35	Office Equipment	Expense
6124.010.80	General Computers - Labor	Expense
6124.560.35	General Computers - Professional Service	Expense
6124.850.35	General Computers - Equipment	Expense
6124.860.40	General Computers - ERP Software	Expense
6124.870.35	General Computers - PC Software	Expense
6124.870.60	General Computers - PC Software 60	Expense
6124.880.35	General Computers - LAN/WAN Software	Expense
6212.011.80	Switching - Existing - Labor	Expense
6212.012.80	Switching - Acquired - Labor	Expense
6212.130.80	Switching - Maint Window Labor	Expense
6212.140.80	Switching - On-Call Labor	Expense
6212.150.23	Switching - Travel	Expense
6212.160.23	Switching - Meals & Entertainment	Expense
6212.170.23	Switching - Seminars & Training	Expense
6212.360.23	Switching - Maintenance & Materials	Expense
6212.400.23	Switching - Connectivity	Expense
6212.410.23	Switching - Support Contracts	Expense
6212.420.23	Switching - Network Fees	Expense
6212.990.31	Switching - Vehicle Allocation	Expense
6212.990.32	Switching - Work Equip Allocation	Expense
6212.990.33	Switching - Tools Allocation	Expense
6232.011.80	Circuit Equip - Existing - Labor	Expense
6232.012.80	Circuit Equip - Acquired - Labor	Expense
6232.130.80	Circuit Equip - Maint Window Labor	Expense
6232.140.80	Circuit Equip - On-Call Labor	Expense
6232.150.23	Circuit Equip - Travel	Expense
6232.160.23	Circuit Equip - Meals & Entertainment	Expense
6232.170.23	Circuit Equip - Seminars & Training	Expense
6232.360.21	Circuit Equip - Maint & Materials.	Expense
6232.360.23	Circuit Equip - Maint & Materials	Expense
6232.370.20	Circuit Equip - Professional Services	Expense

# Twin Valley Telephone, Inc.

## Chart of Accounts

<u>Account Number</u>	<u>Account Description</u>	<u>Account Type</u>
6232.370.23	Circuit Equip - Prof Services	Expense
6232.380.21	Circuit Equip - Outsourced Services	Expense
6232.400.23	Circuit Equip - Connectivity	Expense
6232.410.23	Circuit Equip - Support Contracts	Expense
6232.420.23	Circuit Equip - Network Fees	Expense
6232.990.31	Circuit Equip - Vehicle Allocation	Expense
6232.990.32	Circuit Equip - Work Equip Allocation	Expense
6232.990.33	Circuit Equip - Tools Allocation	Expense
6423.011.80	Buried Cable - Existing - Labor	Expense
6423.012.80	Buried Cable - Acquired - Labor	Expense
6423.130.80	Buried Cable - Maint Window Labor	Expense
6423.140.80	Buried Cable - On-Call Labor	Expense
6423.150.21	Buried Cable - Travel	Expense
6423.160.21	Buried Cable - Meals & Entertainment	Expense
6423.170.21	Buried Cable - Seminars & Training	Expense
6423.360.21	Buried Cable - Maintenance & Materials	Expense
6423.360.22	Buried Cable - Maintenance & Materials.	Expense
6423.370.20	Buried Cable - Professional Services	Expense
6423.380.22	Buried Cable - Outsourced Services	Expense
6423.380.40	Buried Cable - Mapping Contractors	Expense
6423.390.75	Buried Cable - Leased Network Facilities	Expense
6423.440.21	Buried Cable - Easements, Rights of Way	Expense
6423.460.21	Buried Cable - Locates	Expense
6423.870.40	Buried Cable - Mapping Software	Expense
6423.990.31	Buried Cable - Vehicle Allocation	Expense
6423.990.32	Buried Cable - Work Equip Allocation	Expense
6423.990.33	Buried Cable - Tools Allocation	Expense
6531.270.23	Power - Network	Expense
6533.010.80	Testing - Labor	Expense
6534.010.80	Plant Oper Admin - Labor	Expense
6534.150.20	Plant Oper Admin - Travel	Expense
6534.160.20	Plant Oper Admin - Meals & Entertainment	Expense
6534.170.20	Plant Oper Admin - Seminars & Training	Expense
6540.420.75	Access - Network Fees	Expense
6541.000.75	Access - USAC	Expense
6542.000.75	Access - KUSF	Expense
6543.000.75	Access - Wireless IXCs	Expense
6561.001.70	Depreciation - Existing	Expense
6561.002.70	Depreciation - Acquired	Expense
6611.010.80	Product Mgt & Sales - Labor	Expense
6611.150.50	Product Mgt & Sales - Travel	Expense
6611.160.50	Product Mgt & Sales - Meals & Entertain	Expense

