

Exhibit C-2

**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	391688
<015>	Study Area Name	WESTERN TEL CO.
<020>	Program Year	2015
<030>	Contact Name: Person USAC should contact with questions about this data	Janelle Jessen
<035>	Contact Telephone Number: Number of the person identified in data line <030>	6058522224 ext.
<039>	Contact Email Address: Email of the person identified in data line <030>	janellej@venture.coop

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

			(check box when complete)	
<100>	Service Quality Improvement Reporting	(complete attached worksheet)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<200>	Outage Reporting (voice)	(complete attached worksheet)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<210>	<input checked="" type="checkbox"/> <-- check box if no outages to report		<input checked="" type="checkbox"/>	<input type="checkbox"/>
<300>	Unfulfilled Service Requests (voice)	0	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<310>	Detail on Attempts (voice)	(attach descriptive document)	<input type="checkbox"/>	<input type="checkbox"/>
<320>	Unfulfilled Service Requests (broadband)	0	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<330>	Detail on Attempts (broadband)	(attach descriptive document)	<input type="checkbox"/>	<input type="checkbox"/>
<400>	Number of Complaints per 1,000 customers (voice)		<input type="checkbox"/>	<input type="checkbox"/>
<410>	Fixed	0.0	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<420>	Mobile	0.0	<input type="checkbox"/>	<input type="checkbox"/>
<430>	Number of Complaints per 1,000 customers (broadband)		<input checked="" type="checkbox"/>	<input type="checkbox"/>
<440>	Fixed	0.0	<input type="checkbox"/>	<input type="checkbox"/>
<450>	Mobile	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 checked="" type="checkbox"/>
<510>	Line 510-FCC Form 481-Western.pdf	(attached descriptive document)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<600>	Functionality in Emergency Situations	(check to indicate certification)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<610>	Line 610-FCC Form 481 - Western.pdf	(attached descriptive document)	<input checked="" type="checkbox"/>	<input checked="" 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 checked="" type="checkbox"/>	<input type="checkbox"/>
<1000>	Voice Services Rate Comparability	(check to indicate certification)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<1010>		(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**

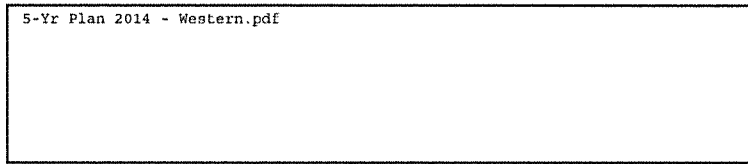
<3000>	(check to indicate certification)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<3005>	(complete attached worksheet)	<input checked="" type="checkbox"/>	<input type="checkbox"/>

<b>(100) Service Quality Improvement Reporting Data Collection Form</b>	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
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<010> Study Area Code	391688
<015> Study Area Name	WESTERN TEL CO.
<020> Program Year	2015
<030> Contact Name - Person USAC should contact regarding this data	Janelle Jessen
<035> Contact Telephone Number - Number of person identified in data line <030>	6058522224 ext.
<039> Contact Email Address - Email Address of person identified in data line <030>	janellej@venture.coop
<110> Has your company received its ETC certification from the FCC?	(yes / no) <input type="radio"/> <input checked="" type="radio"/>
If your answer to Line <110> is yes, do you have an existing §54.202(a) "5 year plan" filed with the FCC?	(yes / no) <input type="radio"/> <input type="radio"/>

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

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



Name of Attached Document

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

- <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.










<b>(900) Tribal Lands Reporting Data Collection Form</b>	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
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<030>	Contact Name - Person USAC should contact regarding this data	Janelle Jessen
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<039>	Contact Email Address - Email Address of person identified in data line <030>	janellej@venture.coop

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

<920> Tribal Government Engagement Obligation

Name of Attached Document

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

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

Select (Yes,No, NA)



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

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

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<039>	Contact Email Address - Email Address of person identified in data line <030>	janellej@venture.coop

<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)

<b>(1200) Terms and Condition for Lifeline Customers</b> <b>Lifeline</b> <b>Data Collection Form</b>	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
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<020>	Program Year	2015
<030>	Contact Name - Person USAC should contact regarding this data	Janelle Jessen
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<039>	Contact Email Address - Email Address of person identified in data line <030>	janellej@venture.coop

<1210> Terms & Conditions of Voice Telephony Lifeline Plans



Name of Attached Document

<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.

<b>(2000) Price Cap Carrier Additional Documentation</b> <b>Data Collection Form</b> <i>Including Rate-of-Return Carriers affiliated with Price Cap Local Exchange Carriers</i>	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
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<030>	Contact Name - Person USAC should contact regarding this data	Janelle Jessen
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<039>	Contact Email Address - Email Address of person identified in data line <030>	janellej@venture.coop

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

<b>Incremental Connect America Phase I reporting</b>		
<2010>	2nd Year Certification (47 CFR § 54.313(b)(1))	<input type="checkbox"/>
<2011>	3rd Year Certification (47 CFR § 54.313(b)(2))	<input type="checkbox"/>
<b>Price Cap Carrier Receiving Frozen Support Certification (47 CFR § 54.312(a))</b>		
<2012>	2013 Frozen Support Certification	<input type="checkbox"/>
<2013>	2014 Frozen Support Certification	<input type="checkbox"/>
<2014>	2015 Frozen Support Certification	<input type="checkbox"/>
<2015>	2016 and future Frozen Support Certification	<input type="checkbox"/>
<b>Price Cap Carrier Connect America ICC Support (47 CFR § 54.313(d))</b>		
<2016>	Certification Support Used to Build Broadband	<input type="checkbox"/>
<b>Connect America Phase II Reporting (47 CFR § 54.313(e))</b>		
<2017>	3rd year Broadband Service Certification	<input type="checkbox"/>
<2018>	5th year Broadband Service Certification	<input type="checkbox"/>
<2019>	Interim Progress Certification	<input type="checkbox"/>
<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.	<input type="checkbox"/>

<2021>	Interim Progress Community Anchor Institutions	<div style="border: 1px solid black; width: 100%; height: 80px; margin: 0 auto;"></div> Name of Attached Document Listing Required Information
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<b>(3000) Rate Of Return Carrier Additional Documentation</b> <b>Data Collection Form</b>	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
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<020>	Program Year	2015
<030>	Contact Name - Person USAC should contact regarding this data	Janelle Jessen
<035>	Contact Telephone Number - Number of person identified in data line <030>	605852224 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	janelle@venture.coop

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))

Name of Attached Document Listing Required Information

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

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

Name of Attached Document Listing Required Information

(3013) Is your company a Privately Held ROR Carrier (47 CFR § 54.313(f)(2))  
 (3014) If yes, does your company file the RUS annual report

(Yes/No)    
 (Yes/No)

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

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

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

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

Name of Attached Document Listing Required Information

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

(Yes/No)

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

Venture Consolidated 2013 Issued FS & Management Report.pdf, Comments on Western Telephone Company Financial Reports.docx

Name of Attached Document Listing Required Information

<b>Certification - Reporting Carrier Data Collection Form</b>	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
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<015> Study Area Name	WESTERN TEL CO.
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TO BE COMPLETED BY THE REPORTING CARRIER, IF THE REPORTING CARRIER IS FILING ANNUAL REPORTING ON ITS OWN BEHALF:

<b>Certification of Officer as to the Accuracy of the Data Reported for the Annual Reporting for CAF or LI Recipients</b>	
I certify that I am an officer of the reporting carrier; my responsibilities include ensuring the accuracy of the annual reporting requirements for universal service support recipients; and, to the best of my knowledge, the information reported on this form and in any attachments is accurate.	
Name of Reporting Carrier:	WESTERN TEL CO.
Signature of Authorized Officer:	CERTIFIED ONLINE <span style="float: right;">Date 06/27/2014</span>
Printed name of Authorized Officer:	Randy Houdek
Title or position of Authorized Officer:	General Manager/CEO
Telephone number of Authorized Officer:	6058522224 ext.
Study Area Code of Reporting Carrier:	391688 <span style="float: right;">Filing Due Date for this form: 07/01/2014</span>
Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.	

<b>Certification - Agent / Carrier Data Collection Form</b>	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
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<030> Contact Name - Person USAC should contact regarding this data	Janelle Jessen
<035> Contact Telephone Number - Number of person identified in data line <030>	6058522224 ext.
<039> Contact Email Address - Email Address of person identified in data line <030>	janellej@venture.coop

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









**CONFIDENTIAL  
NOT FOR PUBLIC INSPECTION**

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

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

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

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

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

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

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

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

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

Western Telephone Company provides telephone service to nearly [REDACTED] access lines and also provides high-speed internet service and IP video service to [REDACTED] customers. Western completed a full rebuild of all its exchanges in 2011 to a fiber-to-the-home technology. Western’s service territory covers over 1,000 square miles with an overall customer density of [REDACTED] access lines per square mile. Western serves three separate exchanges in the central region of South Dakota. Because all residential and business subscribers currently have service provided via fiber facilities, there are no further significant upgrade plans for the near future.

