



March 27, 2013

Mr. Charlie Miller, CFO  
Gila River Telecommunications, Inc.  
7065 W. Allison Road  
P. O. Box 5015  
Chandler, AZ 85226

Dear Charlie:

Enclosed is the 2012 Unaudited Operating Report for Telecommunications Borrowers you submitted to the RUS. Also enclosed is our compilation letter for the financial statements used to prepare this report.

Please let us know if you have any questions.

Sincerely,

CURTIS BLAKELY & CO., P.C.

Blake Lackey, CPA

BL/na  
Enclosures

Pursuant to IRS Circular 230 and IRS regulations we inform you that any U.S. federal tax advice contained in this communication (including any attachments) is not intended or written to be used, and cannot be used by the recipient or any other taxpayer (i) for the purpose of avoiding tax related penalties imposed on the recipient or any other taxpayer under the Internal Revenue Code, or (ii) in promoting, marketing or recommending to another party any partnership or other entity, investment plan, arrangement or other transaction addressed herein.

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March 27, 2013

To the Board of Directors  
Gila River Telecommunications, Inc.  
Chandler, AZ 85226-5135

Gentlemen:

We have compiled the accompanying balance sheet of Gila River Telecommunications, Inc. as of December 31, 2012, and the related statements of income, cash flows and retained earnings for the year then ended, included in the accompanying prescribed form, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

Our compilation was limited to presenting in the form prescribed by the Rural Utilities Service (RUS) information that is the representation of management. We have not audited or reviewed the financial statements referred to above and, accordingly, do not express an opinion or any other form of assurance on them.

These financial statements are presented in accordance with the requirements of the RUS, which differ from generally accepted accounting principles. Accordingly, these financial statements are not designed for those who are not informed about such differences.

*Curtis Blakely & Co., P.C.*

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USDA-RUS

This data will be used by RUS to review your financial situation. Your response is required by 7 U.S.C. 901 et seq. and, subject to federal laws and regulations regarding confidential information, will be treated as confidential.

**OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS**

BORROWER NAME

Gila River Telecommunications, Inc.

TRUCTIONS-Submit report to RUS within 30 days after close of the period. r detailed instructions, see RUS Bulletin 1744-2. Report in whole dollars only.

PERIOD ENDING  
December, 2012

BORROWER DESIGNATION  
AZ0511

**CERTIFICATION**

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

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

**DURING THE PERIOD COVERED BY THIS REPORT PURSUANT TO PART 1788 OF 7CFR CHAPTER XVII**

(Check one of the following)