## Twin Valley Telephone, Inc.

### Chart of Accounts

<u>Account Number</u>	<u>Account Description</u>	<u>Account Type</u>
6611.170.50	Product Mgt & Sales - Seminars & Train	Expense
6611.180.50	Product Mgt & Sales - Subs & Dues	Expense
6611.740.50	Product Mgt & Sales - Customer Surveys	Expense
6611.750.50	Product Mgt & Sales - Market Research	Expense
6611.760.50	Product Mgt & Sales - Web/Twitter/Facebk	Expense
6611.770.50	Product Mgt & Sales - PR & Cust Contact	Expense
6611.790.50	Product Mgt & Sales - Demo Equipment	Expense
6613.700.50	Product Advertising	Expense
6613.710.50	Product Advertising - Mktg Collateral	Expense
6613.720.15	Product Advertising - Promo Items 15	Expense
6613.720.50	Product Advertising - Promotional Items	Expense
6613.730.50	Product Advertising - Bill Ins/Dir Mail	Expense
6614.700.50	Wireless Product Advertising	Expense
6622.010.80	Number Services - Labor	Expense
6622.620.75	Number Services - Directory	Expense
6623.010.80	Cust Service - Service Order - Labor	Expense
6623.150.45	Cust Service - Travel	Expense
6623.160.45	Cust Service - Meals & Entertainment	Expense
6623.170.45	Cust Service - Seminars & Training	Expense
6623.630.45	Cust Service - Credit Checks	Expense
6623.640.45	Cust Service - Customer Support	Expense
6624.010.80	Cust Service - Pay-Collect - Labor	Expense
6625.010.80	Cust Service - Bill Inquiry - Labor	Expense
6626.010.80	Cust Service - Carrier Access - Labor	Expense
6627.010.80	Billing & Coll - Labor	Expense
6627.150.40	Billing & Coll - Travel	Expense
6627.160.40	Billing & Coll - Meals & Entertainment	Expense
6627.170.40	Billing & Coll - Seminars & Training	Expense
6627.560.40	Billing & Coll - Prof Fees - Consulting	Expense
6627.650.40	Billing & Coll - Customer Billing	Expense
6627.660.40	Billing & Coll - Credit Card Processing	Expense
6628.650.40	Billing & Coll - CABS Billing	Expense
6630.650.40	Wireless Billing & Coll - Billing	Expense
6720.010.80	Gen & Admin - Corp Operations - Labor	Expense
6720.040.80	Gen & Admin - Pension	Expense
6720.060.10	Gen & Admin - Directors' Compensation	Expense
6720.070.10	Gen & Admin - Directors' Reimbursements	Expense
6720.080.10	Gen & Admin - Directors' Meals & Enter	Expense
6720.150.10	Gen & Admin - Travel 10	Expense
6720.150.15	Gen & Admin - Travel 15	Expense
6720.150.60	Gen & Admin - Travel 60	Expense
6720.150.65	Gen & Admin - Travel 65	Expense

# Twin Valley Telephone, Inc.

## Chart of Accounts

<u>Account Number</u>	<u>Account Description</u>	<u>Account Type</u>
6720.160.10	Gen & Admin - Meals & Entertainment 10	Expense
6720.160.15	Gen & Admin - Meals & Entertainment 15	Expense
6720.160.60	Gen & Admin - Meals & Entertainment 60	Expense
6720.160.65	Gen & Admin - Meals & Entertainment 65	Expense
6720.170.10	Gen & Admin - Seminars & Training 10	Expense
6720.170.15	Gen & Admin - Seminars & Training 15	Expense
6720.170.60	Gen & Admin - Seminars & Training 60	Expense
6720.170.65	Gen & Admin - Seminars & Training 65	Expense
6720.180.10	Gen & Admin - Subscriptions & Dues 10	Expense
6720.180.15	Gen & Admin - Subscriptions & Dues 15	Expense
6720.180.60	Gen & Admin - Subscriptions & Dues 60	Expense
6720.180.65	Gen & Admin - Subscriptions & Dues 65	Expense
6720.180.70	Gen & Admin - Subscriptions & Dues 70	Expense
6720.190.65	Gen & Admin - Prof Fees - Emp Recruiting	Expense
6720.200.70	Gen & Admin - Employee Clothing	Expense
6720.210.65	Gen & Admin - Employee Appreciation	Expense
6720.280.70	Gen & Admin - Phone & Internet	Expense
6720.290.70	Gen & Admin - Postage & Delivery	Expense
6720.300.70	Gen & Admin - Office Supplies	Expense
6720.310.70	Gen & Admin - Kitchen Supplies	Expense
6720.380.60	Gen & Admin - Outsourced Services	Expense
6720.550.60	Gen & Admin - Prof Fees - Accounting/Tax	Expense
6720.560.10	Gen & Admin - Prof Fees - Consultants	Expense
6720.560.60	Gen & Admin - Prof Fees - Cost Consultng	Expense
6720.560.65	Gen & Admin - Prof Fees - HR Consulting	Expense
6720.570.70	Gen & Admin - Prof Fees - Legal	Expense
6720.590.70	Gen & Admin - Company Association Dues	Expense
6720.600.70	Gen & Admin - State & Federal Fees	Expense
6720.610.10	Gen & Admin - Insurance - Directors	Expense
6720.610.70	Gen & Admin - Insurance	Expense
6720.980.70	Gen & Admin - Insurance - NY Life	Expense
6721.010.80	Gen & Admin - Acctg & Finance - Labor	Expense
6722.010.80	Gen & Admin - Community Affairs - Labor	Expense
6723.010.80	Gen & Admin - Human Resources - Labor	Expense
7100.000.00	Other Operating Income & Expense	Revenue
7240.001.70	Property Taxes - Existing	Expense
7240.002.70	Property Taxes - Acquired	Expense
7240.600.70	State Franchise Taxes	Expense
7310.000.00	Dividend Income	Revenue
7320.000.00	Interest Income	Revenue
7322.000.00	Interest Income - Cushion of Credit	Revenue
7340.000.00	Allowance for Funds Used During Const	Revenue



