

**FCC Form 481 - Carrier Annual Reporting  
Data Collection Form**

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

<010> Study Area Code	502279
<015> Study Area Name	GUNNISON TEL CO
<020> Program Year	2015
<030> Contact Name: Person USAC should contact with questions about this data	Natalie Gleave
<035> Contact Telephone Number: Number of the person identified in data line <030>	4355287236 ext.
<039> Contact Email Address: Email of the person identified in data line <030>	natalieg@gtelco.net

<b>ANNUAL REPORTING FOR ALL CARRIERS</b>	<b>54.313</b>	<b>54.422</b>
	<b>Completion Required</b>	<b>Completion Required</b>

		(check box when complete)	
<100> Service Quality Improvement Reporting	(complete attached worksheet)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<200> Outage Reporting (voice)	(complete attached worksheet)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<210> <input checked="" type="checkbox"/> ← check box if no outages to report		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<300> Unfulfilled Service Requests (voice)	<input type="text" value="0"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<310> Detail on Attempts (voice)	<div style="border: 1px solid black; height: 40px; width: 100%;"></div> (attach descriptive document)	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<320> Unfulfilled Service Requests (broadband)	<input type="text" value="0"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<330> Detail on Attempts (broadband)	<div style="border: 1px solid black; height: 40px; width: 100%;"></div> (attach descriptive document)	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<400> Number of Complaints per 1,000 customers (voice)		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<410> Fixed	<input type="text" value="0.0"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<420> Mobile	<input type="text" value="0.0"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<430> Number of Complaints per 1,000 customers (broadband)		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<440> Fixed	<input type="text" value="0.0"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<450> Mobile	<input type="text" value="0.0"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<500> Service Quality Standards & Consumer Protection Rules Compliance	(check to indicate certification)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<510> <div style="border: 1px solid black; padding: 2px;">502279ut510.pdf</div>	(attached descriptive document)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<600> Functionality in Emergency Situations	(check to indicate certification)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<610> <div style="border: 1px solid black; padding: 2px;">502279ut610.pdf</div>	(attached descriptive document)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<700> Company Price Offerings (voice)	(complete attached worksheet)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<710> Company Price Offerings (broadband)	(complete attached worksheet)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<800> Operating Companies and Affiliates	(complete attached worksheet)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<900> Tribal Land Offerings (Y/N)? <input type="radio"/> <input checked="" type="radio"/>	(if yes, complete attached worksheet)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<1000> Voice Services Rate Comparability	(check to indicate certification)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<1010> <div style="border: 1px solid black; height: 40px; width: 100%;"></div>	(attach descriptive document)	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<1100> Terrestrial Backhaul (Y/N)? <input checked="" type="radio"/> <input type="radio"/>	(if not, check to indicate certification)	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<1110>	(complete attached worksheet)	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<1200> Terms and Condition for Lifeline Customers	(complete attached worksheet)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

**Price Cap Carriers, Proceed to Price Cap Additional Documentation Worksheet**

<2000> Including Rate-of-Return Carriers affiliated with Price Cap Local Exchange Carriers	(check to indicate certification)	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<2005>	(complete attached worksheet)	<input type="checkbox"/>	<input checked="" type="checkbox"/>

**Rate of Return Carriers, Proceed to ROR Additional Documentation Worksheet**

<3000>	(check to indicate certification)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<3005>	(complete attached worksheet)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

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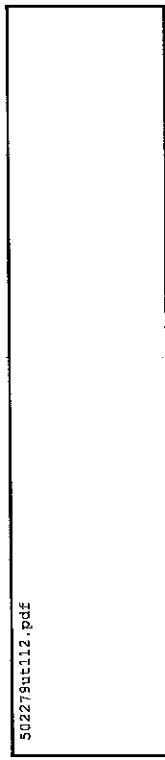
**(100) Service Quality Improvement Reporting  
 Data Collection Form**

<010> Study Area Code 502279  
 <015> Study Area Name GUNNISON TEL CO  
 <020> Program Year 2015  
 <030> Contact Name - Person USAc should contact regarding this data Natalie Gleave  
 <035> Contact Telephone Number - Number of person identified in data line <030> 4355287236 ext.  
 <039> Contact Email Address - Email Address of person identified in data line <030> natalieg@gte1co.net

<110> Has your company received its ETC certification from the FCC? (yes / no )  (yes)  (no)  
 if your answer to Line <110> is yes, do you have an existing §54.202(a) "5 year plan" filed with the FCC? (yes / no )  (yes)  (no)

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

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



Name of Attached Document

Please check these boxes below to confirm that the attached document(s), on line 1.12, contains a progress report on its five-year service quality improvement plan pursuant to § 54.202(a). The information shall be submitted at the wire center level or census block as appropriate.



- <113> Maps detailing progress towards meeting plan targets
- <114> Report how much universal service (USF) support was received
- <115> How (USF) was used to improve service quality
- <116> How (USF) was used to improve service coverage
- <117> How (USF) was used to improve service capacity
- <118> Provide an explanation of network improvement targets not met in the prior calendar year.









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 <020> Program Year 2015  
 <030> Contact Name - Person USAC should contact regarding this data Natalie Gleave  
 <035> Contact Telephone Number - Number of person identified in data line <030> 455287236 ext.  
 <039> Contact Email Address - Email Address of person identified in data line <030> natalieg@telco.net

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

<920> Tribal Government Engagement Obligation

Name of Attached Document

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

- <921> Needs assessment and deployment planning with a focus on Tribal community anchor institutions.
- <922> Feasibility and sustainability planning;
- <923> Marketing services in a culturally sensitive manner;
- <924> Compliance with Rights of way processes
- <925> Compliance with Land Use permitting requirements
- <926> Compliance with Facilities Siting rules
- <927> Compliance with Environmental Review processes
- <928> Compliance with Cultural Preservation review processes
- <929> Compliance with Tribal Business and Licensing requirements.

Select (Yes, No, NA)

**(1100) No Terrestrial Backhaul Reporting  
Data Collection Form**

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<010>	Study Area Code	502279
<015>	Study Area Name	GUNNISON TEL CO
<020>	Program Year	2015
<030>	Contact Name - Person USAC should contact regarding this data	Natale Gleave
<035>	Contact Telephone Number - Number of person identified in data line <030>	4355287236 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	nata.ieg@gtelco.net

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

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



**(1200) Terms and Condition for Lifeline Customers  
Lifeline  
Data Collection Form**

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<010> Study Area Code 502279  
 <015> Study Area Name GUNNISON TEL CO  
 <020> Program Year 2015  
 <030> Contact Name - Person USAC should contact regarding this data Natalie Gleave  
 <035> Contact Telephone Number - Number of person identified in data line <030> 4355287236 ext.  
 <039> Contact Email Address - Email Address of person identified in data line <030> natalie@gte1co.net



Name of Attached Document

<1220> Link to Public Website HTTP <http://www.gte1co.net>

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

- <1221> Information describing the terms and conditions of any voice telephony service plans offered to Lifeline subscribers,
- <1222> Details on the number of minutes provided as part of the plan,
- <1223> Additional charges for toll calls, and rates for each such plan.