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

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

Bruce Holdridge

3/27/2013

DATE

**PART A. BALANCE SHEET**

ASSETS	BALANCE PRIOR YEAR	BALANCE END OF PERIOD	LIABILITIES AND STOCKHOLDERS' EQUITY	BALANCE PRIOR YEAR	BALANCE END OF PERIOD
<b>CURRENT ASSETS</b>			<b>CURRENT LIABILITIES</b>		
Cash and Equivalents	16,887,579	4,262,807	25. Accounts Payable	3,441,685	617,992
Cash-RUS Construction Fund	0		26. Notes Payable		
Affiliates:			27. Advance Billings and Payments	233,639	242,677
a. Telecom, Accounts Receivable			28. Customer Deposits		
b. Other Accounts Receivable	3,846,736	3,888,371	29. Current Mat. L/T Debt	1,111,121	308,716
c. Notes Receivable			30. Current Mat. L/T Debt-Rur. Dev.		
Non-Affiliates:			31. Current Mat.-Capital Leases		
a. Telecom, Accounts Receivable	293,160	293,765	32. Income Taxes Accrued		
b. Other Accounts Receivable	1,090,295	951,601	33. Other Taxes Accrued		
c. Notes Receivable			34. Other Current Liabilities	200,710	208,346
Interest and Dividends Receivable			<b>35. Total Current Liabilities (25 thru 34)</b>	<b>4,987,155</b>	<b>1,377,731</b>
Material-Regulated	1,039,151	1,033,662	<b>LONG-TERM DEBT</b>		
Material-Nonregulated			36. Funded Debt-RUS Notes	24,778	
Prepayments	420,231	534,236	37. Funded Debt-RTB Notes	1,221,925	937,849
Other Current Assets			38. Funded Debt-FFB Notes		
<b>Total Current Assets (1 Thru 9)</b>	<b>23,577,152</b>	<b>10,964,442</b>	39. Funded Debt-Other		
<b>NONCURRENT ASSETS</b>			40. Funded Debt-Rural Develop. Loan		
Investment in Affiliated Companies			41. Premium (Discount) on L/T Debt		
a. Rural Development	4,277,922	21,875,571	42. Reacquired Debt		
b. Nonrural Development			43. Obligations Under Capital Lease		
Other Investments			44. Adv. From Affiliated Companies		
a. Rural Development	17,775,909		45. Other Long-Term Debt		
b. Nonrural Development			<b>46. Total Long-Term Debt (36 thru 45)</b>	<b>1,246,703</b>	<b>937,849</b>
Nonregulated Investments	1,187	50	<b>OTHER LIAB. &amp; DEF. CREDITS</b>		
Other Noncurrent Assets	106,831	106,831	47. Other Long-Term Liabilities		
Deferred Charges			48. Other Deferred Credits		
Jurisdictional Differences			49. Other Jurisdictional Differences		
<b>Total Noncurrent Assets (11 thru 16)</b>	<b>22,161,849</b>	<b>21,982,452</b>	50. Total Other Liabilities and Deferred Credits (47 thru 49)	0	0
<b>PLANT, PROPERTY, AND EQUIPMENT</b>			<b>EQUITY</b>		
Telecom, Plant-in-Service	53,458,088	58,194,636	51. Cap. Stock Outstand. & Subscribed	100	100
Property Held for Future Use			52. Additional Paid-in-Capital	9,404,717	13,718,809
Plant Under Construction	2,001,432	1,818,996	53. Treasury Stock		
Plant Adj., Nonop. Plant & Goodwill			54. Membership and Cap. Certificates		
Less Accumulated Depreciation	24,012,933	26,320,298	55. Other Capital		
<b>Net Plant (18 thru 21 less 22)</b>	<b>31,446,587</b>	<b>33,693,334</b>	56. Patronage Capital Credits		
<b>TOTAL ASSETS (10+17+23)</b>			57. Retained Earnings or Margins	61,546,913	50,605,739
	77,185,588	66,640,228	<b>58. Total Equity (51 thru 57)</b>	<b>70,951,730</b>	<b>64,324,648</b>
			<b>59. TOTAL LIABILITIES AND EQUITY (35+46+50+58)</b>	<b>77,185,588</b>	<b>66,640,228</b>