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

Venture Communications Cooperative serves the combined exchange area(s) of:

Cresbard, SD	Orient, SD
Faulkton, SD	

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

Section 254(e) of the Communications Act of 1934, as amended requires ETCs to use Universal Service support (“USF”) “only for the provision, maintenance, and upgrading of facilities and services for which the support is intended.”<sup>4</sup> Pursuant to Section 54.314 of the FCC’s rules, in order for state-designated ETCs to receive USF for the coming year, states must annually file certifications by October 1 stating that all federal high-cost support provided to such carriers within the state “was used in the

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<sup>4</sup> 47 U.S.C. § 254(e).

preceding calendar year and will be used in the coming calendar year only for the provision, maintenance, and upgrading of facilities and services for which the support is intended.”<sup>5</sup> ETCs not designated by a state must file similar certifications with the FCC.<sup>6</sup>

In its *USF/ICC Transformation Order*, the FCC clarified that prior to making the Section 254(e) certifications, states should conduct a “rigorous examination of the factual information” contained in the annual Section 54.313 reports, of which the five year network improvement plan and annual progress reports are a part, in determining whether they can certify that carriers’ support has been used and will be used only for the purpose for which the support was intended.<sup>7</sup> The FCC said that it would also use the reports to verify certifications filed by ETCs that are not state-designated.<sup>8</sup> In this context, the Commission stated, “[i]n light of the public interest obligations we adopt in this Order, a key component of this [Section 254(e)] certification will now be that support is being used to maintain and extend modern networks capable of providing voice and broadband service.”<sup>9</sup>

Essentially, under the existing rules and processes, the federal USF received by the Company and other incumbent rural telephone companies are, in fact, an integral part of the recovery of expenditures of rural incumbent local exchange carriers incurred in the provision, maintenance and upgrading of their provision of facilities and services for

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<sup>5</sup> 47 C.F.R. § 54.314(a).

<sup>6</sup> 47 C.F.R. § 54.314(b).

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

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

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

which the USF is intended. Western depends upon its receipt and utilization of federal universal service support to provide rural telephone customers with affordable and quality voice and broadband services.

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

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

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

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

In that order, the FCC clarified that service quality improvements in the five-year plan "do not necessarily require additional construction of network facilities."<sup>11</sup> Accordingly,

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

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

the improvements listed in the plan may be projects related to the expansion of the network (one or multiple services), projects related to updating technology to accommodate new services or higher bandwidth or maintenance projects, such as to reduce trouble reports or replace outdated equipment. Additionally, in some cases, the projects may be ones that improve or upgrade the entire network rather than discrete areas within a study area or they may be ones that are ongoing projects that have no specific start and completion dates.

The instructions to the Form 481 state “[r]ecipients may describe where improvements are expected to occur by wire center or census block, as appropriate. To the extent no improvements are planned in specific areas, the five-year plan should so indicate.”<sup>12</sup> The instructions also require that in subsequent years, ETCs must file a progress report on the five-year plan, pursuant to 47 C.F.R. §54.313(a)(1), including maps explaining progress towards meeting the deployment targets, the amount of universal service support received, how support was used to improve service quality, coverage, or capacity, and an explanation regarding any network improvement targets that have not been fulfilled in the prior calendar year. The information regarding the total amount of universal service support received must also be broken out separately by the amount spent on capital expenses and the amount spent on operating expenses.<sup>13</sup> Accordingly, the Company’s five-year plan separately provides both capital expenditures and operating expenses.

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

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

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

Based upon this framework, Appendix A reflects Western Telephone Company's major network improvement projects for the year 2015 through calendar year 2019<sup>14</sup> along with the start and completion dates, capital costs, areas and population associated with those projects. At this time, there are no major network improvement plans in place as Western Telephone Company rebuilt all of its facilities in 2011 in all three exchanges (Cresbard, Faulkton, and Orient) using a fiber-to-the-home technology.

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

As mentioned previously, Western Telephone Company rebuilt all of its facilities in 2011 using a fiber-to-the-home technology. Future projects include increasing broadband speed up to 1 Gigabyte service. Western Telephone Company has [REDACTED] in outstanding loans to USDA's Rural Utility Service for the fiber-to-the-home construction that was completed in 2011. Western will rely on future universal service funding to help make the loan payments related to this investment.

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

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

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



investment and for Capital Expenditures, which begins when the Capital Expenditures are projected to be placed into service.

Study Area Code 391688  
 Study Area Name Western Telephone Company  
 Company Contact Name Janelle Jessen  
 Contact Telephone Number 605-852-2224  
 Contact Email Address janellej@venture.coop

PART A - PROJECT LIST FOR 2015-2019

Project	Start Date	Completion	Areas	Population(1)	Total Dollars
New Buried Drops	5/1/2015	12/31/2015	Cresbard, Faulkton & Orient	1,000	██████████
New Buried Drops	5/1/2016	12/31/2016	Cresbard, Faulkton & Orient	1,000	██████████
New Buried Drops	5/1/2017	12/31/2018	Cresbard, Faulkton & Orient	1,000	██████████
New Buried Drops	5/1/2018	12/31/2018	Cresbard, Faulkton & Orient	1,000	██████████
New Buried Drops	5/1/2019	12/31/2019	Cresbard, Faulkton & Orient	1,000	██████████
<b>Totals</b>					\$ 75,000.00

Study Area Code	391688
Study Area Name	Western Telephone Company
Company Contact Name	Janelle Jessen
Contact Telephone Number	605-852-2224
Contact Email Address	janellej@venture.coop

**Part B: 5-Year Proposed Capital Expenditures and Operating Expenses**

Regulated Capital Expenditure (CapEx) Projections						
Account	Description	2014	2015	2016	2017	Total Projected CapEx 2015-2019
2111 & 2121	Land & Building	\$ -	\$ -	\$ -	\$ -	\$ -
2112	Vehicles	\$ -	\$ -	\$ -	\$ -	\$ -
2122-2124	Support Assets	\$ -	\$ -	\$ -	\$ -	\$ -
2210	Switching Equipment	\$ -	\$ -	\$ -	\$ -	\$ -
2232	Circuit Equipment	\$ -	\$ -	\$ -	\$ -	\$ -
2410	Cable & Wire Facilities	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 4,000,000
1220	Materials & Supplies	\$ -	\$ -	\$ -	\$ -	\$ -
	<b>Total Capital Expenditures</b>	<b>\$ 1,000,000</b>	<b>\$ 1,000,000</b>	<b>\$ 1,000,000</b>	<b>\$ 1,000,000</b>	<b>\$ 4,000,000</b>

Regulated Operating Expenditure (OpEx) Projections						
Account	Operating Expenses	2014	2015	2016	2017	Total Operating Expenses 2015-2019
6110-6120	General Support Maintenance	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 4,000,000
6210	Switching Maintenance	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 4,000,000
6230	COE Transmission Maintenance	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 4,000,000
6410	Cable & Wire Facilities	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 4,000,000
6530	Non-Specific (Testing, Plant Op., Engineering)	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 4,000,000
6561-2110	General Support Depreciation	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 4,000,000
6561-2210	Switching Depreciation	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 4,000,000
6561-2230	Circuit Equip Depreciation	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 4,000,000
6561-2410	Cable & Wire Depreciation	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 4,000,000
6610-6620	Customer Operations	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 4,000,000
6711-6720	Corporate Operations	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 4,000,000
7240	Ad Valorem Expense	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 4,000,000
	<b>Total Operating Expenses</b>	<b>\$ 14,000,000</b>	<b>\$ 14,000,000</b>	<b>\$ 14,000,000</b>	<b>\$ 14,000,000</b>	<b>\$ 56,000,000</b>

**Line 510**  
**Processes and Procedures to Ensure Compliance with Service Quality Standards**  
**and Consumer Protection Rules**  
**Per FCC Form 481 Instructions**

This document details the processes and procedures that Western Telephone Company Cooperative (the "Company") follows to ensure compliance with service quality standards and consumer protection rules as laid out in FCC Form 481 Instructions.

The company provides voice grade access to the public switched telephone network (PSTN) at a flat rate. Enabling access to emergency services provided by local government or other public safety organizations such as 911.

For service quality standards that are affected by plant issues, the Company engineers and installs its plant and other facilities in such a way as to ensure safe adequate and continuous service at all times.

In addition, employees are periodically trained on service quality standards and consumer protection issues. In particular, if any set of issues appear to be prevalent, employees are given briefings on how to handle such issues beyond the normal guidelines in place for resolution of customer complaints. A recent example is the call completion problems that have arisen and the customer calls that are generated as a result. Although this is not a service quality problem caused by the Company, it does affect customers of the Company and, therefore, deserves the attention of the Company employees.

The Company also periodically reviews its operating procedures to be sure that those operating procedures are in compliance with service quality standards and that the operating procedures are not in violation of consumer protection rules. Internally a compliance officer ensures annual employee training and dictates disciplinary process for improper use of consumer information. If concerns arise beyond the compliance officer legal counsel is sought to assist with a resolution.

If complaints are filed with the Company related to service quality standards or consumer protection rules, the complaint is immediately investigated, the matter tracked and any corrective action noted. This process ensures that problems are addressed and corrections made. It should be noted that the Company has received no customer complaints in the past five years regarding service quality standards or consumer protection rules as they relate to the service offered by the Company.

The Company advertises the availability of its services and the charges using media of general distribution and on its website.

## STATEMENT DEMONSTRATING FUNCTIONALITY IN EMERGENCY SITUATIONS.

At line 600 of FCC Form 481, Western Telephone Company Cooperative certified that it is able to function in emergency situations as set forth in 47 C.F.R § 54.202(a)(1)(ii). This means that Western Telephone Company Cooperative has reasonable amount of back-up power to ensure functionality without an external source, is able to reroute traffic around damaged facilities, and is capable of managing traffic spikes resulting from emergency situations. This statement will detail how Western Telephone Company is prepared to ensure continued service in an emergency situation.