# Twin Valley Telephone, Inc.

## Chart of Accounts

<u>Account Number</u>	<u>Account Description</u>	<u>Account Type</u>
7350.000.00	Gain (Loss) on Sale of Assets	Revenue
7360.000.00	Other Nonoperating Income	Revenue
7365.000.70	Other Nonoperating Expense	Expense
7370.000.10	Donations - Political & Lobbying	Expense
7370.000.15	Donations - Charitable	Expense
7500.000.70	Interest on RUS Funded Debt	Expense
7501.000.70	Interest on RTB Funded Debt	Expense
7502.000.70	Interest on Bank & Other Debt	Expense
7504.000.70	Other Interest Deductions	Expense
7990.000.00	Maintenance Contracts	Revenue
7990.100.00	Inside Wiring Services	Revenue
7990.200.00	Equipment Sales & Shipping Fees	Revenue
7990.300.00	Kan-Ed Circuit Services	Revenue
7990.400.00	Nonreg Promotional Discounts	Revenue
7990.500.00	Nonreg Uncollectible Revenue	Revenue
7991.010.80	Nonreg Installation & Repair - Labor	Expense
7991.360.21	Inside Wiring - Maintenance & Materials	Expense
7991.360.75	Equipment - Cost of Sales	Expense
7991.370.20	Nonreg Professional Services	Expense
7991.390.75	Kan-Ed Circuit - Cost of Sales	Expense
7991.570.70	Nonreg - Prof Fees - Legal	Expense
7992.000.00	Voice Mail Services	Revenue
7993.000.75	Pay Phone - Cost of Sales	Expense
7994.000.75	Conferencing - Cost of Sales	Expense
8700.010.99	Payroll Clearing	Expense
8701.010.99	Absences & Unaccrued Paid Leave	Expense
8702.010.99	Labor Clearing - Accrued Paid Leave	Expense
8703.010.99	Labor Clearing - Bonuses	Expense
8704.010.99	Labor Clearing - Other	Expense
8801.010.99	Expense Reimbursements Clearing	Expense
8901.010.99	Benefit Clearing - Payroll Dollars	Expense
8902.010.99	Benefit Clearing - Payroll Hours	Expense
9999.000.00	Bank Error Account	Expense

Twin Valley Telephone, Inc.  
Kansas Universal Service Fund Support Audit  
Docket No. 15-TWVT-213-AUD

K.A.R. 82-1-231 (c) (4) (P) Section 16:

Financial Statements

- 1 Copy of annual audited financial statements.
- 2 Copy of TVT audited Trial Balance

# **Twin Valley Telephone, Inc.**

Miltonvale, Kansas

FINANCIAL STATEMENTS WITH INDEPENDENT AUDITORS' REPORTS

**December 31, 2014 and 2013**



K • C O E  
I S O M

# **Twin Valley Telephone, Inc.**

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December 31, 2014 and 2013

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## INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS

To the Board of Directors  
Twin Valley Telephone, Inc.  
Miltonvale, Kansas

We have audited the accompanying financial statements of Twin Valley Telephone, Inc. (an S Corporation), which comprise the balance sheets as of December 31, 2014 and 2013, and the related statements of income, comprehensive income, changes in stockholder's equity, and cash flows for the years then ended, and related notes to the financial statements.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

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

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

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

## INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS

(Continued)

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Twin Valley Telephone, Inc. as of December 31, 2014 and 2013, and the results of its operations and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated March 12, 2015, on our consideration of Twin Valley Telephone, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Company's internal control over financial reporting and compliance.

KCoe Jam, LLP

Salina, Kansas  
March 12, 2015



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

To the Board of Directors  
Twin Valley Telephone, Inc.  
Miltonvale, Kansas

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 financial statements of Twin Valley Telephone, Inc. (an S Corporation), which comprise the balance sheets as of December 31, 2014 and 2013, and the related statements of income, comprehensive income, changes in stockholder's equity, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated March 12, 2015.

***Internal Control Over Financial Reporting***

In planning and performing our audits of the financial statements, we considered Twin Valley Telephone, Inc.'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 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.

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 Company's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

(Continued)

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether Twin Valley Telephone, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, 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 audits, 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*.

