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USDA-RUS OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS	<i>This data will be used by RUS to review your financial situation. Your response is required by 7 U.S.C. 901 et seq. and, subject to federal laws and regulations regarding confidential information, will be treated as confidential.</i> BORROWER NAME Western Wahkiakum County Telephone Company (Prepared with Audited Data)
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<i>INSTRUCTIONS-Submit report to RUS within 30 days after close of the period. For detailed instructions, see RUS Bulletin 1744-2. Report in whole dollars only.</i>	PERIOD ENDING December, 2012	BORROWER DESIGNATION WA0535
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CERTIFICATION

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

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

DURING THE PERIOD COVERED BY THIS REPORT PURSUANT TO PART 1788 OF 7CFR CHAPTER XVII
(Check one of the following)

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

DATE

PART A. BALANCE SHEET					
ASSETS	BALANCE PRIOR YEAR	BALANCE END OF PERIOD	LIABILITIES AND STOCKHOLDERS' EQUITY	BALANCE PRIOR YEAR	BALANCE END OF PERIOD
CURRENT ASSETS			CURRENT LIABILITIES		
1. Cash and Equivalents	501,577	1,534,932	25. Accounts Payable	595,246	40,073
2. Cash-RUS Construction Fund	268	288	26. Notes Payable		
3. Affiliates:			27. Advance Billings and Payments	18,527	17,936
a. Telecom, Accounts Receivable			28. Customer Deposits		
b. Other Accounts Receivable			29. Current Mat. L/T Debt	161,200	216,200
c. Notes Receivable			30. Current Mat. L/T Debt-Rur. Dev.		
4. Non-Affiliates:			31. Current Mat.-Capital Leases		
a. Telecom, Accounts Receivable	399,577	352,698	32. Income Taxes Accrued		21,700
b. Other Accounts Receivable			33. Other Taxes Accrued	51,768	57,715
c. Notes Receivable			34. Other Current Liabilities	53,764	24,519
5. Interest and Dividends Receivable			35. Total Current Liabilities (25 thru 34)	880,505	378,143
6. Material-Regulated	93,910	78,061	LONG-TERM DEBT		
7. Material-Nonregulated	834	851	36. Funded Debt-RUS Notes	334,770	309,892
8. Prepayments	11,567	9,487	37. Funded Debt-RTB Notes	563,057	415,881
9. Other Current Assets	228,865		38. Funded Debt-FFB Notes		1,753,523
10. Total Current Assets (1 Thru 9)	1,236,598	1,976,317	39. Funded Debt-Other		
NONCURRENT ASSETS			40. Funded Debt-Rural Develop. Loan		
11. Investment in Affiliated Companies			41. Premium (Discount) on L/T Debt		
a. Rural Development			42. Reacquired Debt		
b. Nonrural Development			43. Obligations Under Capital Lease		
12. Other Investments			44. Adv. From Affiliated Companies	384,745	31,006
a. Rural Development			45. Other Long-Term Debt		
b. Nonrural Development			46. Total Long-Term Debt (36 thru 45)	1,282,572	2,510,302
13. Nonregulated Investments			OTHER LIAB. & DEF. CREDITS		
14. Other Noncurrent Assets	11,367	10,278	47. Other Long-Term Liabilities		
15. Deferred Charges			48. Other Deferred Credits	909,727	882,797
16. Jurisdictional Differences			49. Other Jurisdictional Differences		
17. Total Noncurrent Assets (11 thru 16)	11,367	10,278	50. Total Other Liabilities and Deferred Credits (47 thru 49)	909,727	882,797
PLANT, PROPERTY, AND EQUIPMENT			EQUITY		
18. Telecom, Plant-in-Service	16,456,230	17,409,211	51. Cap. Stock Outstand. & Subscribed	54,171	54,171
19. Property Held for Future Use			52. Additional Paid-in-Capital	279,251	279,251
20. Plant Under Construction	627,177	558,082	53. Treasury Stock		
21. Plant Adj., Nonop. Plant & Goodwill			54. Membership and Cap. Certificates		
22. Less Accumulated Depreciation	11,302,856	12,242,855	55. Other Capital		
23. Net Plant (18 thru 21 less 22)	5,780,551	5,724,438	56. Patronage Capital Credits		
24. TOTAL ASSETS (10+17+23)			57. Retained Earnings or Margins	3,622,290	3,606,369
	7,028,516	7,711,033	58. Total Equity (51 thru 57)	3,955,712	3,939,791
			59. TOTAL LIABILITIES AND EQUITY (35+46+50+58)	7,028,516	7,711,033