### Back-Up Power

Western Telephone Company has a back-up generator available with a minimum of a four hour power supply for its central office. In addition, it has portable generators available for remote sites.

### Rerouting of Traffic around Damaged Facilities

Western Telephone Company has route redundancy for long distance service, E-911 trunking and SS7 signaling trunking.

In the case of isolated groups of customers that may suffer damage due to a cable cut, Western Telephone Company maintains sufficient staff and other resources to be able to put customers back in service in a very short amount of time. Western Telephone Company emergency service equipment is located within its exchange and requires very little time to dispatch.

### Traffic Spikes

Western Telephone Company outside plant is designed, engineered and built with sufficient capacity to handle traffic spikes resulting from emergency situations and has been able to do so in the past. Western Telephone Company is in an area where severe weather strikes periodically and has been able to handle communication needs at those times and has the experience from those situations to be able handle such emergency situations in the future.

## Western Telephone Company

### Description of Lifeline Terms and Conditions

#### For Form 481 Line 1220 thru 1223

Western Telephone Company offers Lifeline service to each of its customers. Western customers who submit a completed application as well as supporting documentation to verify that the customer is eligible for a Lifeline discount are subscribed to a Lifeline discount of \$9.25 per month. If a customer disconnects service for any reason, they must reapply as a new Lifeline subscriber when service is reconnected. There are no limits on the number of minutes included in the Lifeline plan. Lifeline subscribers may choose to have no toll service at no additional charge. If the Lifeline subscriber chooses to subscribe to toll service, the customer is charged a per call rate and/or a monthly fee depending on which toll plan the customer subscribes to and which toll carrier the customer chooses to provide long distance service.

Western Telephone Company (391688) is a wholly owned subsidiary of Venture Communications Cooperative (391680). Western's annual audit is conducted as a part of the overall audit of Venture Communications and related subsidiaries. Specific Western Telephone Company financial information can be found on 30 of the attached file.



Consolidated Financial Statements  
December 31, 2013 and 2012

**Venture Communications  
Cooperative and Subsidiaries**



# Venture Communications Cooperative and Subsidiaries

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December 31, 2013 and 2012

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CPAs & BUSINESS ADVISORS

## Independent Auditor's Report

The Board of Directors  
Venture Communications Cooperative and Subsidiaries  
Highmore, South Dakota

### Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Venture Communications Cooperative and Subsidiaries, which comprise the consolidated balance sheets as of December 31, 2013 and 2012, and the related consolidated statements of operations and comprehensive income, equities and cash flows for the years then ended, and the related notes to the financial statements.

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

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable 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 Venture Communications Cooperative and Subsidiaries as of December 31, 2013 and 2012, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

**Report Issued in Accordance with Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2014, on our consideration of Venture Communications Cooperative and Subsidiaries' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 Venture Communications Cooperative and Subsidiaries' internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Sioux Falls, South Dakota  
March 28, 2014

	2013	2012
Assets		
Current Assets		
Cash and cash equivalents	\$ ██████████	\$ ██████████
Temporary investments in marketable securities	██████████	██████████
Accounts receivable, net of allowance	██████████	██████████
Other accounts receivable, net of allowance	██████████	██████████
Accrued toll and access revenue	██████████	██████████
Materials and supplies	██████████	██████████
Prepaid expenses	██████████	-
Interest receivable	██████████	██████████
Current maturities of notes receivable	██████████	██████████
Total current assets	██████████	██████████
Investments and Noncurrent Assets		
Investments in marketable securities	██████████	██████████
Other investments	██████████	██████████
Investments in limited liability companies	██████████	██████████
Intangibles, net of amortization (2013 - \$ ██████████; 2012 - ██████████)	██████████	██████████
Deferred income taxes	-	██████████
Long-term notes receivable	██████████	██████████
Total investments and noncurrent assets	██████████	██████████
Telecommunications Plant		
In service	██████████	██████████
Acquisition adjustment	██████████	██████████
Under construction	██████████	██████████
Total investment in plant	██████████	██████████
Less accumulated depreciation	██████████	██████████
Net plant	██████████	██████████
	\$ ██████████	\$ ██████████

Venture Communications Cooperative and Subsidiaries

Consolidated Balance Sheets

December 31, 2013 and 2012

	2013	2012
Liabilities and Equities		
Current Liabilities		
Current maturities of long-term debt	\$ ██████████	\$ ██████████
Accounts payable	██████████	██████████
Accounts payable - construction	██████████	██████████
Customer deposits	██████████	██████████
Advanced billings	██████████	██████████
Accrued taxes - other	██████████	██████████
Income taxes payable	██████████	██████████
Other current liabilities	██████████	██████████
Total current liabilities	██████████	██████████
Long-Term Debt, Less Current Maturities	██████████	██████████
Other Liabilities		
Deferred income taxes	██████████	-
Deferred credits	██████████	██████████
Total other liabilities	██████████	██████████
Equities		
Patronage capital	██████████	██████████
Other allocated patronage	██████████	██████████
Other equities	██████████	██████████
Current year margins	██████████	██████████
Accumulated other comprehensive income	██████████	██████████
Total equities	██████████	██████████
	\$ ██████████	\$ ██████████

Venture Communications Cooperative and Subsidiaries  
 Consolidated Statements of Operations and Comprehensive Income  
 Years Ended December 31, 2013 and 2012

	2013	2012
Operating Revenues		
Local network access	\$ ██████████	\$ ██████████
Network access services	██████████	██████████
Cable television revenue	██████████	██████████
Internet revenue	██████████	██████████
Long distance network services	██████████	██████████
Miscellaneous	██████████	██████████
Nonregulated telecom and wireless revenue	██████████	██████████
Uncollectibles	██████████	██████████
Total operating revenues	██████████	██████████
Operating Expenses		
Plant specific operations	██████████	██████████
Plant nonspecific operations	██████████	██████████
Cable television programming	██████████	██████████
Depreciation	██████████	██████████
Amortization	██████████	██████████
Customer operations	██████████	██████████
Corporate operations	██████████	██████████
Operating taxes, other	██████████	██████████
Total operating expenses	██████████	██████████
Net Operating Margin	██████████	██████████
Nonoperating Margin		
Interest and dividend income	██████████	██████████
AFUDC	██████████	██████████
Equity in earnings of investees	██████████	██████████
Impairment of intangible assets	-	██████████
Miscellaneous income (expense)	██████████	██████████
Net nonoperating margin	██████████	██████████
Net Margin Before Interest Expense and Income Taxes	██████████	██████████

Venture Communications Cooperative and Subsidiaries  
 Consolidated Statements of Operations and Comprehensive Income  
 Years Ended December 31, 2013 and 2012

	2013	2012
Interest Expense		
Interest on long-term debt	\$ [REDACTED]	\$ [REDACTED]
Net Margin Before Income Taxes	[REDACTED]	[REDACTED]
Provision for (Benefit from) Income Taxes	[REDACTED]	[REDACTED]
Net Margin	[REDACTED]	[REDACTED]
Other Comprehensive Income (Loss):		
Unrealized (loss) gain on marketable securities	[REDACTED]	[REDACTED]
Income tax effect on comprehensive income	[REDACTED]	[REDACTED]
Total other comprehensive (loss) income	[REDACTED]	[REDACTED]
Comprehensive Income	\$ [REDACTED]	\$ [REDACTED]

Venture Communications Cooperative and Subsidiaries  
 Consolidated Statements of Equities  
 Years Ended December 31, 2013 and 2012

	Patronage Capital	Other Allocated Capital	Other Equities	Current Margins	Accumulated Other Comprehensive Income	Total
Balance, January 1, 2012	\$ 1,100,000	\$ 1,100,000	\$ 1,100,000	\$ 1,100,000	\$ 1,100,000	\$ 5,500,000
Assignment of prior year margins	(1,100,000)	-	(1,100,000)	(1,100,000)	-	-
Net margin	-	-	-	1,100,000	-	1,100,000
Retirement of capital credits	(1,100,000)	-	-	-	-	(1,100,000)
Donated capital credits	-	-	1,100,000	-	-	1,100,000
Federal excise tax refund	-	-	1,100,000	-	-	1,100,000
Rural economic development funds	-	-	1,100,000	-	-	1,100,000
Change in unrealized gain on marketable securities, net of deferred taxes	-	-	-	-	1,100,000	1,100,000
Balance, December 31, 2012	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000	5,500,000
Assignment of prior year margins	(1,100,000)	-	(1,100,000)	(1,100,000)	-	-
Net margin	-	-	-	1,100,000	-	1,100,000
Retirement of capital credits	(1,100,000)	-	-	-	-	(1,100,000)
Donated capital credits	-	-	1,100,000	-	-	1,100,000
Federal excise tax refund	-	-	1,100,000	-	-	1,100,000
Change in unrealized gain on marketable securities, net of deferred taxes	-	-	-	-	1,100,000	1,100,000
Balance, December 31, 2013	\$ 1,100,000	\$ 1,100,000	\$ 1,100,000	\$ 1,100,000	\$ 1,100,000	\$ 5,500,000



Venture Communications Cooperative and Subsidiaries  
Consolidated Statements of Cash Flows  
Years Ended December 31, 2013 and 2012