***Purpose of the 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 entity's internal control or on compliance. This report is an integral part of the audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*KCoe Jam, LLP*

Salina, Kansas  
March 12, 2015



## **FINANCIAL SECTION**

REDACTED

# Twin Valley Telephone, Inc.

## BALANCE SHEETS

December 31

2014

2013

### ASSETS

#### Current Assets

Cash  
Certificates of deposit  
Investments available for sale - Municipal bonds  
Investments available for sale - Securities  
Due from customers, less allowance for doubtful accounts  
Accounts receivable - Related party  
Other accounts receivable, less allowance for doubtful accounts  
Materials and supplies inventory  
Prepaid expenses

#### Total Current Assets

#### Telephone Plant and Equipment, at cost

General support assets  
Central office equipment  
Outside plant

#### Total Telephone Plant and Equipment in Service

Telephone plant under construction

#### Subtotal

Less: Accumulated depreciation

#### Total Telephone Plant and Equipment

#### Noncurrent Assets

Prepaid expenses  
Cash surrender value of life insurance  
Accounts receivable - Related party  
Intangibles

#### Total Noncurrent Assets

### TOTAL ASSETS

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

**Twin Valley Telephone, Inc.****BALANCE SHEETS**

(Continued)

December 31	2014	2013
<b>LIABILITIES AND STOCKHOLDER'S EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable		
Accounts payable - Related party		
Current maturities of long-term obligations		
Customers' deposits		
Advanced billings		
Accrued taxes		
Current portion of deferred compensation		
Other current liabilities		
<b>Total Current Liabilities</b>		
<b>Long-Term Liabilities, less current maturities</b>		
RUS and RTB notes		
Accumulated post-retirement benefits		
Deferred compensation		
<b>Total Long-Term Liabilities</b>		
<b>Stockholder's Equity</b>		
Common stock - \$100 par value; Authorized, 500 shares; Issued and outstanding, 368.4 shares		
Retained earnings		
Accumulated other comprehensive income (loss)		
<b>Total Stockholder's Equity</b>		
<b>TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY</b>		

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

**Twin Valley Telephone, Inc.**  
STATEMENTS OF INCOME

Years Ended December 31

**2014**

**2013**

**Operating Revenues**

Local network service  
Network access service  
Miscellaneous  
Uncollectible

**Total Operating Revenues**

**Operating Expenses**

Plant specific operations  
Plant nonspecific operations  
Depreciation  
Customer operations  
Corporate operations

**Total Operating Expenses**

**Operating Taxes**

Other operating taxes

**Operating Income Before Fixed Charges**

**Fixed Charges**

Interest on debt  
Other interest

**Total Fixed Charges**

**Operating Income**

**Nonregulated Income (Loss)**

Revenues from nonregulated operations  
Expenses of nonregulated operations

**Net Nonregulated Income (Loss)**

**Nonoperating Income (Expense)**

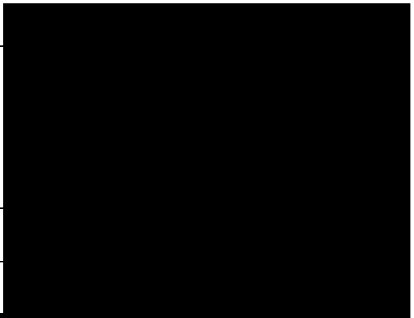
Interest and dividend income  
Special charges  
Net gain (loss) on sale of assets  
Other nonoperating income

**Total Nonoperating Income (Expense)**

**Net Income**

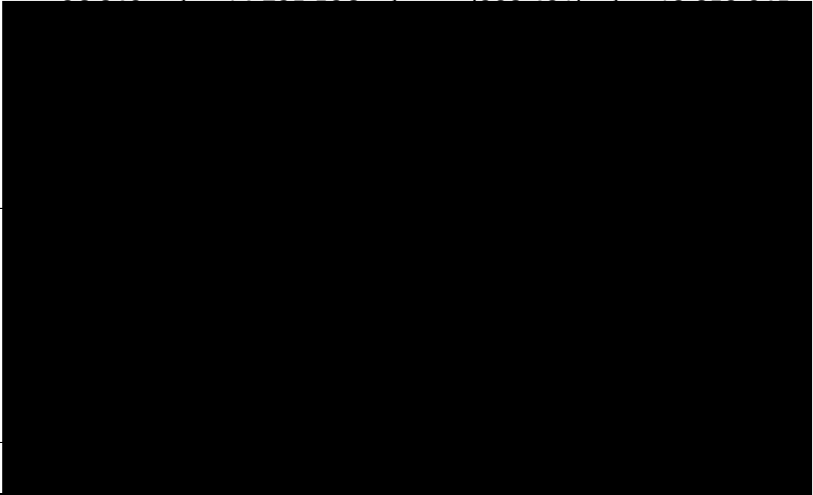
*The accompanying notes are an integral part of these financial statements.*

**Twin Valley Telephone, Inc.**  
STATEMENTS OF COMPREHENSIVE INCOME

Years Ended December 31		2014	2013
<b>Net Income</b>	\$		
<b>Other Comprehensive Income (Loss)</b>			
Unrealized holding gains (losses) arising during the period			
Change in post-retirement benefit			
Reclassification adjustment			
<b>Total Other Comprehensive Income (Loss)</b>			
<b>Net Comprehensive Income</b>	\$		

