

DOCKET NO. UM 1688

**Cover Sheet for Submission of
2014 Annual ETC Certification Reports**

Name of Eligible Telecommunications Carrier: Gervais Telephone Company

Filing date: June 27, 2014

Is this: Original submission? _____
OR
Revised submission? _____

Person to contact for questions:

Name Kathy DeHart

Phone number 503-792-3611

E-mail address kdehart@gervaisstel.com

Documents included in this filing (please check applicable items):

CAF/ICC Support (47 CFR § 54.304)

Rate Floor Data (47 CFR § 54.313(h))

Form 481 (High-cost per 47 CFR § 54.313, Low-income per 54.422)¹

Form 690 (Mobility Fund per 47 CFR § 54.1009)

Affidavit for High-Cost Support

Filing deadlines: The deadlines for filing items required by 47 CFR § 54 are the same as the deadlines for filing with the FCC. The notarized affidavit for high-cost support must be filed no later than the due date for the FCC Form 481. Based on current information, it appears that all items other than CAF/ICC support data are due by July 1, 2014. The CAF/ICC support data are due the same day as the ETC's interstate access tariff filing.

If revisions to an original submission are filed with the FCC or USAC, a copy of the revisions must be filed with the Oregon Commission no later than five business days following submission to the FCC or USAC.

¹ Lifeline-only ETCs must provide all information specified in 47 CFR § 54.422(b) even if the ETC does not submit this information to the FCC.



Local Rate Floor Data Collection

Logged in User: Kathy DeHart



Study Area: GERVAIS TELEPHONE CO (ID: 532373)

[Study Area List](#)

Study Area - Exchange Level Data for Local Rate Floor

[Data Entry](#) [History](#)

- [Instructions](#)
- [Agent HC RF Cert Form](#)
- [Carrier HC RF Cert Form \(No Rates Less Than \\$20.46\)](#)
- [Carrier HC RF Cert Form \(With Rates Less Than \\$20.46\)](#)
- [Print Submitted Data in PDF format](#)
- [Print Submitted Data in Excel format](#)

Data Collection Period: ▼

Name:
 [First Middle Last]
 Phone: [999-999-9999]
 Email:

Enter all exchange/rate zone level rates and their corresponding lines below, where the sum of columns C-F is less than \$20.46. This data will be used to calculate the impact of the local rate floor on your company's High Cost Support.

This system is closed for data collection for this period

(A) Exchange Name/Zone Name	(B) Class Of Service	(C) Residential Local Service Charge	(D) State Subscriber Line Charge	(E) State Universal Service Fee	(F) Mandatory Extended Area Service Charge	(G) Rate Total Subject to Floor (Sum of C-F)	(H) Residential Lines
Gervais	Res North EAS	12.95	0.00	1.53	5.00	19.48	27
Gervais	Res Meas EAS	12.95	0.00	1.36	3.07	17.38	112
Gervais	Res Emergency	7.00	0.00	0.60		7.60	104

[To enter additional rows of data, click on the + button.]

If the data form is left blank, select one of the boxes below:

- Check here if your company receives or is projected to receive High Cost Loop Support or High Cost Model Support in 2014, but has no monthly residential rates (plus charges listed above) less than \$20.46 (**certification required**)
- Check here if your company is not projected to receive High Cost Loop Support or High Cost Model Support in 2014
- Check here if you plan to submit local rate floor data directly to USAC

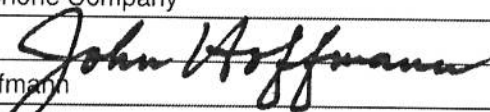
Rate Floor Data

TO BE COMPLETED BY THE REPORTING CARRIER, IF AN AGENT IS FILING RATE FLOOR DATA ON THE CARRIER'S BEHALF:

Certification of Officer to Authorize an Agent to File Rate Floor Data on Behalf of Reporting Carrier

I certify that National Exchange Carrier Association (NECA) 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 actual rate floor data provided to the authorized agent; and, to the best of my knowledge, the actual rate floor data provided to the authorized agent is accurate.

I certify that I am authorized to submit the information reported on this form on behalf of the reporting carrier; that I have provided the information 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 Authorized Agent				National Exchange Carrier Association (NECA)			
Name of Reporting Carrier				Gervais Telephone Company			
Signature of authorized officer					Date		June 18, 2014
Printed name of authorized officer				John Hoffmann			
Title or position of authorized officer				President/CEO			
Telephone number of authorized officer:				(503) 792-3611 ext.			
Study Area Code of Reporting Carrier		532373		Filing Due Date for this form (mm/dd/yyyy)		07/01/2014	

**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	532373
<015> Study Area Name	GERVAIS TELEPHONE CO
<020> Program Year	2015
<030> Contact Name: Person USAC should contact with questions about this data	Kathy DeHart
<035> Contact Telephone Number: Number of the person identified in data line <030>	5037923611 ext.
<039> Contact Email Address: Email of the person identified in data line <030>	kdehart@gervaistel.com

ANNUAL REPORTING FOR ALL CARRIERS

54.313 Completion Required	54.422 Completion Required
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(check box when complete)

<100> Service Quality Improvement Reporting	(complete attached worksheet)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<200> Outage Reporting (voice)	(complete attached worksheet)	<input type="checkbox"/>	<input type="checkbox"/>
<210> <input checked="" type="checkbox"/> ← check box if no outages to report		<input checked="" type="checkbox"/>	<input type="checkbox"/>
<300> Unfulfilled Service Requests (voice)	<input type="text" value="0"/>	<input checked="" type="checkbox"/>	<input 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 type="checkbox"/>
<320> Unfulfilled Service Requests (broadband)	<input type="text" value="0"/>	<input checked="" type="checkbox"/>	<input 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 type="checkbox"/>
<400> Number of Complaints per 1,000 customers (voice)			
<410> Fixed	<input type="text" value="0.0"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<420> Mobile	<input type="text"/>	<input type="checkbox"/>	<input type="checkbox"/>
<430> Number of Complaints per 1,000 customers (broadband)			
<440> Fixed	<input type="text" value="0.0"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<450> Mobile	<input type="text" value="0.0"/>	<input type="checkbox"/>	<input type="checkbox"/>
<500> Service Quality Standards & Consumer Protection Rules Compliance	(check to indicate certification)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<510> <div style="border: 1px solid black; padding: 2px;">532373or510.pdf</div>	(attached descriptive document)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<600> Functionality in Emergency Situations	(check to indicate certification)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<610> <div style="border: 1px solid black; padding: 2px;">532373or610.pdf</div>	(attached descriptive document)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<700> Company Price Offerings (voice)	(complete attached worksheet)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<710> Company Price Offerings (broadband)	(complete attached worksheet)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<800> Operating Companies and Affiliates	(complete attached worksheet)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<900> Tribal Land Offerings (Y/N)?	(if yes, complete attached worksheet)	<input type="checkbox"/>	<input type="checkbox"/>
<1000> Voice Services Rate Comparability	(check to indicate certification)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<1010> <div style="border: 1px solid black; height: 40px; width: 100%;"></div>	(attach descriptive document)	<input type="checkbox"/>	<input type="checkbox"/>
<1100> Terrestrial Backhaul (Y/N)?	(if not, check to indicate certification)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<1110>	(complete attached worksheet)	<input type="checkbox"/>	<input type="checkbox"/>
<1200> Terms and Condition for Lifeline Customers	(complete attached worksheet)	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Price Cap Carriers, Proceed to Price Cap Additional Documentation Worksheet

Including Rate-of-Return Carriers affiliated with Price Cap Local Exchange Carriers

<2000>	(check to indicate certification)	<input type="checkbox"/>	<input type="checkbox"/>
<2005>	(complete attached worksheet)	<input type="checkbox"/>	<input type="checkbox"/>
Rate of Return Carriers, Proceed to ROR Additional Documentation Worksheet			
<3000>	(check to indicate certification)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<3005>	(complete attached worksheet)	<input checked="" type="checkbox"/>	<input type="checkbox"/>

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

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

<010> Study Area Code 532373
 <015> Study Area Name GERVAIS TELEPHONE CO
 <020> Program Year 2015
 <030> Contact Name - Person USAC should contact regarding this data Kathy DeHart
 <035> Contact Telephone Number - Number of person identified in data line <030> 5037923611 ext.
 <039> Contact Email Address - Email Address of person identified in data line <030> kdehart@gervaisstel.com

<110> Has your company received its ETC certification from the FCC? (yes / no)
 If your answer to Line <110> is yes, do you have an existing §54.202(a) "5
 <111> year plan" filed with the FCC? (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.

532373or112.pdf

Name of Attached Document

Please check these boxes below to confirm that the attached document(s), on line 112, 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.

<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>

<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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July 2013

<010> Study Area Code 532373

<015> Study Area Name GERVAIS TELEPHONE CO

<020> Program Year 2015

<030> Contact Name - Person USAC should contact regarding this data Kathy DeHart

<035> Contact Telephone Number - Number of person identified in data line <030> 5037923611 ext.

<039> Contact Email Address - Email Address of person identified in data line <030> kdehart@gervais1.com

<220>	<a>	<b1>	<b2>	<b3>	<b4>	<c1>	<c2>	<d>	<e>	<f>	<g>	<h>
	NORS Reference Number	Outage Start Date	Outage Start Time	Outage End Date	Outage End Time	Number of Customers Affected	Total Number of Customers	911 Facilities Affected (Yes / No)	Service Outage Description (Check all that apply)	Did This Outage Affect Multiple Study Areas (Yes / No)	Service Outage Resolution	Preventative Procedures

(900) Tribal Lands Reporting Data Collection Form

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

<010> Study Area Code 532373
 <015> Study Area Name GERVALS TELEPHONE CO
 <020> Program Year 2015
 <030> Contact Name - Person USAC should contact regarding this data Kathy DeHart
 <035> Contact Telephone Number - Number of person identified in data line <030> 5037923611 ext.
 <039> Contact Email Address - Email Address of person identified in data line <030> kdehart@gervaisstel.com

<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:

Select (Yes, No, NA)

- <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.

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

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

<010>	Study Area Code	532373
<015>	Study Area Name	GERVAIS TELEPHONE CO
<020>	Program Year	2015
<030>	Contact Name - Person USAC should contact regarding this data	Kathy DeHart
<035>	Contact Telephone Number - Number of person identified in data line <030>	5037923611 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	kdehart@gervaistel.com

<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**

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

<010>	Study Area Code	532373
<015>	Study Area Name	GERVALS TELEPHONE CO
<020>	Program Year	2015
<030>	Contact Name - Person USAC should contact regarding this data	Kathy DeHart
<035>	Contact Telephone Number - Number of person identified in data line <030>	5037923611 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	kdehart@gervaistel.com

532373or1210.pdf

Name of Attached Document

<1210> Terms & Conditions of Voice Telephony Lifeline Plans

<1220> Link to Public Website HTTP

"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.

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

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

<010>	Study Area Code	532373
<015>	Study Area Name	Gervais Telephone Co
<020>	Program Year	2015
<030>	Contact Name - Person USAC should contact regarding this data	Kathy Dehart
<035>	Contact Telephone Number - Number of person identified in data line <030>	5037923611 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	kdehart@gervaisitel.com

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.

Incremental Connect America Phase I reporting	
<2010>	2nd Year Certification (47 CFR § 54.313(b)(1))
<2011>	3rd Year Certification (47 CFR § 54.313(b)(2))
Price Cap Carrier Receiving Frozen Support Certification (47 CFR § 54.312(a))	
<2012>	2013 Frozen Support Certification
<2013>	2014 Frozen Support Certification
<2014>	2015 Frozen Support Certification
<2015>	2016 and future Frozen Support Certification
Price Cap Carrier Connect America ICC Support (47 CFR § 54.313(d))	
<2016>	Certification Support Used to Build Broadband
Connect America Phase II Reporting (47 CFR § 54.313(e))	
<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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FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

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

<010> Study Area Code 532373
 <015> Study Area Name GERVAIS TELEPHONE CO
 <020> Program Year 2015
 <030> Contact Name - Person USAC should contact regarding this data Kathy DeHart
 <035> Contact Telephone Number - Number of person identified in data line <030> 5037923611 ext.
 <039> Contact Email Address - Email Address of person identified in data line <030> kdehart@gervaisstel.com

CHECK the boxes below to note compliance on its five year service quality plan (pursuant to 47 CFR § 54.202(a)) 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))

(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)(ii))

(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

(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 3026 pursuant to § 54.313(f)(2), contains:

(3019) Either a copy of their audited financial statement; or (2) a financial report in a format comparable to RUS Operating Report for Telecommunications

(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 3026 pursuant to § 54.313(f)(2), contains:

(3022) Copy of their financial statement which has been subject to review by an independent certified public accountant; or (2) a financial report in a format comparable to RUS Operating Report for Telecommunications Borrowers,

(3023) Underlying information subjected to a review by an independent certified public accountant

(3024) Underlying information subjected to an officer certification.

(3025) Document(s) for Balance Sheet, Income Statement and Statement of Cash Flows

(3026) Attach the worksheet listing required information

Name of Attached Document Listing Required Information

Name of Attached Document Listing Required Information

Name of Attached Document Listing Required Information
 (Yes/No)
 (Yes/No)
 2013 Gervais Telephone Co Financial Statements with RUS Letters.pdf

Name of Attached Document Listing Required Information

Certification - Reporting Carrier Data Collection Form	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
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<010> Study Area Code	532373
<015> Study Area Name	GERVAIS TELEPHONE CO
<020> Program Year	2015
<030> Contact Name - Person USAC should contact regarding this data	Kathy DeHart
<035> Contact Telephone Number - Number of person identified in data line <030>	5037923611 ext.
<039> Contact Email Address - Email Address of person identified in data line <030>	kdehart@gervaistel.com

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

Certification of Officer as to the Accuracy of the Data Reported for the Annual Reporting for CAF or LI Recipients	
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:	GERVAIS TELEPHONE CO
Signature of Authorized Officer:	CERTIFIED ONLINE Date 06/26/2014
Printed name of Authorized Officer:	John Hoffmann
Title or position of Authorized Officer:	President/CEO
Telephone number of Authorized Officer:	5037923611 ext.
Study Area Code of Reporting Carrier:	532373 Filing Due Date for this form: 07/01/2014
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.	

Certification - Agent / Carrier Data Collection Form	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
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<010> Study Area Code	532373
<015> Study Area Name	GERVAIS TELEPHONE CO
<020> Program Year	2015
<030> Contact Name - Person USAC should contact regarding this data	Kathy DeHart
<035> Contact Telephone Number - Number of person identified in data line <030>	5037923611 ext.
<039> Contact Email Address - Email Address of person identified in data line <030>	kdehart@gervaistel.com

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

Certification of Officer to Authorize an Agent to File Annual Reports for CAF or LI Recipients on Behalf of Reporting Carrier	
I certify that (Name of Agent) _____ 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:	
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.	

TO BE COMPLETED BY THE AUTHORIZED AGENT:

Certification of Agent Authorized to File Annual Reports for CAF or LI Recipients on Behalf of Reporting Carrier	
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:	
Name of Authorized Agent or Employee of Agent:	
Signature of Authorized Agent or Employee of Agent:	Date:
Printed name of Authorized Agent or Employee of Agent:	
Title or position of Authorized Agent or Employee of Agent:	
Telephone number of Authorized Agent or Employee of Agent:	
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.	

Attachments



Gervais Telephone Company

Five Year Plan

(2015 through 2019)

June 16, 2014



Preamble for 5 Year Plan Section of Annual Report

This 5 year improvement plan is a section of the Company's 2014 Annual Report (form 481). It is in compliance with § 54.313(a)(1) adopted in the FCC's USF/ICC Transformation Order (11-161). This document also incorporates further clarifications identified in subsequent Reconsideration Orders, as applicable, in effect prior to the filing of the Annual Report.

Gervais has carefully developed its improvement plan, concentrating upon the delivery and continuation of a robust network which provides, at a minimum, the federally required voice and broadband connectivity as stipulated by regulatory rule. In certain situations (and as noted herein), the plan may also incorporate specific state requirements.

Gervais is a recipient of state support from the Oregon Universal Service Fund ("OUSF"). The Fund is currently under formal state commission staff investigation (docket UM 1481), to assure the Fund contribution and support mechanisms, and those qualifying for support, are in concert with the current regulatory and market conditions. The outcome of the OUSF docket, the timing of a decision, and its impact upon Gervais is unknown at the time of the report.

Gervais advises that its improvement plan has been carefully crafted, matching measured network deployment, improvement and quality service levels with financial implications of the Transformation Order upon the company's support cash-flows. The uncertainty of such cash flows being received in the outer-years as a result of current and potential federal and state regulatory action on rural rate-of-return carriers has resulted in the Company taking a balanced yet realistic approach.

The environment in which the Company operates remains dynamic, not static. As a result, Gervais reserves the opportunity to modify its plan in response to further regulatory decisions as they are adopted, and their implication upon the Company's financial viability in providing the required services and service level quality becomes known.

The Company will re-evaluate this plan on an annual basis. Actions, however, may also be taken abruptly on the presented plan for both current and future years in the event of evolving regulatory conditions and/or changes in technology (vendor)-driven support. In that case, subsequent annual reports will reflect and explain those actions.