	2013	2012
Operating Activities		
Net margin	\$ [REDACTED]	\$ [REDACTED]
Adjustments to reconcile net margin to net cash from operating activities		
Depreciation accruals		
Telecommunications plant	[REDACTED]	[REDACTED]
Nonregulated telecommunications plant	[REDACTED]	[REDACTED]
CATV plant	[REDACTED]	[REDACTED]
Amortization - acquisition adjustment	[REDACTED]	[REDACTED]
Amortization - customer lists	[REDACTED]	[REDACTED]
Impairment - customer lists	-	[REDACTED]
Impairment - wireless license	-	[REDACTED]
Loss on disposal of assets	-	[REDACTED]
Deferred income taxes	[REDACTED]	[REDACTED]
Equity in earnings of equity investees	[REDACTED]	[REDACTED]
Gain on sale of marketable securities	[REDACTED]	[REDACTED]
	[REDACTED]	[REDACTED]
Change in current assets and liabilities	[REDACTED]	[REDACTED]
Receipt of grant receivable	-	[REDACTED]
Change in deferred credits	[REDACTED]	[REDACTED]
	[REDACTED]	[REDACTED]
Net Cash from Operating Activities	[REDACTED]	[REDACTED]
Investing Activities		
Plant additions and replacements		
Telecommunications plant	[REDACTED]	[REDACTED]
CATV plant	[REDACTED]	[REDACTED]
Nonregulated telecommunications equipment	[REDACTED]	[REDACTED]
Contribution in aid of construction	[REDACTED]	[REDACTED]
Grant funds received	-	[REDACTED]
Change in other investments	[REDACTED]	[REDACTED]
Contributions to equity investees	[REDACTED]	[REDACTED]
Distributions from equity investees	[REDACTED]	[REDACTED]
Purchases of marketable securities	[REDACTED]	[REDACTED]
Sales of marketable securities	[REDACTED]	[REDACTED]
Advances on notes receivable	-	[REDACTED]
Payments received on notes receivable	[REDACTED]	[REDACTED]
	[REDACTED]	[REDACTED]
Net Cash used for Investing Activities	[REDACTED]	[REDACTED]

Venture Communications Cooperative and Subsidiaries  
 Consolidated Statements of Cash Flows  
 Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Financing Activities		
Advances on long-term debt	-	█
Principal payments on long-term debt	█	█
Donated capital credits	█	█
Federal excise tax refund	█	█
Retirement of capital credits	█	█
Net Cash used for Financing Activities	█	█
Net Change in Cash and Cash Equivalents	█	█
Cash and Cash Equivalents - Beginning of Period	█	█
Cash and Cash Equivalents - End of Period	\$ █	\$ █
Supplemental Disclosures of Cash Flow Information		
Cash payments for interest	\$ █	\$ █
Cash payments for income taxes	\$ █	\$ █
Non-Cash Investing and Financing Activities		
Accounts payable for plant additions	\$ █	\$ █

## **Note 1 - Summary of Significant Accounting Policies**

### **Nature of Operations**

The Cooperative and its subsidiaries' principal businesses are providing local telephone and internet service, cable television services, sales and lease of communications equipment, and access to long distance telephone service through its local exchange network.

### **General**

The Cooperative follows the Federal Communications Commission's (FCC) Uniform System of Accounts for Class A and B Telephone Utilities as required by the Rural Utilities Service (RUS).

Rates charged to customers for local services are established by the Board of Directors. Toll and access rates are subject to state and FCC regulations.

### **Principles of Consolidation**

The consolidated financial statements include the accounts of Venture Communications Cooperative and Subsidiaries and its wholly owned subsidiaries Western Telephone Company and Venture Vision, Inc. The assets and liabilities of the subsidiaries are consolidated with the assets and liabilities of the parent. All significant intercompany transactions have been eliminated in consolidation.

### **Telecommunications and Other Plant**

Additions to plant are stated at cost. The cost of additions to plant includes contracted work, direct labor and materials, and allocable overheads. When units of property are retired, sold, or otherwise disposed of in the ordinary course of business, their average book cost less net salvage is charged to accumulated depreciation. Repairs and replacements and renewal of items determined to be less than units of property are charged to maintenance.

### **Recoverability of Long-Lived Assets**

The Cooperative reviews its long-lived assets whenever events or changes in circumstances indicate the carrying amount of the assets may not be recoverable. If a review indicates that the carrying value of such asset is not recoverable as determined based on projected undiscounted cash flows related to the asset over its remaining life, the Cooperative would determine whether an impairment loss should be recognized. Impairment losses have been identified in the financial statements as they pertained to wireless licenses and customer lists.

### **Depreciation**

Depreciation is computed using the straight-line method based upon the estimated useful lives of the various classes of property.

### **Amortization**

Amortization of intangible assets is computed using the straight-line method over the useful life of such assets. The acquisition adjustment and customer lists are currently being amortized over periods of 8 to 15 years.

### **Cash and Cash Equivalents**

For purposes of reporting cash flows, the Cooperative considers all cash deposits, certificates of deposit, and treasury securities purchased with an original maturity of three months or less to be cash equivalents. Cash equivalents are stated at cost, which approximates market value.

### **Accounts Receivable**

Trade receivables are uncollateralized customer obligations due under normal trade terms requiring payment within 30 days from the invoice date. The receivables are non-interest bearing. Payments on trade receivables are applied to the applicable unpaid invoices. The carrying amount of the trade receivables is reduced by an amount that reflects management's best estimate of the amounts that will not be collected. The allowance for uncollectible accounts was approximately [REDACTED] and [REDACTED] as of December 31, 2013 and 2012, respectively.

### **Materials and Supplies**

Inventories are stated at average cost.

### **Investments**

The Cooperative uses the provisions of ASC 320, *Investments – Debt and Equity Securities*. The objective of the standard is to classify the investment portfolio between those investments the Company intends to hold to maturity, those investments available-for-sale, and those investments held for trading purposes.

Investments classified as held-to-maturity securities consist solely of debt securities which the Cooperative has the positive intent and ability to hold to maturity and are stated at amortized cost. Premiums and discounts on investments in debt securities are amortized over the contractual lives of those securities using the straight-line method. Gains or losses on held-to-maturity securities are recognized only upon realization using the specific identification method.

Investments classified as available-for-sale may be sold in response to changes in interest rates, liquidity needs, and for other purposes. Available-for-sale securities are reported at fair value and include securities not classified as held-to-maturity or trading. Unrealized holding gains and losses are excluded from earnings and reported, net of any income tax effect, as a separate component of member's equity. Realized gains and losses are reported in earnings based on the adjusted cost of the specific security sold.

Trading securities are those held principally for the purpose of selling in the near future and are carried at fair value. The Cooperative does not have any investments held for trading purposes.

Investments in limited liability companies are accounted for using the equity method. Under the equity method, the Cooperative records its proportionate share of earnings and losses of this entity. Distributions from these investments reduce their carrying value.

Investments which are not readily marketable or that are a condition of acquiring long-term debt are recorded at cost.

### **Fair Value Measurements**

The Cooperative has determined the fair value of certain assets and liabilities in accordance with the provisions of ASC 820, *Fair Value Measurements and Disclosures*, which provides a framework for measuring fair value under generally accepted accounting principles.

ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the measurement date in the principal or most advantageous market. The standard requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. It also establishes a fair value hierarchy, which prioritizes the valuation inputs into three broad levels.

Level 1 inputs consist of quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the related asset or liability. Level 3 inputs are unobservable inputs related to the asset or liability.

### **Notes Receivable**

The Cooperative invests in economic development loan agreements. The loans are reported at the amount the Cooperative expects to collect on balances outstanding at year end. Interest on loans is recognized over the term of the note.

The Cooperative issues primarily rural economic development loans that are secured by real estate or equipment. Management reviews delinquent loans to evaluate the adequacy of the valuation allowance. Management arrives at an estimate it believes will not be collected on these loans and evaluates the allowance account to the total estimated loss on delinquent loans. Management also considers inherent losses on loans not classified as delinquent.

The allowance for loan losses is evaluated on a regular basis by management. Management considers past loan loss experience, known and inherent risks in the loan portfolio, adverse situations that may affect the borrower's ability to repay, and current economic conditions in arriving at an allowance for unknown and inherent losses. While management uses available information to recognize losses on loans, further reductions in the carrying amounts of loans may be necessary based on changes in local economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revisions as more information becomes available.

There is no valuation allowance on the notes receivable as of December 31, 2013 and 2012.

### **Patronage Capital**

The Cooperative operates on a nonprofit basis. Amounts received from the furnishing of telephone services in excess of operating costs and expenses are assigned to patrons on a patronage basis. All other amounts received by the Cooperative from its operations in excess of costs and expenses may be allocated to its patrons or transferred to unallocated equity.

### **Revenue Recognition**

Revenue from local telephone network, internet and CATV service is reflected in the accounts at the time such revenue is actually billed to the customers. Revenues from toll and network access service are recorded through approximately the 12<sup>th</sup> of each month. Unbilled toll and access is accrued through the end of the period.

### **Concentrations of Business and Credit Risk**

The Cooperative provides telephone, internet and cable television service on account to its customers located in central and northeastern South Dakota. The Cooperative also provides access service on account to various long distance companies, which provide toll service to the Cooperative's customers.

A significant portion of the Cooperative's revenues are from long distance carriers in the telephone industry, and consequently, the Cooperative is directly affected by the financial well-being of that industry. However, the credit risk associated with other accounts receivable is minimized due to the larger number of long distance carriers, and historically, credit losses have not been significant.