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**(2000) Price Cap Carrier Additional Documentation**  
**Data Collection Form**  
*Including Rate-of-Return Carriers affiliated with Price Cap Local Exchange Carriers*

<010> Study Area Code 502279  
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 <020> Program Year 2015  
 <030> Contact Name - Person USAC should contact regarding this data Natalie Gleave  
 <035> Contact Telephone Number - Number of person identified in data line <030> 4355287236 ext.  
 <039> Contact Email Address - Email Address of person identified in data line <030> natalie@gte1.co.net

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

<b>Incremental Connect America Phase I reporting</b>	
<2010>	2nd Year Certification (47 CFR § 54.313(b)(1))
<2011>	3rd Year Certification (47 CFR § 54.313(b)(2))
<b>Price Cap Carrier Receiving Frozen Support Certification (47 CFR § 54.313(a))</b>	
<2012>	2013 Frozen Support Certification
<2013>	2014 Frozen Support Certification
<2014>	2015 Frozen Support Certification
<2015>	2016 and future Frozen Support Certification
<b>Price Cap Carrier Connect America ICC Support (47 CFR § 54.313(d))</b>	
<2016>	Certification Support Used to Build Broadband
<b>Connect America Phase II Reporting (47 CFR § 54.313(e))</b>	
<2017>	3rd year Broadband Service Certification
<2018>	5th year Broadband Service Certification
<2019>	Interim Progress Certification
<2020>	Please check the box to confirm that the attached document(s), on line 2021, contains the required information pursuant to § 54.313 (e)(3)(ii), as a recipient of CAF Phase II support shall provide the number, names, and addresses of community anchor institutions to which began providing access to broadband service in the preceding calendar year.

Name of Attached Document Listing Required Information

<2021> Interim Progress Community Anchor Institutions

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(3000) Rate Of Return Carrier Additional Documentation  
Data Collection Form

<010> Study Area Code 5022719  
 <015> Study Area Name GUNNISON TEL CO  
 <020> Program Year 2015  
 <030> Contact Name - Person USAC should contact regarding this data Natalie Glave  
 <035> Contact Telephone Number - Number of person identified in data line <030> 4355287236 ext.  
 <039> Contact Email Address - Email Address of person identified in data line <030> natalie.glave@telco.net

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

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

Name of Attached Document Listing Required Information

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

(3012) Community Anchor Institutions (47 CFR § 54.313(f)(1)(iii))

Name of Attached Document Listing Required Information

(3013) Is your company a Privately Held ROR Carrier (47 CFR § 54.313(f)(2))

(3014) If yes, does your company file the RUS annual report

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

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

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

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

Name of Attached Document Listing Required Information

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

If the response is yes on line 3018, please check the boxes below to confirm your submission, on line 3025 pursuant to § 54.313(f)(2), contains:

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

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

If the response is no on line 3018, please check the boxes below to confirm your submission, on line 3025 pursuant to § 54.313(f)(2), contains:

(3026) Attach the worksheet listing required information

Name of Attached Document Listing Required Information

5022719ut3026.pdf

<b>Certification - Reporting Carrier Data Collection Form</b>	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
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<010> Study Area Code	502279
<015> Study Area Name	GUNNISON TEL CO
<020> Program Year	2015
<030> Contact Name - Person USAC should contact regarding this data	Natalie Gleave
<035> Contact Telephone Number - Number of person identified in data line <030>	4355287236 ext.
<039> Contact Email Address - Email Address of person identified in data line <030>	natalieg@gtelco.net

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

<b>Certification of Officer as to the Accuracy of the Data Reported for the Annual Reporting for CAF or LI Recipients</b>	
I certify that I am an officer of the reporting carrier; my responsibilities include ensuring the accuracy of the annual reporting requirements for universal service support recipients; and, to the best of my knowledge, the information reported on this form and in any attachments is accurate.	
Name of Reporting Carrier:	
Signature of Authorized Officer:	Date
Printed name of Authorized Officer:	
Title or position of Authorized Officer:	
Telephone number of Authorized Officer:	
Study Area Code of Reporting Carrier:	Filing Due Date for this form:
Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.	

<b>Certification - Agent / Carrier Data Collection Form</b>	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
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<010> Study Area Code	502279
<015> Study Area Name	GUNNISON TEL CO
<020> Program Year	2015
<030> Contact Name - Person USAC should contact regarding this data	Natalie Gleave
<035> Contact Telephone Number - Number of person identified in data line <030>	4355287236 ext.
<039> Contact Email Address - Email Address of person identified in data line <030>	natalieg@gteelco.net

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

<b>Certification of Officer to Authorize an Agent to File Annual Reports for CAF or LI Recipients on Behalf of Reporting Carrier</b>	
I certify that (Name of Agent) <u>Cassandra Heyne</u> is authorized to submit the information reported on behalf of the reporting carrier. I also certify that I am an officer of the reporting carrier; my responsibilities include ensuring the accuracy of the annual data reporting requirements provided to the authorized agent; and, to the best of my knowledge, the reports and data provided to the authorized agent is accurate.	
Name of Authorized Agent:	Cassandra Heyne
Name of Reporting Carrier:	GUNNISON TEL CO
Signature of Authorized Officer:	CERTIFIED ONLINE Date:
Printed name of Authorized Officer:	Natalie Gleave
Title or position of Authorized Officer:	Form 481 Officer
Telephone number of Authorized Officer:	4355287236 ext.
Study Area Code of Reporting Carrier:	502279 Filing Due Date for this form: 06/30/2014
Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.	

**TO BE COMPLETED BY THE AUTHORIZED AGENT:**

<b>Certification of Agent Authorized to File Annual Reports for CAF or LI Recipients on Behalf of Reporting Carrier</b>	
I, as agent for the reporting carrier, certify that I am authorized to submit the annual reports for universal service support recipients on behalf of the reporting carrier; I have provided the data reported herein based on data provided by the reporting carrier; and, to the best of my knowledge, the information reported herein is accurate.	
Name of Reporting Carrier:	GUNNISON TEL CO
Name of Authorized Agent or Employee of Agent:	John Staurulakis, Inc
Signature of Authorized Agent or Employee of Agent:	CERTIFIED ONLINE Date:
Printed name of Authorized Agent or Employee of Agent:	Cassandra Heyne
Title or position of Authorized Agent or Employee of Agent:	Consultant
Telephone number of Authorized Agent or Employee of Agent:	3014597590 ext.
Study Area Code of Reporting Carrier:	502279 Filing Due Date for this form: 06/30/2014
Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.	

