THORNE
& ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

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

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

Leslie P. Thorne, C.P.A. 233 East 3900 South Salt Lake City, Utah 84107 (801) 262-2986 Fax (801) 261-3536
Larry K. Bodine, C.P.A.

Gunnison Telephone Company
Balance Sheet
December 31, 2012

Assets

Current Assets		
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
Property, Plant, and Equipment		
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
Other Assets		
Non-Regulated Investment-Interest	84,495	
Less: Amortization Non-Regulated Investment-Interest	74,646	
Net Other Assets		9,849
Total Assets		$ 1,882,117

Liabilities and Stockholders' Equity

Current Liabilities		
Accounts Payable - Trade	$ 33,628	
Accounts Payable - Related Party	2,571	
Customer Deposits	2,800	
Accrued Expenses	153	
Total Current Liabilities		$ 39,152
Stockholders' Equity		
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

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

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

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

Cash Flows From Operating Activities		
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		$ 396,639
Cash Flows From Investing Activities		
Purchase of Equipment	(154,051)	
Cash Used by Investing Activities		(154,051)
Cash Flows From Financing Activities		
Purchase of Treasury Stock	(10,830)	
Dividends Paid	(281,645)	
Cash Used by Financing Activities		(292,475)
Decrease in Cash		(49,887)
Cash and Cash Equivalents - January 1, 2012		80,109
Cash and Cash Equivalents - December 31, 2012		$ 30,222

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

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	$ 47,633

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	4,678
Total Income Taxes Paid	$ 44,678

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.

THORNE
& ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

June 15, 2012

Gunnison Telephone Company
Gunnison, Utah 84634

Board of Directors,

We have audited the accompanying balance sheet of Gunnison Telephone Company, a Utah corporation, as of December 31, 2011, and the related statements of income and retained earnings, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2011 and the results of its operations and its cash flow for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Sincerely,

Leslie P. Thorne

Leslie P. Thorne and Associates
Certified Public Accountants

Leslie P. Thorne, C.P.A. 233 East 3900 South Salt Lake City, Utah 84107 (801) 262-2986 Fax (801) 261-3536
Larry K. Bodine, C.P.A. Members of American Institute of C.P.A.'s

Gunnison Telephone Company
Balance Sheet
December 31, 2011

Assets

Current Assets		
Cash and Cash Equivalents	$ 80,109	
Accounts Receivable	190,868	
Materials and Supplies	24,742	
Prepaid Expenses and Accrued Interest	9,183	
Prepaid Federal and State Income Taxes	43,002	
Total Current Assets		$ 347,904
Property, Plant, and Equipment		
Land	15,000	
Buildings	467,472	
Vehicles	145,149	
Tools and Work Equipment	259,953	
Furniture and Office Equipment	37,882	
General Purpose Computers	149,408	
Telecommunications Equipment	3,709,362	
Total Property, Plant, and Equipment	4,784,226	
Less: Accumulated Depreciation	3,056,277	
Net Property, Plant, and Equipment		1,727,949
Other Assets		
Non-Regulated Investment-Interest	75,036	
Less: Amortization Non-Regulated Investment-Interest	72,890	
Net Other Assets		2,146
Total Assets		$ 2,077,999

Liabilities and Stockholders' Equity

Current Liabilities		
Accounts Payable - Trade	$ 44,059	
Accounts Payable - Related Party	2,620	
Customer Deposits	2,400	
Accrued Expenses	7,863	
Total Current Liabilities		$ 56,942
Stockholders' Equity		
Common Stock, 30,000 Shares Authorized, Par Value $2.50, Issued and Outstanding 22,026 Shares	55,065	
Retained Earnings	1,965,992	
Less: Treasury Stock	0	
Total Stockholders' Equity		2,021,057
Total Liabilities and Stockholders' Equity		$ 2,077,999

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, 2011

Income		
Local Services	$ 450,488	
Access Services	637,199	
Long Distance Services	387,126	
Other Services	31,282	
Total Income		$ 1,506,095
Direct Expenses		
Plant Operating Expenses	136,832	
Non Plant Operating Expenses	713,190	
Total Direct Expenses		850,022
Gross Profit		656,073
General and Administrative Expenses		584,624
Income from Operations		71,449
Other Income		
Interest Income	981	
Other Income	44,094	
Total Other Income		45,075
Other Expense		
Interest Expense	78	
Total Other Expense		78
Income Before Income Taxes		116,446
Provision for Income Taxes		29,840
Net Income		86,606
Retained Earnings - January 1, 2011		2,209,506
Less: Dividends Paid		330,120
Retained Earnings - December 31, 2011		$ 1,965,992

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, 2011

Cash Flows From Operating Activities		
Net Income	$ 86,606	
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities		
Depreciation Expense	386,948	
Amortization Expense	7,225	
(Increase) Decrease in:		
Accounts Receivable	(11,120)	
Prepaid Expense	(171)	
Prepaid Taxes	(8,872)	
Increase (Decrease) in:		
Accounts Payable	(2,701)	
Customer Deposits	700	
Accrued Expenses	235	
Cash Provided by Operating Activities		$ 458,850
Cash Flows From Investing Activities		
Purchase of Equipment	(103,057)	
Cash Used by Investing Activities		(103,057)
Cash Flows From Financing Activities		
Purchase of Treasury Stock	(900)	
Sale of Treasury Stock	1,412	
Dividends Paid	(330,120)	
Cash Used by Financing Activities		(329,608)
Increase in Cash		26,185
Cash and Cash Equivalents - January 1, 2011		53,924
Cash and Cash Equivalents - December 31, 2011		$ 80,109

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

Gunnison Telephone Company
Notes to Financial Statements
December 31, 2011

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, 2011, 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, 2011 the bad debts were $12,888.

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, 2011 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, 2011 was $386,948. The amortization expense for December 31, 2011 was $7,225.

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	$ 29,840
Provision for Income Taxes	$ 29,840

The amount of cash paid for federal and state income taxes for the year ended December 31, 2011 was as follows:

Federal Income Taxes	$ 35,000
State Income Taxes	10,000
Total Income Taxes Paid	$ 45,000

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

December 31, 2011
December 31, 2010
December 31, 2009

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, 2011.

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 2011 was $40,701. The total amount owed at December 31, 2011 was $2,620.

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, 2011 were 9% of gross wages. The Company contributed $49,269 which was charged to expense for the year ended December 31, 2011.

Note Six – Bad Debt Expense

The bad debt expense for the year ended December 31, 2011 was $12,889.

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 June 15, 2012, 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.