In 2013 and 2012, the Cooperative received approximately [REDACTED] and [REDACTED], respectively, of its operating revenues from access revenues and assistance provided by the Federal Universal Service Fund. The manner in which access revenues and revenues from the Universal Service Fund are determined is currently being modified by regulatory bodies.

The Cooperative maintains cash and cash equivalent balances in several commercial banks located in South Dakota. The accounts at these institutions are generally insured by deposit insurance limits of the FDIC. At times during the year, the Cooperative's balances at certain institutions may exceed this limit.

### **Accounting Estimates**

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### **Allowance for Funds used During Construction (AFUDC)**

The allowance for funds used during construction represents a rate of return on general funds, a noncash item, used to finance construction of telephone plant. The AFUDC rate is based on the Cooperative's cost of debt.

### **Pension Costs**

The policy is to fund pension costs accrued.

### **Sales Taxes**

The Cooperative has customers in South Dakota and several of its municipalities, the governmental units of which impose a sales tax on certain sales. The Cooperative collects those sales taxes from its customers and remits the entire amount to the various governmental units. The Cooperative's accounting policy is to exclude the tax collected and remitted from revenue and cost of revenue.

### **Income Taxes**

The Cooperative is exempt from income taxes under Section 501(c)(12) of the Internal Revenue Code; however, based upon guidance contained in a Technical Advice Memorandum (TAM) issued by the Internal Revenue Service (IRS) in March of 1991, the Cooperative does not meet the 85-percent-member income requirement of Section 501(c)(12) for the years ended after December 31, 1991. The Cooperative files federal and state income tax returns as a taxable cooperative and pays tax on “nonpatronage” sourced income.

The Cooperative files a consolidated income tax return with its subsidiary. The subsidiary is subject to income taxes as a fully taxable “C” corporation. Deferred income taxes are established for all temporary differences resulting from the use of different accounting methods reported for financial accounting and income tax purposes, principally equity investments. Deferred income tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

The Cooperative has evaluated whether it was necessary to recognize any benefit from uncertain tax positions in currently open tax periods and determined that there are no material uncertainties within its filed tax returns. As of December 31, 2013 and 2012, the unrecognized tax benefit accrual was zero. The Cooperative would recognize future accrued interest and penalties related to unrecognized tax benefits in income tax, if incurred. Generally, the Cooperative is no longer subject to federal and state tax examinations by tax authorities for years prior to 2010.

### **Reclassifications**

Certain reclassifications have been made to the 2012 financial statement presentation to conform to the 2013 presentation. These reclassifications had no impact on consolidated net margins.

### **Subsequent Events**

The Cooperative has evaluated subsequent events through March 28, 2014 the date on which the consolidated financial statements were available to be issued.

Venture Communications Cooperative and Subsidiaries  
Notes to Consolidated Financial Statements  
December 31, 2013 and 2012

**Note 2 - Marketable Securities**

Available-for-sale securities:

	2013	2012
Current	\$ [REDACTED]	\$ [REDACTED]
Non-current	[REDACTED]	[REDACTED]
	\$ [REDACTED]	\$ [REDACTED]

	2013	
	Cost	Unrealized Gain/(Loss)
	Fair Value	
Municipal bonds	\$ [REDACTED]	\$ [REDACTED]
Corporate bonds	[REDACTED]	[REDACTED]
Certificates of deposit	[REDACTED]	[REDACTED]
Common stock and mutual funds	[REDACTED]	[REDACTED]
	\$ [REDACTED]	\$ [REDACTED]

	2012	
	Cost	Unrealized Gain/(Loss)
	Fair Value	
Municipal bonds	\$ [REDACTED]	\$ [REDACTED]
Corporate bonds	[REDACTED]	[REDACTED]
Certificates of deposit	[REDACTED]	[REDACTED]
Common stock and mutual funds	[REDACTED]	[REDACTED]
	\$ [REDACTED]	\$ [REDACTED]

Available-for-sale securities are recorded at fair market value, with unrealized gains and losses, net of tax, included in the determination of comprehensive income and reported as a component of equities.



**Note 3 - Fair Value Measurements**

The related fair values are determined as follows:

	Level 1	Level 2	Level 3	Total
December 31, 2013				
Assets:				
Marketable securities	\$ <span style="background-color: black; color: black;">██████████</span>	\$ -	\$ -	\$ <span style="background-color: black; color: black;">██████████</span>
December 31, 2012				
Assets:				
Marketable securities	\$ <span style="background-color: black; color: black;">██████████</span>	\$ -	\$ -	\$ <span style="background-color: black; color: black;">██████████</span>

**Fair Value of Financial Instruments**

The Cooperative considers the carrying amount of significant classes of financial instruments on the balance sheets, including cash and cash equivalents, construction payables, and variable rate debt to be reasonable estimates of fair value due to the length of maturity underlying such financial instruments, credit considerations, and interest rates that approximate prevailing market rates at December 31, 2013 and 2012.

The Cooperative has fixed-rate long term debt financial instruments as of December 31, 2013 and 2012. Generally, the carrying value of the Cooperative's fixed rate long-term debt approximates fair value, but certain fixed-rate long-term debt financial instruments of the Cooperative have carrying values that may differ from their estimated fair values. It is not practicable for the Cooperative to estimate the fair value of these financial instruments given the nature of the debt agreements that are in place which include debt from federal agencies of the United States with interest rates that are not considered to have comparable prevailing rates as of December 31, 2013 and 2012.

Venture Communications Cooperative and Subsidiaries  
Notes to Consolidated Financial Statements  
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**Note 4 - Other Investments**

	2013	2012
Rural Telephone Finance Cooperative		
Patronage capital allocations	\$ ██████████	\$ ██████████
Membership fee	██████████	██████████
	██████████	██████████
Express Communications - common stock (at cost)	██████████	██████████
Solix, Inc. - common stock (at cost)	██████████	██████████
RTIC Holding - common stock (at cost)	██████████	██████████
NRTC patronage capital	██████████	██████████
Patronage capital allocations from other cooperatives	██████████	██████████
Cash surrender value of life insurance	██████████	██████████
Memberships and other investments	██████████	██████████
Notes receivable	-	██████████
LMDS licenses (at cost, less impairment allowance)	██████████	██████████
	██████████	██████████
	\$ ██████████	\$ ██████████

In connection with a loan from RTFC, the Cooperative was required to purchase subordinated capital certificates based on a percentage of the outstanding loan balance. The certificates are non-interest bearing and are refunded to the Cooperative as the debt is paid down. The patronage allocations reflect the Cooperative's allocable share of net margins of RTFC.

**Note 5 - Notes Receivable**

Notes receivable represent customers' obligations to the Cooperative in conjunction with the Rural Economic Development Loan & Grant (REDLG) program. The instruments are repayable in monthly installments over a 10-year period at 0% interest. The amounts are funded by a 0% loan from REDLG in the amount of \$740,000, along with a \$300,000 grant that has been recorded in other equities as of December 31, 2013.

Venture Communications Cooperative and Subsidiaries  
Notes to Consolidated Financial Statements  
December 31, 2013 and 2012

**Note 6 - Investments in Limited Liability Companies**

	2013	2012
South Dakota Network, LLC (9.45% equity)	\$ ██████████	\$ ██████████
SWS, LLC (9.9% equity)	██████████	██████████
KTC AWS Limited Partnership (14.66% equity)	██████████	██████████
Airwave Wireless, LLC (16.67% equity)	██████████	██████████
Kennebec Communications (14.66% equity)	██████████	██████████
Kennebec 700 (10.00% equity)	██████████	██████████
	\$ ██████████	\$ ██████████

Summarized financial information of the significant equity method investees as of December 31, 2013, are as follows:

	South Dakota Network, LLC	KTC AWS Limited Partnership	Kennebec 700
Revenues	\$ ██████████	\$ ██████████	\$ -
Expenses	██████████	██████████	██████████
Net income (loss)	██████████	██████████	██████████
Assets	\$ ██████████	\$ ██████████	\$ ██████████
Liabilities	██████████	██████████	-
Equity	██████████	██████████	██████████

South Dakota Network, LLC (SDN) provides centralized equal access services and access to leased transport facilities. The Cooperative's share of income was ██████████ and ██████████ in 2013 and 2012, respectively. The Cooperative received distributions from SDN of ██████████ and ██████████ in 2013 and 2012, respectively. SWS LLC, KTC AWS Limited Partnership, Airwave Wireless, LLC, Kennebec Communications and Kennebec 700 are joint ventures that were created to explore and develop wireless communication systems. The Cooperative recorded (losses) gains from these entities totaling ██████████ and ██████████ in 2013 and 2012, respectively.

**Note 7 - Intangibles**

	2013		2012	
	Cost	Accumulated Amortization	Net	Net
Customer list	\$ ██████████	\$ ██████████	\$ ██████████	\$ ██████████

The excess of the Western Telephone purchase price over the estimated fair value of net assets acquired has been allocated to intangible assets - customer lists. Customer lists are being amortized over an 8 year period on a straight-line basis. Amortization expense on this intangible asset totaled ██████████ and ██████████ for the years ended December 31, 2013 and 2012, respectively. Amortization expense on the intangible asset over the next four years is estimated to be ██████████ per year, at which point they will become fully amortized.

