

searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

<p>USDA-RUS</p> <p>OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS</p>	<p><i>This data will be used by RUS to review your financial situation. Your response is required by 7 U.S.C. 901 et seq. and, subject to federal laws and regulations regarding confidential information, will be treated as confidential.</i></p> <p>BORROWER NAME</p> <p style="text-align: center;">Ballard Rural Telephone Cooperative Corporation, Inc.</p>	
<p><i>INSTRUCTIONS-Submit report to RUS within 30 days after close of the period. For detailed instructions, see RUS Bulletin 1744-2. Report in whole dollars only.</i></p>	<p>PERIOD ENDING December, 2016</p>	<p>BORROWER DESIGNATION KY0515</p>
<p>CERTIFICATION</p> <p><i>We hereby certify that the entries in this report are in accordance with the accounts and other records of the system and reflect the status of the system to the best of our knowledge and belief.</i></p> <p>ALL INSURANCE REQUIRED BY 7 CFR PART 1788, CHAPTER XVII, RUS, WAS IN FORCE DURING THE REPORTING PERIOD AND RENEWALS HAVE BEEN OBTAINED FOR ALL POLICIES.</p> <p>DURING THE PERIOD COVERED BY THIS REPORT PURSUANT TO PART 1788 OF 7CFR CHAPTER XVII <i>(Check one of the following)</i></p> <p><input type="checkbox"/> All of the obligations under the RUS loan documents have been fulfilled in all material respects.</p> <p><input type="checkbox"/> There has been a default in the fulfillment of the obligations under the RUS loan documents. Said default(s) is/are specifically described in the Telecom Operating Report</p>		
<p>_____</p> <p>DATE</p>		

PART A. BALANCE SHEET					
ASSETS	BALANCE PRIOR YEAR	BALANCE END OF PERIOD	LIABILITIES AND STOCKHOLDERS' EQUITY	BALANCE PRIOR YEAR	BALANCE END OF PERIOD
CURRENT ASSETS			CURRENT LIABILITIES		
1. Cash and Equivalents	5,294,579	4,884,090	25. Accounts Payable	410,435	70,422
2. Cash-RUS Construction Fund	96,011	3,990,350	26. Notes Payable		
3. Affiliates:			27. Advance Billings and Payments		
a. Telecom, Accounts Receivable	113,016	45,392	28. Customer Deposits	28,808	31,720
b. Other Accounts Receivable			29. Current Mat. L/T Debt	1,575,742	1,664,849
c. Notes Receivable			30. Current Mat. L/T Debt-Rur. Dev.		
4. Non-Affiliates:			31. Current Mat.-Capital Leases		
a. Telecom, Accounts Receivable	225,389	209,596	32. Income Taxes Accrued		
b. Other Accounts Receivable			33. Other Taxes Accrued	66,533	253,350
c. Notes Receivable			34. Other Current Liabilities	451,380	443,585
5. Interest and Dividends Receivable			35. Total Current Liabilities (25 thru 34)	2,532,898	2,463,926
6. Material-Regulated	827,110	989,990	LONG-TERM DEBT		
7. Material-Nonregulated	835,361	849,509	36. Funded Debt-RUS Notes	18,418,508	24,397,062
8. Prepayments	1,062,456	1,644,186	37. Funded Debt-RTB Notes	1,142,044	817,445
9. Other Current Assets		0	38. Funded Debt-FFB Notes		
10. Total Current Assets (1 Thru 9)	8,453,922	12,613,113	39. Funded Debt-Other		
NONCURRENT ASSETS			40. Funded Debt-Rural Develop. Loan		
11. Investment in Affiliated Companies			41. Premium (Discount) on L/T Debt		
a. Rural Development			42. Reacquired Debt		
b. Nonrural Development			43. Obligations Under Capital Lease		
12. Other Investments			44. Adv. From Affiliated Companies		
a. Rural Development			45. Other Long-Term Debt		
b. Nonrural Development	10,626,776	11,805,197	46. Total Long-Term Debt (36 thru 45)	19,560,552	25,214,507
13. Nonregulated Investments	(24,134)	60,246	OTHER LIAB. & DEF. CREDITS		
14. Other Noncurrent Assets	2,090,898	2,285,254	47. Other Long-Term Liabilities	1,176,593	1,292,191
15. Deferred Charges			48. Other Deferred Credits	5	5
16. Jurisdictional Differences			49. Other Jurisdictional Differences		
17. Total Noncurrent Assets (11 thru 16)	12,693,540	14,150,697	50. Total Other Liabilities and Deferred Credits (47 thru 49)	1,176,598	1,292,196
PLANT, PROPERTY, AND EQUIPMENT			EQUITY		
18. Telecom, Plant-in-Service	53,395,629	61,198,398	51. Cap. Stock Outstand. & Subscribed		
19. Property Held for Future Use			52. Additional Paid-in-Capital		
20. Plant Under Construction	6,306,544	4,494,365	53. Treasury Stock		
21. Plant Adj., Nonop. Plant & Goodwill			54. Membership and Cap. Certificates	52,025	50,932
22. Less Accumulated Depreciation	31,244,361	33,451,669	55. Other Capital		
23. Net Plant (18 thru 21 less 22)	28,457,812	32,241,094	56. Patronage Capital Credits	3,515,331	3,480,971
24. TOTAL ASSETS (10+17+23)			57. Retained Earnings or Margins	22,767,870	26,502,372
	49,605,274	59,004,904	58. Total Equity (51 thru 57)	26,335,226	30,034,275
			59. TOTAL LIABILITIES AND EQUITY (35+46+50+58)	49,605,274	59,004,904