Total Equity = 96.53% % of Total Assets

**OPERATING REPORT FOR  
TELECOMMUNICATIONS BORROWERS**

AZ0511

PERIOD ENDING

December, 2012

INSTRUCTIONS- See RUS Bulletin 1744-2

**PART B. STATEMENTS OF INCOME AND RETAINED EARNINGS OR MARGINS**

ITEM	PRIOR YEAR	THIS YEAR
1. Local Network Services Revenues	1,029,415	963,360
2. Network Access Services Revenues	11,425,607	11,758,596
3. Long Distance Network Services Revenues	834,119	813,925
4. Carrier Billing and Collection Revenues	1,128	1,128
5. Miscellaneous Revenues	69,995	29,175
6. Uncollectible Revenues	15,956	25,528
<b>7. Net Operating Revenues (1 thru 5 less 6)</b>	<b>13,344,308</b>	<b>13,540,656</b>
8. Plant Specific Operations Expense	3,146,643	3,294,697
9. Plant Nonspecific Operations Expense (Excluding Depreciation & Amortization)	1,551,715	1,169,348
10. Depreciation Expense	2,927,245	3,306,298
11. Amortization Expense		
12. Customer Operations Expense	1,200,148	1,086,891
13. Corporate Operations Expense	2,820,452	2,787,070
<b>14. Total Operating Expenses (8 thru 13)</b>	<b>11,646,203</b>	<b>11,644,304</b>
15. Operating Income or Margins (7 less 14)	1,698,105	1,896,352
16. Other Operating Income and Expenses		
17. State and Local Taxes		
18. Federal Income Taxes		
19. Other Taxes		
<b>20. Total Operating Taxes (17+18+19)</b>	<b>0</b>	<b>0</b>
21. Net Operating Income or Margins (15+16-20)	1,698,105	1,896,352
22. Interest on Funded Debt	169,859	97,814
23. Interest Expense - Capital Leases		
24. Other Interest Expense	2,327	1,138
25. Allowance for Funds Used During Construction	81,849	
<b>26. Total Fixed Charges (22+23+24-25)</b>	<b>90,337</b>	<b>98,952</b>
27. Nonoperating Net Income	13,495,500	10,842,164
28. Extraordinary Items		
29. Jurisdictional Differences		
30. Nonregulated Net Income	96,528	104,671
<b>31. Total Net Income or Margins (21+27+28+29+30-26)</b>	<b>15,199,796</b>	<b>12,744,235</b>
32. Total Taxes Based on Income		
33. Retained Earnings or Margins Beginning-of-Year	50,347,117	61,546,913
34. Miscellaneous Credits Year-to-Date		
35. Dividends Declared (Common)	4,000,000	23,685,409
36. Dividends Declared (Preferred)		
37. Other Debits Year-to-Date		
38. Transfers to Patronage Capital		
<b>39. Retained Earnings or Margins End-of-Period [(31+33+34) - (35+36+37+38)]</b>	<b>61,546,913</b>	<b>50,605,739</b>
40. Patronage Capital Beginning-of-Year		
41. Transfers to Patronage Capital		
42. Patronage Capital Credits Retired		
<b>43. Patronage Capital End-of-Year (40+41-42)</b>	<b>0</b>	<b>0</b>
44. Annual Debt Service Payments	1,433,801	1,209,074
45. Cash Ratio [(14+20-10-11) / 7]	0.6534	0.6158
46. Operating Accrual Ratio [(14+20+26) / 7]	0.8795	0.8673
47. TIER [(31+26) / 26]	169.2566	129.7921
48. DSCR [(31+26+10+11) / 44]	12.7057	13.3569

USDA-RUS

**OPERATING REPORT FOR  
TELECOMMUNICATIONS BORROWERS**

INSTRUCTIONS - See RUS Bulletin 1744-2

BORROWER DESIGNATION

AZ0511

PERIOD ENDED

December, 2012

**Part C. SUBSCRIBER (ACCESS LINE), ROUTE MILE, & HIGH SPEED DATA INFORMATION**

EXCHANGE	1. RATES		2. SUBSCRIBERS (ACCESS LINES)			3. ROUTE MILES	
	B-1 (a)	R-1 (b)	BUSINESS (a)	RESIDENTIAL (b)	TOTAL (c)	TOTAL (including fiber) (a)	FIBER (b)
Blackwater	36.00	13.00	38	234	272	47.02	14.16
Casa Blanca	36.00	13.00	97	346	443	110.70	38.98
Stotonic	36.00	13.00	75	306	381	71.27	18.51
Lone Butte	36.00	13.00	463	78	541	115.22	60.50
Maricopa Village	36.00	13.00	9	118	127	31.83	10.74
Komatke	36.00	13.00	112	334	446	34.84	20.08
Sacaton	36.00	13.00	414	562	976	81.93	37.05
MobileWireless					0		
Route Mileage Outside Exchange Area						0.00	0.00
Total			1,208	1,978	3,186	492.81	200.02
No. Exchanges	7						