**Note 8 - Telecommunications Plant and Depreciation**

	Depreciation/ Amortization Rates	2013	2012
Land and support assets	██████████	\$ ██████████	\$ ██████████
Central office switching	██████████	██████████	██████████
Central office transmission	██████████	██████████	██████████
Information origination and termination	██████████	██████████	██████████
Cable and wire facilities	██████████	██████████	██████████
CATV plant	██████████	██████████	██████████
Internet equipment	██████████	██████████	██████████
Organization costs	██████████	██████████	██████████
Original cost of plant in service		██████████	██████████
Acquisition adjustment	██████████	██████████	██████████
Plant in service		██████████	██████████
Plant under construction		██████████	██████████
<b>Total plant</b>		<b>██████████</b>	<b>██████████</b>

Acquisition adjustment is the difference between the purchase price of plant acquired from another telephone company and the original cost of the plant net of accumulated depreciation at the time of purchase. Amortization of the acquisition adjustment of ██████████ was charged to expense for the years ended December 31, 2013 and 2012. Amortization of the acquisition adjustment is estimated to be ██████████ for the year ended December 31, 2014, and ██████████ for the year ended December 31, 2015, at which point it will become fully amortized.

Venture Communications Cooperative and Subsidiaries  
Notes to Consolidated Financial Statements  
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**Note 9 - Long-Term Debt**

	2013	2012
Rural Utilities Service (RUS) mortgage notes		
2% notes due in quarterly installments through 2018	\$ [REDACTED]	\$ [REDACTED]
5% notes due in monthly installments through 2035	[REDACTED]	[REDACTED]
4.497% notes due in monthly installments through 2035	[REDACTED]	[REDACTED]
1.710% notes due in monthly installments through 2035	[REDACTED]	[REDACTED]
	[REDACTED]	[REDACTED]
Federal Financing Bank (FFB)		
3.458% note due in quarterly installments through 2018	[REDACTED]	[REDACTED]
3.917% note due in quarterly installments through 2027	[REDACTED]	[REDACTED]
3.114% note due in quarterly installments through 2027	[REDACTED]	[REDACTED]
2.633% note due in quarterly installments through 2028	[REDACTED]	[REDACTED]
2.044% note due in quarterly installments through 2028	[REDACTED]	[REDACTED]
1.435% note due in quarterly installments through 2028	[REDACTED]	[REDACTED]
	[REDACTED]	[REDACTED]
USDA (BIP loan program)		
3.286% note due in quarterly installments through 2032	[REDACTED]	[REDACTED]
3.110% note due in quarterly installments through 2032	[REDACTED]	[REDACTED]
2.176% note due in quarterly installments through 2032	[REDACTED]	[REDACTED]
	[REDACTED]	[REDACTED]
USDA (REDLG program)		
0% note due in \$6,852 monthly installments through 2022	[REDACTED]	[REDACTED]
	[REDACTED]	[REDACTED]
Long-term debt	[REDACTED]	[REDACTED]
Less current maturities	[REDACTED]	[REDACTED]
	[REDACTED]	[REDACTED]
Long-term debt, less current maturities	\$ [REDACTED]	\$ [REDACTED]

Substantially all assets are pledged as security for this debt.

It is estimated that principal repayments on the above debt for the next five years ending December 31 are as follows:

	RUS	FFB	USDA	Total
2014	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]
2015	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2016	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2017	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2018	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

All loan funds advanced by RUS and FFB are deposited in a special trust bank account, the disbursements from which are restricted by the provisions of the loan agreement to purposes approved by RUS and FFB. There were unadvanced loan funds available to the Cooperative of [REDACTED] from FFB as of December 31, 2013. The mortgage provisions restrict the Cooperative's debt limit to [REDACTED].

Venture Communications Cooperative and Subsidiaries  
Notes to Consolidated Financial Statements  
December 31, 2013 and 2012

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**Note 10 - Deferred Credits**

	2013	2012
Unclaimed checks	\$ [REDACTED]	\$ [REDACTED]
Deferred revenue	[REDACTED]	[REDACTED]
	\$ [REDACTED]	\$ [REDACTED]

**Note 11 - Patronage Capital**

	2013	2012
Assigned to date	\$ [REDACTED]	\$ [REDACTED]
Retired to date	[REDACTED]	[REDACTED]
Balance	\$ [REDACTED]	\$ [REDACTED]
Assigned to date - special allocation	\$ [REDACTED]	\$ [REDACTED]

The long-term debt agreements with Rural Utilities Service contain restrictions on retirements of patronage capital, memberships, and equity capital. The restrictions are related in general to the Cooperative's adjusted net worth and assets as defined in said agreement. The Cooperative may, however, make distributions in any calendar year equal to [REDACTED] percent of the net margins of the prior calendar year.

**Note 12 - Other Equities**

	2013	2012
Unallocated nonoperating margins	\$ [REDACTED]	\$ [REDACTED]
Rural Economic Development Grant funds	[REDACTED]	[REDACTED]
Total other equities	\$ [REDACTED]	\$ [REDACTED]

**Note 13 - Pension Plan**

The Cooperative has a contributory defined benefit pension plan covering substantially all employees. The National Telephone Cooperative Association (NTCA) Retirement Security Plan (RS Plan) is a defined benefit pension plan qualified under Section 401 and tax-exempt under Section 501(a) of the Internal Revenue Code. It is a multiemployer plan under the accounting standards. The plan sponsor's Employer Identification Number is [REDACTED] and the Plan Number is [REDACTED].

A unique characteristic of a multiemployer plan compared to a single employer plan is that all plan assets are available to pay benefits of any plan participant. Separate asset accounts are not maintained for participating employers. This means that assets contributed by one employer may be used to provide benefits to employees of other participating employers.

The Cooperative's contributions to the RS Plan in 2013 and 2012 represented less than [REDACTED] percent of the total contributions made to the plan by all participating employers. The Cooperative made contributions to the plan of approximately [REDACTED] in 2013 and [REDACTED] in 2012. There have been no significant changes that affect the comparability of 2013 and 2012 contributions.

In the RS Plan, a "zone status" determination is not required, and therefore not determined, under the Pension Protection Act (PPA) of 2006. In addition, the accumulated benefit obligations and plan assets are not determined or allocated separately by individual employer. The program meets ERISA minimum funding requirements. The Funding Target Attainment Percentage valued as of January 1, 2012 is [REDACTED]%. Section 104 of PPA delays the effective date of funding rules for certain multiple employer rural cooperative plans. As such, the program will not be subject to the PPA funding rules until after December 31, 2016.

Because the provisions of the PPA do not apply to the RS Plan, funding improvement plans and surcharges are not applicable. Future contribution requirements are determined each year as part of the actuarial valuation of the plan and may change as a result of plan experience.

**Note 14 - Income Tax Expense/Accumulated Deferred Taxes**

The provision for income tax is reflected in the consolidated statements of operations as follows:

	2013	2012
Income tax expense consists of the following:		
Current payable	\$ [REDACTED]	\$ [REDACTED]
Deferred - accelerated depreciation - CATV plant	[REDACTED]	[REDACTED]
Deferred - amortization of CATV customer lists	[REDACTED]	[REDACTED]
Deferred - accelerated depreciation - Western plant	[REDACTED]	[REDACTED]
Deferred - timing differences from equity investments	[REDACTED]	[REDACTED]
Alternative minimum tax credit carryforward used (accumulated)	[REDACTED]	[REDACTED]
Provision for (benefit from) income taxes	\$ [REDACTED]	\$ [REDACTED]

Venture Communications Cooperative and Subsidiaries  
Notes to Consolidated Financial Statements  
December 31, 2013 and 2012

Deferred income tax assets (liabilities) consist of the following:

	2013	2012
Accelerated depreciation - CATV plant	██████████	██████████
Timing difference - amortization of CATV customer lists	██████████	██████████
Accelerated depreciation - Western Telephone	██████████	██████████
Equity investments - timing differences	██████████	██████████
AMT credit carryforwards	██████████	██████████
Marketable securities	██████████	██████████
Deferred tax (liabilities) assets	\$ ██████████	\$ ██████████

The deferred income tax credits relate to the deferred payment of income tax through the use of accelerated depreciation for income tax purposes.

The estimated deferred taxes related to marketable securities represent an income tax liability that would occur if the securities were sold.

The net deferred tax asset related to alternative minimum tax credit carryforwards is from years where the Cooperative's alternative minimum tax liability exceeded its regular income tax liability. The credit carryforwards can be used to reduce regular income taxes in years when the regular income tax exceeds AMT.

**Note 15 - Supplemental Cash Flow Disclosures**

The following is the detail information for the changes in current assets and liabilities shown on the consolidated statements of cash flows.