Gervais Telephone Company FIVE YEAR SERVICE QUALITY IMPROVEMENT PLAN

OVERVIEW

Gervais Telephone Company (GTC), as an Eligible Telecommunications Carrier (ETC) currently provides Universal Service supported services to one exchange, for which there is one wire center.

Consistent with Commission requirements, this Service Quality Improvement Plan addresses only GTC's regulated eligible telecommunications carrier operations.¹ A detailed description of GTC's plans for the provision of the supported services in the five-year period starting with January 2014 is provided herein.

During the calendar year 2013, Gervais has received a total of \$601,146 (as of 5/1/14) in USF support funds. The breakdown of the funding for the year was:

- \$263,612 High Cost Loop Support,
- \$ (3,582) Local Switching Support
- \$ 84,588 Connect America Fund-Intercarrier Compensation Support
- \$246,528 Interstate Common Line Support

All funds were used in 2013 to both: 1) maintain, upgrade and improve GTC's network and, 2) to cover its operating expenses and debt commitments as necessary to permit it to offer a high level of service for both voice and broadband throughout its service area.

IMPROVEMENT PLANS BY YEAR (2014-2019 inclusive)

Summary descriptions in accordance Part 54.202(a)(1)(ii) and Part 54.313(a)(1) by year in the wire center are presented in the paragraphs below and present network improvements planned for the next five years. Detailed expenditures in the wire center basis are contained in the attached Excel worksheets. Area and population estimates impacted by the improvements are identified in the worksheets as well as on the wire center maps. Costs are broken out by voice and broadband service.

- Network improvement expenditures identify the cost to provide those services supported by the universal service funding mechanisms. When a project involves expenditures for both regulated and non-regulated services, the non-regulated investment costs have been removed. The Company estimates non-regulated costs using the appropriate allocation rules. Details of those costs are retained by the GTC and available for inspection.

¹Per 47 C.F.R. § 54.314, federal USF support, "will be used only for the provision, maintenance, and upgrading of facilities and services for which the support is intended." If investments or expenses are for service areas larger than the supported service areas, then allocations of the expenditures are required.

- Universal service currently does not include facilities used only for data transmission, such as the DSLAM for Digital Service Lines (commonly called “data only” or “naked DSL”). In such cases, those costs are identified in this report.
- GTC has one wire center. Costs of projects involving that wire centers are shown.
- Costs are reported only for those service areas in which the GTC is authorized to receive USF funding. Costs incurred outside the authorized area, if any, are excluded.

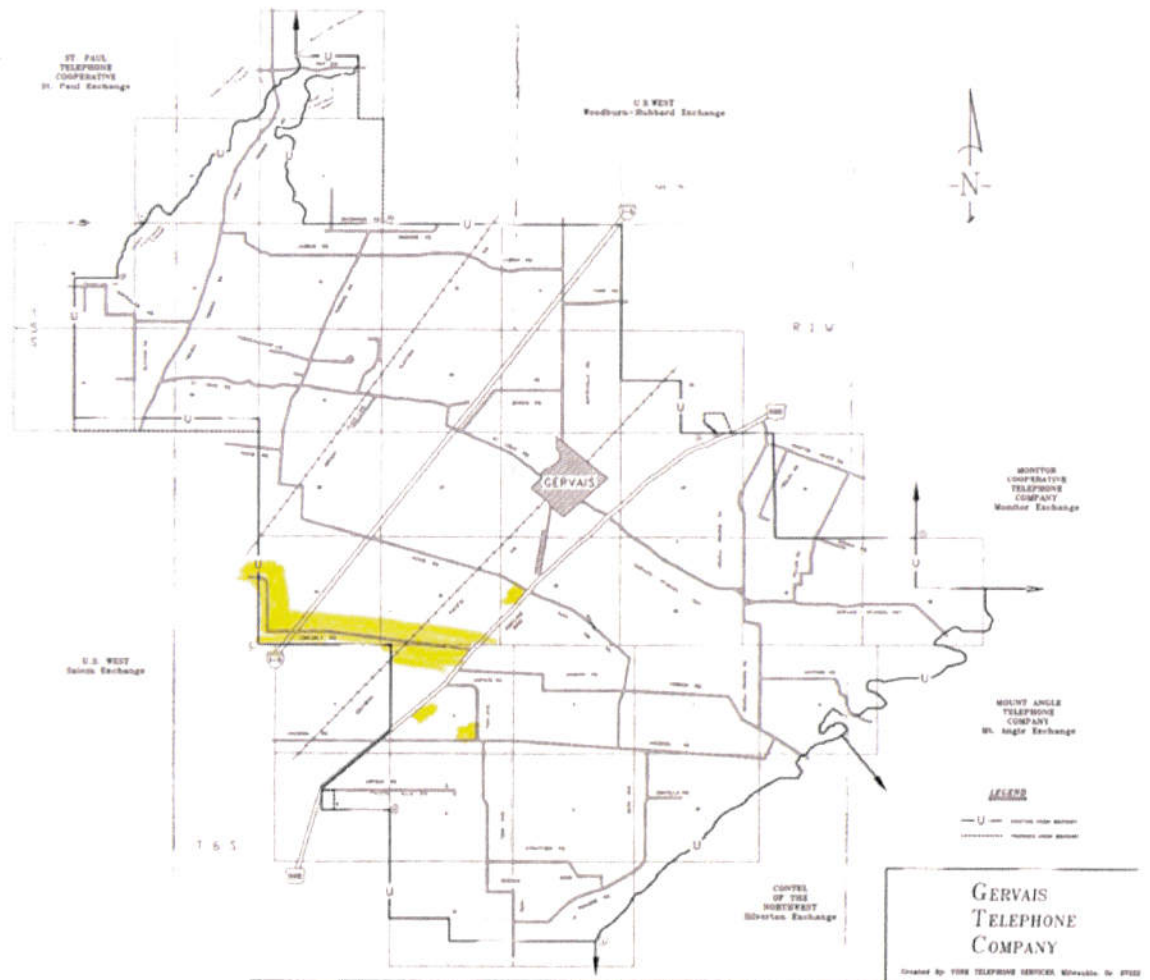
Due to the current uncertainty of the amounts of support funds the company may receive in future years, GTC advises the Commission that the deployment of specific network improvement projects may be modified, and the meeting of projected service goals muted, to accommodate the actual amount of support that will be received.

BASELINE MAPS

GTC presents the attached Baseline Maps (GIS or similar) highlighting current availability of broadband service, of the Gervais wire center, with the City of Gervais enlarged for clarity. The current availability delivers at least 4Mbs actual downstream and 1Mbps actual upstream within its territory, which is sufficient to provide VoIP. This is the baseline territory for which network GTC has prepared this report.

Gervais Telephone Company (GTC) is an independent local exchange carrier providing telecommunications services in portions of Marion County in Northwestern Oregon. Established in 1914, it serves approximately 1000 homes, over a geographic area of approximately 32 square miles.

Projected Broadband Coverage



Highlighted Areas = 100 Mbps x 100 Mbps
 Unmarked Area = 4Mbps x 1 Mbps
 As of 12/31/2013

Gervais Rate Center
Projected Broadband Coverage
as of 12/31/2013

highlighted area = 100Mbps x 100Mbps
unmarked areas = 4Mbps x 1Mbps



City of Gervais: As of May 2014, 620 of the homes are concentrated in the incorporated city of Gervais. The December 2013 population of the City of Gervais was 2,464.

Once a bustling community with lumber yards, stock yards, a newspaper and a full range of community services, the city declined after World War II when the railroad closed its station and Interstate 5 bypassed the town. Since then, the bank, grocery, confectionary, undertaker, restaurant and fire department have closed their doors or moved to nearby Woodburn. The community is attempting to stimulate an economic recovery, using government grants to replace sidewalks and streetlamps, building a new city hall and considering tax incentives to businesses; but recovery has been slow.

A few anchor institutions remain. Gervais School District No. 1 has three schools in the city limits and two other facilities in the GTC service area. There are also three facilities outside of the GTC service area.

The City of Gervais and Gervais Police Department are located in the new City Hall in downtown Gervais. At the edge of town Fiber Fab, a fiberglass manufacturing business, continues to thrive. Nearby, Summit Shake and Tile plant struggles to survive the recession.

In spite of the lack of jobs within the city limits, the residential population figures have rebounded since 1990. The following table shows the City of Gervais' population growth since 1990.

Population*	1990	2000	2007	2030	2034	Aggr 2010-2030
City of Gervais	999	1923	2250	4597	4781	2.80%

*Mid-Willamette Council of Governments coordinated population projection as permitted under ORS 660-024-0030 & 0040.

The 2.8% growth is the third highest projection in Marion County and is influenced by several factors: 1) Home prices are affordable in the City of Gervais (and surrounding area); 2) Gervais' location midway between Portland and Salem - it is an easy commute not only to Woodburn, but also Salem, and Portland; 3) Available land for residential development. The last residential development took place in the subdivision of Willoria, a greenfield project of 50 homes completed in 2007.

Greenfield Development: Only ten residential parcels remain to be developed as of May 2014. No plans have been filed for construction on these parcels. However, we estimate they will be developed in the next 5 years. As the current inventory of available land is exhausted, the City has begun efforts to expend the Urban Growth Boundary (UGB). This will be a multiyear process. There are no current plans for commercial development, although a retail area at Douglas Ave. and Portland Rd. was platted as part of Willoria.

In the service territory surrounding the City of Gervais, GTC serves approximately 380 farms, wholesale nurseries and a few miscellaneous agricultural businesses. The businesses include an Onion plant, several agricultural fabrication shops, a gas station, and a crop dusting business and associated airstrip. A Marion County Sheriff's substation closed its doors in 2011.

Little business development is projected except along SR 99E, where some fill-in of commercial lots is possible. Our existing fiber serves 99E and will suffice for many years. Some additional construction for fiber drops is projected for the fill-in.

Ethnic Diversity: The demographics of the community reflect its agricultural roots. Approximately half of the population is Anglo and predominantly Roman Catholic. About 40 % of the overall population is Hispanic, many of them with Spanish as their primary or only language. There is also a small, Russian-American community of "Old Believers", about 10% of the population, who are bilingual but prefer Russian. GTC staff provides customer service in English and Spanish.

Gervais is located midway between two of the major population centers in the state. The Portland metro area, the largest in the state, is on the north, with Wilsonville, the edge of the Portland suburban area, about 14 miles up I-5.

Salem, the state capital and third largest metro area is to the south. It is about 11 miles to Keizer the northern most suburb of Salem. A Yellow Pages survey from 1999 indicates that Gervais area residents identify more with Salem for shopping and services than with Portland. However, the urban sprawl during the dot.com boom came from both directions.

EAS Confusion: As a result of Gervais' location midway between Portland and Salem, the dividing line between the Portland Extended Area Service (EAS) area and the Salem EAS area falls on GTC's northern border. GTC customers have EAS to Salem, in addition to nearby Woodburn and St. Paul. Whereas, CenturyLink customers just north of the boundary have EAS calling to the entire Portland area. Over the years this has caused some customer confusion, and GTC has become adept at explaining the calling areas and demarcation details.

A "Suburb" of Woodburn: Just beyond the north end of GTC's service territory, sits the City of Woodburn, pop. 21,000, only three miles from the City of Gervais. With its I-5 interchange, Woodburn's economy has grown at Gervais' expense. It is home to Woodburn Company Stores, the largest outlet mall in Oregon. Woodburn's growth during the 2000-2007 building boom expanded the UGB into an unpopulated area of GTC's territory. When the Montebello subdivisions were begun in 2000, the City of Woodburn annexed about 10 acres of farmland in GTC's service area. The territory is zoned Commercial General, and is next to the Walmart store.

Construction began in 2014 on a rebuilding and expansion of the interchange at I-5 in Woodburn three miles north of Gervais. It will handle much more traffic and be esthetically pleasing. A similar upgrade was done in Wilsonville and has generated substantial economic development in the area around the interchange. A similar development is expected around the Woodburn interchange in the City of Woodburn, and some growth may overlap into the Gervais area and GTC's service area. However, the current UGB has little developable land near the interchange or along Butteville Road in GTC's area, which will subdue the growth in the next 5 years.

In addition, Woodburn has attempted to expand its UGB to include a 131 acre swath of farmland on the west side of I-5 as the site of an industrial hub. About half of the 151 acres are within GTC's service territory. After six years of legal arguments over land use issues, the case was heard by the state Court of Appeals in March 2013, and in May 2014 the expansion was denied.

The areas in the Woodburn city limits will, of course, cause some additional confusion over EAS calling areas. If no additional accommodation is made, a business in one end of the future industrial park would have EAS calling to Portland and toll calling to Salem; while on the other end of the park a business would have EAS calling to Salem and toll calling to Portland.

Lifeline Customers: There are approximately 442 households within the service territory. The median household income level (2009 Census) is approximately \$39,000. GTC serves 12 Lifeline subscribers.

Gervais Telephone Company serves its subscribers using a Genband C15 soft switch. As of year-end 2013, GTC served 432 residential voice subscribers (433 lines) and 113 business voice subscribers (204 lines) with a subscriber density of 17 subscribers per square mile. GTC also serves 372 broadband subscribers.

Gervais lost 10 voice subscribers and gained 8 broadband subscribers in 2013 compared to 2012. The company attributes the loss of voice lines to cellular competition. Competitors within the serving territory are:

- AT&T Wireless
- Verizon Wireless
- T-Mobile Wireless
- Sprint Wireless
- US Cellular
- WAVE/Astound Broadband
- Comcast

No terrestrial competitor offers voice and data service throughout the GTC service area.

Broadband service is currently offered to 100% of the service area using DSL and Fiber to the Home (FTTH). Of the 372 broadband subscribers at the end of 2013, – 355 were served with DSL and 18 with FTTH. All customers (100%) can receive a minimum of 4Mbps downstream and 1 Mbs upstream data speeds.

Within the Gervais city limits about 80% of the homes and businesses are copper fed and served by DSL technology. About 20%, including the anchor institutions and the 50 homes in Willoria, are fiber fed with FTTH technology. Most of the facilities placed in the last 20 years are underground. However, in the city of Gervais, approximately half of the homes and businesses are still served with aerial copper.

In the rural area outside of the city, the facilities are all underground, and are approximately 90% copper fed. Conduit and fiber have been placed in the following areas in preparation for eventual conversion to FTTH: Howell-Prairie Rd., Mt. Angel-Gervais Rd., Waconda Rd., SR 99E (Portland Rd.), St. Louis Rd., French Prairie Rd. Additional distribution fiber, splicing and drop work is required to complete the conversion.

As a result of the situations outlined above, in the Plans that follow, a majority of the projects use one of the following rationales:

- ❖ the replacement of aerial copper,
- ❖ the replacement of older copper,
- ❖ the placement of FTTH for new construction,
- ❖ closing the leg of a fiber ring for redundancy, and
- ❖ moving existing facilities for road widening, relocation.

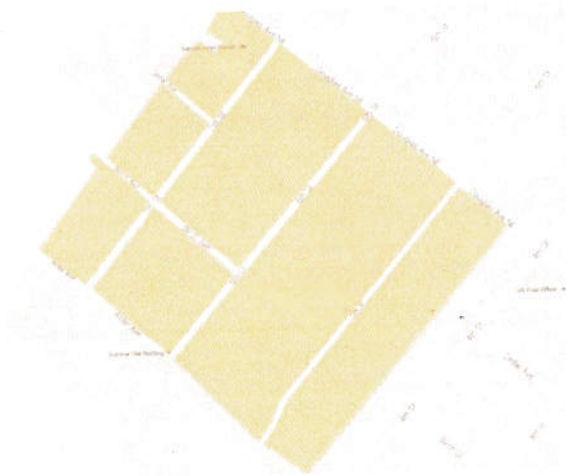
Prior to 2014 it was not economically feasible for GTC to provide retail video services to its subscribers. However, by placing FTTH facilities throughout the service territory, along with an optical backbone, the Company has been providing the capacity and infrastructure to transport high-bandwidth video signals to subscribers for their use. In May 2014, GTC signed a resale agreement with WestCom media to resell its video services. GTC will be able to bundle the video with its voice and data services for a more attractive residential package. Rollout is expected in 3rd quarter 2014.

SUMMARY DISCUSSION OF PLANS BY YEAR

2014

2014 -- PROJECTS IN GERVAIS WIRE CENTER --GRVSORXXDS0

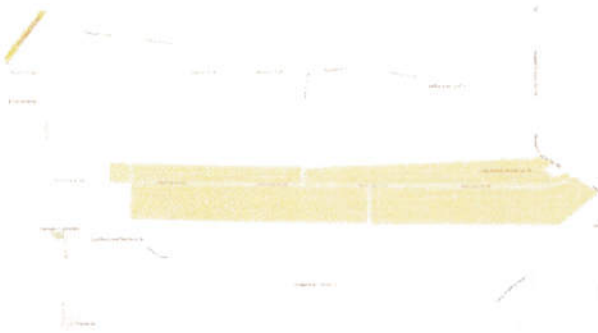
#1(2014) FTTH – Douglas Ave. South on 5th, 6th and 7th Streets –
Budgeted Cost: \$5,000; w/o 14GT088 -- EF&I fiber drops and Optical Network Interfaces (ONTs) along 5th, 6th and 7th south of Douglas. Distribution fiber on these streets, fed by a feeder fiber on Douglas, already exists. This will replace older, aerial copper service in the City of Gervais. This will provide additional service to 29 residential households, 1 business (Summit Tile Roofing) and one anchor institution (the MCI/Level 3 regeneration hut). It will deliver broadband speeds up to 100Mbps immediately and 1Gbps eventually, and will be able to handle VoIP service and high speed video. Voice capacity will be improved to these same locations.
Budgeted Cost: \$5,000; w/o 14GT088(same w/o as above) – To purchase the ONTs.