Total Equity = 51.09% % of Total Assets

USDA-RUS

**OPERATING REPORT FOR
TELECOMMUNICATIONS BORROWERS**

BORROWER DESIGNATION

WA0535

PERIOD ENDING

December, 2012

INSTRUCTIONS- See RUS Bulletin 1744-2

PART B. STATEMENTS OF INCOME AND RETAINED EARNINGS OR MARGINS

ITEM	PRIOR YEAR	THIS YEAR
1. Local Network Services Revenues	228,561	222,043
2. Network Access Services Revenues	3,040,791	3,085,807
3. Long Distance Network Services Revenues		
4. Carrier Billing and Collection Revenues	25,277	23,182
5. Miscellaneous Revenues	7,926	5
6. Uncollectible Revenues	366	279
7. Net Operating Revenues (1 thru 5 less 6)	3,302,189	3,330,758
8. Plant Specific Operations Expense	463,220	489,579
9. Plant Nonspecific Operations Expense (Excluding Depreciation & Amortization)	519,472	583,873
10. Depreciation Expense	1,019,933	988,354
11. Amortization Expense		
12. Customer Operations Expense	190,989	136,737
13. Corporate Operations Expense	887,136	993,023
14. Total Operating Expenses (8 thru 13)	3,080,750	3,191,566
15. Operating Income or Margins (7 less 14)	221,439	139,192
16. Other Operating Income and Expenses		
17. State and Local Taxes	59,671	75,783
18. Federal Income Taxes	46,116	4,743
19. Other Taxes		
20. Total Operating Taxes (17+18+19)	105,787	80,526
21. Net Operating Income or Margins (15+16-20)	115,652	58,666
22. Interest on Funded Debt	68,419	64,157
23. Interest Expense - Capital Leases		
24. Other Interest Expense	1,089	1,089
25. Allowance for Funds Used During Construction	38,612	6,931
26. Total Fixed Charges (22+23+24-25)	30,896	58,315
27. Nonoperating Net Income	10,775	9,025
28. Extraordinary Items		
29. Jurisdictional Differences		
30. Nonregulated Net Income	(29,448)	(25,297)
31. Total Net Income or Margins (21+27+28+29+30-26)	66,083	(15,921)
32. Total Taxes Based on Income		
33. Retained Earnings or Margins Beginning-of-Year	3,556,207	3,622,290
34. Miscellaneous Credits Year-to-Date		
35. Dividends Declared (Common)		
36. Dividends Declared (Preferred)		
37. Other Debits Year-to-Date		
38. Transfers to Patronage Capital		
39. Retained Earnings or Margins End-of-Period [(31+33+34) - (35+36+37+38)]	3,622,290	3,606,369
40. Patronage Capital Beginning-of-Year		
41. Transfers to Patronage Capital		
42. Patronage Capital Credits Retired		
43. Patronage Capital End-of-Year (40+41-42)	0	0
44. Annual Debt Service Payments	220,197	225,711
45. Cash Ratio [(14+20-10-11) / 7]	0.6561	0.6857
46. Operating Accrual Ratio [(14+20+26) / 7]	0.9743	0.9999
47. TIER [(31+26) / 26]	3.1389	0.7270
48. DSCR [(31+26+10+11) / 44]	5.0723	4.5667

USDA-RUS

**OPERATING REPORT FOR
TELECOMMUNICATIONS BORROWERS**

INSTRUCTIONS - See RUS Bulletin 1744-2

BORROWER DESIGNATION

WA0535

PERIOD ENDED

December, 2012

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

EXCHANGE	1. RATES		2. SUBSCRIBERS (ACCESS LINES)			3. ROUTE MILES	
	B-1 (a)	R-1 (b)	BUSINESS (a)	RESIDENTIAL (b)	TOTAL (c)	TOTAL (including fiber) (a)	FIBER (b)
Grays River 465	16.80	13.40	47	319	366	166.83	63.51
Naselle 464	16.80	13.40	133	497	630	167.84	94.20
MobileWireless					0		
Route Mileage Outside Exchange Area						2.00	2.00
Total			180	816	996	336.67	159.71
No. Exchanges	2						