Total Equity = 50.90% % of Total Assets

USDA-RUS

BORROWER DESIGNATION

**OPERATING REPORT FOR
TELECOMMUNICATIONS BORROWERS**

KY0515

PERIOD ENDING

December, 2016

INSTRUCTIONS- See RUS Bulletin 1744-2

PART B. STATEMENTS OF INCOME AND RETAINED EARNINGS OR MARGINS

ITEM	PRIOR YEAR	THIS YEAR
1. Local Network Services Revenues	954,382	942,103
2. Network Access Services Revenues	3,014,391	3,416,809
3. Long Distance Network Services Revenues	1,498	22
4. Carrier Billing and Collection Revenues	0	0
5. Miscellaneous Revenues	1,962,822	1,867,765
6. Uncollectible Revenues	17,107	45,085
7. Net Operating Revenues (1 thru 5 less 6)	5,915,986	6,181,614
8. Plant Specific Operations Expense	865,310	830,962
9. Plant Nonspecific Operations Expense (Excluding Depreciation & Amortization)	201,404	149,942
10. Depreciation Expense	1,987,564	2,168,312
11. Amortization Expense	0	0
12. Customer Operations Expense	362,578	392,843
13. Corporate Operations Expense	734,795	906,146
14. Total Operating Expenses (8 thru 13)	4,151,651	4,448,205
15. Operating Income or Margins (7 less 14)	1,764,335	1,733,409
16. Other Operating Income and Expenses	5,828	200,167
17. State and Local Taxes	0	0
18. Federal Income Taxes	1,943,067	1,380,634
19. Other Taxes	595,162	515,599
20. Total Operating Taxes (17+18+19)	2,538,229	1,896,233
21. Net Operating Income or Margins (15+16-20)	(768,066)	37,343
22. Interest on Funded Debt	673,929	686,543
23. Interest Expense - Capital Leases	0	0
24. Other Interest Expense	36	120
25. Allowance for Funds Used During Construction	217,809	203,730
26. Total Fixed Charges (22+23+24-25)	456,156	482,933
27. Nonoperating Net Income	5,623,906	6,169,663
28. Extraordinary Items	0	0
29. Jurisdictional Differences	0	0
30. Nonregulated Net Income	(1,346,247)	(1,990,509)
31. Total Net Income or Margins (21+27+28+29+30-26)	3,053,437	3,733,564
32. Total Taxes Based on Income	0	0
33. Retained Earnings or Margins Beginning-of-Year	19,714,433	22,767,870
34. Miscellaneous Credits Year-to-Date	0	938
35. Dividends Declared (Common)	0	0
36. Dividends Declared (Preferred)	0	0
37. Other Debits Year-to-Date	0	0
38. Transfers to Patronage Capital	0	0
39. Retained Earnings or Margins End-of-Period [(31+33+34) - (35+36+37+38)]	22,767,870	26,502,372
40. Patronage Capital Beginning-of-Year	3,563,571	3,515,331
41. Transfers to Patronage Capital	0	0
42. Patronage Capital Credits Retired	48,240	34,360
43. Patronage Capital End-of-Year (40+41-42)	3,515,331	3,480,971
44. Annual Debt Service Payments	2,253,030	1,664,849
45. Cash Ratio [(14+20-10-11) / 7]	0.7948	0.6756
46. Operating Accrual Ratio [(14+20+26) / 7]	1.2079	1.1045
47. TIER [(31+26) / 26]	7.6938	8.7310
48. DSCR [(31+26+10+11) / 44]	2.4399	3.8351