#2(2014) FTTH - Waconda – Pioneer to Howell-Prairie –

Budgeted Cost: \$10,000; w/o 14GT086 – EF&I fiber route on Waconda Rd, from Pioneer School to Howell Prairie Rd. completing the job started in 2013.

Budgeted Cost: \$18,000; w/o 14GT089 – Furnish & Install Waconda Rd. drops ONTs. These two work orders will replace old copper in Marion County. This will provide additional service to 11 residential households and farms, and 2 anchor institution (Pioneer School & Holy Family Academy) and help close a leg of a fiber ring to provide redundancy. It will deliver broadband speeds up to 100Mbps immediately and 1Gbps eventually, and will be able to handle VoIP service and high speed video. Voice capacity will be improved to these locations.



#3(2014) FTTH – Wabash Rd. & SR99E –
Budgeted Cost: conduit: \$18,000; fiber, drops and ONTs: \$4,000; w/o 14GT085 --
EF&I conduit and fiber from our existing fiber on 99E east on Wabash Dr. NE, and
place drops and Optical Network Interfaces (ONTs). This will replace older copper in
the county. This will provide additional service to 6 residential households, and small
farms. It will deliver broadband speeds up to 100Mbps immediately and 1Gbps
eventually, and will be able to handle VoIP service and high speed video. Voice capacity
will be improved to these same locations.

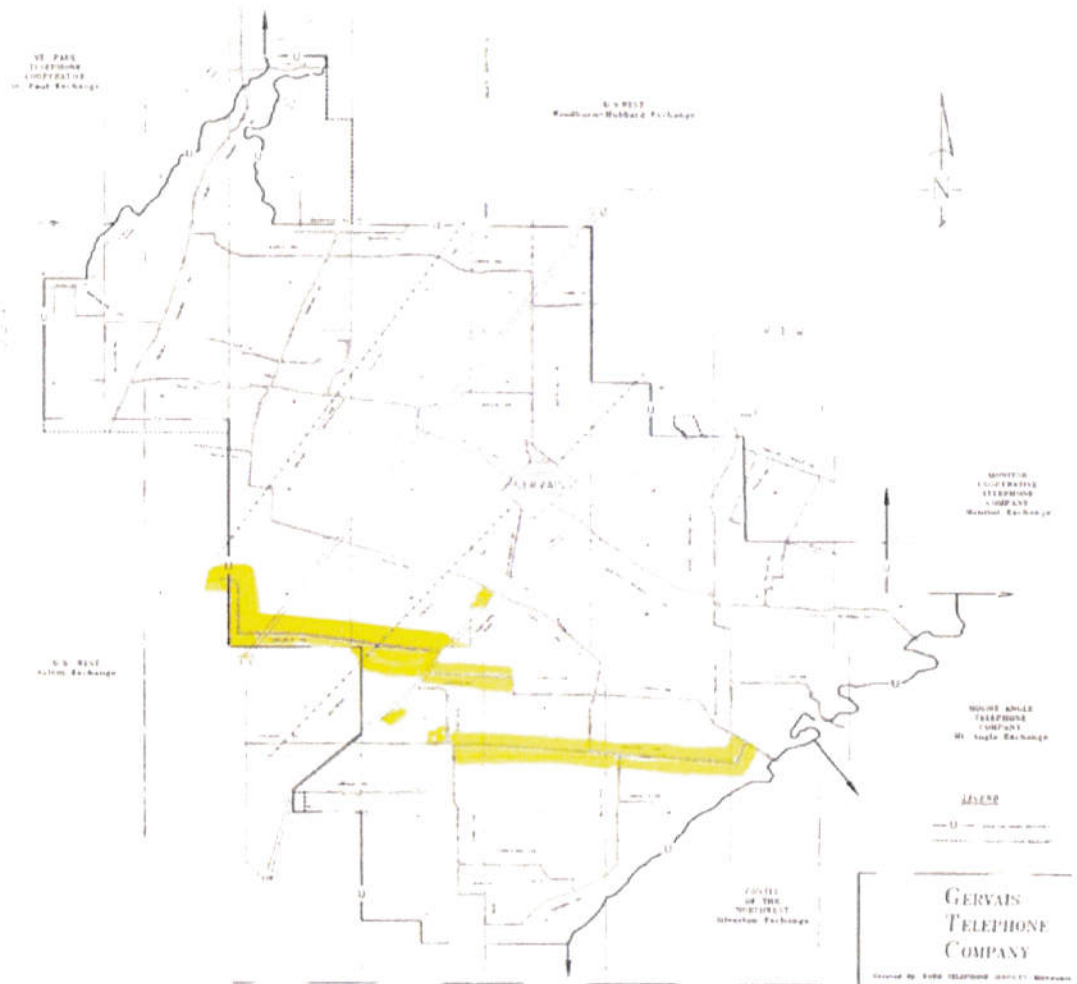


#4(2014) FTTH – Douglas North on 6th & 7th incl. Sacred Heart School

Budgeted Cost: \$15,000; w/o 14GT092 -- Pull fiber in existing conduit along 6th Ave. North of Douglas Ave. and place drops and Optical Network Interfaces (ONTs). This will replace older, aerial copper in the City of Gervais. This will provide additional service to 23 residential households, and one anchor institution (Sacred Heart Church and Sacred Heart Elementary School on 7th Ave.). Sacred Heart requested higher speeds, so this project's schedule was advanced to 2014. It will deliver broadband speeds up to 100Mbps immediately and 1Gbps eventually, and will be able to handle VoIP service and high speed video. Voice capacity will be improved to these same locations.



Projected Broadband Coverage



Highlighted Areas = 100 Mbps x 100 Mbps
Unmarked Area = 4Mbps x 1 Mbps
As of 12/31/2014

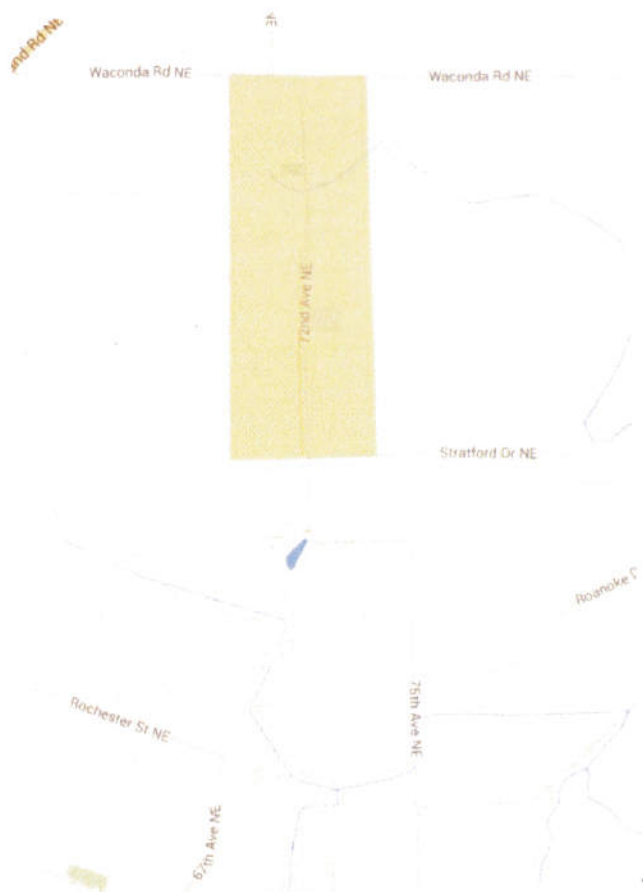
Gervais Rate Center
Projected Broadband Coverage
as of 12/31/2014
highlighted area = 100Mbps x 100Mbps
unmarked areas = 4Mbps x 1Mbps



2015 -- PROJECTS PLANNED in the GERVAIS WIRE CENTER --GRVSORXXDS0

2015 72nd Ave. South to Stratford Rd.--

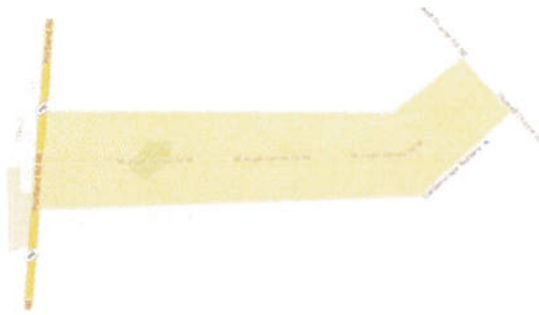
Budgeted Cost: complete conduit and pull fiber \$14,000; Drops & ONTs \$18,000; w/o 14GT091 -- Complete the conduit construction by proofing the conduit and EF&I fiber on 72nd Ave. Then EF&I fiber drops and Optical Network Interfaces (ONTs). These will be fed from the existing main line fiber at Waconda Rd. and will replace older copper DSL service in the county. This will provide improved service to 19 residential households and small farms. It will deliver broadband speeds up to 100Mbps immediately and 1Gbps eventually, and will be able to handle VoIP service and high speed video. Voice capacity will be improved to these same locations.



2015 FTTH – Mt. Angel-Gervais Rd. part 1–

Budgeted Cost: \$24,000; w/o 14GT090 -- EF&I fiber drops and Optical Network Interfaces (ONTs) on Mt Angel-Gervais Rd. from SR 99E to the exchange boundary. These will be fed from the existing main line fiber on Mt. Angel-Gervais Rd. and will replace older copper DSL service in the county. This will provide improved service to 39 residential households and small farms, and one business (Microplant). It will deliver broadband speeds up to 100Mbps immediately and 1Gbps eventually, and will be able to handle VoIP service and high speed video. Voice capacity will be improved to these same locations.

99E to Howell-Prairie Rd.



Howell-Prairie to Pudding River (exchange border)



2015 FTTH – Howell-Prairie Rd. north –

Budgeted Cost: \$40,000(p); w/o TBA -- EF&I conduit, fiber, drops and ONTs on Howell-Prairie Rd north of Mt Angel-Gervais Rd. to SR 99E. This will replace older copper DSL service in the county. This will provide improved service to 17 residential households and farms and 5 businesses. It will deliver broadband speeds up to 100Mbps immediately and 1Gbps eventually, and will be able to handle VoIP service and high speed video. Voice capacity will be improved to these same locations.

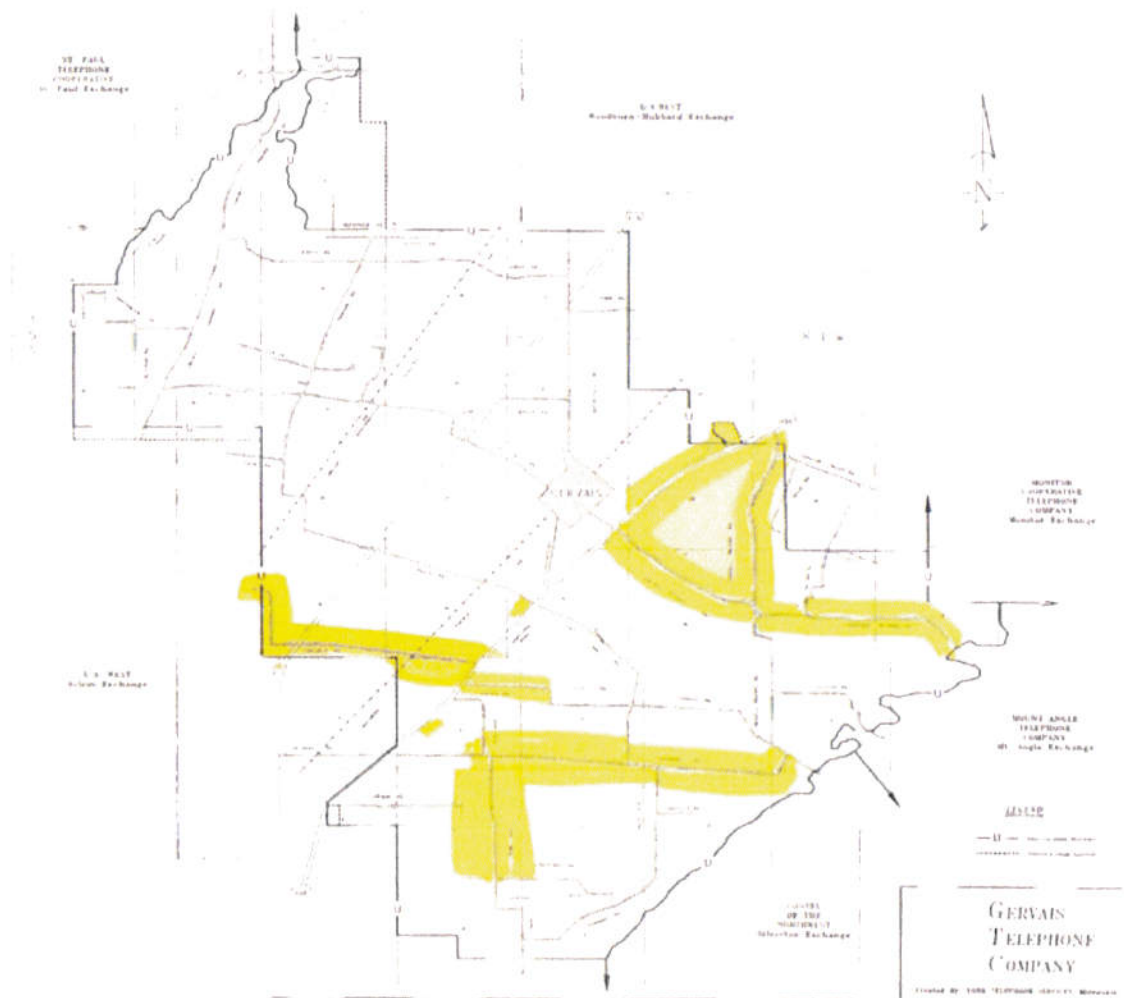


2015 FTTH – 99E & Boones Ferry Rd.–

Budgeted Cost: \$15,000(p); w/o TBA -- EF&I conduit, fiber, drops and ONTs on SR 99E N of Douglas St. and extend N on Boones Ferry Rd. There is some conduit already placed on 99E. This will replace older copper DSL service in the county. This will provide improved service to 12 residential households and farms and 4 businesses. It will deliver broadband speeds up to 100Mbps immediately and 1Gbps eventually, and will be able to handle VoIP service and high speed video. Voice capacity will be improved to these same locations.