USDA-RUS

**OPERATING REPORT FOR
TELECOMMUNICATIONS BORROWERS**

INSTRUCTIONS - See RUS Bulletin 1744-2

BORROWER DESIGNATION

WA0535

PERIOD ENDED

December, 2012

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

4. BROADBAND SERVICE

Details on Least Expensive Broadband Service								
EXCHANGE	No. Access Lines with BB available (a)	No Of Broadband Subscribers (b)	Number Of Subscribers (c)	Advertised Download Rate (Kbps) (d)	Advertised Upload Rate (Kbps) (e)	Price Per Month (f)	Standalone/Pckg (f)	Type Of Technology (g)
Grays River 465	366	241	60	1,500	768	29.95	Package	DSL
Naselle 464	630	425	107	1,500	768	29.95	Package	DSL
Total	996	666						

**OPERATING REPORT FOR
TELECOMMUNICATIONS BORROWERS**

BORROWER DESIGNATION

WA0535

PERIOD ENDING

December, 2012

INSTRUCTIONS- See RUS Bulletin 1744-2

PART D. SYSTEM DATA

1. No. Plant Employees 7	2. No. Other Employees 9	3. Square Miles Served 110	4. Access Lines per Square Mile 9.05	5. Subscribers per Route Mile 2.96
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PART E. TOLL DATA

1. Study Area ID Code(s) a. 522451 b. _____ c. _____ d. _____ e. _____ f. _____ g. _____ h. _____ i. _____ j. _____	2. Types of Toll Settlements (Check one)	
	Interstate:	<input type="checkbox"/> Average Schedule <input checked="" type="checkbox"/> Cost Basis
	Intrastate:	<input type="checkbox"/> Average Schedule <input checked="" type="checkbox"/> Cost Basis

PART F. FUNDS INVESTED IN PLANT DURING YEAR

1. RUS, RTB, & FFB Loan Funds Expended	1,798,023
2. Other Long-Term Loan Funds Expended	
3. Funds Expended Under RUS Interim Approval	
4. Other Short-Term Loan Funds Expended	
5. General Funds Expended (Other than Interim)	(313,658)
6. Salvaged Materials	270
7. Contribution in Aid to Construction	(225)
8. Gross Additions to Telecom. Plant (1 thru 7)	1,484,410

PART G. INVESTMENTS IN AFFILIATED COMPANIES

INVESTMENTS (a)	CURRENT YEAR DATA		CUMULATIVE DATA		
	Investment This Year (b)	Income/Loss This Year (c)	Cumulative Investment To Date (d)	Cumulative Income/Loss To Date (e)	Current Balance (f)
	1. Investment in Affiliated Companies - Rural Development				
2. Investment in Affiliated Companies - Nonrural Development					

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**OPERATING REPORT FOR
TELECOMMUNICATIONS BORROWERS**

BORROWER DESIGNATION

WA0535

PERIOD ENDING

December, 2012

PART H. CURRENT DEPRECIATION RATES

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

YES

NO

EQUIPMENT CATEGORY	DEPRECIATION RATE
1. Land and support assets - Motor Vehicles	16.00%
2. Land and support assets - Aircraft	
3. Land and support assets - Special purpose vehicles	
4. Land and support assets - Garage and other work equipment	16.00%
5. Land and support assets - Buildings	4.00%
6. Land and support assets - Furniture and Office equipment	20.00%
7. Land and support assets - General purpose computers	20.00%
8. Central Office Switching - Digital	9.00%
9. Central Office Switching - Analog & Electro-mechanical	
10. Central Office Switching - Operator Systems	
11. Central Office Transmission - Radio Systems	13.00%
12. Central Office Transmission - Circuit equipment	11.19%
13. Information origination/termination - Station apparatus	
14. Information origination/termination - Customer premises wiring	
15. Information origination/termination - Large private branch exchanges	
16. Information origination/termination - Public telephone terminal equipment	
17. Information origination/termination - Other terminal equipment	
18. Cable and wire facilities - Poles	7.59%
19. Cable and wire facilities - Aerial cable - Metal	20.40%
20. Cable and wire facilities - Aerial cable - Fiber	
21. Cable and wire facilities - Underground cable - Metal	6.00%
22. Cable and wire facilities - Underground cable - Fiber	5.00%
23. Cable and wire facilities - Buried cable - Metal	6.00%
24. Cable and wire facilities - Buried cable - Fiber	5.00%
25. Cable and wire facilities - Conduit systems	4.55%
26. Cable and wire facilities - Other	