	2013	2012
Changes in Current and Other Assets and Liabilities		
Accounts receivable	\$ ██████████	\$ ██████████
Accrued toll and access revenue	██████████	██████████
Other accounts receivable	██████████	██████████
Materials and supplies	██████████	██████████
Interest receivable	██████████	██████████
Prepaid expenses	(██████████)	██████████
Prepaid income taxes	██████████	██████████
Accounts payable	██████████	██████████
Customer deposits	(██████████)	██████████
Advanced billings	██████████	██████████
Accrued taxes - other	██████████	██████████
Income taxes payable	██████████	██████████
Other current liabilities	██████████	██████████
	\$ ██████████	\$ ██████████





Supplemental Information  
December 31, 2013 and 2012

**Venture Communications  
Cooperative and Subsidiaries**



## Independent Auditor's Report on Supplementary Information

To the Board of Directors  
Venture Communications Cooperative and Subsidiaries  
Highmore, South Dakota

We have audited the consolidated financial statements of Venture Communications Cooperative and Subsidiaries as of and for the year ended December 31, 2013, and our report thereon dated March 28, 2014, which expressed an unmodified opinion on those financial statements, appears on page 1. Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on pages 24 through 29 is presented for the purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Eide Bailly LLP*

Sioux Falls, South Dakota  
March 28, 2014

	Venture Communications Cooperative	Venture Vision, Inc.	Western Telephone Company	Eliminations	Consolidated
<b>Current Assets</b>					
Cash and cash equivalents	\$ ██████████	\$ -	\$ ██████████	\$ -	\$ ██████████
Temporary investments in marketable securities	██████████	-	-	-	██████████
Accounts receivable, net of allowance	██████████	-	██████████	-	██████████
Other accounts receivable, net of allowance	██████████	-	██████████	-	██████████
Accrued toll and access revenue	██████████	-	-	-	██████████
Materials and supplies	██████████	██████████	-	-	██████████
Prepaid expenses	██████████	-	-	-	██████████
Interest receivable	██████████	-	-	-	██████████
Due from affiliates	██████████	-	-	██████████	██████████
Current maturities of notes receivable	██████████	-	-	-	██████████
Short-term lease receivable from affiliate	██████████	-	-	██████████	██████████
Total current assets	██████████	██████████	██████████	██████████	██████████
<b>Investments and Noncurrent Assets</b>					
Investments in marketable securities	██████████	-	-	-	██████████
Investment in subsidiaries	██████████	-	-	██████████	██████████
Other investments	██████████	██████████	██████████	-	██████████
Investments in limited liability companies	██████████	-	-	-	██████████
Intangibles, net	██████████	-	-	-	██████████
Nonregulated investments	██████████	-	-	██████████	██████████
Deferred income taxes	██████████	██████████	-	-	██████████
Long-term notes receivable	██████████	-	-	-	██████████
Long-term lease receivable from affiliate	██████████	-	-	██████████	██████████
Total investments and noncurrent assets	██████████	██████████	██████████	██████████	██████████
<b>Telecommunications Plant</b>					
In service	██████████	██████████	██████████	██████████	██████████
Acquisition adjustment	██████████	-	-	-	██████████
Under construction	██████████	██████████	██████████	-	██████████
Total investment in plant	██████████	██████████	██████████	██████████	██████████
Less accumulated depreciation and amortization	██████████	██████████	██████████	██████████	██████████
Net plant	██████████	██████████	██████████	██████████	██████████
	\$ ██████████	\$ ██████████	██████████	\$ ██████████	██████████

Venture Communications Cooperative and Subsidiaries  
 Consolidated Balance Sheets with Supplementary Consolidating Information  
 December 31, 2013

	Venture Communications Cooperative	Venture Vision, Inc.	Western Telephone Company	Eliminations	Consolidated
<b>Current Liabilities</b>					
Current maturities of long-term debt	\$ [REDACTED]	\$ -	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]
Accounts payable	[REDACTED]	[REDACTED]	[REDACTED]	-	[REDACTED]
Accounts payable - construction	[REDACTED]	[REDACTED]	-	-	[REDACTED]
Due to (from) affiliates	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Customer deposits	[REDACTED]	-	[REDACTED]	-	[REDACTED]
Advanced billings	[REDACTED]	-	[REDACTED]	-	[REDACTED]
Accrued taxes - other	[REDACTED]	-	[REDACTED]	-	[REDACTED]
Income taxes payable	[REDACTED]	-	[REDACTED]	-	[REDACTED]
Other current liabilities	[REDACTED]	-	[REDACTED]	-	[REDACTED]
<b>Total current liabilities</b>	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
<b>Long-Term Debt, Less Current Maturities</b>	[REDACTED]	-	[REDACTED]	[REDACTED]	[REDACTED]
<b>Other Liabilities</b>					
Deferred income taxes	[REDACTED]	-	[REDACTED]	[REDACTED]	[REDACTED]
Deferred credits	[REDACTED]	-	[REDACTED]	-	[REDACTED]
<b>Total other liabilities</b>	[REDACTED]	-	[REDACTED]	[REDACTED]	[REDACTED]
<b>Equities</b>					
Patronage capital	[REDACTED]	-	-	-	[REDACTED]
Other allocated equity	[REDACTED]	-	-	-	[REDACTED]
Other equities (deficit)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Common stock	-	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Current year margins	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Accumulated other comprehensive income	[REDACTED]	-	-	-	[REDACTED]
<b>Total equities</b>	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
	[REDACTED]	\$ [REDACTED]	[REDACTED]	\$ [REDACTED]	[REDACTED]

	Venture Communications Cooperative	Venture Vision, Inc.	Western Telephone Company	Eliminations	Consolidated
<b>Current Assets</b>					
Cash and cash equivalents	\$ 1,775,000	\$ -	\$ -	\$ -	\$ 1,775,000
Temporary investments in marketable securities	-	-	-	-	1,775,000
Accounts receivable, net of allowance	-	-	-	-	-
Other accounts receivable, net of allowance	-	-	-	-	-
Accrued toll and access revenue	-	-	-	-	-
Materials and supplies	-	-	-	-	1,050,000
Interest receivable	-	-	-	-	-
Due from affiliates	-	-	-	-	-
Current maturities of notes receivable	-	-	-	-	-
Short-term lease receivable from affiliate	-	-	-	-	-
Total current assets	1,775,000	-	-	-	3,550,000
<b>Investments and Noncurrent Assets</b>					
Investments in marketable securities	-	-	-	-	-
Investment in subsidiaries	-	-	-	-	-
Other investments	-	-	-	-	-
Investments in limited liability companies	-	-	-	-	-
Intangibles, net	-	-	-	-	-
Nonregulated investments	-	-	-	-	-
Deferred income taxes	-	-	-	-	-
Long-term notes receivable	-	-	-	-	-
Long-term lease receivable from affiliate	-	-	-	-	-
Total investments and noncurrent assets	-	-	-	-	-
<b>Telecommunications Plant</b>					
In service	1,031,000	-	-	-	1,031,000
Acquisition adjustment	-	-	-	-	-
Under construction	1,269,000	-	-	-	1,269,000
Total investment in plant	2,300,000	-	-	-	2,300,000
Less accumulated depreciation and amortization	-	-	-	-	-
Net plant	2,300,000	-	-	-	2,300,000
	\$ 4,075,000	\$ -	\$ -	\$ -	\$ 4,075,000

Venture Communications Cooperative and Subsidiaries  
 Consolidated Balance Sheets with Supplementary Consolidating Information  
 December 31, 2012

	Venture Communications Cooperative	Venture Vision, Inc.	Western Telephone Company	Eliminations	Consolidated
<b>Current Liabilities</b>					
Current maturities of long-term debt	\$ [REDACTED]	\$ -	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]
Accounts payable	[REDACTED]	[REDACTED]	[REDACTED]	-	[REDACTED]
Accounts payable - construction	[REDACTED]	[REDACTED]	[REDACTED]	-	[REDACTED]
Due to (from) affiliates	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Customer deposits	[REDACTED]	-	[REDACTED]	-	[REDACTED]
Advanced billings	[REDACTED]	-	[REDACTED]	-	[REDACTED]
Accrued taxes - other	[REDACTED]	-	[REDACTED]	-	[REDACTED]
Income taxes payable	[REDACTED]	-	[REDACTED]	-	[REDACTED]
Other current liabilities	[REDACTED]	-	[REDACTED]	-	[REDACTED]
<b>Total current liabilities</b>	<b>[REDACTED]</b>	<b>[REDACTED]</b>	<b>[REDACTED]</b>	<b>[REDACTED]</b>	<b>[REDACTED]</b>
<b>Long-Term Debt, Less Current Maturities</b>					
	[REDACTED]	-	[REDACTED]	[REDACTED]	[REDACTED]
<b>Other Liabilities</b>					
Deferred income taxes	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Deferred credits	[REDACTED]	-	[REDACTED]	-	[REDACTED]
<b>Total other liabilities</b>	<b>[REDACTED]</b>	<b>[REDACTED]</b>	<b>[REDACTED]</b>	<b>[REDACTED]</b>	<b>[REDACTED]</b>
<b>Equities</b>					
Patronage capital	[REDACTED]	-	-	-	[REDACTED]
Other allocated equity	[REDACTED]	-	-	-	[REDACTED]
Other equities (deficit)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Common stock	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Current margins	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Accumulated other comprehensive loss	[REDACTED]	[REDACTED]	-	[REDACTED]	[REDACTED]
<b>Total equities</b>	<b>[REDACTED]</b>	<b>[REDACTED]</b>	<b>[REDACTED]</b>	<b>[REDACTED]</b>	<b>[REDACTED]</b>
	<b>\$ [REDACTED]</b>	<b>\$ [REDACTED]</b>	<b>\$ [REDACTED]</b>	<b>\$ [REDACTED]</b>	<b>\$ [REDACTED]</b>

Venture Communications Cooperative and Subsidiaries  
 Consolidated Statements of Operations with Supplementary Consolidating Information  
 Year Ended December 31, 2013