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

**Twin Valley Telephone, Inc.****STATEMENTS OF CHANGES IN STOCKHOLDER'S EQUITY**

		Common Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
<b>Balance, December 31, 2012</b>	\$				
Comprehensive income (loss) for the year					
Distributions					
<b>Balance, December 31, 2013</b>					
Comprehensive income (loss) for the year					
Distributions					
<b>Balance, December 31, 2014</b>	\$				

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

**Twin Valley Telephone, Inc.**  
**STATEMENTS OF CASH FLOWS**

Years Ended December 31

**2014**

**2013**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Net income

**Adjustments to reconcile net income to net cash  
provided by (used in) operating activities**

Depreciation of telephone plant

Amortization of bond premium

(Gain) loss on sale of investments

Increase in accrued post-retirement benefits

Deferred compensation expense

Payments on deferred compensation

(Increase) decrease in:

Due from customers

Accounts receivable - Related party

Other accounts receivable

Prepaid expenses

Increase (decrease) in:

Accounts payable

Accounts payable - Related party

Advanced billings

Accrued taxes

Other current liabilities

**Total Adjustments**

**NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES**

**CASH FLOWS FROM INVESTING ACTIVITIES**

Additions and purchases of certificates of deposit

Purchases of municipal bonds

Purchases of securities

Proceeds from sale of municipal bonds

Proceeds from sale of securities

Expenditures for telephone plant

(Increase) in cash surrender value of life insurance

(Increase) decrease in materials and supplies inventory

**NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES**

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

**Twin Valley Telephone, Inc.****STATEMENTS OF CASH FLOWS**

(Continued)

Years Ended December 31	2014	2013
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payment of accounts payable - Related party used to finance equipment acquisitions		
Principal payments on long-term debt		
Advance repayment on long-term debt		
Payment of distributions		
Increase (decrease) in customer deposits		
<b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>		
<b>Net Increase (Decrease) in Cash</b>		
<b>Cash at Beginning of Year</b>		
<b>Cash at End of Year</b>		
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>		
<b>Cash Paid During the Year For:</b>		
Interest, net of capitalized interest - 2014-\$0; 2013-\$0		
<b>SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES</b>		
Additions to telephone plant totaling [REDACTED] in 2014, were financed through increases in accounts payable.		
Additions to telephone plant totaling [REDACTED] in 2013, were financed through increases in accounts payable - related party.		

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



# Twin Valley Telephone, Inc.

## NOTES TO FINANCIAL STATEMENTS

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Twin Valley Telephone, Inc. (the Company) is a local public utility providing telecommunications services to customers in nineteen exchanges in central Kansas. The Company is a wholly owned subsidiary of Twin Valley Management, Inc.

### 1. Summary of Significant Accounting Policies

**Industry Guidelines** The accounting policies of the Company are from the Rules and Regulations, Part 32, Uniform System of Accounts for Class A and B Telephone Companies. These rules are continuously updated by the Federal Communications Commission. These policies are judged by management to be the most appropriate in the circumstances to present fairly the financial position and results of operations and cash flows in accordance with generally accepted accounting principles for the industry in the United States.

**Depreciation** Telephone plant in service and under construction is stated at cost. Normal retirements of telephone plants are charged against accumulated depreciation, along with the costs of removal, less salvage, with no gain or loss recognized. The Company provides for depreciation on the straight-line basis at annual rates which will amortize the depreciable property over its estimated useful life. Eligible additions to plant and equipment after 1970 have been depreciated on an accelerated basis for income tax purposes.

**Income Taxes** The Company elected S Corporation status effective January 1, 1997 to have the taxable income of the corporation included in the shareholders income for tax purposes. Accordingly, the Company will not incur additional income tax obligations.

The Company files income tax returns in the U.S. Federal jurisdiction and various U.S. state jurisdictions. The Company is subject to U.S. Federal or state income tax examinations by tax authorities for a period of three years after filing the tax return.

**Fair Value Measurements** The Company has determined the fair value of certain assets and liabilities through application of *Fair Value Measurements*, FASB ASC 820-10. Financial assets and liabilities valued using Level 1 inputs are based on unadjusted quoted market prices within active markets. Financial assets and liabilities valued using Level 2 inputs are based on observable inputs other than quoted prices included in Level 1 that are observable for the asset or liability through corroboration with market data. Financial assets and liabilities valued using Level 3 inputs are based on amounts derived from valuation models where one or more of the significant inputs are unobservable. The only assets and liabilities the Company measures at fair value are the post-retirement benefit plan assets and available for sale investments which are all valued using Level 1 inputs.

**Investments** The classification of marketable investments as held to maturity or available for sale is generally determined at the date of purchase. Gains or losses on the sale of investments are recognized on a specific identification basis.

Available for sale investments are reported at fair value using quoted prices in active markets for identical assets (Level 1 inputs), with unrealized holding gains or losses included as a separate component of stockholder's equity. Investments in nonmarketable securities are carried at cost.

## Twin Valley Telephone, Inc.

### NOTES TO FINANCIAL STATEMENTS

(Continued)

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**Inventories** The materials and supplies inventory is valued at average cost which is in accordance with accepted industry practice. Merchandise held for resale is valued at the lower of cost or market, with cost determined by the "first-in, first-out" method.