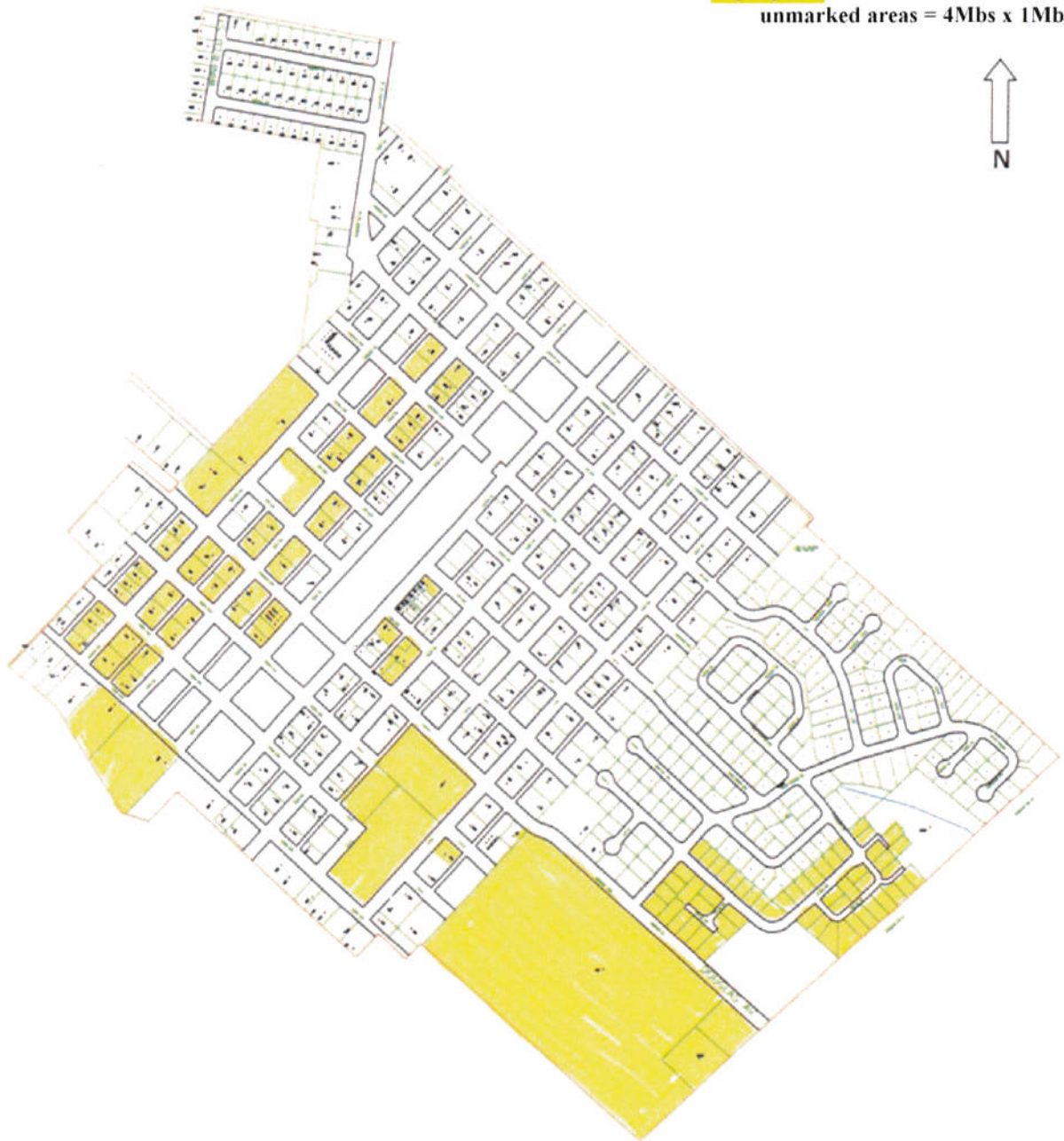


Projected Broadband Coverage



Highlighted Areas = 100 Mbps x 100 Mbps
Unmarked Area = 4Mbps x 1 Mbps
As of 12/31/2015

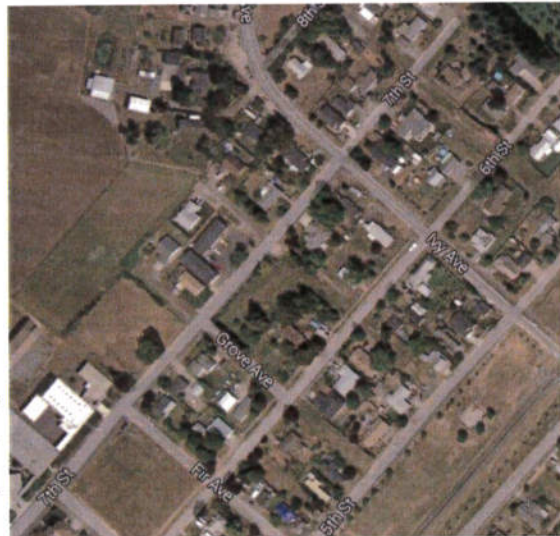
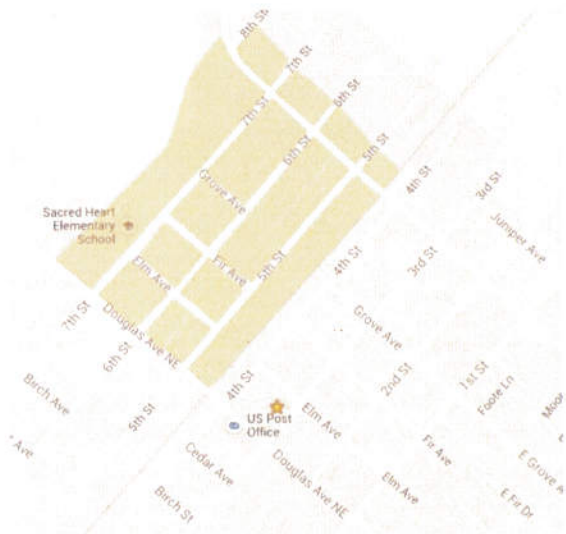
Gervais Rate Center
Projected Broadband Coverage
as of 12/31/2015
highlighted area = 100Mbps x 100Mbps
unmarked areas = 4Mbps x 1Mbps



2016 -- PROJECTS PLANNED in the GERVAIS WIRE CENTER --GRVSORXXDS0

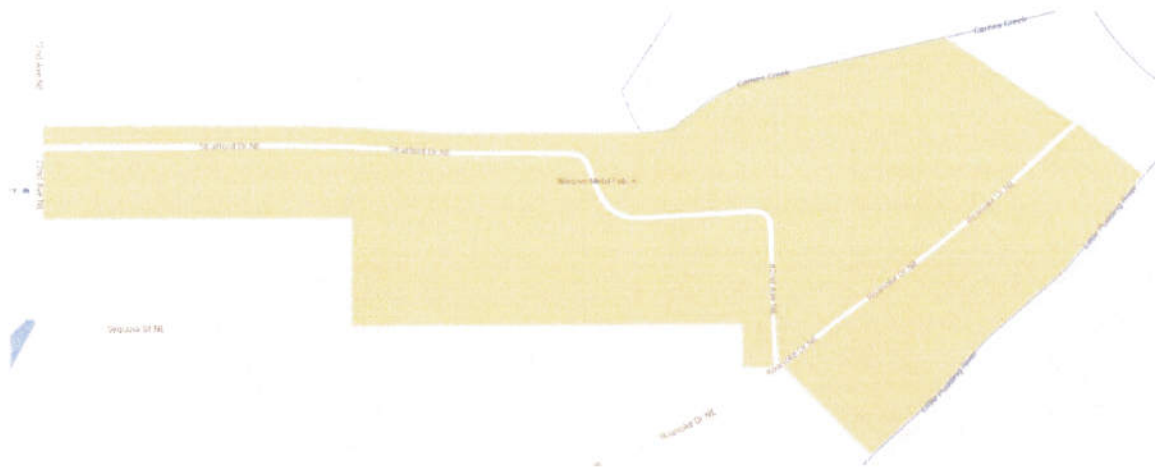
2016 FTTH – Douglas Ave. North on 5th, 6th and 7th Streets –

Budgeted Cost: \$8,000(p); w/o TBA -- EF&I fiber, drops and ONTs along 6th St. from Douglas to the OPAC at Ivy & 8th St. EF&I conduit, fiber, drops and ONTs on 5th and 7th. This will provide improved service to 27 residential households and an 8 unit multidwelling unit (MDU). This will deliver broadband speeds up to 100Mbps immediately and 1Gbps eventually, and will be able to handle VoIP service and high speed video. Voice capacity will be improved to these same locations.



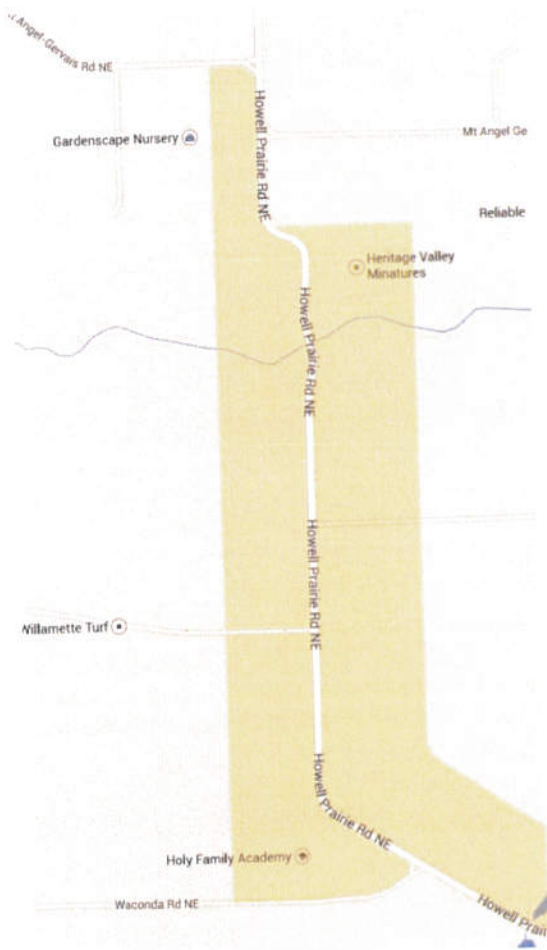
2016 FTTH -- Stratford Rd. and Roanoke from 72nd to 86th

Budgeted Cost: Conduit, fiber, drops & ONTs \$40K(p); w/o TBA -- EF&I conduit, fiber, drops and ONTs. This will replace older copper DSL service in the county. This will provide improved service to 4 residential households and small farms. It will deliver broadband speeds up to 100Mbps immediately and 1Gbps eventually, and will be able to handle VoIP service and high speed video. Voice capacity will be improved to these same locations.



2016 FTTH – Howell-Prairie Rd. south of Mt. Angel-Gervais Rd. –

Budgeted Cost: \$10,000(p); w/o TBA -- EF&I fiber drops and Optical Network Interfaces (ONTs) on Howell-Prairie Rd south of Mt Angel-Gervais Rd. to the exchange boundary. This will replace older copper DSL service in the county. This will provide improved service to 14 residential households and farms and one anchor institution, Holy Family Academy. It will deliver broadband speeds up to 100Mbps immediately and 1Gbps eventually, and will be able to handle VoIP service and high speed video. Voice capacity will be improved to these same locations.



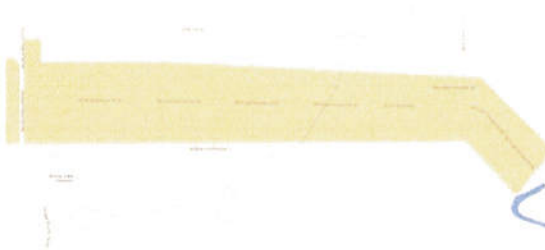
2016 FTTH – Mt. Angel-Gervais Rd. part 2–

Budgeted Cost: \$15,000; w/o TBA -- EF&I fiber drops and Optical Network Interfaces (ONTs) on Mt Angel-Gervais Rd. from SR 99E to the exchange boundary. These will be fed from the existing main line fiber on Mt. Angel-Gervais Rd. and will replace older copper DSL service in the county. This will provide improved service to 39 residential households and small farms, and one business (Microplant). It will deliver broadband speeds up to 100Mbps immediately and 1Gbps eventually, and will be able to handle VoIP service and high speed video. Voice capacity will be improved to these same locations.

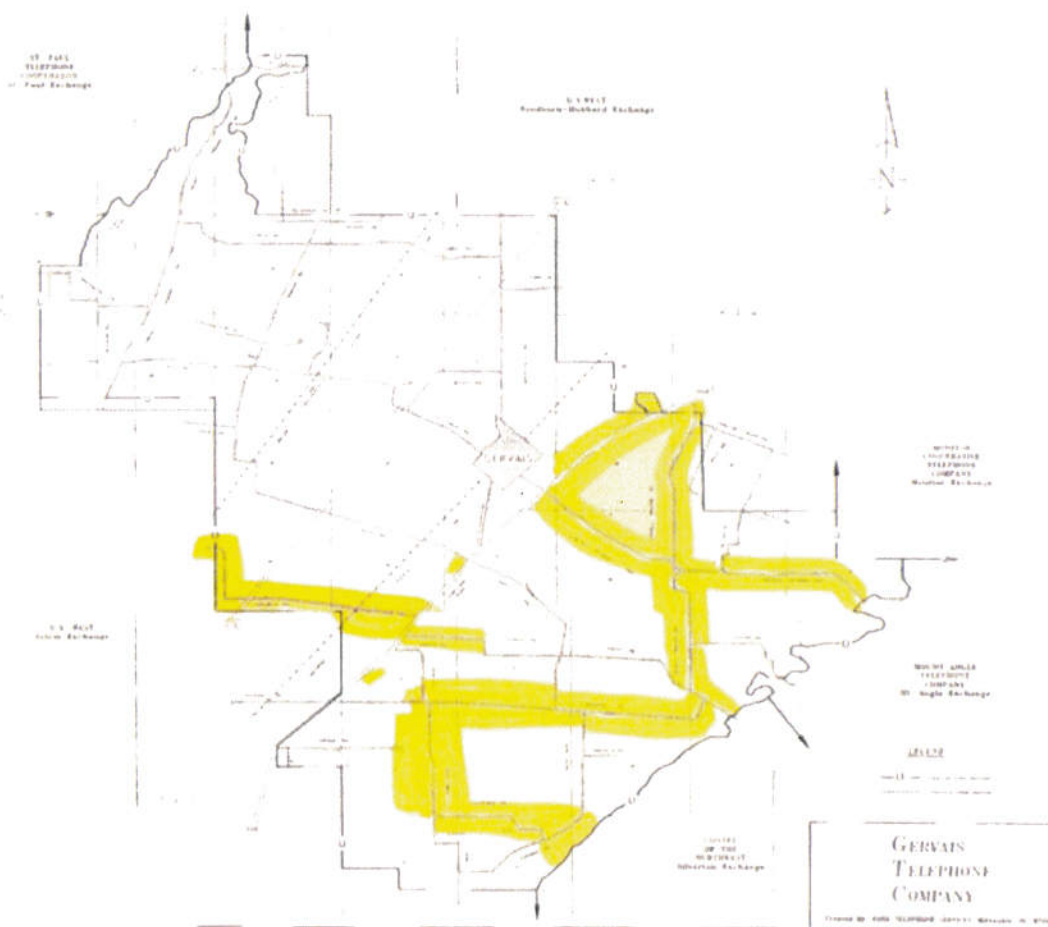
99E to Howell-Prairie Rd.



Howell-Prairie to Pudding River (exchange border)



Projected Broadband Coverage



Highlighted Areas = 100 Mbps x 100 Mbps
Unmarked Area = 4Mbps x 1 Mbps
As of 12/31/2016

Gervais Rate Center
Projected Broadband Coverage
as of 12/31/2016
highlighted area = 100Mbps x 100Mbps
unmarked areas = 4Mbps x 1Mbps



2017 -- PROJECTS PLANNED in the GERVAIS WIRE CENTER --GRVSORXXDS0

2017 FTTH – Manning Rd from St. Louis to Deconinck Rd. incl. Ferschweiler Ln. Phase 1 – This is a large, costly project; and it will carry over multiple years.

Budgeted Cost (each year) for conduit, fiber, drops & ONTs \$80,000(p); w/o TBA -- EF&I conduit, fiber, drops and ONTs. This will replace older copper DSL service in the county. Farms on Deconinck have requested higher speed services. This will provide improved service to 38 residential households and farms. It will deliver broadband speeds up to 100Mbps immediately and 1Gbps eventually, and will be able to handle VoIP service and high speed video. Voice capacity will be improved to these same locations.

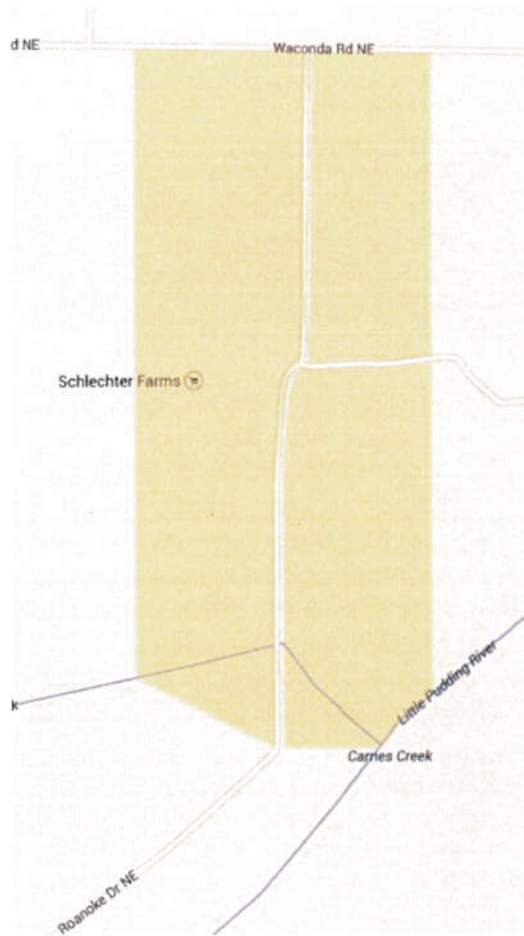


2017 FTTH -- 86th

Budgeted Cost: fiber, drops & ONTs \$10K(p); w/o TBA -- Pull fiber in existing conduit on 86th from Waconda to Umatilla. EF&I drops and ONTs.

Budgeted Cost: conduit, fiber, drops & ONTs \$30K(p); w/o TBA EF&I conduit, fiber, drops and ONTs on 86th from Umatilla to Roanoke..

These will replace older copper DSL service in the county. This will provide improved service to 4 residential households and small farms. It will deliver broadband speeds up to 100Mbps immediately and 1Gbps eventually, and will be able to handle VoIP service and high speed video. Voice capacity will be improved to these same locations.