## Attachments







**Gunnison Telephone Company Demonstration of Compliance with Applicable  
Service Quality Standards and Consumer Protection Rules**

In establishing this certification in its *2005 ETC Order*,<sup>1</sup> the FCC found that an ETC must make “a specific commitment to objective measures to protect consumers.”<sup>2</sup> The Commission found that for wireless ETCs, compliance with CTIA’s Consumer Code for Wireless Service would satisfy this requirement” and that the sufficiency of other commitments would be considered on a case-by-case basis.<sup>3</sup> In this context, the FCC stated, “to the extent a wireline or wireless ETC applicant is subject to consumer protection obligations under state law, compliance with such laws may meet our requirement.”<sup>4</sup>

**Gunnison Telephone Company** (“Company”) hereby certifies that it is complying with applicable service quality standards and consumer protection rules. The Company is subject to consumer protection obligations under the Utah Service Rules for Telecommunications Corporations. These obligations include, but are not limited to, the following: (1) filing a Local Exchange Tariff pursuant to the requirements of Utah Public Service Commission which disclose rates, terms and conditions of service to customers; (2) adherence to state consumer protection requirements governing telephone providers which require billing procedures (R746-240-4) and procedures for responding to and

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<sup>1</sup> *Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, Report and Order, FCC 05-46 (rel. Mar. 17, 2005) (“*2005 ETC Order*”).

<sup>2</sup> *Id.* at para. 28.

<sup>3</sup> *Id.* The FCC noted that under the CTIA Consumer Code, wireless carriers agree to: “(1) disclose rates and terms of service to customers; (2) make available maps showing where service is generally available; (3) provide contract terms to customers and confirm changes in service; (4) allow a trial period for new service; (5) provide specific disclosures in advertising; (6) separately identify carrier charges from taxes on billing statements; (7) provide customers the right to terminate service for changes to contract terms; (8) provide ready access to customer service; (9) promptly respond to consumer inquiries and complaints received from government agencies; and (10) abide by policies for protection of consumer privacy.” *Id.* at n. 71.

<sup>4</sup> *Id.* at n. 72.

resolving consumer disputes (R746-240-7); (3) truth-in-billing requirements; and (4) CPNI, Red Flag Rules and other applicable federal and state requirements governing the protection of customers' privacy. Pursuant to Telecommunications Service Rule R746-240-1.H, the Company provides a copy of "Customer's Statement of Rights and Responsibilities" as approved by the Utah Public Service Commission to all account holders.

The Company is subject to consumer protection obligations for broadband services under federal law. These obligations include, but are not limited to, the following: public disclosure of accurate information regarding network management practices, performance, and commercial terms of broadband internet access services; as a means of providing sufficient information for consumers to make informed choices regarding use of such services, and for content, application, service and device providers to develop, market, and maintain internet offerings as specified in F.C.C. 47 C.F.R. Part 8 §8.3.

**Gunnison Telephone Company's Demonstration of Ability to Function in  
Emergency Situations**

**Gunnison Telephone Company** hereby certifies that it is able to function in emergency situations as set forth in §54.202(a)(2).<sup>1</sup> The Company's voice and broadband network is designed to remain functional in emergency situations without an external power source, is able to reroute traffic around damaged facilities, and is capable of managing traffic spikes resulting from emergency situations as required by Section 54.202(a)(2). The Company can change call routing translations as needed to reroute traffic around damaged facilities. Changing call routing translations will also allow the Company to manage traffic spikes throughout its network, as emergency situations require.

Specifically, each central office building is supplied with standby generators and battery back-up that enable the central office to keep running until power is restored so long as fuel is available, or until system changes are made to reroute traffic. The Company's central office can maintain 8 hours battery reserve rated for peak traffic load requirements, and a permanent auxiliary power unit is installed which can be delivered and connected within four hours. The Company has battery backup at all office locations and in its electronic equipment sites capable of running for a minimum of 8 hours. Length of run time is determined by the equipment serving the area and the number of customers working out of the equipment. Generators are installed at all Central Office

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<sup>1</sup> Section 54.202(a)(2) requires ETCs that are designated by the Commission to "demonstrate its ability to remain functional in emergency situations, including a demonstration that it has a reasonable amount of back-up power to ensure functionality without an external power source, is able to reroute traffic around damaged facilities, and is capable of managing traffic spikes resulting from emergency situations."

locations. They will continue to run as long as the Company has access to fuel. The Company tests the batteries at least once per year.

**CONFIDENTIAL**  
**NOT FOR PUBLIC INSPECTION**

**Five-Year Network Improvement Plan**  
**For Gunnison Telephone Company**

In its *USF/ICC Transformation Order* and subsequent Orders, the Federal Communications Commission (“FCC” or “Commission”) requires Eligible Telecommunications Carriers (“ETCs”) to submit a five-year build-out plan in a manner consistent with Section 54.202(a)(1)(ii) of the Commission’s Rules by July 1, 2014 and to submit annual progress reports thereafter.<sup>1</sup> Section 54.202(a) (1) (ii) states in part that ETCs are to “[s]ubmit a five-year plan that describes with specificity proposed improvements or upgrades to the [ETC’s] network throughout its proposed service area. Each [ETC] shall estimate the area and population that will be served as a result of the improvements . . . .”<sup>2</sup>

In its *March 5, 2013 Order*, the FCC specified that for rate-of-return carriers, the five-year plans “should describe the carrier’s network improvement plan, which should provide greater visibility into current plans to extend broadband service to unserved locations in rate-of-return service territories.”<sup>3</sup> Gunnison Telephone Company (“GTC”

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<sup>1</sup> See *Connect America Fund; A National Broadband Plan for Our Future; Establishing Just and Reasonable Rates for Local Exchange Carriers; High-Cost Universal Service Support; Developing a Unified Intercarrier Compensation Regime; Federal-State Joint Board on Universal Service; Lifeline and Link-Up; Universal Service Reform—Mobility Fund*; WC Docket Nos. 10-90, 07-135, 05-337, 03-109, CC Docket Nos. 01-92, 96-45, GN Docket No. 09-51, WT Docket No. 10-208, Report and Order and Further Notice of Proposed Rulemaking, FCC 11-61 (rel. Nov. 18, 2011) (*USF/ICC Transformation Order*) at Para. 587; pets. for review denied, *Direct Comm. Cedar Valley, et al v. FCC*, No. 11-9900, [www.ca10.uscourts.gov/opinions/11/11-9900.pdf](http://www.ca10.uscourts.gov/opinions/11/11-9900.pdf) (10th Cir. May 23, 2014); see also *Connect America Fund et al.*, WC Docket 10-90 *et al.*, Order, DA 12-147 (rel. Feb. 12, 2012) at Para. 5 (amending Section 54.313(a)(1) to clarify this requirement); *Connect America Fund et al.*, WC Docket 10-90 *et al.*, Third Order on Reconsideration, FCC 12-52 (rel. May 14, 2012) at Para. 10 (changing the filing deadline for the annual reports from April 1 to July 1); *Connect America Fund et al.*, WC Docket 10-90 *et al.*, Order, DA 13-332 (rel. Mar. 5, 2013) (“*March 5, 2013 Order*”) at Para’s. 4, 6-9. *Delaying Five Year Plan until July 1, 2014* see WC Docket No. 10-90, Order, DA 13-1115, Para. 8 (released May 16, 2013).

<sup>2</sup> 47 C.F.R. § 54.202(a) (1) (ii).

<sup>3</sup> *March 5, 2013 Order* at Para. 9 *citing* Section 54.202(a) (1) (ii).

or the “Company”) is a rate-of-return carrier ETC and hereby submits its five-year network improvement plan.