USDA-RUS		BORROWER DESIGNATION	
OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS		WA0535	
INSTRUCTIONS – See help in the online application.		PERIOD ENDED	
		December, 2012	
PART I – STATEMENT OF CASH FLOWS			
1. Beginning Cash (Cash and Equivalents plus RUS Construction Fund)			501,845
CASH FLOWS FROM OPERATING ACTIVITIES			
2. Net Income			(15,921)
<i>Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities</i>			
3. Add: Depreciation			988,354
4. Add: Amortization			0
5. Other (Explain) Other items allocated to financing and investing sections			326,430
<i>Changes in Operating Assets and Liabilities</i>			
6. Decrease/(Increase) in Accounts Receivable			46,879
7. Decrease/(Increase) in Materials and Inventory			15,832
8. Decrease/(Increase) in Prepayments and Deferred Charges			2,080
9. Decrease/(Increase) in Other Current Assets			228,865
10. Increase/(Decrease) in Accounts Payable			(555,173)
11. Increase/(Decrease) in Advance Billings & Payments			(591)
12. Increase/(Decrease) in Other Current Liabilities			(29,245)
13. Net Cash Provided/(Used) by Operations			1,007,510
CASH FLOWS FROM FINANCING ACTIVITIES			
14. Decrease/(Increase) in Notes Receivable			0
15. Increase/(Decrease) in Notes Payable			0
16. Increase/(Decrease) in Customer Deposits			0
17. Net Increase/(Decrease) in Long Term Debt (Including Current Maturities)			1,282,730
18. Increase/(Decrease) in Other Liabilities & Deferred Credits			(26,930)
19. Increase/(Decrease) in Capital Stock, Paid-in Capital, Membership and Capital Certificates & Other Capital			0
20. Less: Payment of Dividends			0
21. Less: Patronage Capital Credits Retired			0
22. Other (Explain) Other items not included above			254,205
23. Net Cash Provided/(Used) by Financing Activities			1,510,005
CASH FLOWS FROM INVESTING ACTIVITIES			
24. Net Capital Expenditures (Property, Plant & Equipment)			(883,886)
25. Other Long-Term Investments			0
26. Other Noncurrent Assets & Jurisdictional Differences			1,089
27. Other (Explain) Plant adjustments not on line 24			(601,343)
28. Net Cash Provided/(Used) by Investing Activities			(1,484,140)
29. Net Increase/(Decrease) in Cash			1,033,375
30. Ending Cash			1,535,220

Revision Date 2010

USDA-RUS OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS	BORROWER DESIGNATION WA0535
INSTRUCTIONS - See RUS Bulletin 1744-2	PERIOD ENDED December, 2012
NOTES TO THE OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS	

USDA-RUS OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS	BORROWER DESIGNATION WA0535
INSTRUCTIONS - See RUS Bulletin 1744-2	PERIOD ENDED December, 2012
CERTIFICATION LOAN DEFAULT NOTES TO THE OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS	

Operating Report Checks

Borrower Name: Western Wahkiakum County Telephone Company

Year: 2012

Borrower ID: WA0535

Period: December

Mortgage Ratio Checks

Type	Check Key	Description
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Warning	5000	Part B. Line 47, TIER [.7270], is below the minimum threshold identified by RUS staff [1.0000]. Please provide an explanation.
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Borrower Explanation: Pursuant to the FFB Loan Agreement dated June 10, 2011, Section 5.12, TIER Requirement, the Company "will endeavor, but is not required, to maintain a TIER of at least 1.0." The Company incurred additional expenses in 2012 relating to implementation and understanding of the FCC Order on USF and ICC reform.

Part B: Statements of Income and Retained Earnings or Margins

Type	Check Key	Description
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Warning	1010	"Line 31. Total Net Income or Margins This Year" [(15,921)] is generally greater than 0 (zero). Explain the reasons for the net loss.
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Borrower Explanation: The Company incurred additional expenses in 2012 relating to the implementation and understanding of the FCC order on USF and ICC reform.