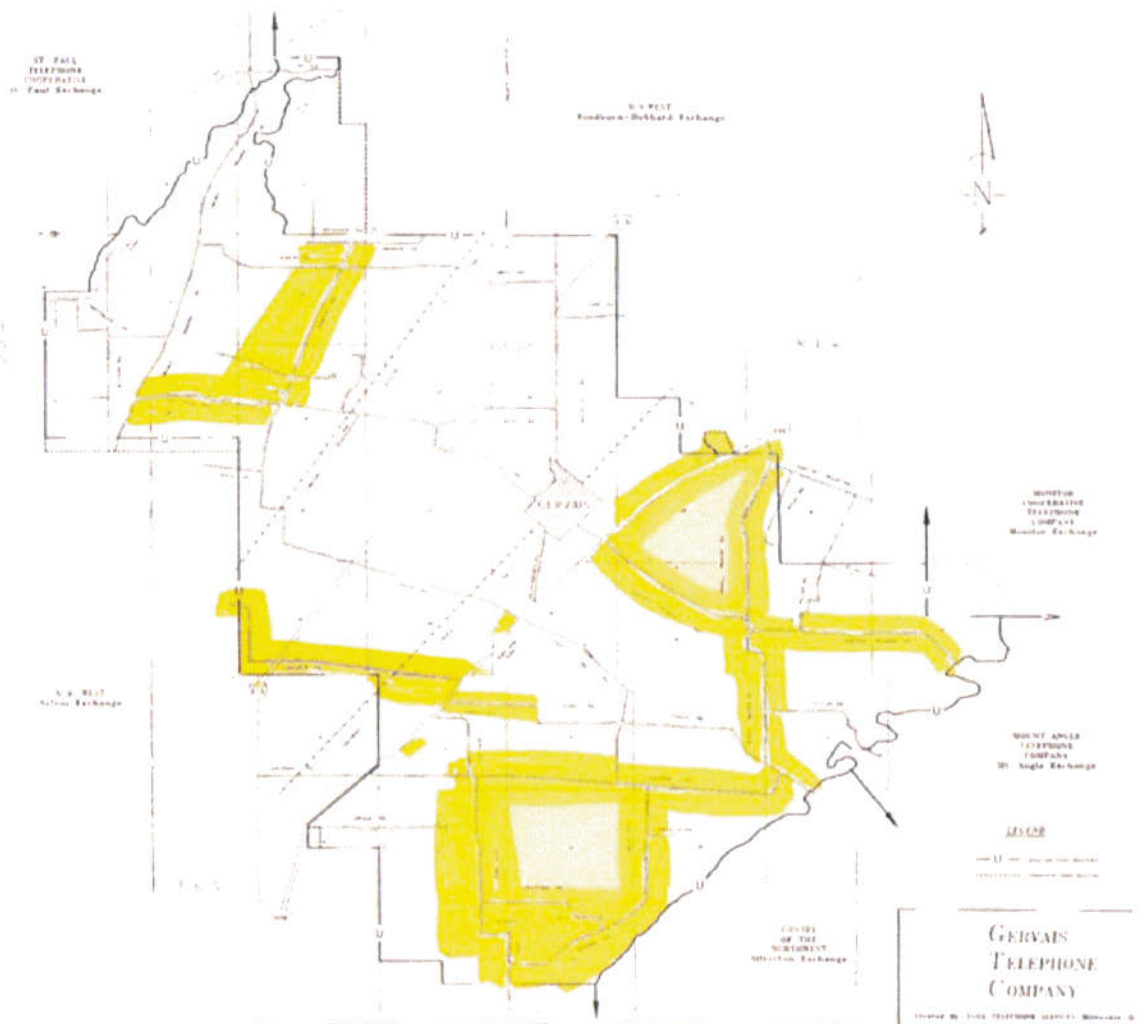


2017 FTTH – St. Louis – Manning to French Prairie

Budgeted Cost: fiber, drops & ONTs: \$TBD; w/o TBA -- EF&I fiber in existing conduit, drops and ONTs. This will replace older copper DSL service in the county. This will provide improved service to 5 residential households and farms. It will deliver broadband speeds up to 100Mbps immediately and 1Gbps eventually, and will be able to handle VoIP service and high speed video. Voice capacity will be improved to these same locations.



Projected Broadband Coverage



Highlighted Areas = 100 Mbps x 100 Mbps
Unmarked Area = 4Mbps x 1 Mbps
As of 12/31/2017

Gervais Rate Center
Projected Broadband Coverage
as of 12/31/2017
highlighted area = 100Mbps x 100Mbps
unmarked areas = 4Mbps x 1Mbps



2018 -- PROJECTS PLANNED in the GERVAIS WIRE CENTER --GRVSORXXDS0

2018 FTTH – Manning Rd from St. Louis to Deconinck Rd. incl. Ferschweiler Ln.

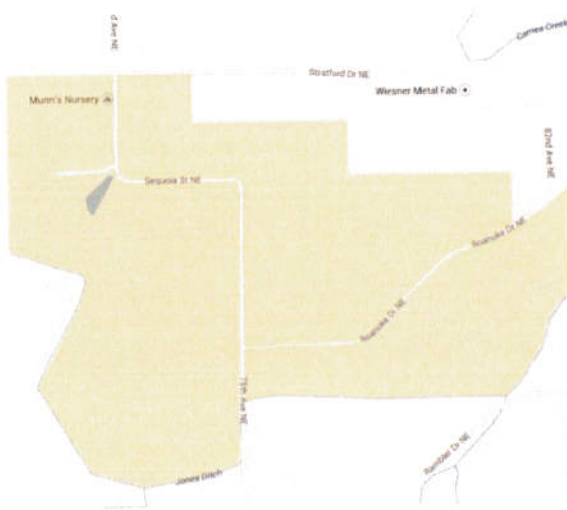
Phase 2 – This is a large, costly project, and it will carry over multiple years. *Budgeted Cost (each year) for conduit, fiber, drops & ONTs \$80,000(p); w/o TBA --* EF&I conduit, fiber, drops and ONTs. Farms on Deconinck have requested higher speed services. This will replace older copper DSL service in the county. This will provide improved service to 38 residential households and farms. It will deliver broadband speeds up to 100Mbps immediately and 1Gbps eventually, and will be able to handle VoIP service and high speed video. Voice capacity will be improved to these same locations.



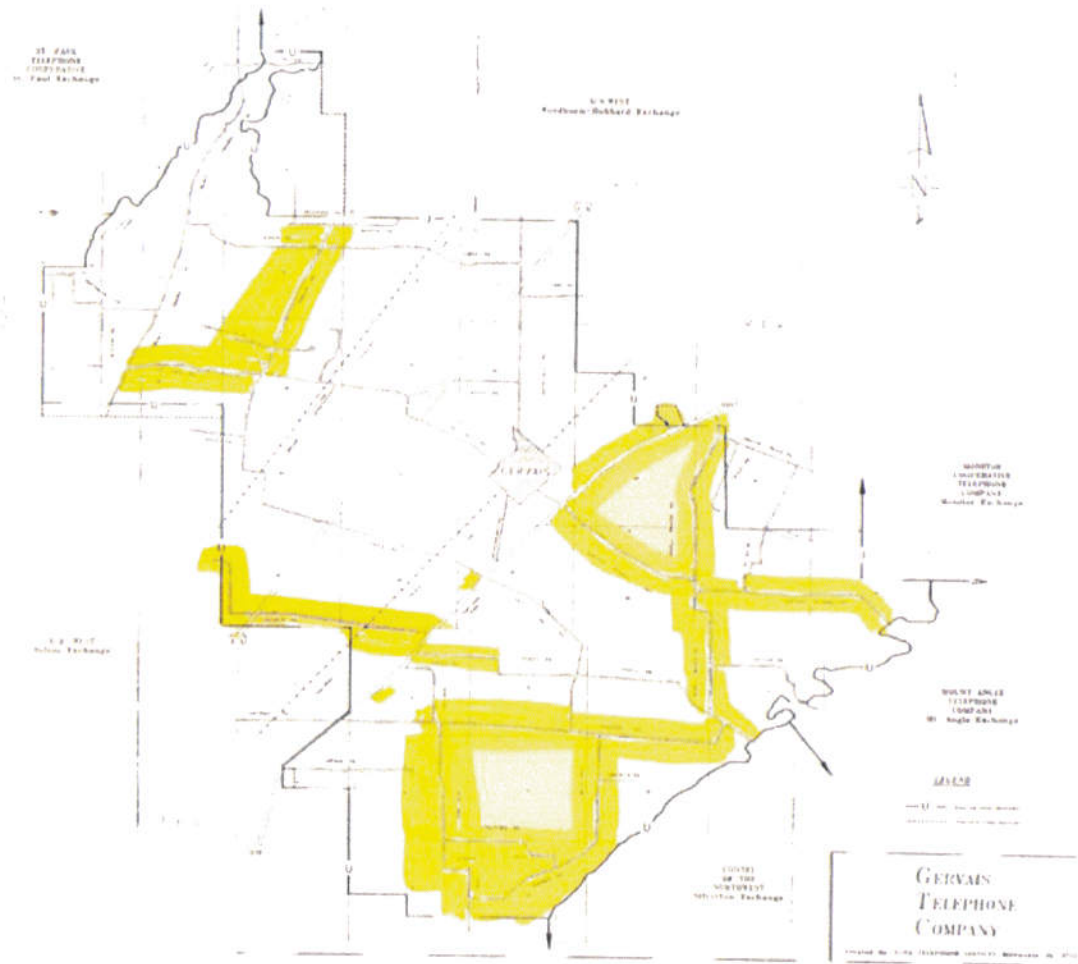
2018 FTTH - 72nd Ave. South from Stratford Rd. on Sequoia, 75th to Roanoke --

Budgeted Cost: EF&I conduit, fiber, drops & ONTs: \$50K(p); w/o: TBA

Complete the conduit construction by proofing the conduit and EF&I fiber on 72nd Ave. starting at Stratford, along Rambler, 75th to Roanoke. These will be fed from the existing main line fiber at Waconda Rd. and will replace older copper DSL service in the county. This will provide improved service to 7 residential households and small farms. It will deliver broadband speeds up to 100Mbps immediately and 1Gbps eventually, and will be able to handle VoIP service and high speed video. Voice capacity will be improved to these same locations.



Projected Broadband Coverage



Highlighted Areas = 100 Mbps x 100 Mbps
Unmarked Area = 4Mbps x 1 Mbps
As of 12/31/2018

Gervais Rate Center
Projected Broadband Coverage
as of 12/31/2018

highlighted area = 100Mbps x 100Mbps
unmarked areas = 4Mbps x 1Mbps



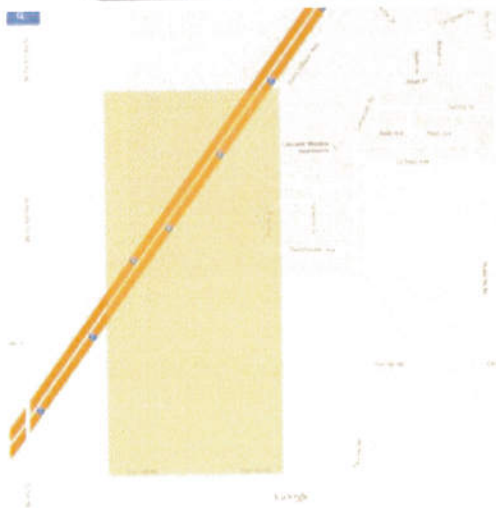
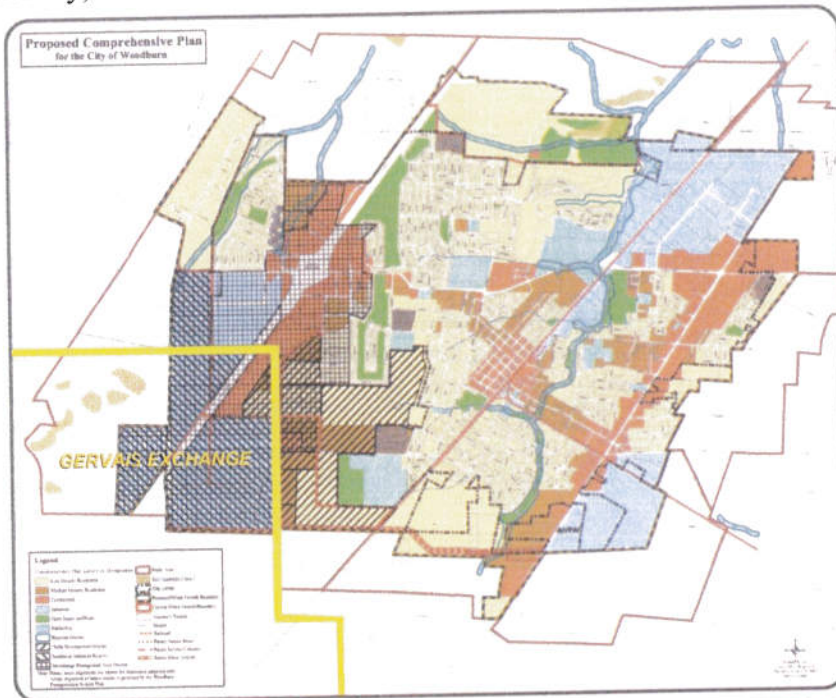
2019 -- PROJECTS PLANNED in the GERVAIS WIRE CENTER --GRVSORXXDS0

2019 FTTH – Manning Rd from St. Louis to Deconinck Rd. incl. Ferschweiler Ln. Phase 3 – This is a large, costly project, and it will carry over multiple years. *Budgeted Cost (each year) for conduit, fiber, drops & ONTs \$80,000(p); w/o TBA --* EF&I conduit, fiber, drops and ONTs. Farms on Deconinck have requested higher speed services. This will replace older copper DSL service in the county. This will provide improved service to 38 residential households and farms. It will deliver broadband speeds up to 100Mbps immediately and 1Gbps eventually, and will be able to handle VoIP service and high speed video. Voice capacity will be improved to these same locations.



2019 FTTH – Stacy Allison Way in Woodburn

The City of Woodburn has annexed a few acres of land south of the Wal-Mart store and has extended Stacy Allison Way into the property. Single and Multifamily dwellings were built to the edge of the area before development stalled when the 2009 recession began. However, as the economy recovers we expect the land to be developed. Woodburn has it zoned Commercial and Mixed Density Residential. In addition and despite recent unfavorable court rulings, the City still is working on expanding the Urban Growth Boundary (UGB) to add more acreage on both sides of I-5 in Gervais Telephone's exchange area. Some of this is intended to be zoned Industrial. *Budgeted Cost for conduit, fiber, drops & ONTs \$50,000(p); w/o TBA -- EF&I conduit, fiber, drops and ONTs for new greenfield high density residential, commercial and industrial development. This will deliver broadband speeds up to 100Mbps immediately and 1Gbps eventually, and will be able to handle VoIP service and high speed video.*



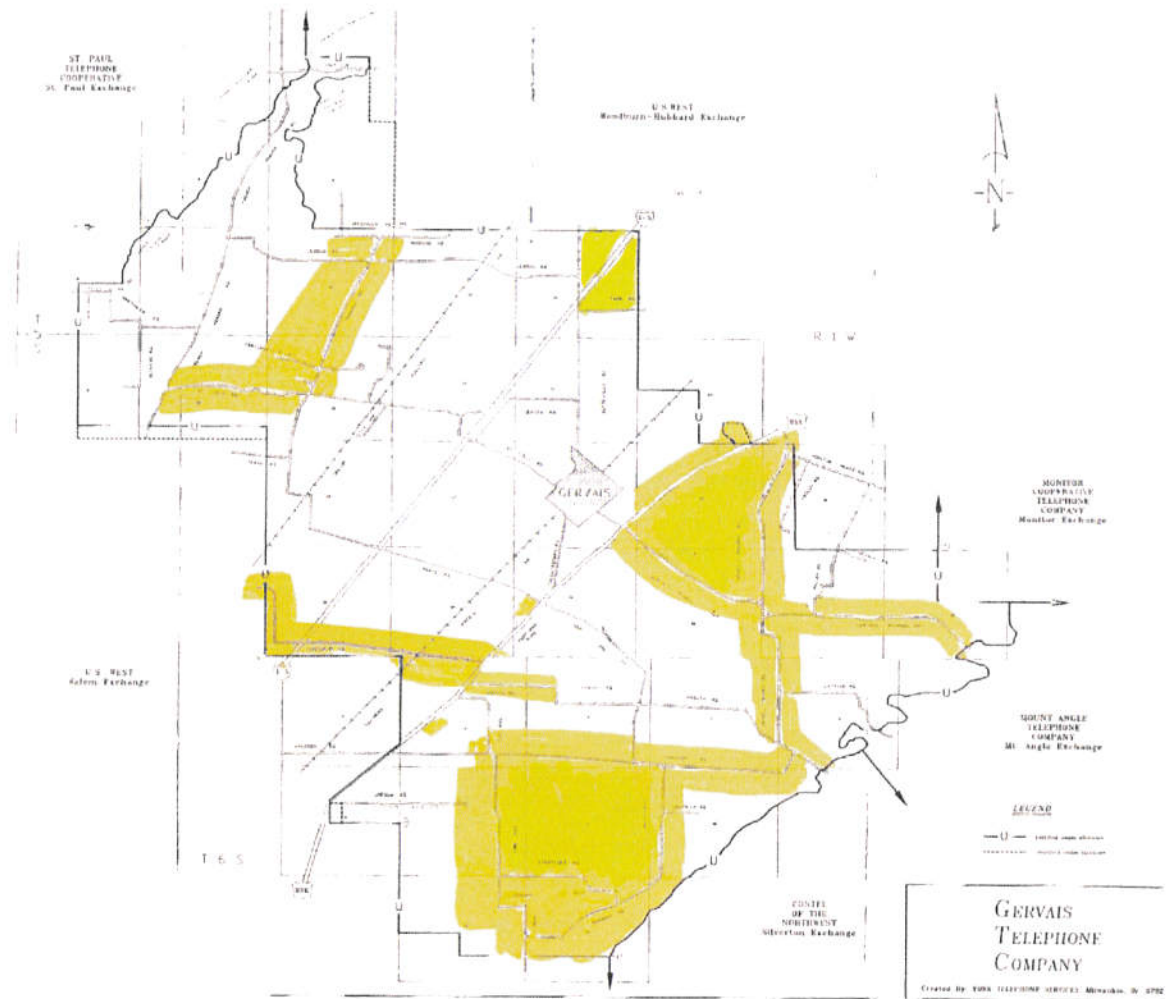
2019 FTTH – Willoria commercial parcel – Douglas & 99E

The Willoria subdivision in Gervais reserved a corner for commercial development.