**Accounts Receivable and Bad Debt Expense** Accounts receivable are presented at face value, net of the allowance for doubtful accounts. The allowance for doubtful accounts is established through provisions charged against income and is maintained at a level believed adequate by management to absorb estimated bad debts based on historical experience and current economic conditions. Accounts receivable are considered past due based upon payment terms set forth at the date of the related service provided [REDACTED]  
[REDACTED]  
[REDACTED]

**Revenue Recognition** Revenues are generally recognized and earned when evidence of an arrangement exists, service has been rendered, the selling price is determinable, and collectability is reasonably assured. The Company records revenue net of applicable taxes.

**Access Revenue** The Company receives a portion of its interstate access revenues from settlement pools in which it participates with other telephone companies through the National Exchange Carrier Association, Inc. (NECA). These pools were established at the direction of the FCC and are funded by access service charges, which the FCC regulates. The process is subjected to continual monitoring and changes by the FCC. Any changes by the FCC could have an impact on future financial statements.

Revenues earned through this pooling process are initially recognized based on estimates and are subject to adjustments that may either increase or decrease the amount of interstate access revenues. If the actual amounts that the Company receives from the settlement pools differ from the estimated amounts recorded, the Company records the change as a current adjustment to earnings, which could have a significant impact on the financial statements.

**Use of Estimates** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash Equivalents** For purposes of the statements of cash flows, the Company generally considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

**Advertising Costs** Advertising costs are charged to expense as incurred. The amounts expensed during the years ended December 31, 2014 and 2013, were [REDACTED] respectively.

(Continued)

## 2. Telephone Plant and Equipment

[illegible]

The investment in non-regulated property and equipment as of December 31, 2014 and 2013, consists of public telephone termination equipment and other non-regulated equipment of [REDACTED] which was fully depreciated as of December 31, 2014 and 2013.

**Twin Valley Telephone, Inc.**  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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**4. Investments**

At December 31, 2014 and 2013, the investments portfolio was comprised of investments classified as available for sale.

The cost and fair values of investments available for sale at December 31, 2014 were as follows:

	Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value
<b>Available for Sale - Securities</b>				
Securities				
Mutual Funds				
<b>Totals</b>				

The cost and fair values of investments available for sale at December 31, 2013 were as follows:

	Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value
<b>Available for Sale - Securities</b>				
Securities				
Mutual Funds				
<b>Totals</b>				
<b>Available for Sale - Municipal Bonds</b>				
Municipal bonds				
<b>Totals</b>				

The Company invests in various investment securities and bonds. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term.

**5. Intangibles**

The Company purchased 13 telephone exchanges during 2006. Through the acquisition, the Company obtained certified telephone exchange area rights. These intangible assets are deemed to have indefinite lives and are subject to annual impairment tests. [REDACTED]

**Twin Valley Telephone, Inc.****NOTES TO FINANCIAL STATEMENTS**

(Continued)

**6. Long-Term Debt**

The Company has loan agreements with the Rural Utilities Service (RUS), and the Rural Telephone Bank (RTB), under which funds have been borrowed to finance the cost of plant additions and acquisitions. The Company has issued a series of interest bearing notes covering funds borrowed.

The original maturity periods and interest rates on the notes are summarized as follows:

Note Dated	Agency	Original Maturity	Interest Rate	Balance of Advances Net of Repayments December 31,	
				2014	2013
3/21/1980	RUS	35 years	2.00%	\$	
3/6/1989	RUS	35 years	5.00%		
3/1/2000	RTB	14 years	5.17%		
3/1/2000	RUS	14 years	5.00%		
10/18/2005	RTB	16 years	5.49%		
10/18/2005	RUS	16 years	4.59-5.00%		
<b>Total Note Balances</b>					
Less: Current maturities					
<b>Long-Term Portion</b>					
Less: Advance repayments made					
<b>Net Long-Term Debt</b>				\$	

The Company has pledged all of its assets as collateral on the notes.

The aggregate maturities of all long-term notes for the five years following December 31, 2014, are as follows:

Year Ending December 31	Amount
2015	
2016	
2017	
2018	
2019	

**7. Deferred Compensation**

During 2009, the Company entered into deferred compensation agreements with certain management of the Company. Under the terms of the agreements, the Company is to pay the employees scheduled benefit amounts for a period of ten years beginning January 16, 2012, or January 16, 2014, depending on the employee. For the years ended December 31, 2014 and 2013, the deferred compensation expense totaled [REDACTED] respectively.

## Twin Valley Telephone, Inc.

### NOTES TO FINANCIAL STATEMENTS

(Continued)

During 2014, the Company entered into deferred compensation agreements with certain management of the Company. Under the terms of the agreements, the Company is to pay the employees a scheduled benefit. The scheduled benefit consists of a short term and long term component. The short term benefit is paid for a period of ten to twenty years beginning December 31, 2015, or December 31, 2016, depending on the employee. The long term benefit is paid for a period of one to three years beginning March 15, 2024, through April 1, 2034, depending on the employee. For the year ended December 31, 2014, the deferred compensation expense totaled [REDACTED]

#### 8. Profit-Sharing Retirement Plan

The Company established the Twin Valley Telephone, Inc. Profit-Sharing Retirement Plan (a defined contribution plan) during the year 1969, for employees who meet certain age and length of service requirements. The contributions to the plan for 2014 and 2013 totaled [REDACTED] respectively. The retirement plan has been determined to be a qualified plan under Internal Revenue Service Regulations.