**OPERATING REPORT FOR  
TELECOMMUNICATIONS BORROWERS**

INSTRUCTIONS - See RUS Bulletin 1744-2

BORROWER DESIGNATION

AZ0511

PERIOD ENDED

December, 2012

**Part C. SUBSCRIBER (ACCESS LINE), ROUTE MILE, & HIGH SPEED DATA INFORMATION**

**4. BROADBAND SERVICE**

**Details on Least Expensive Broadband Service**

EXCHANGE	No. Access Lines with BB available (a)	No Of Broadband Subscribers (b)	Number Of Subscribers (c)	Advertised Download Rate (Kbps) (d)	Advertised Upload Rate (Kbps) (e)	Price Per Month (f)	Standalone/Pckg (f)	Type Of Technology (g)
Blackwater	234	91	91	6,000	768	25.00	StandAlone	DSL
Casa Blanca	346	104	104	6,000	768	25.00	StandAlone	DSL
Stotonic	306	110	110	6,000	768	25.00	StandAlone	DSL
Lone Butte	78	33	33	6,000	768	25.00	StandAlone	DSL
Maricopa Village	118	40	40	6,000	768	25.00	StandAlone	DSL
Komatke	334	132	132	6,000	768	25.00	StandAlone	DSL
Sacaton	562	194	194	6,000	768	25.00	StandAlone	DSL
Total	1,978	704						

**OPERATING REPORT FOR  
TELECOMMUNICATIONS BORROWERS**

BORROWER DESIGNATION

AZ0511

PERIOD ENDING  
December, 2012

INSTRUCTIONS- See RUS Bulletin 1744-2

**PART D. SYSTEM DATA**

1. No. Plant Employees	23	2. No. Other Employees	29	3. Square Miles Served	620	4. Access Lines per Square Mile	5.14	5. Subscribers per Route Mile	6.46
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**PART E. TOLL DATA**

1. Study Area ID Code(s) a. 452179 b. _____ c. _____ d. _____ e. _____ f. _____ g. _____ h. _____ i. _____ j. _____	2. Types of Toll Settlements (Check one)	
	Interstate:	<input type="checkbox"/> Average Schedule <input checked="" type="checkbox"/> Cost Basis
	Intrastate:	<input type="checkbox"/> Average Schedule <input checked="" type="checkbox"/> Cost Basis

**PART F. FUNDS INVESTED IN PLANT DURING YEAR**

1. RUS, RTB, & FFB Loan Funds Expended	
2. Other Long-Term Loan Funds Expended	
3. Funds Expended Under RUS Interim Approval	
4. Other Short-Term Loan Funds Expended	
5. General Funds Expended (Other than Interim)	4,552,903
6. Salvaged Materials	
7. Contribution in Aid to Construction	
8. Gross Additions to Telecom. Plant (1 thru 7)	4,552,903

**PART G. INVESTMENTS IN AFFILIATED COMPANIES**

INVESTMENTS  (a)	CURRENT YEAR DATA		CUMULATIVE DATA		
	Investment This Year (b)	Income/Loss This Year (c)	Cumulative Investment To Date (d)	Cumulative Income/Loss To Date (e)	Current Balance (f)
	1. Investment in Affiliated Companies - Rural Development	(11,000,000)	10,821,740	(50,859,048)	72,734,619
2. Investment in Affiliated Companies - Nonrural Development					

**OPERATING REPORT FOR  
TELECOMMUNICATIONS BORROWERS**

BORROWER DESIGNATION

AZ0511

PERIOD ENDING

December, 2012

**PART H. CURRENT DEPRECIATION RATES**

Are corporation's depreciation rates approved by the regulatory authority with jurisdiction over the provision of telephone services? (Check one)