Budgeted Cost for conduit, fiber, drops & ONTs \$20,000(p); w/o TBA -- EF&I conduit, fiber, drops and ONTs for greenfield commercial development. This will deliver broadband speeds up to 100Mbps immediately and 1Gbps eventually, and will be able to handle VoIP service and high speed video.



Projected Broadband Coverage



Highlighted Areas = 100 Mbps x 100 Mbps
Unmarked Area = 4Mbps x 1 Mbps
As of 12/31/2019

Gervais Rate Center
Projected Broadband Coverage
as of 12/31/2019

highlighted area = 100Mbps x 100Mbps
unmarked areas = 4Mbps x 1Mbps



GERVAIS TELEPHONE COMPANY
2014 Annual 54.313 Report of High-Cost Recipient

Line 510 Documentation

54.313(a)(5) Satisfaction of Consumer Protection and Service Quality Standards

Consumer Protection

Gervais Telephone Company complies with the requirements of 47 CFR Part 64 Subpart U, Customer Proprietary Network Information and the Federal Trade Commission Red Flag rules to prevent identity theft. A manual for each of those programs is in place and is part of the employees' handbook. Employee training is conducted annually and new hires are instructed on the programs as required by their job functions.

Service Quality Standards

Voice

Gervais Telephone Company complies with the service standards of the State of Oregon as promulgated in the Oregon Administrative Rules 860-034-0390, Retail Telecommunications Service Standards for Small Telecommunications Utilities.

Broadband

Gervais Telephone Company complies with the service standards noted in NECA Tariff #5 and is committed to provide the highest quality service to its broadband customers.

Gervais Telephone Company
2014 Annual 54.313 Report of High-Cost Recipient

Line 610 Documentation

54.313(a)(6) Ability to Remain Functional in Emergency Situations

Back-up Power

Gervais Telephone Company has the following back-up power capabilities:

Switches – stand alone and/or host

Genband C15 is backed up by a Generac liquid cooled gas generator SG035, 35KW power rating, with an automatic transfer switch, dual fueled natural gas/propane, with a 120 gal standby LP tank and a propane truck located at a nearby farm. It is backed up by a string of 24 Excide G lead acid batteries.

Remote Central Offices

none

Subscriber carrier (DLC, AFC, OPM, etc.)

Carrier Loc. Howell Prairie	dc batteries backed up by a portable generator
Carrier Loc. Pioneer	dc batteries backed up by a portable generator
Carrier Loc. St. Louis	dc batteries backed up by a portable generator
Carrier Loc. Butteville	dc batteries backed up by a portable generator

Network Interface Devices (NIDs)

Gervais Telephone Company has 600 customers with metallic (copper) connections to the Central Office and their NIDs are powered from the Central Office.

Gervais Telephone Company has 11 customers with non-metallic (fiber optic) connections to the Central Office. These customers' NIDs are battery powered in case of emergency. The batteries are rated to last 8-24 hours with no use and 4 hours with constant use.

Ability to reroute traffic around damaged facilities:

Gervais Telephone Co. has redundant facilities to its connecting toll tandem. This redundant facility is in the form of a SONET rings with alternate physical facilities between **Gervais Telephone Co.** and **CenturyLink**, its interconnection to the Public Switched Telephone Network.

Capability to manage traffic spikes resulting from emergency situations

Gervais Telephone Co. has 670 customers, switching capacity of 2500 simultaneous calls, and transport capacity for 96 simultaneous calls to the toll network, 84 simultaneous calls to Salem, and 48 simultaneous calls to Woodburn. **Gervais Telephone Co.** takes no responsibility for the capabilities of interconnected networks to manage traffic spikes resulting from emergency situations, but will continue its best efforts for its networks during such events.

Gervais Telephone Company
Terms & conditions of Voice Telephony Lifeline Plans
FCC Form 481 Line 1210

The Lifeline program for Gervais Telephone Company is administered by the Oregon Public Utility Commission (OPUC) through the Oregon Telephone Assistance Program (OTAP.) Potential customers apply directly with the OPUC to qualify for a credit of up to \$12.75, which is applicable to eligible telephone plan charges. The OPUC notifies Gervais Telephone of customer eligibility. Customers can choose a voice access line plan offered by Gervais Telephone Company and will continue to receive the Lifeline credit until Gervais Telephone is notified by the OPUC that they are no longer eligible, or until the customer disconnects service. The OPUC application for Lifeline service, which details the terms and conditions of the plan, is included on the following four pages.

54.313 Lifeline customer MOU an additional toll charges

Lifeline subscribers receive the same residential service as a regular subscriber, but at a reduced monthly recurring rate. Thus, lifeline subscribers have an unlimited number of local calling minutes. Lifeline subscribers, similar to every Gervais Telephone Company subscriber, are free to choose their own toll usage plans through an Interexchange Carrier.

Public Utility Commission (Home)

- Search
- About Us
- Contact Us
- Commissioners
- General Information
 - Administrative Rules
 - Consumer Information
 - Electricity/Natural Gas
 - Hearings Division
 - Oregon Telephone Assistance Programs
 - Safety
 - Telecommunications
 - Water
- Board of Maritime Pilots
- Home
- Jobs at PUC

Oregon Lifeline (Oregon Telephone Assistance Program)



The Oregon Public Utility Commission (PUC) manages the Oregon Lifeline program. If you qualify, this federal and state government assistance program reduces your monthly residential/landline or wireless phone bill by \$12.75.

[List of residential/landline and wireless companies that provide the Oregon Lifeline benefit](#)

How to Apply for Lifeline:

Using Online Application:

Submit your application online if you or a member of your household participates in one of the following programs:

- Supplemental Nutrition Assistance Program; Food Stamps (SNAP)
- Temporary Assistance for Needy Families (TANF)
- Supplemental Security Income (SSI)
- State Medical Programs (at or below 135% of federal poverty guidelines)
- Medicaid

Using Printed Application:

Complete and send a printed application to our office with the current documentation if you or a member of your household participates in one of the following programs or meets the income requirements:

- National School Lunch Program; Free Lunch Program Only (NSLP)
- Low-Income Home Energy Assistance Program (LIHEAP)
- Federal Public Housing Assistance (Section 8)
- Total household income is at or below 135% of federal poverty guidelines

[Click Here to Apply Online](#)

[Click Here to Print Application](#)

[Aplicar en Español](#)

[Подать заявление на русском языке](#)

[Nộp đơn bằng tiếng Việt](#)

[Contact Oregon Lifeline \(RSPF\)](#)

OREGON.GOV

- State Directories
- Agencies A to Z
- Oregon Administrative Rules
- Oregon Revised Statutes
- Oregon - an Equal Opportunity Employer
- About Oregon.gov



WEB SITE LINKS

- Text Only Site
- Accessibility
- Oregon.gov
- File Formats
- Privacy Policy
- Site Map
- Web Site Feedback

PDF FILE ACCESSIBILITY

Adobe Reader, or equivalent, is required to view PDF files. Click the "Get Adobe Reader" image to get a free download of the reader from Adobe.



Oregon Lifeline Application

Oregon Public Utility Commission
 PO Box 1088, Salem, OR 97308-1088
 800-848-4442 or 503-373-7171
 TTY: 800-648-3458
 VP: 971-239-5845
 Fax: 877-567-1977 or 503-378-6047
 puc.rspf@state.or.us

You may complete an Oregon Lifeline Application online at: www.rspf.org

The Oregon Public Utility Commission (PUC) manages the Oregon Lifeline program. If you qualify, this federal and state government assistance program can reduce your monthly residential/landline or wireless phone bill by \$12.75.



Complete Sections 1, 2a or 2b, and 3

Applicant's Legal Name (<i>Last, First, M.I.</i>) (Applicant's legal name MUST be on phone bill/account)			
Applicant's Social Security No. - - -		Applicant's Birth Date / /	
Applicant's Home Address		Apt. #	Is this a temporary address? <input type="checkbox"/> Yes <input type="checkbox"/> No
City		State Oregon	Zip
Applicant's Mailing Address (if different from home address)			Apt. #
City		State Oregon	Zip
Applicant's Phone Company (listed below)		Applicant's Phone Number () -	

If you have a situation that prevents you from providing certain information, please contact us for assistance.

Landline phone companies that reduce your monthly phone bill by \$12.75:

Asotin	ComSpan	Molalla	Oregon Tel. Corp.	Roome Tel Com
Beaver Creek	Eagle	Monitor	Oregon/Idaho	Scio Mutual
Canby Co-Op	Frontier	Monroe	People's	St. Paul
CenturyLink	Gervais	Mt. Angel	Pine Telephone	Stayton Co.
Clear Creek	Helix	Nehalem	Pioneer	Warm Springs
Colton	Home/TDS	North State	Reliance Connects	

Wireless phone companies that reduce your monthly phone bill by \$12.75:

AT&T Mobility* in select areas	Cricket	Snake River PCS	T-Mobile	US Cellular
--------------------------------	---------	-----------------	----------	-------------

*AT&T Mobility only offers the Oregon Lifeline benefit in select areas.

Call 1-800-377-9450 to determine if AT&T offers the Oregon Lifeline benefit in your coverage area.

2 PROGRAM-BASED ELIGIBILITY

Place a check mark next to all programs that you or your household members are currently enrolled in:

- Supplemental Nutrition Assistance Program; Food Stamps (SNAP)
 Temporary Assistance for Needy Families (TANF)
 Supplemental Security Income (SSI)
 State Medical Programs (at or below 135% of federal poverty guidelines)
 Medicaid

Provide current documentation for one of the following programs:

- National School Lunch Program; Free Lunch Program Only (NSLP)
 Low-Income Home Energy Assistance Program (LIHEAP)
 Federal Public Housing Assistance (Section 8)

Complete Section 2b **ONLY** if you do not qualify for any programs in Section 2a.

2b INCOME-BASED ELIGIBILITY

Place a check mark next to your Household Size. To qualify, your Household Yearly Income must fall within the range indicated next to your Household Size. A Household is defined as any individual or group of individuals who live together at the same address and share income and expenses. Proof of income must be included with your application.

Household Size	Gross Yearly Income	Household Size	Gross Yearly Income	Household Size	Gross Yearly Income
<input type="checkbox"/> 1	\$0 - \$15,512	<input type="checkbox"/> 4	\$0 - \$31,793	<input type="checkbox"/> 7	\$0 - \$48,074
<input type="checkbox"/> 2	\$0 - \$20,939	<input type="checkbox"/> 5	\$0 - \$37,220	<input type="checkbox"/> 8	\$0 - \$53,501
<input type="checkbox"/> 3	\$0 - \$26,366	<input type="checkbox"/> 6	\$0 - \$42,647	<input type="checkbox"/> 9	\$0 - \$58,928

More than 9 members of your household? Please contact us at 1-800-848-4442.

Provide one or more of the following documents as proof of your income:

- Last year's Federal or State income tax return
- Current annual income statement from employer
- Pay stubs for any three consecutive months within the last 12 months
- Veteran's administration statement of benefits
- Unemployment or Workers' Compensation statement of benefits
- Social Security statement of benefits
- Retirement or Pension statement of benefits
- Divorce decree or Child Support documentation containing income information



Please completely **READ** and **SIGN** this form indicating that you understand and agree to comply with the following Oregon Lifeline rules:

- I understand that completing this application does not immediately approve me for the Oregon Lifeline benefit. I will be notified in writing of my application status.
- I understand it may take 30-90 days for the phone company to apply the Oregon Lifeline benefit to my phone bill/account.
- I give the Oregon Public Utility Commission (PUC), the Federal Communication Commission, and the Universal Service Administrative Company authority to obtain or review any required records needed to confirm my statements and to confirm that I qualify for the Oregon Lifeline. I also authorize the phone company to release any required records for my Oregon Lifeline benefit.
- I am head of household and no one else in my household receives landline or wireless OTAP/Lifeline service.
- I understand that the Oregon Lifeline credit is only allowed for ONE PHONE LINE PER HOUSEHOLD
 - A household is defined as any persons who live together at the same address and share income and expenses.
- I understand that if I break or violate the one-per-household rule I will no longer qualify for the Oregon Lifeline program.
- I agree to let the PUC know within 30 days if:
 - I no longer qualify for the Oregon Lifeline benefit
 - I no longer take part in a qualifying program
 - Another member of my household is also receiving the Oregon Lifeline benefit
 - I receive more than one Oregon Lifeline benefit
 - I disconnected service with my phone company
- I understand that I have 30 days to notify the PUC if I no longer qualify for the Oregon Lifeline benefit or I may be removed from the program.
- I agree to notify the PUC of address changes within 30 days of moving.
- I understand that my Oregon Lifeline benefit may not be transferred or given to any other person.
- I understand that I may be required to confirm that I still qualify for the Oregon Lifeline benefit at any time and that, if I do not comply, my Oregon Lifeline benefits will stop.
- I understand that Oregon Lifeline is a state and federal benefit and willfully making false statements or providing false or fraudulent documents to obtain the benefit is punishable by law and can result in fines, imprisonment, disqualification or being permanently removed from the program.

By signing this application I certify under penalty of perjury that the information contained in this application is true and correct and that I meet the eligibility criteria for the Oregon Lifeline benefit.

Applicant Signature: _____

Print Name: _____ Date: _____

Make sure your application is complete before sending it. Did you:

- Complete Sections 1, 2a or 2b, and Section 3 of the application?
- Include current documentation from Sections 2a or 2b (if needed)?

Failure to provide current documentation may result in denial or delay of your application.

Please mail completed application (with current documentation, if needed) to:

PUC • PO Box 1088 • Salem, OR 97308 **OR** Fax to 1-877-567-1977 or 503-378-6047



**GERVAIS TELEPHONE COMPANY
AND SUBSIDIARY
(AN OREGON COOPERATIVE CORPORATION)**

**Consolidated Financial Statements
with Supplemental Information and RUS Letters**

Years Ended December 31, 2013 and 2012



GERVAIS TELEPHONE COMPANY and SUBSIDIARY

(An Oregon Cooperative Corporation)

Consolidated Financial Statements with Supplemental Information and RUS Letters

Years Ended December 31, 2013 and 2012

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Gervais Telephone Company and Subsidiary
Gervais, Oregon

We have audited the accompanying consolidated financial statements of Gervais Telephone Company and Subsidiary (an Oregon cooperative corporation) (the Company), which comprise the consolidated balance sheets as of December 31, 2013, and 2012 and the related consolidated statements of operations, changes in members' equity and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Gervais Telephone Company and Subsidiary as of December 31, 2013 and 2012, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

680 HAWTHORNE AVENUE SE, #140, SALEM, OR 97301

PHONE: 503.585.7774 FAX: 503.364.8405

PORTLAND, OR | SALEM, OR | CARLSBAD, CA | ESCONDIDO, CA | SAN DIEGO, CA | ANCHORAGE, AK

AKT LLP

Report on Consolidating Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information in Schedules I-III are presented for the purposes of additional analysis of the consolidated financial statements rather than to present the financial position and results of operations of the individual companies, and it is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating financial information has been subject to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated March 26, 2014, on our consideration of Gervais Telephone Company and Subsidiary's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Gervais Telephone Company's internal control over financial reporting and compliance.