#### 9. Other Post-Retirement Benefits

The Company participates in a defined benefit post-retirement benefit plan through the National Telecommunications Cooperative Association (NTCA). The post-retirement benefits include certain medical benefits and telephone service for retired employees. Substantially all of the Company's employees may become eligible to receive these benefits upon retirement. The estimated cost of plan benefits is accrued during the employee's service with the Company. The 2014 information presented below was obtained from the year end estimate from the January 1, 2014 valuation report provided by NTCA.

The following provides further information about the plan.

December 31	2014	2013
Accumulated post-retirement benefit obligation	\$ [REDACTED]	[REDACTED]
Plan assets at fair value	[REDACTED]	[REDACTED]
<b>Unfunded Accumulated Post-Retirement Benefit Obligation</b>		
Unrecognized net loss	[REDACTED]	[REDACTED]
<b>(Accrued) Prepaid Pension Cost before Additional Minimum Liability</b>	\$ [REDACTED]	[REDACTED]
<b>Amounts Recognized in the Balance Sheets</b>		
Accumulated post-retirement benefits	\$ [REDACTED]	[REDACTED]
Accumulated other comprehensive loss	[REDACTED]	[REDACTED]

The stated value of the plan assets is the fair value of the assets as of December 31, 2014 and 2013, respectively. All of the assets are traded in active markets and accordingly can be classified as Level 1 observable inputs with respect to related accounting standards. The NTCA Trust Committee is responsible for the investment of the plan assets. The committee's strategic allocation policy consists of a diversified portfolio of equity securities, debt securities, and real estate.

**Twin Valley Telephone, Inc.****NOTES TO FINANCIAL STATEMENTS**

(Continued)

Other information for the year ended December 31:

		2014	2013
Net post-retirement benefit cost	\$		
Benefits paid			

Weighted-average assumptions used to determine benefit obligations are as follows:

	2014	2013
Discount rate		
Rate of compensation increase		

Weighted-average assumptions used to determine net periodic benefit cost are as follows:

	2014	2013
Discount rate		
Expected long-term return on plan assets		
Rate of compensation increase		

The overall estimated rate-of-return is based on historical performance.

The medical inflation rate of 7% used to measure expected cost of benefits covered by the plan is anticipated to decline to 6% in the next year and over the following years as other sectors of the U.S. economy compete for the resources currently being consumed by health care. The medical inflation rate is assumed to decline gradually over the next three years until it reaches a level of 5% per year.

The Company's post-retirement benefit plan asset allocations by asset category are as follows at December 31:

		Actual	
	Target	2014	2013
Equity securities			
Debt securities			
Real estate			
<b>Total</b>			

The Company does not expect to make a contribution to the post-retirement benefit plan in 2015.

No plan assets are expected to be returned to the Company during 2015.

Based upon current data and assumptions, the following benefit payments, shown on the next page, which reflect expected future service as appropriate, are expected to be paid over the next 10 fiscal years:

**Twin Valley Telephone, Inc.**  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Year Ending December 31	Amount
2015	\$
2016	
2017	
2018	
2019	
2020-2024	

**10. Operating Lease**

[REDACTED]

**11. Related Party Transactions**

[REDACTED]

[REDACTED]

[REDACTED]

**12. Dividend Restrictions**

The long-term debt agreement with the RUS contains restrictions on the payment of dividends or redemption of capital stock. The restrictions are related in general to Twin Valley Telephone, Inc.'s adjusted net worth and assets. [REDACTED]

[REDACTED]



## Twin Valley Telephone, Inc.

### NOTES TO FINANCIAL STATEMENTS

(Continued)

#### 13. Accumulated Other Comprehensive Income (Loss)

The following table illustrates the components of accumulated other comprehensive income (loss), net of tax as of December 31:

		2014	2013
Unrealized gains (losses) on investments available for sale	\$		
Post-retirement benefits			
<b>Accumulated Other Comprehensive (Loss)</b>	<b>\$</b>		

#### 14. Credit Risk and Revenue Concentrations

The Company grants credit to customers, substantially all of whom are local residents and businesses. The Company has determined that no group of customers engaged in similar activities represent a material concentration of credit risk. Other receivables are primarily settlements from the National Exchange Carrier Association (NECA), Kansas Universal Service Fund (KUSF), and long-distance carriers and are subject to conditions in the telecommunications industry.

Revenues for interstate access services and universal service are based on reimbursement of costs and an allowed rate of return. Revenues of this nature are received from NECA and KUSF in the form of monthly settlements. Such revenues from NECA amounted to

The Company maintains cash deposits at several financial institutions. Balances at certain financial institutions were in excess of the federal insurance limitation throughout the year.