**I. The Challenges Faced by the Company in Providing Voice and Broadband to its Rural Service Area**

**A. Description of the Company and its Service Area**

The Gunnison Telephone Company (GTC) was incorporated in the State of Utah on February 9, 1909. Portions of the founding document included some of the following statements: “Proposal to install an Independent Telephone System in the Gunnison Valley. When completed, the cost shall not exceed \$1400.00 and shall include an initial 40 subscribers”. “Each subscriber will pay \$37.50 for their connection”.

Over the first several years of existence, GTC used Western Electric/Kellogg switching equipment. In 1965, June 20, a new Stromberg/Carlson XY step switch was cut-over and continued in service until 1982. A Nortel DMS-10 digital switch was installed and became the first digital switch in the state of Utah to actually begin serving subscribers. The DMS-10 was removed in 2010 and replaced with a Nortel/Genband CS-1500 softswitch. It continues in use as of today.

GTC first began offering dial-up internet service in 1996, and has evolved to broadband offerings today. All of our customers that request at least 4/1 service as a standard can receive at least that level of service. Most are much higher and GTC has some business customers with 50mg. +, fiber optic service. Currently, there are no areas that GTC serves that do not have the availability of at least 4/1 service.

The service area of GTC includes the following towns and their individual populations are included: Gunnison, 3289. (This census number includes the Utah State Corrections Central Utah Correctional Facility which is approximately 2000 maximum security inmates); Centerfield, 1370; Fayette, 242; Mayfield, 497; Axtell, 132; other unincorporated areas, 56. Total population of service area is 5586.

The Gunnison Valley is located in the central part of the State of Utah and the average elevation of the service area is 5170 feet above sea level. The climate is semi-desert with an average precipitation of around 9.5 inches. The ground can range from soft clay to rocky and steep. They don’t call these the Rocky Mountains for nothing.

Agriculture and ranching are still one of the main economic drivers of the Gunnison Valley. Although nearby areas to the south and north of the Gunnison Valley are involved with coal mining and trucking operations and they employ a good portion of the population. Of course, the prison employs a number of residents and is a major draw of resources. Water being the primary.

The population still tends to be middle age and older but in recent years it seems to be trending younger. This affects the telecommunications business as younger people tend to use higher bandwidth devices and fewer actual telephones. So GTC has needed to evolve with the trends. It's impossible to keep ahead of the curve because the curves change so fast, but GTC has endeavored to keep up with current technologies that will provide services as needed.

GTC service area includes the following business and anchor institutions: One high school; one elementary school and middle school. Four town halls or city centers; five US Postal offices; one car dealership and one gun manufacturing plant. The area also supports Applied Composite Technology (ACT), which is a leader in artificial limb engineering and manufacturing. They also provide composite products for government military contracts and avionics. They are a major employer and also one of the major broadband customers of GTC. A regional IHC hospital is located in Gunnison and receives patients from all over central and southern Utah and is a GTC customer also.

GTC currently receives Federal USF in the form of ICLS, CAF and LSS imbedded in the NECA Tariff pool in which we participate. Funds received as support are used to improve the network and QOS of the GTC service area.

GTC currently has no debt and will continue to operate with that standard in mind. GTC has active participation from stockholders who meet annually and approve of service, construction and financial details. The Board of Directors includes members of GTC management along with outside members who also meet annually.

As the FCC requires changes in service and moves the curve as regards to broadband offerings, GTC will continue to offer exceptional voice and broadband service both to business and residential customers.

**B. The Exchanges Contained Within the Company's Study Area**

Gunnison Telephone Company serves the exchange area in Utah of:

Gunnison	

**II. The Company Has Used and Will Use Universal Service Support Only For the Intended Purposes**

Section 254(e) of the Communications Act of 1934, as amended requires ETCs to use Universal Service support (“USF”) “only for the provision, maintenance, and upgrading of facilities and services for which the support is intended.”<sup>4</sup> Pursuant to Section 54.314 of the FCC’s rules, in order for state-designated ETCs to receive USF for the coming year, states must annually file certifications by October 1 stating that all federal high-cost support provided to such carriers within the state “was used in the preceding calendar year and will be used in the coming calendar year only for the provision, maintenance, and upgrading of facilities and services for which the support is intended.”<sup>5</sup> ETCs not designated by a state must file similar certifications with the FCC.<sup>6</sup>

In its *USF/ICC Transformation Order*, the FCC clarified that prior to making the Section 254(e) certifications, states should conduct a “rigorous examination of the factual information” contained in the annual Section 54.313 reports, of which the five year network improvement plan and annual progress reports are a part, in determining whether they can certify that carriers’ support has been used and will be used only for the purpose for which the support was intended.<sup>7</sup> The FCC said that it would also use the reports to verify certifications filed by ETCs that are not state-designated.<sup>8</sup> In this context, the

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<sup>4</sup> 47 U.S.C. § 254(e).

<sup>5</sup> 47 C.F.R. § 54.314(a).

<sup>6</sup> 47 C.F.R. § 54.314(b).

<sup>7</sup> See *USF/ICC Transformation Order* at Para. 612.

<sup>8</sup> *Id.*



Commission stated, “[i]n light of the public interest obligations we adopt in this Order, a key component of this [Section 254(e)] certification will now be that support is being used to maintain and extend modern networks capable of providing voice and broadband service.”<sup>9</sup>

Essentially, under the existing rules and processes, the federal USF received by the Company and other incumbent rural telephone companies are, in fact, an integral part of the recovery of expenditures of rural incumbent local exchange carriers incurred in the provision, maintenance and upgrading of their provision of facilities and services for which the USF is intended. GTC depends upon its receipt and utilization of federal universal service support to provide rural telephone customers with affordable and quality voice and broadband services.

Accordingly, given the critical role the network improvement plan and the progress reports will have in the annual Section 254(e) certification process, GTC’s plan and progress reports will demonstrate not only how the Company has used and will use USF not only for improvements and upgrades, but also for the provision and maintenance of the facilities and services to which the support was intended.

### **III. The Company’s Five-Year Network Improvement Plan**

When the Commission adopted its five-year plan requirements for FCC-designated ETCs in its *2005 ETC Order*, it set forth the following criteria as to how the ETC is to describe with “specificity” the proposed improvements or upgrades to the ETC’s network throughout its service area:

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<sup>9</sup> *Id.* (emphasis supplied).

(1) how signal quality, coverage, or capacity will improve due to the receipt of high-cost support throughout the area for which the ETC seeks designation; (2) the projected start date and completion date for each improvement and the estimated amount of investment for each project that is funded by high-cost support; (3) the specific geographic areas where the improvements will be made; and (4) the estimated population that will be served as a result of the improvements.<sup>10</sup>

In that order, the FCC clarified that service quality improvements in the five-year plan “do not necessarily require additional construction of network facilities.”<sup>11</sup> Accordingly, the improvements listed in the plan may be projects related to the expansion of the network (one or multiple services), projects related to updating technology to accommodate new services or higher bandwidth or maintenance projects, such as to reduce trouble reports or replace outdated equipment. Additionally, in some cases, the projects may be ones that improve or upgrade the entire network rather than discrete areas within a study area or they may be ones that are ongoing projects that have no specific start and completion dates.