AKT LLP

Salem, Oregon
March 26, 2014

GERVAIS TELEPHONE COMPANY and SUBSIDIARY**Consolidated Balance Sheets**

December 31, 2013 and 2012

ASSETS	<u>2013</u>	<u>2012</u>
Current Assets:		
Cash and cash equivalents	\$ 172,224	\$ 92,886
Accounts receivable, net of allowance for doubtful accounts of \$2,000	294,737	355,482
Materials and supplies	15,230	24,515
Prepaid expenses	<u>63,126</u>	<u>55,486</u>
Total Current Assets	<u>545,317</u>	<u>528,369</u>
Investments and Other Assets	<u>283,681</u>	<u>287,749</u>
Property, Plant, and Equipment:		
Telecommunications	11,129,134	10,779,265
Plant under construction	<u>53,565</u>	<u>112,781</u>
	11,182,699	10,892,046
Less accumulated depreciation	<u>5,171,929</u>	<u>4,665,825</u>
Property, Plant, and Equipment, net	<u>6,010,770</u>	<u>6,226,221</u>
	<u>\$ 6,839,768</u>	<u>\$ 7,042,339</u>

LIABILITIES AND MEMBERS' EQUITY	<u>2013</u>	<u>2012</u>
Current Liabilities:		
Current portion of long-term debt	\$ 121,662	\$ 169,210
Line of credit	199,422	200,000
Accounts payable	66,172	328,760
Accrued liabilities	36,621	34,278
Advance billings	<u>137,828</u>	<u>99,098</u>
Total Current Liabilities	<u>561,705</u>	<u>831,346</u>
Deferred Grant Revenues	281,420	287,784
Long-Term Debt	1,245,840	1,367,309
Other Long-Term Liabilities	80,205	70,944
Deferred Tax Liability	116,800	107,600
Unclaimed Patronage Capital Retired	<u>263,561</u>	<u>263,561</u>
Total Liabilities	<u>2,549,531</u>	<u>2,928,544</u>
Members' Equity:		
Memberships	13,301	13,186
Patronage capital	<u>4,276,936</u>	<u>4,100,609</u>
Total Members' Equity	<u>4,290,237</u>	<u>4,113,795</u>
	<u>\$ 6,839,768</u>	<u>\$ 7,042,339</u>

GERVAIS TELEPHONE COMPANY and SUBSIDIARY**Consolidated Statements of Operations**

Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Operating Revenues:		
Local network	\$ 616,543	\$ 570,427
Network access	1,579,573	1,582,782
Miscellaneous	<u>413,679</u>	<u>60,254</u>
Total Operating Revenues	<u>2,609,795</u>	<u>2,213,463</u>
Operating Expenses:		
Plant specific	756,005	648,000
Plant nonspecific	92,426	78,120
Customer	280,456	285,085
Corporate	641,170	584,675
Depreciation	516,885	504,004
Other taxes	<u>90,479</u>	<u>85,915</u>
Total Operating Expenses	<u>2,377,421</u>	<u>2,185,799</u>
Operating Margin	<u>232,374</u>	<u>27,664</u>
Other Income (Expense):		
Other income	12,749	37,488
Nonoperating income taxes	<u>(12,213)</u>	<u>(72,823)</u>
Total Other Income (Expense)	<u>536</u>	<u>(35,335)</u>
Margin Available for Fixed Charges	232,910	(7,671)
Fixed Charges - Interest on Long-Term Debt	<u>56,583</u>	<u>68,134</u>
Net Margin (Loss)	<u>\$ 176,327</u>	<u>\$ (75,805)</u>

GERVAIS TELEPHONE COMPANY and SUBSIDIARY**Consolidated Statements of Changes in Members' Equity**

Years Ended December 31, 2013 and 2012

	<u>Memberships</u>	<u>Patronage Capital</u>	<u>Total</u>
Balance, December 31, 2011	\$ 13,056	\$ 4,175,382	\$ 4,188,438
Net loss	-	(75,805)	(75,805)
Change in memberships	130	-	130
Excise Tax Refund	<u>-</u>	<u>1,032</u>	<u>1,032</u>
Balance, December 31, 2012	13,186	4,100,609	4,113,795
Net margin	-	176,327	176,327
Change in memberships	<u>115</u>	<u>-</u>	<u>115</u>
Balance, December 31, 2013	<u>\$ 13,301</u>	<u>\$ 4,276,936</u>	<u>\$ 4,290,237</u>

GERVAIS TELEPHONE COMPANY and SUBSIDIARY**Consolidated Statements of Cash Flows**

Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash Flows from Operating Activities:		
Net margin (loss)	\$ 176,327	\$ (75,805)
Adjustments to reconcile net margin (loss) to net cash provided by operating activities:		
Depreciation	516,885	504,004
Change in deferred taxes	9,200	71,300
Noncash patronage dividend	(3,357)	(4,108)
Recognition of deferred ARRA BIP grant revenue	(9,899)	(11,437)
Changes in assets and liabilities:		
Accounts receivable	60,745	(123,910)
Materials and supplies	9,285	(472)
Prepaid expenses	(7,640)	(12,232)
Accounts payable	(262,588)	97,327
Accrued liabilities	2,343	(26,970)
Advanced billings	38,730	(18,352)
Other long-term liabilities	9,261	8,457
Net Cash Provided by Operating Activities	<u>539,292</u>	<u>407,802</u>
Cash Flows from Investing Activities:		
Purchase of property, plant, and equipment	(301,434)	(528,435)
Proceeds from redemption of investments	16,686	15,616
Change in other assets	(9,261)	(8,457)
Net Cash Used by Investing Activities	<u>(294,009)</u>	<u>(521,276)</u>
Cash Flows from Financing Activities:		
Net change in line of credit	(578)	200,000
Principal payments on long-term debt	(169,017)	(176,099)
Proceeds from ARRA BIP grant	3,535	-
Federal excise tax refund	-	1,032
Memberships	115	130
Net Cash Provided (Used) by Financing Activities	<u>(165,945)</u>	<u>25,063</u>
Net Increase (Decrease) in Cash	79,338	(88,411)
Cash and Cash Equivalents, beginning	<u>92,886</u>	<u>181,297</u>
Cash and Cash Equivalents, ending	\$ <u>172,224</u>	\$ <u>92,886</u>
Cash Paid for Interest	\$ <u>56,383</u>	\$ <u>68,834</u>
Cash Paid for Income Taxes	\$ <u>3,013</u>	\$ <u>1,523</u>

See accompanying notes to consolidated financial statements.

GERVAIS TELEPHONE COMPANY and SUBSIDIARY

(An Oregon Cooperative Corporation)

Notes to Consolidated Financial Statements

Years Ended December 31, 2013 and 2012

Note 1 - Organization and Summary of Significant Accounting Policies

Organization

Gervais Telephone Company (the Company) is an Oregon cooperative corporation providing telecommunications services to its members on a cooperative basis. The service area is in the general vicinity of Gervais, Oregon. The Company operates under a franchise agreement with the City of Gervais, Oregon. The Company provides telecommunication services to customers outside its Cooperative service area through DataVision Communications, LLC (DataVision), a wholly-owned subsidiary of the Company. DataVision operates under franchise agreements with the City of Woodburn, Oregon, the City of Hubbard, Oregon, the City of Salem, Oregon, and the City of Silverton, Oregon.

Regulation

The Company is subject to limited regulation by the Public Utility Commission of Oregon (PUC) and the Federal Communications Commission (FCC) and maintains its accounting records in accordance with the Uniform System of Accounts as prescribed by the FCC and adopted by the PUC. As a result, the application of accounting principles generally accepted in the United States of America by the Company differs in certain respects from the application by nonregulated businesses. Such differences primarily concern the time at which certain items enter into the determination of net margin.

Regulatory and legislative actions, as well as future regulations, could have a significant impact on the Company's future operations and financial condition. See Note 1, National Broadband Plan and FCC Order.

Principles of Consolidation

The accompanying consolidated financial statements include the Company and its subsidiary, DataVision Communications, LLC. All intercompany transactions have been eliminated in consolidation.

Fair Value of Financial Instruments

The Company's financial instruments include cash and cash equivalents, accounts receivable, accounts payable, and notes payable. The Company estimates that the fair value of all of these non-derivative financial instruments at December 31, 2013 and 2012 does not differ materially from the aggregate carrying value of its financial instruments recorded in the accompanying consolidated balance sheets.

Estimates

The Company uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from these estimates.

Cash and Cash Equivalents

The Company considers all highly liquid investment securities purchased with a maturity of 3 months or less to be cash equivalents. The Company maintains its cash in bank deposit accounts that are insured by the Federal Deposit Insurance Corporation (FDIC), which is generally \$250,000 per account holder, per bank. The Company had no uninsured cash at December 31, 2013 and 2012. The Company has not experienced any losses in its bank deposit accounts and believes it is not exposed to any significant credit risk on cash.

Accounts Receivable

Accounts receivable are recorded at unpaid balances, less an allowance for doubtful accounts of \$2,000 at December 31, 2013 and 2012. Receivables are considered past due if payments are not received in accordance with invoice terms of net 30 days. Receivables are written off when the Company determines an account is uncollectible.

GERVAIS TELEPHONE COMPANY and SUBSIDIARY

(An Oregon Cooperative Corporation)

Notes to Consolidated Financial Statements

Years Ended December 31, 2013 and 2012

Note 1 - Organization and Summary of Significant Accounting Policies, continued

Income Taxes

The Company has been granted an exemption from Federal income taxes, except for "unrelated" business income, under Section 501(c)(12) of the Internal Revenue Code. The Company is also exempt from state income taxes. However, in any year for which greater than 15% of gross revenue is derived from nonmember services, the Company becomes a taxable cooperative. The Company was taxable in 2013 and 2012. Federal and state taxes payable by exempt cooperatives are computed differently from taxes payable by other corporations, primarily because cooperatives are allowed to deduct margins allocated to patrons within 8 ½ months after the end of each taxable year.

The Company follows the accounting standard for uncertain tax positions. This accounting standard provides detailed guidance for financial statement recognition, measurement, and disclosure of uncertain tax positions. It requires an entity to recognize the financial statement impact of a tax position when it is more likely than not that the position would not be substantiated under examination. The Company recognizes accrued interest and penalties associated with uncertain tax positions as part of the income tax provision in the statement of operations, when applicable. There are no amounts accrued in the financial statements related to uncertain tax positions.

The Company files federal, state and local income tax returns. With limited exceptions, the Company is no longer subject to examinations for years before 2010.

Excise Tax Refunds

Refunds of Federal Communications excise taxes, resulting from the Company's status as a tax-exempt cooperative, are recorded as a direct increase to patronage capital and allocated to the members.

Materials and Supplies

Materials and supplies are stated at the lower of cost or market. Cost is determined principally by the average cost method.

Property, Plant, and Equipment

Property, plant, and equipment in service and under construction of the Company is stated at cost, including estimated overhead expense. Maintenance and repairs are charged to operations when incurred. Renewals and betterments are capitalized. Depreciation is calculated on a straight-line basis over the estimated life of the classes of property and equipment in accordance with industry standards and ranges from 2% to 15%. Costs of plant retired are eliminated from telecommunications plant accounts and such costs plus removal expenses, less salvage, are charged to accumulated depreciation consistent with industry practice.

DataVision and other non-regulated property and equipment in service and under construction are stated at cost. Depreciation is calculated on a straight-line basis over the estimated life of the classes of property and equipment. Asset lives range from 13 to 50 years. Maintenance, repairs, and replacements are charged to expense as incurred. When property and equipment is sold or otherwise disposed of, the asset account and the related accumulated depreciation accounts are relieved and any gain or loss is included in operations.

Members' Equity

A membership certificate is issued to each subscriber who becomes a member, which entitles the member to a vote at the annual meeting. The cost of a membership certificate is \$5.

Patronage Capital

Patronage capital is derived from margins retained from operations, which are allocated as credits to the accounts of individual patrons and are subject to retirement at the discretion of the Board of Directors.

GERVAIS TELEPHONE COMPANY and SUBSIDIARY

(An Oregon Cooperative Corporation)

Notes to Consolidated Financial Statements

Years Ended December 31, 2013 and 2012

Note 1 - Organization and Summary of Significant Accounting Policies, continued

Revenue Recognition

The Company recognizes revenues when earned regardless of the period in which they are billed.

Monthly service fees derived from local telephone and internet service are billed in advance. Advance billings are recorded as a liability and subsequently transferred to income in the period earned. Access charges (see Note 1, Network Access Revenue), long distance and other revenues based on usage are billed in arrears.

Network Access Revenues

Network access revenue is received under a system of access charges. Access charges represent a methodology by which local telephone companies, including the Company, charge the long-distance carrier for access and interconnection to local facilities. The Company has elected to file access tariffs through the National Exchange Carriers Association (NECA) and the Oregon Exchange Carriers Association (OECA). These access tariffs are subject to approval by the FCC for interstate charges and the PUC for intrastate charges.

When network access revenues have been received pursuant to the settlement and access agreements above, they are then either placed into a common pooling arrangement with other exchange carriers for redistribution or kept by the Company. The redistributions are made according to formulas established by the governing boards of the pools and are generally based upon expenses incurred and investments maintained.

The Company participates in various pooling arrangements with NECA and OECA. The OECA Optional pool closed in July 2013 and the Company exited OECA Special Access pool as of June 2013.

Settlement, access, and pool distribution revenues are recorded when the amounts become determinable. Related expenses are recorded when incurred. Subsequent true-ups and retroactive adjustments, which are generally allowed for a period of 24 months (NECA pool only) after the close of the related calendar year, are recorded in the year in which such adjustments become determinable, based upon studies prepared by outside consultants.

In addition to recoveries from the pools, the Company also receives revenues from the Universal Service High Cost Loop Fund (HCL) and other support mechanisms administered by the Universal Service Administrative Company (USAC). These universal service support revenues are intended to compensate the Company for the high cost of providing service in rural areas. The amount of support received from the HCL is based on the number of customers served and the cost of providing service in that area being in excess of the national average cost per loop, as determined by the FCC. The Company also receives funding from the Oregon Universal Service Fund (OUS) administered by the PUC. These support revenues are included in the network access revenues in the accompanying consolidated financial statements.

In 2013, the Company received \$273,612 from the USAC High Cost Loop Fund (\$247,590 in 2012) and \$498,879 in interstate access revenues administered through the NECA Pool (\$591,831 in 2012). In 2013, the Company received \$111,767 from the OUS fund (\$56,454 in 2012).

During 2012, the Company was informed by NECA that they were adjusting the treatment of certain leased facilities reported in the Company's 2011 cost study, as filed by the Company's cost study consultants. This change in treatment impacted 2012 and the Company has recorded a reduction of operating revenues of \$164,154, which was reflected in accounts payable on the consolidated balance sheets at December 31, 2012.

As a result of this action by NECA, in 2013 the Company sought and received approval of an agreement by the PUC, which was accepted by NECA, that changed the nature of the treatment of these costs by NECA for cost study purposes. The result of this change was the reversal of the \$164,154 payable to NECA at December 31, 2012 and an increase in operating revenues for the same amount, which is reflected in the consolidated financial statements at December 31, 2013.

GERVAIS TELEPHONE COMPANY and SUBSIDIARY

(An Oregon Cooperative Corporation)

Notes to Consolidated Financial Statements

Years Ended December 31, 2013 and 2012

Note 1 - Organization and Summary of Significant Accounting Policies, continued

National Broadband Plan and FCC Order

In 2010 the FCC issued the National Broadband Plan which outlined a long-term plan to increase broadband penetrations and services throughout the United States of America. The plan further outlined a proposed long-term phase-out of access charges (referred to as Intercarrier Compensation) and moved to support mechanisms based on broadband services rather than the current Universal Service High Cost Loop Fund administered by USAC.

In response to the plan, the FCC on October 27, 2011, approved Report and Order 11-161 (the Order), that begins the process of reforming the universal service and intercarrier compensation (ICC) systems and adopts support for broadband-capable networks as an express universal service principle. The Order further creates the Connect America Fund which will ultimately replace all existing high-cost support mechanisms as well as help facilitate ICC reforms.

The key provisions of the order include:

- Capping the federal universal service fund at current levels
- Placing limitations on capital and operating spending
- Establishing local rate benchmarks
- Capping the per-line support amount for the universal service high cost loop fund at \$250 per month.
- Phase out of local switching support and the establishment of the CAF for recovery of investment and expenses related to the provision of switching services
- Reforming the ICC system by adopting a plan to transition from access charges to a bill and keep framework. The transition period for rate-of-return carriers such as the Company is approximately 9 years from the date of the order.
- Adoption of a monthly Access Recovery Charge as a transitional recovery mechanism to mitigate the impact of reduced intercarrier revenues

The Order was effective December 29, 2011 and implementation began July 1, 2012. As of the implementation date, CAF recovery is calculated based on the frozen fiscal year 2011 interstate switched access revenue requirement, plus certain 2011 intrastate access revenues, and will decline annually by 5% during the transition period.

As of December 31, 2013, the Company is transitioning its local rates and is not subject to the \$250 per line support cap. Furthermore, for the period ended December 31, 2013, the impacts to the Company related to the 5% annual decline in switched access revenues have not been significant.

The overall reform process will take place in phases and will take several years to implement. Furthermore, the Order includes a Further Notice of Proposed Rulemaking. The FCC has issued numerous Orders for Reconsideration and continues to seek comments on various items. As a result, the ultimate outcome of these proceedings and their impact is uncertain at this time.

Subsequent Events

The Company has evaluated subsequent events through March 26, 2014, which is the date the financial statements were available to be issued.

GERVAIS TELEPHONE COMPANY and SUBSIDIARY

(An Oregon Cooperative Corporation)

Notes to Consolidated Financial Statements

Years Ended December 31, 2013 and 2012

Note 2 - Materials and Supplies

Materials and supplies consist of the following:

	<u>2013</u>	<u>2012</u>
Telephone materials and supplies	\$ 15,230	\$ 12,497
DataVision	<u>-</u>	<u>12,018</u>
	\$ <u>15,230</u>	\$ <u>24,515</u>

Note 3 - Investments and Other Assets

Investments and other assets are recorded at cost and consist of the following:

	<u>2013</u>	<u>2012</u>
Rural Telephone Finance Cooperation (RTFC)	\$ 180,322	\$ 193,651
Oregon 2000 contribution	500	500
Western Independent Networks, Inc. (WIN)	12,724	12,724
ANPI Holding, Inc.	9,800	9,800
Other investments	130	130
Deferred compensation plan deposits	<u>80,205</u>	<u>70,944</u>
	\$ <u>283,681</u>	\$ <u>287,749</u>

Shares of Rural Telephone Finance Cooperative (RTFC) subordinated certificates are purchased as a condition of obtaining long-term financing from the RTFC. Holders of subordinated certificates are entitled to patronage dividends as determined by the RTFC board of directors.