YES

NO

**EQUIPMENT CATEGORY**

**DEPRECIATION RATE**

1. Land and support assets - Motor Vehicles	14.29%
2. Land and support assets - Aircraft	
3. Land and support assets - Special purpose vehicles	
4. Land and support assets - Garage and other work equipment	9.04%
5. Land and support assets - Buildings	4.00%
6. Land and support assets - Furniture and Office equipment	18.63%
7. Land and support assets - General purpose computers	20.00%
8. Central Office Switching - Digital	11.50%
9. Central Office Switching - Analog & Electro-mechanical	10.00%
10. Central Office Switching - Operator Systems	10.00%
11. Central Office Transmission - Radio Systems	10.60%
12. Central Office Transmission - Circuit equipment	14.29%
13. Information origination/termination - Station apparatus	6.25%
14. Information origination/termination - Customer premises wiring	
15. Information origination/termination - Large private branch exchanges	
16. Information origination/termination - Public telephone terminal equipment	
17. Information origination/termination - Other terminal equipment	
18. Cable and wire facilities - Poles	
19. Cable and wire facilities - Aerial cable - Metal	3.45%
20. Cable and wire facilities - Aerial cable - Fiber	3.45%
21. Cable and wire facilities - Underground cable - Metal	3.45%
22. Cable and wire facilities - Underground cable - Fiber	3.45%
23. Cable and wire facilities - Buried cable - Metal	4.55%
24. Cable and wire facilities - Buried cable - Fiber	4.55%
25. Cable and wire facilities - Conduit systems	3.03%
26. Cable and wire facilities - Other	3.03%

USDA-RUS

BORROWER DESIGNATION

AZ0511

**OPERATING REPORT FOR  
TELECOMMUNICATIONS BORROWERS**

PERIOD ENDED

December, 2012

INSTRUCTIONS – See help in the online application.

**PART I – STATEMENT OF CASH FLOWS**

<b>1. Beginning Cash (Cash and Equivalents plus RUS Construction Fund)</b>	16,887,579
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
<b>2. Net Income</b>	12,744,235
<i>Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities</i>	
3. Add: Depreciation	3,306,298
4. Add: Amortization	0
5. Other (Explain)	
<i>Changes in Operating Assets and Liabilities</i>	
6. Decrease/(Increase) in Accounts Receivable	96,454
7. Decrease/(Increase) in Materials and Inventory	5,489
8. Decrease/(Increase) in Prepayments and Deferred Charges	(114,005)
9. Decrease/(Increase) in Other Current Assets	0
10. Increase/(Decrease) in Accounts Payable	(2,823,693)
11. Increase/(Decrease) in Advance Billings & Payments	9,038
12. Increase/(Decrease) in Other Current Liabilities	7,636
<b>13. Net Cash Provided/(Used) by Operations</b>	13,231,452
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
14. Decrease/(Increase) in Notes Receivable	0
15. Increase/(Decrease) in Notes Payable	0
16. Increase/(Decrease) in Customer Deposits	0
17. Net Increase/(Decrease) in Long Term Debt (Including Current Maturities)	(1,111,259)
18. Increase/(Decrease) in Other Liabilities & Deferred Credits	0
19. Increase/(Decrease) in Capital Stock, Paid-in Capital, Membership and Capital Certificates & Other Capital	4,314,092
20. Less: Payment of Dividends	(23,685,409)
21. Less: Patronage Capital Credits Retired	0
22. Other (Explain)	
<b>23. Net Cash Provided/(Used) by Financing Activities</b>	(20,482,576)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
24. Net Capital Expenditures (Property, Plant & Equipment)	(4,554,112)
25. Other Long-Term Investments	179,397
26. Other Noncurrent Assets & Jurisdictional Differences	0
27. Other (Explain) Reconciling adjustments including plant retirements	(998,933)
<b>28. Net Cash Provided/(Used) by Investing Activities</b>	(5,373,648)
<b>29. Net Increase/(Decrease) in Cash</b>	(12,624,772)
<b>30. Ending Cash</b>	4,262,807

Revision Date 2010

USDA-RUS <b>OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS</b>	BORROWER DESIGNATION  AZ0511
INSTRUCTIONS - See RUS Bulletin 1744-2	PERIOD ENDED December, 2012
<b>NOTES TO THE OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS</b>	

USDA-RUS <b>OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS</b>	BORROWER DESIGNATION  AZ0511
INSTRUCTIONS - See RUS Bulletin 1744-2	PERIOD ENDED December, 2012
<b>CERTIFICATION LOAN DEFAULT NOTES TO THE OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS</b>	