The instructions to the Form 481 state “[r]ecipients may describe where improvements are expected to occur by wire center or census block, as appropriate. To the extent no improvements are planned in specific areas, the five-year plan should so indicate.”<sup>12</sup> The instructions also require that in subsequent years, ETCs must file a progress report on the five-year plan, pursuant to 47 C.F.R. §54.313(a)(1), including maps explaining progress towards meeting the deployment targets, the amount of

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<sup>10</sup> *Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, Report and Order, FCC 05-46 (rel. Mar. 17, 2005) (“2005 ETC Order”).

<sup>11</sup> *Id.*

<sup>12</sup> Instructions for Completing FCC Form 481, OMB Control No. 3060-0986 (High-Cost), OMB Control No. 3060-0819 (Low-Income), March 2014, Line 112

universal service support received, how support was used to improve service quality, coverage, or capacity, and an explanation regarding any network improvement targets that have not been fulfilled in the prior calendar year. The information regarding the total amount of universal service support received must also be broken out separately by the amount spent on capital expenses and the amount spent on operating expenses.<sup>13</sup>

Accordingly, the Company's five-year plan separately provides both capital expenditures and operating expenses.

**A. The Company's Major Network Improvement Projects**

Based upon this framework, Appendix A reflects GTC's major network improvement projects for the year 2015 through calendar year 2019<sup>14</sup> along with the start and completion dates, capital costs, areas and population associated with those projects.

**B. How These Projects Will Improve the Network**

GTC is in process of completing a project of 100 % buried cable, both trunk cable, fiber optic cable and drop cable. This will improve service and reduce trouble instances. GTC will be using hybrid fiber/copper cables to facilitate the possibility of FTTH or at least FTTC in future greenfield installs and replacement installs. Along with installing Calix E7 and E3 remote equipment and the use of some Nanobridge M5 radio, GTC is able to offer requested bandwidth to even our most remote customers.

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<sup>13</sup> Instructions for Completing FCC Form 481, OMB Control No. 3060-0986 (High-Cost), OMB Control No. 3060-0819 (Low-Income), March 2014, Line 112.

<sup>14</sup> Although the FCC has not specified what it considers to be "year one" of the five year plan, the Company believes that it is the FCC's intent for the calendar year 2015 to be considered "year one" due to the fact that the first progress report on the plan is due July 1, 2015 and all of the other reporting requirements contained in Section 54.313 are based on the calendar year.

Broadband is the new driver, but quality of voice service is important in the Gunnison service area. GTC is striving to get the most from existing copper service and will continue to upgrade the same while paying attention to the future bandwidth demands.

GTC has various planned projects ongoing in 2016-2019 such as vehicle and work equipment replacement, upgrading circuit equipment, and cable replacement that will update technology and address maintenance issues and improve service quality. General vehicle, electronics and equipment upgrades will benefit the entire service area. The areas and populations that will benefit from cable replacement projects are listed in Appendix A.

#### **C. Estimated Capital Expenditures and Operating Expenses**

The first table in Appendix B included herein specifies the Capital Expenditures (projects) in Appendix A, by Part 32 account, along with the respective year in which the expenditures are expected to occur. In the second table of Appendix B, the projected operating expenses are provided, including depreciation expense for both embedded plant investment and for Capital Expenditures, which begins when the Capital Expenditures are projected to be placed into service.

#### **D. List of Community Anchor Institutions to Which the ETC Currently Provides Service**

Although the FCC's *USF/ICC Transformation Order* only requires listing of community anchor institutions to which the ETC newly began providing service in progress reports, Gunnison Telephone hereby provides the FCC with a list of community

anchor institutions to which it currently provides service.<sup>15</sup> The list of community anchor institutions is included herein as Appendix C.

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<sup>15</sup> The FCC has defined community anchor institutions in Section 54.5 of its Rules as “schools, libraries, health care providers, community colleges, other institutions of higher education, and other community support organizations and entities.”

Study Area Code: 502279  
 Study Area Name: Gunnison Telephone Company  
 Company Contact Name: Natalie Gleave  
 Contact Telephone Number: 435-528-7236  
 Contact Email Address: natalieg@gelco.net

PART A - PROJECT LIST FOR 2015-2019

Project	Start Date	Completion	Areas	Population	Total Dollars	Part 32 Account	Voice, Broadband, Both, etc.
Vehicle and Work equipment replacement	2015	2016	Entire Service Area	5,586	125,000	2112-2116	Both
Replace Aerial cable with buried cable	2015	2019	50 N, 50 S, 100 E to 200 E, 100E to 200E, 100S 200 W to 400 W Center, Gunnison	195	58,600	2423	Both
Replace deteriorating Aerial cable with buried cable	2015	2019	Entire Service Area	5,586	141,400	2423	Both
Upgrade Circuit Equipment	2016	2019	Entire Service Area	5,586	255,000	2230	Both
Switch software upgrades	2016	2019	Entire Service Area	5,586	20,000	2212	Both
<b>Totals</b>					\$ 600,000.00		



Community Anchor Institutions Currently Served	
Name	Address
<b>Gunnison Valley Hospital</b>	<b>64 E 100 N, GUNNISON UT 84634</b>
GUNNISON CITY HALL	38 W CENTER, GUNNISON UT 84634
GUNNISON HIGH SCHOOL	35 E 600 S, GUNNISON UT 84634
GUNNISON MIDDLE SCHOOL	271 E 600 S, GUNNISON UT 84634
GUNNISON VALLEY ELEMENTARY	550 S 300 E, GUNNISON UT 84634
GUNNISON LIBRARY	38 W CENTER, GUNNISON 84634
CENTERFIELD CITY HALL	130 S MAIN, CENTERFIELD UT 84622
MAYFIELD TOWN HALL	52 S MAIN, MAYFIELD UT 84643
FAYETTE TOWN HALL	100 E 90 S, FAYETTE UT 84630
LDS Church	210 S Main, Centerfield UT 84622
LDS Church	11 E 100 N, Mayfield UT 84643
LDS Church	80 W Center, Gunnison
UTAH DEPT OF TRANSPORTATION	7440 S 8130 W, GUNNISON UT 84634
GUNNISON FIRE DEPARTMENT	40 E 200 N, GUNNISON UT 84634
GUNNISON POST OFFICE	95 W 100 S, Gunnison UT 84634
Centerfield Post Office	50 E 100 N, Centerfield UT 84622
Mayfield Post Office	48 N Main, Gunnison UT 84634



# **Gunnison Telephone Company**

**December 31, 2013**

## INDEPENDENT AUDITOR'S REPORT

Gunnison Telephone Company  
Gunnison, Utah 84634

Board of Directors,

We have audited the accompanying financial statements of Gunnison Telephone Company, a Utah corporation, which comprise the balance sheet as of December 31, 2013, and the related statements of income and retained earnings, and cash flows for the year then ended, and the related notes to the financial statements.