Note 4 - Property, Plant, and Equipment

Listed below are the major classes of property, plant, and equipment at December 31:

	<u>2013</u>	<u>2012</u>
<i>Gervais Telephone</i>		
Land and support services	\$ 890,605	\$ 898,239
Central office switching and transmission	1,778,094	1,771,508
Cable and wire facilities	<u>4,522,202</u>	<u>4,478,969</u>
	\$ <u>7,190,901</u>	\$ <u>7,148,716</u>
<i>DataVision</i>		
Central office switching and transmission	\$ 692,947	\$ 692,947
Cable and wire facilities	3,245,286	2,937,602
Under construction	<u>53,565</u>	<u>112,781</u>
	\$ <u>3,991,798</u>	\$ <u>3,743,330</u>

GERVAIS TELEPHONE COMPANY and SUBSIDIARY

(An Oregon Cooperative Corporation)

Notes to Consolidated Financial Statements

Years Ended December 31, 2013 and 2012

Note 5 - Employee Benefit Plans

The Company participates in the National Telecommunication Cooperative Association (NTCA) Savings 401(k) Plan (the Savings Plan). The Savings Plan is a qualified multi-employer defined contribution pension plan that covers all full-time eligible employees. As described in the Savings Plan Agreement, the Company contributes 11% of eligible salaries paid. Total contributions to the Savings Plan were \$65,177 in 2013 (\$62,320 in 2012).

The Company also participates in the NTCA Deferred Compensation Program available to certain employees. Contributions to the Deferred Compensation Plan were \$5,014 in 2013 (\$5,014 in 2012). The total obligation and fair value of assets under the Deferred Compensation Plan at December 31, 2013 is \$80,205 (\$70,944 in 2012).

All amounts of compensation deferred under the Deferred Compensation Plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of Gervais Telephone Company, subject only to the claims of the Company's general creditors. Participants' rights under the Deferred Compensation Plan are equal to those of general creditors of the Company in an amount equal to the fair market value of the deferred account for each participant. The deferred compensation plan liability is included with Other Long-Term Liabilities on the accompanying consolidated balance sheets.

Note 6 - Long-Term Debt

Long-term debt consists of the following:

	<u>2013</u>	<u>2012</u>
Notes payable to RTFC in quarterly installments of principal and interest, varying based on advances, at interest rates of 3.35%-3.55% at December 31, 2013 (3.35%-5.5% in 2012), due in August 2013 and February 2021, collateralized by real and personal property. Subordinate to RUS.	\$ 1,075,776	\$ 1,235,385
3.5% note payable to RUS for ARRA Broadband Initiatives Program, interest only payments made monthly through March 2012, then monthly payments of \$1,690, principal and interest, collateralized by real and personal property, due March 2034.	<u>291,726</u>	<u>301,134</u>
	1,367,502	1,536,519
Less current portion	<u>121,662</u>	<u>169,210</u>
	<u>\$ 1,245,840</u>	<u>\$ 1,367,309</u>

Future maturities of long-term debt are as follows:

2014	\$ 121,662
2015	131,553
2016	142,272
2017	153,943
2018	164,043
Thereafter	654,029

The loan contains restrictions on the payment of dividends and requires the Company to maintain certain levels of equity and meet certain financial ratios. The Company's management believes it is in compliance with these covenants at December 31, 2013.

GERVAIS TELEPHONE COMPANY and SUBSIDIARY

(An Oregon Cooperative Corporation)

Notes to Consolidated Financial Statements

Years Ended December 31, 2013 and 2012

Note 6 - Long-Term Debt, continued

The Company has a \$700,000 line of credit with RTFC with an interest rate of 3.55% at December 31, 2013 that expires November 15, 2014. Advances on the line of credit at December 31, 2013 are \$199,422 (\$200,000 at December 31, 2012).

Note 7 - Income Taxes

Deferred income tax assets and liabilities are computed annually for differences between financial statement and tax basis of assets and liabilities that will result in taxable or deductible amounts in the future.

Deferred income taxes consist of the following:

	<u>2013</u>	<u>2012</u>
Liability for depreciation differences	\$ 255,400	\$ 248,400
Benefit of net operating losses	(80,600)	(81,500)
Benefit of deferred BIP revenue	<u>(58,000)</u>	<u>(59,300)</u>
Net deferred tax liability	\$ <u>116,800</u>	\$ <u>107,600</u>

The Company has Federal net operating loss carryforwards of approximately \$385,498 that may be used to offset future taxable income which begin to expire in 2024 and state net operating loss carryforwards of approximately \$387,306 that begin to expire in 2023.

Income tax benefit (expense) consists of the following:

Nonoperating:

Currently payable	\$ (5,593)	\$ (27,183)
Deferred tax	(9,200)	(71,300)
Benefit of net operating loss carryforward	<u>2,580</u>	<u>25,660</u>
Total income tax benefit (expense)	\$ <u>(12,213)</u>	\$ <u>(72,823)</u>

The net income tax benefit (expense) is presented on the Consolidated Statements of Operations with other income (expense).

Note 8 - Broadband Grant and Loan

In 2010, the Company was selected to receive funding for a broadband project by the United States Department of Agriculture, through the American Recovery and Reinvestment Act Broadband Initiatives Program (BIP). The broadband project is funded through a \$314,430 grant and a \$314,430 loan from the Rural Utilities Service (RUS).

Grant amounts requested and received in 2013 were \$3,535 (zero in 2012). Construction on the project is complete and operational as of December 31, 2013.

SUPPLEMENTAL INFORMATION

GERVAIS TELEPHONE COMPANY and SUBSIDIARY**Consolidating Balance Sheets**

December 31, 2013

ASSETS	<u>Gervais Telephone Company</u>	<u>DataVision Communications, LLC</u>	<u>Eliminations</u>	<u>Total</u>
Current Assets:				
Cash and cash equivalents	\$ 172,224	\$ -	\$ -	\$ 172,224
Accounts receivable, net of allowance for doubtful accounts of \$2,000	221,697	110,910	(37,870)	294,737
Materials and supplies	15,230	-	-	15,230
Prepaid expenses	63,126	-	-	63,126
 Total Current Assets	<u>472,277</u>	<u>110,910</u>	<u>(37,870)</u>	<u>545,317</u>
 Investments and Other Assets	<u>3,069,263</u>	<u>-</u>	<u>(2,785,582)</u>	<u>283,681</u>
Property, Plant, and Equipment:				
Telecommunications	7,190,901	3,938,233	-	11,129,134
Plant under construction	-	53,565	-	53,565
	<u>7,190,901</u>	<u>3,991,798</u>		<u>11,182,699</u>
 Less accumulated depreciation	<u>3,966,935</u>	<u>1,204,994</u>	<u>-</u>	<u>5,171,929</u>
 Property, Plant, and Equipment, net	<u>3,223,966</u>	<u>2,786,804</u>	<u>-</u>	<u>6,010,770</u>
	<u>\$ 6,765,506</u>	<u>\$ 2,897,714</u>	<u>\$ (2,823,452)</u>	<u>\$ 6,839,768</u>

LIABILITIES AND MEMBERS' EQUITY	Gervais Telephone Company	DataVision Communications, LLC	Eliminations	Total
Current Liabilities:				
Current portion of long-term debt	\$ 121,662	\$ -	\$ -	\$ 121,662
Line of credit	199,422	-	-	199,422
Accounts payable	59,225	44,817	(37,870)	66,172
Accrued liabilities	31,916	4,705	-	36,621
Advance billings	75,218	62,610	-	137,828
Total Current Liabilities	487,443	112,132	(37,870)	561,705
Deferred Grant Revenues	281,420	-	-	281,420
Long-Term Debt	1,245,840	-	-	1,245,840
Other Long-Term Liabilities	80,205	-	-	80,205
Deferred Tax Liability	116,800	-	-	116,800
Unclaimed Patronage Capital Retired	263,561	-	-	263,561
Total Liabilities	2,475,269	112,132	(37,870)	2,549,531
Members' Equity:				
Contributed capital	-	2,368,869	(2,368,869)	-
Retained earnings	-	416,713	(416,713)	-
Memberships	13,301	-	-	13,301
Patronage capital	4,276,936	-	-	4,276,936
Total Members' Equity	4,290,237	2,785,582	(2,785,582)	4,290,237
	\$ 6,765,506	\$ 2,897,714	\$ (2,823,452)	\$ 6,839,768

GERVAIS TELEPHONE COMPANY and SUBSIDIARY
Consolidating Statements of Operations

December 31, 2013

Schedule II

	Gervais Telephone Company	DataVision Communications, LLC	Eliminations	Total
Operating Revenues:				
Local network	\$ 288,890	\$ 327,653	\$ -	\$ 616,543
Network access	1,098,685	480,888	-	1,579,573
Miscellaneous	518,850	72,120	(177,291)	413,679
Total Operating Revenues	1,906,425	880,661	(177,291)	2,609,795
Operating Expenses:				
Plant specific	481,814	274,191	-	756,005
Plant nonspecific	50,624	41,802	-	92,426
Customer	172,204	141,543	(33,291)	280,456
Corporate	582,714	202,456	(144,000)	641,170
Depreciation	348,728	168,157	-	516,885
Other taxes	79,164	11,315	-	90,479
Total Operating Expenses	1,715,248	839,464	(177,291)	2,377,421
Operating Margin (Loss)	191,177	41,197	-	232,374
Other Income (Expense):				
Income from subsidiary	41,197	-	(41,197)	-
Other income	12,749	-	-	12,749
Nonoperating income tax benefit	(12,213)	-	-	(12,213)
Total Other Income (Expense)	41,733	-	(41,197)	536
Margin Available for Fixed Charges	232,910	41,197	(41,197)	232,910
Fixed Charges - Interest on Long-Term Debt				
	56,583	-	-	56,583
Net Margin	\$ 176,327	\$ 41,197	\$ (41,197)	\$ 176,327

GERVAIS TELEPHONE COMPANY and SUBSIDIARY
Consolidating Statements of Cash Flows

December 31, 2013

Schedule III

	Gervais Telephone Company	DataVision Communications, LLC	Eliminations	Total
Cash flows from Operating Activities:				
Net margin	\$ 176,327	\$ 41,197	\$ (41,197)	\$ 176,327
Adjustments to reconcile net margin to net cash provided by operating activities:				
Depreciation	348,728	168,157	-	516,885
Change in deferred taxes	9,200	-	-	9,200
Noncash patronage dividend	(3,357)	-	-	(3,357)
Income from subsidiary	(41,197)	-	41,197	-
Recognition of deferred ARRA BIP grant revenue	(9,899)	-	-	(9,899)
Changes in assets and liabilities:				
Accounts receivable	110,796	(16,318)	(33,733)	60,745
Materials and supplies	(2,733)	12,018	-	9,285
Prepaid expenses	(7,640)	-	-	(7,640)
Accounts payable	(333,359)	37,038	33,733	(262,588)
Accrued liabilities	829	1,514	-	2,343
Advance billings	33,867	4,863	-	38,730
Other long-term liabilities	9,261	-	-	9,261
Net Cash Provided by Operating Activities	<u>290,823</u>	<u>248,469</u>	<u>-</u>	<u>539,292</u>
Cash flows from Investing Activities:				
Purchase of property, plant, and equipment	(52,965)	(248,469)	-	(301,434)
Proceeds from redemption of investments	16,686	-	-	16,686
Change in other assets	(9,261)	-	-	(9,261)
Net Cash Used by Investing Activities	<u>(45,540)</u>	<u>(248,469)</u>	<u>-</u>	<u>(294,009)</u>
Cash flows from Financing Activities:				
Net change in line of credit	(578)	-	-	(578)
Principal payments on long-term debt	(169,017)	-	-	(169,017)
Proceeds from ARRA BIP grant	3,535	-	-	3,535
Memberships	115	-	-	115
Net Cash Provided by Financing Activities	<u>(165,945)</u>	<u>-</u>	<u>-</u>	<u>(165,945)</u>
Net Decrease in Cash	79,338	-	-	79,338
Cash and Cash Equivalents, beginning	92,886	-	-	92,886
Cash and Cash Equivalents, ending	<u>\$ 172,224</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 172,224</u>
Cash Paid for Interest, net of amount capitalized	<u>\$ 56,383</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 56,383</u>
Cash Paid for Income Taxes	<u>\$ 3,013</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,013</u>

**GERVAIS TELEPHONE COMPANY
AND SUBSIDIARY
(AN OREGON COOPERATIVE CORPORATION)**

RUS Letters

Years Ended December 31, 2013 and 2012



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

To the Board of Directors
Gervais Telephone Company and Subsidiary
Gervais, Oregon

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Gervais Telephone Company and Subsidiary (the Company), which comprise the consolidated balance sheet as of December 31, 2013, and the related consolidated statements of operations, changes in members' equity, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report dated March 26, 2014. In accordance with *Government Auditing Standards* we have also issued our report dated March 26, 2014, on our consideration of the Company's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. No reports other than the reports referred to above have been furnished to management.

In connection with our audit, nothing came to our attention except as noted below, that caused us to believe that the Company failed to comply with the terms, covenants, provisions, or conditions of their loan, grant, and security instruments as set forth in 7 CFR Part 1773, Policy on Audits of Rural Utilities Service Borrowers, §1773.33 and clarified in the RUS policy memorandum dated March 26, 2014, insofar as they relate to accounting matters as enumerated below. However, our audit was not directed primarily toward obtaining knowledge of noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Company's noncompliance with the above-referenced terms, covenants, provisions, or conditions of the contractual agreements and regulatory requirements, insofar as they relate to accounting matters. In connection with our audit, we noted no matters, except as noted below, regarding the Company's accounting and records to indicate that the Company did not:

- Maintain adequate and effective accounting procedures;
- Utilize adequate and fair methods for accumulating and recording labor, material, and overhead costs, and the distribution of these costs to construction, retirement, and maintenance or other expense accounts;
- Reconcile continuing property records to the controlling general ledger plant accounts; the Company's subsidiary plant records for cable and wire and central office equipment have not been updated to agree with the general ledger. The Company is in the process of updating their records.
- Clear construction accounts and accrue depreciation on completed construction;
- Record and properly price the retirement of plant;
- Seek approval of the sale, lease or transfer of capital assets and disposition of proceeds for the sale or lease of plant, material, or scrap;
- Maintain adequate control over materials and supplies;

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- Prepare accurate and timely Financial and Operating Reports;
- Obtain written RUS approval to enter into any contract for the management, operation, or maintenance of the borrower's system if the contract covers all or substantially all of the telecommunication system;
- Disclose material related party transactions in the financial statements, in accordance with requirements for related parties in generally accepted accounting principles;
- Record depreciation in accordance with RUS requirements (See RUS Bulletin 183-1, Depreciation Rates and Procedures);

Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The detailed schedule of investments required by 7 CFR 1773.33(i), and provided below, is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. This information has been subjected to the auditing procedures applied in our audit of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

Investments as of December 31, 2013:

Detailed Schedule of Investment in DataVision Communications, LLC.

Original investment	\$ 2,573,132
Accumulated earnings through December 31, 2012	<u>171,253</u>
Book value of investment as of December 31, 2012	2,744,385
Net income in 2013	<u>41,197</u>
Book value of investment as of December 31, 2013	\$ <u>2,785,582</u>

DataVision Communications, LLC. is a wholly-owned subsidiary providing telecommunications services. This investment is accounted for on the equity basis.

This report is intended solely for the information and use of the Board of Directors, management, Rural Utilities Service, and supplemental lenders and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.

AKT LLP

Salem, Oregon
March 26, 2014



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

To the Board of Directors
Gervais Telephone Company and Subsidiary
Gervais, Oregon

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Gervais Telephone Company and Subsidiary (the Company), which comprise the consolidated balance sheets as of December 31, 2013 and 2012, and the related consolidated statements of operations, changes in members' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated March 26, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Company's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Company's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Providing an opinion on compliance with those provisions was not an objective of our audits, and accordingly, we do not express such an opinion. The results of our tests disclose no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

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Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

AKT LLP

Salem, Oregon
March 26, 2014

AFFIDAVIT CERTIFYING USE OF UNIVERSAL SERVICE FUNDS

I, John Hoffmann, being of lawful age and duly sworn, on my oath, state that I am the President/CEO of Gervais Telephone Company and that I am authorized to execute this Affidavit on behalf of the Company, and the facts set forth in this Affidavit are true to the best of my knowledge, information and belief.

Pursuant to the requirements of the Federal Communications Commission, 47 C.F.R. § 54.314, Gervais Telephone Company hereby certifies to the Public Utility Commission of Oregon that it is eligible to receive federal high-cost support for the program years cited.

I attest that all federal high-cost support provided to Gervais Telephone Company in Oregon was used in the preceding calendar year (2013) and will be used in the coming calendar year (2015) only for the provision, maintenance and upgrading of facilities and services for which the support is intended.

DATED this 26 day of June, 2014.

By: John Hoffmann
Its: President CEO

SUBSCRIBED AND SWORN to before me this 26 day of June, 2014.

Yvonne H. Anderson
Notary public in and for the State of Oregon
My Commission Expires: August 4, 2017