#### 15. Future Operations

A significant portion of the Company's operating revenues are subject to FCC and Kansas Corporation Commission regulations. Both commissions continue to make regulatory changes that affect the amount and allocation of revenues among regulated telephone companies. Management has reviewed, and continues to review, the impact of the regulatory changes on future revenues. Management anticipates that negative effects on future revenues may be offset by future reductions in operating costs. However, the ultimate impact of the regulatory changes cannot be determined.

#### 16. Subsequent Events

The Company has evaluated subsequent events through March 12, 2015, the date which the financial statements were available for issue. There have been no events that require disclosure.

# **Twin Valley Telephone, Inc.**

**Miltonvale, Kansas**

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH ASPECTS OF  
CONTRACTUAL AGREEMENTS AND REGULATORY REQUIREMENTS FOR  
TELECOMMUNICATION BORROWERS AND AUDITORS' COMMENTS

**December 31, 2014**



K • C O E  
I S O M



## **INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH ASPECTS OF CONTRACTUAL AGREEMENTS AND REGULATORY REQUIREMENTS FOR TELECOMMUNICATION BORROWERS AND AUDITORS' COMMENTS**

To the Board of Directors  
Twin Valley Telephone Inc.  
Miltonvale, Kansas

We have audited, in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and 7 CFR 1773, *Policy on Audits of Rural Utilities Service Borrowers* (RUS), the financial statements of Twin Valley Telephone, Inc., which comprise the balance sheet as of December 31, 2014, and the related statements of income, comprehensive income, changes in stockholder's equity, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 12, 2015. In accordance with *Government Auditing Standards*, we have also issued our report dated March 12, 2015, on our consideration of Twin Valley Telephone, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. No reports, other than the reports referred to above and our schedule of findings and recommendations 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 Twin Valley Telephone, Inc. 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 Twin Valley Telephone, Inc.'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 Twin Valley Telephone, Inc.'s accounting and records to indicate that Twin Valley Telephone, Inc. did not:

Maintain adequate and effective accounting procedures;

Utilize adequate and fair methods for accumulating and recording labor, 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;

The Operating Report for Telecommunications Borrowers was not completed by the audit report date and thus Twin Valley Telephone, Inc.'s records were not agreed to amounts reported in the Operating Report for Telecommunications Borrowers.

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 system;

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

Record depreciation in accordance with RUS requirements;

Comply with the requirements of the detailed schedule of investments;

The Company has no investments which require disclosure on the detailed schedule of investments.

Obtain written approval for the RUS to enter into any contract, agreement or lease with an affiliate.

## **Communication to Those Charged with Governance**

Professional standards require that we provide you with the following information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope, and timing of our audit. We have communicated such information in our letter to you dated December 15, 2014. Professional standards also require that we communicate to you the following information related to our audit.

## **Significant Audit Findings**

### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Twin Valley Telephone, Inc. are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2014. We noted no transactions entered into by the Company during the year for which there is a lack of authoritative guidance or consensus. There are no

significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred, except for the recognition of access settlements from the National Exchange Carrier Association, Inc., which is common industry practice, as discussed in Note 1 – *Access Revenue* of the financial statements and noted below.

Accounting estimates are an integral part of the financial statements and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

The disclosure of management's estimate of access settlements from the National Exchange Carrier Association, Inc. in Note 1 – *Access Revenue* is based on estimates of the Company's portion of the revenue pool which is funded by access service charges from all of the members of the pool. The pool is regulated by the FCC. If actual amounts that the Company receives from the settlement pool differ from the estimated amount recorded, the Company records the change as a current adjustment to earnings, which is common industry practice. We have evaluated the key factors and assumptions used to develop the estimate of access settlements in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure of future operations in Note 15 to the financial statements and the sensitive estimate described above.

The financial statement disclosures are neutral, consistent, and clear.

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in performing and completing our audit.

#### *Uncorrected Misstatement*

Professional standards require us to accumulate misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. You have corrected such misstatements.

#### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction that could be significant to the financial statements or the auditors' reports. We are pleased to report that no such disagreements arose during the course of our audit

## Communication Related to Internal Control Matters

In planning and performing our audit of the financial statements of Twin Valley Telephone, Inc. as of and for the year ended December 31, 2014 in accordance with auditing standards generally accepted in the United States of America, we considered Twin Valley Telephone, Inc.'s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the 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.

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 Company's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This communication is intended solely for the information and use of the board of directors, management, the RUS, and supplemental lenders of Twin Valley Telephone, Inc. and is not intended to be, and should not be, used by anyone other than these specified parties.

*KCoe Jam, LLP*

Salina, Kansas  
March 12, 2015

REDACTED

REDACTED



REDACTED

REDACTED

REDACTED

Client: **TWIN VALLEY TELEPHONE, INC.**  
Engagement: **12/31/14 Audit, Review, and Tax Return**  
Period Ending: **12/31/2014**  
Workpaper: **Trial Balance - for client**

Account	Description	ADJUSTED 12/31/2013	UNADJ 12/31/2014	JE Ref #	AJE	ADJ 12/31/2014