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

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

### **Auditor's Responsibility**

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

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

### **Opinion**

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

Sincerely,

Leslie P. Thorne and Associates  
Certified Public Accountants  
June 4, 2014

Gunnison Telephone Company  
Balance Sheet  
December 31, 2013

Assets

Current Assets

Cash and Cash Equivalents	\$	105,737	
Accounts Receivable		178,315	
Materials and Supplies		24,742	
Prepaid Expenses and Accrued Interest		24,765	
Prepaid Federal and State Income Taxes		12,174	
Total Current Assets			\$ 345,733

Property, Plant, and Equipment

Land		15,000	
Buildings		472,767	
Vehicles		141,436	
Tools and Work Equipment		259,953	
Furniture and Office Equipment		37,882	
General Purpose Computers		158,696	
Telecommunications Equipment		3,913,807	
Total Property, Plant, and Equipment		4,999,541	
Less: Accumulated Depreciation		3,573,012	
Net Property, Plant, and Equipment			1,426,529

Other Assets

Non-Regulated Investment-Interest		85,495	
Less: Amortization Non-Regulated Investment-Interest		77,431	
Net Other Assets			8,064
Total Assets			\$ 1,780,326

Liabilities and Stockholders' Equity

Current Liabilities

Accounts Payable - Trade	\$	21,528	
Customer Deposits		2,500	
Accrued Expenses		212	
Total Current Liabilities			\$ 24,240

Stockholders' Equity

Common Stock, 30,000 Shares Authorized, Par Value \$2.50, Issued and Outstanding 22,026 Shares		55,065	
Retained Earnings		1,711,851	
Less: Treasury Stock		(10,830)	
Total Stockholders' Equity			1,756,086
Total Liabilities and Stockholders' Equity			\$ 1,780,326

See Accompanying Notes Which are an Integral Part of These Financial Statements.

Gunnison Telephone Company  
Statement of Income and Retained Earnings  
For the Year Ended December 31, 2013

<u>Income</u>		
Local Services	\$ 401,063	
Access Services	657,548	
Long Distance Services	343,119	
Other Services	<u>19,028</u>	
Total Income		\$ 1,420,758
 <u>Direct Expenses</u>		
Plant Operating Expenses	132,269	
Non Plant Operating Expenses	<u>624,005</u>	
Total Direct Expenses		<u>756,274</u>
Gross Profit		664,484
General and Administrative Expenses		<u>586,761</u>
Income from Operations		77,723
 <u>Other Income</u>		
Interest Income	92	
Other Income	<u>20,460</u>	
Total Other Income		20,552
 <u>Other Expense</u>		
Interest Expense	<u>101</u>	
Total Other Expense		<u>101</u>
Income Before Income Taxes		98,174
Provision for Income Taxes		<u>22,565</u>
Net Income		75,609
Retained Earnings - January 1, 2013		1,798,730
Less: Dividends Paid		<u>162,488</u>
Retained Earnings - December 31, 2013		<u>\$ 1,711,851</u>

See Accompanying Notes Which are an Integral Part of These Financial Statements.

Gunnison Telephone Company  
Statement of Cash Flows  
For the Year Ended December 31, 2013

Cash Flows From Operating Activities

Net Income	\$ 75,609	
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities		
Depreciation Expense	271,221	
Amortization Expense	2,785	
(Increase) Decrease in:		
Accounts Receivable	(181)	
Prepaid Expense	7,198	
Prepaid Taxes	19,183	
Increase (Decrease) in:		
Accounts Payable	(14,671)	
Customer Deposits	(300)	
Accrued Expenses	59	
Cash Provided by Operating Activities	360,903	\$ 360,903

Cash Flows From Investing Activities

Purchase of Equipment	(122,900)	
Cash Used by Investing Activities	(122,900)	(122,900)

Cash Flows From Financing Activities

Purchase of Treasury Stock	0	
Dividends Paid	(162,488)	
Cash Used by Financing Activities	(162,488)	(162,488)

Increase in Cash		75,515
Cash and Cash Equivalents - January 1, 2013		30,222
Cash and Cash Equivalents - December 31, 2013		\$ 105,737

See Accompanying Notes Which are an Integral Part of These Financial Statements.

Gunnison Telephone Company  
Notes to Financial Statements  
December 31, 2013

**Note One – Accounting Policies**

**Business Activities**

Gunnison Telephone Company, a Utah Corporation, is a local telecommunications company that provides and operates a telephone service to the city of Gunnison, Utah and surrounding communities.

**Revenue Recognition**

The Company's records are maintained on the accrual basis of accounting.

**Use of Estimates**

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America and, as such, include amounts based on informed estimates and judgments of management with consideration given to materiality. Actual results could differ from those estimates and may result in material differences to the financial statements.

**Cash and Cash Equivalents**

Cash and cash equivalents include cash in banks, savings and other liquid accounts. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are purchased with a maturity date within 90 days or less.

**Accounts Receivable**

The Company grants credit to customers for services provided and requires a cash deposit which is refunded after six months of continuous use, but generally does not require collateral. Payment terms are net 30 days with a balance due in full. After 30 days the accounts are considered past due. During the year ended December 31, 2013, the Company charged accounts interest after 30 days at a rate of 1% monthly or 12% annually with a minimum late charge per month of \$.50. When the Company believes an account is uncollectible it is written off and charged to bad debt expense. At December 31, 2013 the bad debts were \$8,512.

**Concentration of Credit Risk**

Financial instruments that potentially expose the Company to concentrations of credit risk consist primarily of accounts receivable and cash equivalents.

The Company's customer base includes businesses and residences. The customers are located in Gunnison City and the surrounding communities. The Company reviews customer credit history before extending credit and requires customers to place a deposit with the Company for six months.

Generally, the Company does not require collateral for its accounts receivable but does require deposits as indicated above.

The Company maintains its cash accounts with banks that have a high credit worthiness rating. The total cash balances are insured by FDIC up to \$250,000 per bank. The Company's cash balance at December 31, 2013 did not exceed the balance insured by the FDIC.

Materials and Supplies

The Company maintains materials and supplies that are not readily available in a short period of time. These items include switching devices and supplies. Items needed to repair or replace parts that have been readily available are not kept on hand. Materials and Supplies are priced at the lower of cost or market.

Plant, Property, Equipment and Depreciation

Land and depreciable equipment are stated at cost. Major replacements and improvements are charged to the capital accounts, while repairs, which do not improve or extend the life of the assets, and maintenance are expensed currently. At the time land or depreciable assets are disposed of, the asset accounts and related accumulated depreciation accounts are relieved of the applicable amounts. Gain or loss on sales are credited or charged to income. Depreciation is computed principally by using the straight-line and declining balance methods of depreciation over the estimated useful life of the asset. The useful lives of the assets range from 3 to 5 years on autos and trucks, 5 to 8 years on furniture and fixtures, 8 to 10 years on switching equipment, and 20 to 39.5 years on buildings and buried cable.

Income Taxes

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus or minus deferred taxes. Deferred taxes are recognized for differences between the basis of assets and liabilities for financial statements and income tax purposes. The differences relate primarily to old or uncollectible accounts receivable (deductible for financial statement purposes but not for income tax purposes). The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be deductible or taxable when the assets and liabilities are recovered or settled. Deferred taxes also are recognized for operating losses and tax credits that are available to offset future taxable income.

Bad Debts

The Company uses the direct-writeoff method for recognition of bad debts for tax and reporting purposes. Management considers the history of low amounts of bad debts to be a good indicator that an allowance is not necessary.

Profit Sharing Plan

The Company has a profit sharing plan that covers substantially all employees. The Company's contributions to the plan are discretionary and may not exceed 15 percent of the aggregate annual salaries of the participants.

Note Two – Depreciation and Amortization Expense

The depreciation expense for December 31, 2013 was \$271,221. The amortization expense for December 31, 2013 was \$2,785.

Note Three – Federal Income Taxes

The provision for federal income taxes in the statement of income and retained earnings consists of the following components:

Current Federal Income Taxes	\$ 22,565
Provision for Income Taxes	\$ 22,565

The amount of cash paid for federal and state income taxes for the year ended December 31, 2013 was as follows:

Federal Income Taxes	\$ 0
State Income Taxes	8,688
Total Income Taxes Paid	\$ 8,688

The following years are subject to audit or review by government authorities:

December 31, 2013  
December 31, 2012  
December 31, 2011

#### Note Four – Related Party Transactions

The Company has a land and building lease with one of its officer-shareholders. The lease is on a month to month rental and requires monthly payments of \$450. The rental amount was \$5,850 and was charged to expense for the year ended December 31, 2013. The total amount owed at December 31, 2013 was \$0.

The Company uses a long distance carrier that is owned by some of the same shareholders as that of the Company. The total amount billed by the carrier during 2013 was \$40,936. The total amount owed at December 31, 2013 was \$0.

#### Note Five – Profit Sharing Plan

The Company has a profit sharing plan for all full time employees who meet certain age and longevity requirements. The Company's contributions to the plan are discretionary and may not exceed 15 percent of the aggregate annual salaries of the participants. Contributions for the year ended December 31, 2013 were 9% of gross wages. The Company contributed \$50,685 which was charged to expense for the year ended December 31, 2013.

#### Note Six – Bad Debt Expense

The bad debt expense for the year ended December 31, 2013 was \$8,512.

#### Note Seven – Compensated Absences

The Company has not accrued compensated absences. The Company's policy is to provide employees paid vacation and medical leave. The leave is to be used during the calendar year. Any unused leave is forfeited and employees are not compensated for the unused portion.



**Note Eight – Subsequent Events**

In accordance with ASC 855, the Company evaluated subsequent events through June 4, 2014, the date these financial statements were available to be issued. On May 20, 2014 the Company received the notice of bankruptcy filing of one of its larger multiline customers. The amount of the receivable is \$19,650

**Note Ten – Treasury Stock**

The Company purchased 361 shares from one of its stockholders for \$30 per share. The total amount was \$10,830.

INDEPENDENT AUDITOR'S REPORT

Gunnison Telephone Company  
Gunnison, Utah 84634

Board of Directors,

We have audited the accompanying financial statements of Gunnison Telephone Company, a Utah corporation, which comprise the balance sheet as of December 31, 2012, and the related statements of income and retained earnings, and cash flows for the year then ended, and the related notes to the financial statements.

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

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

**Auditor's Responsibility**

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

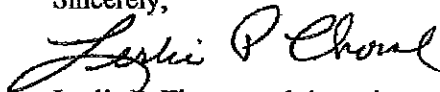
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Gunnison Telephone Company as of December 31, 2012, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Sincerely,



Leslie P. Thorne and Associates  
Certified Public Accountants  
May 31, 2013

Gunnison Telephone Company  
Balance Sheet  
December 31, 2012

<u>Assets</u>		
<u>Current Assets</u>		
Cash and Cash Equivalents	\$ 30,222	
Accounts Receivable	178,134	
Materials and Supplies	24,742	
Prepaid Expenses and Accrued Interest	31,963	
Prepaid Federal and State Income Taxes	31,357	
Total Current Assets		\$ 296,418
<u>Property, Plant, and Equipment</u>		
Land	15,000	
Buildings	472,767	
Vehicles	142,386	
Tools and Work Equipment	259,953	
Furniture and Office Equipment	37,882	
General Purpose Computers	135,534	
Telecommunications Equipment	3,815,068	
Total Property, Plant, and Equipment	4,878,590	
Less: Accumulated Depreciation	3,302,740	
Net Property, Plant, and Equipment		1,575,850
<u>Other Assets</u>		
Non-Regulated Investment-Interest	84,495	
Less: Amortization Non-Regulated Investment-Interest	74,646	
Net Other Assets		9,849
Total Assets		\$ 1,882,117
<u>Liabilities and Stockholders' Equity</u>		
<u>Current Liabilities</u>		
Accounts Payable - Trade	\$ 33,628	
Accounts Payable - Related Party	2,571	
Customer Deposits	2,800	
Accrued Expenses	153	
Total Current Liabilities		\$ 39,152
<u>Stockholders' Equity</u>		
Common Stock, 30,000 Shares Authorized, Par Value \$2.50, Issued and Outstanding 22,026 Shares	55,065	
Retained Earnings	1,798,730	
Less: Treasury Stock	(10,830)	
Total Stockholders' Equity		1,842,965
Total Liabilities and Stockholders' Equity		\$ 1,882,117

See Accompanying Notes Which are an Integral Part of These Financial Statements.

Gunnison Telephone Company  
Statement of Income and Retained Earnings  
For the Year Ended December 31, 2012

<u>Income</u>		
Local Services	\$ 421,321	
Access Services	653,851	
Long Distance Services	355,479	
Other Services	<u>22,006</u>	
Total Income		\$ 1,452,657
 <u>Direct Expenses</u>		
Plant Operating Expenses	126,870	
Non Plant Operating Expenses	<u>634,171</u>	
Total Direct Expenses		<u>761,041</u>
Gross Profit		691,616
General and Administrative Expenses		<u>596,005</u>
Income from Operations		95,611
 <u>Other Income</u>		
Interest Income	952	
Other Income	<u>65,539</u>	
Total Other Income		66,491
 <u>Other Expense</u>		
Interest Expense	<u>86</u>	
Total Other Expense		<u>86</u>
Income Before Income Taxes		162,016
Provision for Income Taxes		<u>47,633</u>
Net Income		114,383
Retained Earnings - January 1, 2012		1,965,992
Less: Dividends Paid		<u>281,645</u>
Retained Earnings - December 31, 2012		<u>\$ 1,798,730</u>

See Accompanying Notes Which are an Integral Part of These Financial Statements.

Gunnison Telephone Company  
Statement of Cash Flows  
For the Year Ended December 31, 2012

<u>Cash Flows From Operating Activities</u>		
Net Income	\$	114,383
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities		
Depreciation Expense		296,691
Amortization Expense		1,756
(Increase) Decrease in:		
Accounts Receivable		12,734
Prepaid Expense		(22,780)
Prepaid Taxes		11,645
Increase (Decrease) in:		
Accounts Payable		(10,480)
Customer Deposits		400
Accrued Expenses		(7,710)
Cash Provided by Operating Activities		<u>\$ 396,639</u>
<u>Cash Flows From Investing Activities</u>		
Purchase of Equipment		<u>(154,051)</u>
Cash Used by Investing Activities		(154,051)
<u>Cash Flows From Financing Activities</u>		
Purchase of Treasury Stock		(10,830)
Dividends Paid		<u>(281,645)</u>
Cash Used by Financing Activities		<u>(292,475)</u>
Decrease in Cash		(49,887)
Cash and Cash Equivalents - January 1, 2012		<u>80,109</u>
Cash and Cash Equivalents - December 31, 2012		<u>\$ 30,222</u>

See Accompanying Notes Which are an Integral Part of These Financial Statements.

Gunnison Telephone Company  
Notes to Financial Statements  
December 31, 2012

**Note One – Accounting Policies**

**Business Activities**

Gunnison Telephone Company, a Utah Corporation, is a local telecommunications company that provides and operates a telephone service to the city of Gunnison, Utah and surrounding communities.

**Revenue Recognition**

The Company's records are maintained on the accrual basis of accounting.

**Use of Estimates**

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America and, as such, include amounts based on informed estimates and judgments of management with consideration given to materiality. Actual results could differ from those estimates and may result in material differences to the financial statements.

**Cash and Cash Equivalents**

Cash and cash equivalents include cash in banks, savings and other liquid accounts. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are purchased with a maturity date within 90 days or less.

**Accounts Receivable**

The Company grants credit to customers for services provided and requires a cash deposit which is refunded after six months of continuous use, but generally does not require collateral. Payment terms are net 30 days with a balance due in full. After 30 days the accounts are considered past due. During the year ended December 31, 2012, the Company charged accounts interest after 30 days at a rate of 1% monthly or 12% annually with a minimum late charge per month of \$.50. When the Company believes an account is uncollectible it is written off and charged to bad debt expense. At December 31, 2012 the bad debts were \$3,516.

**Concentration of Credit Risk**

Financial instruments that potentially expose the Company to concentrations of credit risk consist primarily of accounts receivable and cash equivalents.

The Company's customer base includes businesses and residences. The customers are located in Gunnison City and the surrounding communities. The Company reviews customer credit history before extending credit and requires customers to place a deposit with the Company for six months.

Generally, the Company does not require collateral for its accounts receivable but does require deposits as indicated above.

The Company maintains its cash accounts with banks that have a high credit worthiness rating. The total cash balances are insured by FDIC up to \$250,000 per bank. The Company's cash balance at December 31, 2012 did not exceed the balance insured by the FDIC.

Materials and Supplies

The Company maintains materials and supplies that are not readily available in a short period of time. These items include switching devices and supplies. Items needed to repair or replace parts that have been readily available are not kept on hand. Materials and Supplies are priced at the lower of cost or market.

Plant, Property, Equipment and Depreciation

Land and depreciable equipment are stated at cost. Major replacements and improvements are charged to the capital accounts, while repairs, which do not improve or extend the life of the assets, and maintenance are expensed currently. At the time land or depreciable assets are disposed of, the asset accounts and related accumulated depreciation accounts are relieved of the applicable amounts. Gain or loss on sales are credited or charged to income. Depreciation is computed principally by using the straight-line and declining balance methods of depreciation over the estimated useful life of the asset. The useful lives of the assets range from 3 to 5 years on autos and trucks, 5 to 8 years on furniture and fixtures, 8 to 10 years on switching equipment, and 20 to 39.5 years on buildings and buried cable.

Income Taxes

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus or minus deferred taxes. Deferred taxes are recognized for differences between the basis of assets and liabilities for financial statements and income tax purposes. The differences relate primarily to old or uncollectible accounts receivable (deductible for financial statement purposes but not for income tax purposes). The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be deductible or taxable when the assets and liabilities are recovered or settled. Deferred taxes also are recognized for operating losses and tax credits that are available to offset future taxable income.

Bad Debts

The Company uses the direct-writeoff method for recognition of bad debts for tax and reporting purposes. Management considers the history of low amounts of bad debts to be a good indicator that an allowance is not necessary.

Profit Sharing Plan

The Company has a profit sharing plan that covers substantially all employees. The Company's contributions to the plan are discretionary and may not exceed 15 percent of the aggregate annual salaries of the participants.

Note Two -- Depreciation and Amortization Expense

The depreciation expense for December 31, 2012 was \$296,691. The amortization expense for December 31, 2012 was \$1,756.

Note Three -- Federal Income Taxes

The provision for federal income taxes in the statement of income and retained earnings consists of the following components:

Current Federal Income Taxes	\$ 47,633
Provision for Income Taxes	<u>\$ 47,633</u>

The amount of cash paid for federal and state income taxes for the year ended December 31, 2012 was as follows:

Federal Income Taxes	\$ 40,000
State Income Taxes	<u>4,678</u>
Total Income Taxes Paid	<u>\$ 44,678</u>

The following years are subject to audit or review by government authorities:

December 31, 2012  
December 31, 2011  
December 31, 2010

#### Note Four – Related Party Transactions

The Company has a land and building lease with one of its officer-shareholders. The lease is on a month to month rental and requires monthly payments of \$450. The annual rental is \$5,400 and was charged to expense for the year ended December 31, 2012.

The Company uses a long distance carrier that is owned by some of the same shareholders as that of the Company. The total amount billed by the carrier during 2012 was \$42,026. The total amount owed at December 31, 2012 was \$2,571.

#### Note Five – Profit Sharing Plan

The Company has a profit sharing plan for all full time employees who meet certain age and longevity requirements. The Company's contributions to the plan are discretionary and may not exceed 15 percent of the aggregate annual salaries of the participants. Contributions for the year ended December 31, 2012 were 9% of gross wages. The Company contributed \$55,418 which was charged to expense for the year ended December 31, 2012.

#### Note Six – Bad Debt Expense

The bad debt expense for the year ended December 31, 2012 was \$3,516.

#### Note Seven – Compensated Absences

The Company has not accrued compensated absences. The Company's policy is to provide employees paid vacation and medical leave. The leave is to be used during the calendar year. Any unused leave is forfeited and employees are not compensated for the unused portion.



**Note Eight – Subsequent Events**

On January 1, 2009, the Company adopted FASB ASC Topic 855, Subsequent Events. ASC 855 establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. Specifically, it sets forth the period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements, the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements, and the disclosures that an entity should make about the events or transactions that occurred after the balance sheet date. The adoption of ASC 855 had no impact on the Company's financial statements.

In accordance with ASC 855, the Company evaluated subsequent events through May 31, 2013, the date these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

**Note Nine – Non-Cash Transactions**

During the year the Company traded an older work truck for a new one. The old truck was fully depreciated and had \$0 basis on the Company records. Trade-in value allowed was \$9,500 on the new truck. The balance due was paid by check.

**Note Ten – Treasury Stock**

The Company purchased 361 shares from one of its stockholders for \$30 per share. The total amount was \$10,830.