	Venture Communications Cooperative	Venture Vision, Inc.	Western Telephone Company	Eliminations	Consolidated
<b>Operating Revenues</b>					
Local network access	\$ [REDACTED]	\$ -	\$ [REDACTED]	\$ -	\$ [REDACTED]
Network access services	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Cable television revenue	-	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Internet revenue	-	-	208,796	[REDACTED]	[REDACTED]
Long distance network services	[REDACTED]	-	38,486	[REDACTED]	[REDACTED]
Miscellaneous	[REDACTED]	[REDACTED]	[REDACTED]	-	[REDACTED]
Uncollectible revenue	[REDACTED]	[REDACTED]	[REDACTED]	-	[REDACTED]
Nonregulated telecom and wireless revenue	-	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total operating revenues	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>
<b>Operating Expenses</b>					
Plant specific operations	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Plant nonspecific operations	[REDACTED]	-	[REDACTED]	[REDACTED]	[REDACTED]
Cable television programming	-	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Depreciation	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Amortization	[REDACTED]	-	-	-	[REDACTED]
Customer operations	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Corporate operations	[REDACTED]	[REDACTED]	[REDACTED]	-	[REDACTED]
Operating taxes, other	[REDACTED]	[REDACTED]	[REDACTED]	-	[REDACTED]
Total operating expenses	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>
Net Operating Margin	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>
<b>Nonoperating Margin (Loss)</b>					
Interest and dividend income	[REDACTED]	-	[REDACTED]	[REDACTED]	[REDACTED]
AFUDC	[REDACTED]	-	-	-	[REDACTED]
Nonoperating margin (loss) from	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Earnings in equity of subsidiaries	[REDACTED]	[REDACTED]	[REDACTED]	-	[REDACTED]
Earnings (losses) in equity of investee	[REDACTED]	-	[REDACTED]	[REDACTED]	[REDACTED]
Nonregulated net income	[REDACTED]	-	[REDACTED]	[REDACTED]	[REDACTED]
Miscellaneous income	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Net nonoperating margin (loss)	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>
Net Margin Before Interest and Taxes	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>
<b>Interest Expense</b>					
Interest on long-term debt	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total interest expense	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>
Net Margin (Loss) Before Taxes	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>
Provision for (Benefit from) Income Taxes	[REDACTED]	[REDACTED]	[REDACTED]	-	[REDACTED]
Net Margin (Loss)	<u>\$ [REDACTED]</u>	<u>\$ [REDACTED]</u>	<u>\$ [REDACTED]</u>	<u>\$ [REDACTED]</u>	<u>\$ [REDACTED]</u>

Venture Communications Cooperative and Subsidiaries  
 Consolidated Statements of Operations with Supplementary Consolidating Information  
 Year Ended December 31, 2012

	Venture Communications Cooperative	Venture Vision, Inc.	Western Telephone Company	Eliminations	Consolidated
<b>Operating Revenues</b>					
Local network access	\$ 17,840	\$ -	\$ -	\$ -	\$ 17,840
Network access services	1,100,500	-	-	-	1,100,500
Cable television revenue	-	-	-	-	-
Internet revenue	-	-	-	-	-
Long distance network services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Uncollectible revenue	-	-	-	-	-
Nonregulated telecom and wireless revenue	-	-	-	-	-
Total operating revenues	<u>1,118,340</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,118,340</u>
<b>Operating Expenses</b>					
Plant specific operations	-	-	-	-	-
Plant nonspecific operations	-	-	-	-	-
Cable television programming	-	-	-	-	-
Depreciation	-	-	-	-	-
Amortization	-	-	-	-	-
Customer operations	-	-	-	-	-
Corporate operations	-	-	-	-	-
Operating taxes, other	-	-	-	-	-
Total operating expenses	<u>1,001,749</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,001,749</u>
Net Operating Margin (Loss)	<u>116,591</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>116,591</u>
<b>Nonoperating Margin (Loss)</b>					
Interest and dividend income	-	-	-	-	-
AFUDC	-	-	-	-	-
Nonoperating margin (loss) from	-	-	-	-	-
Losses in equity of subsidiaries	-	-	-	-	-
Earnings in equity of investee	-	-	-	-	-
Nonregulated net income	-	-	-	-	-
Impairment of customer list	-	-	-	-	-
Impairment of license	-	-	-	-	-
Miscellaneous income (expense) charges	-	-	-	-	-
Net nonoperating margin (loss)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Margin (Loss) Before Interest and Taxes	<u>116,591</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>116,591</u>
<b>Interest Expense</b>					
Interest on long-term debt	-	-	-	-	-
Total interest expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Margin (Loss) Before Taxes	<u>116,591</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>116,591</u>
Provision for (Benefit from) Income Taxes	-	-	-	-	-
Net Margin (Loss)	<u>\$ 116,591</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 116,591</u>



Venture Communications Cooperative and Subsidiaries  
 Consolidated Statements of Cash Flows with Supplementary Consolidating Information  
 Year Ended December 31, 2013

	Venture Communications Cooperative	Venture Vision, Inc.	Western Telephone Company	Eliminations	Consolidated
<b>Operating Activities</b>					
Net margin (loss)	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]
Adjustments to reconcile net margin (loss) to net cash from (used for) operating activities					
Depreciation accruals					
Telecommunications plant	[REDACTED]	-	[REDACTED]	-	[REDACTED]
Nonregulated telecommunication plant	[REDACTED]	-	-	-	[REDACTED]
CATV plant	[REDACTED]	[REDACTED]	[REDACTED]	-	[REDACTED]
Amortization - plant adjustment	[REDACTED]	-	-	-	[REDACTED]
Amortization - customer lists	[REDACTED]	-	-	-	[REDACTED]
Deferred income taxes	[REDACTED]	[REDACTED]	[REDACTED]	-	[REDACTED]
Equity in (earnings) losses of investees	[REDACTED]	[REDACTED]	[REDACTED]	-	[REDACTED]
Equity in earnings of subsidiaries	[REDACTED]	-	-	[REDACTED]	[REDACTED]
Gain on sale of marketable securities	[REDACTED]	-	-	-	[REDACTED]
Change in current assets and liabilities	[REDACTED]	[REDACTED]	[REDACTED]	-	[REDACTED]
Change in lease receivable from affiliate	[REDACTED]	[REDACTED]	[REDACTED]	-	[REDACTED]
Change in due to/due from affiliate	[REDACTED]	[REDACTED]	[REDACTED]	-	[REDACTED]
Change in deferred credits	[REDACTED]	-	-	-	[REDACTED]
Net Cash from (used for) Operating Activities	[REDACTED]	[REDACTED]	[REDACTED]	-	[REDACTED]
<b>Investing Activities</b>					
Plant additions and replacements, net					
Telecommunications plant	[REDACTED]	-	[REDACTED]	-	[REDACTED]
CATV plant	[REDACTED]	[REDACTED]	-	-	[REDACTED]
Nonregulated telecommunication equipment	[REDACTED]	-	[REDACTED]	-	[REDACTED]
Contribution in aid of construction	[REDACTED]	-	-	-	[REDACTED]
Change in other investments	[REDACTED]	-	[REDACTED]	-	[REDACTED]
Contributions to equity investees	[REDACTED]	[REDACTED]	-	-	[REDACTED]
Distributions from equity investees	[REDACTED]	-	[REDACTED]	-	[REDACTED]
Purchases of marketable securities	[REDACTED]	-	-	-	[REDACTED]
Sales of marketable securities	[REDACTED]	-	-	-	[REDACTED]
Advances on notes receivable	[REDACTED]	-	-	-	[REDACTED]
Payments received on notes receivable	[REDACTED]	-	-	-	[REDACTED]
Net Cash (used for) from Investing Activities	[REDACTED]	[REDACTED]	[REDACTED]	-	[REDACTED]
<b>Financing Activities</b>					
Advances on long-term debt	-	-	-	-	-
Principal payments on long-term debt	[REDACTED]	-	-	-	[REDACTED]
Donated capital credits	[REDACTED]	-	-	-	[REDACTED]
Federal excise tax refund	[REDACTED]	-	-	-	[REDACTED]
Retirement of capital credits	[REDACTED]	-	-	-	[REDACTED]
Net Cash used for Financing Activities	[REDACTED]	-	-	-	[REDACTED]
Net Change in Cash and Cash Equivalents	[REDACTED]	-	[REDACTED]	-	[REDACTED]
<b>Cash and Cash Equivalents</b>					
Beginning of period	[REDACTED]	-	[REDACTED]	-	[REDACTED]
End of period	\$ [REDACTED]	\$ -	\$ [REDACTED]	\$ -	\$ [REDACTED]

Venture Communications Cooperative and Subsidiaries  
 Consolidated Statements of Cash Flows with Supplementary Consolidating Information  
 Year Ended December 31, 2012

	Venture Communications Cooperative	Venture Vision, Inc.	Western Telephone Company	Eliminations	Consolidated
<b>Operating Activities</b>					
Net margin (loss)	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]
Adjustments to reconcile net margin (loss) to net cash from (used for) operating activities					
Depreciation accruals					
Telecommunications plant	[REDACTED]	-	[REDACTED]	-	[REDACTED]
Nonregulated telecommunication plant	[REDACTED]	-	-	-	[REDACTED]
CATV plant	-	[REDACTED]	[REDACTED]	-	[REDACTED]
Amortization - plant adjustment	[REDACTED]	-	-	-	[REDACTED]
Amortization - customer lists	[REDACTED]	-	-	-	[REDACTED]
Impairment - customer lists	-	[REDACTED]	-	-	[REDACTED]
Impairment - wireless license	-	[REDACTED]	-	-	[REDACTED]
Loss on disposal of assets	-	-	[REDACTED]	-	[REDACTED]
Deferred income taxes	[REDACTED]	[REDACTED]	[REDACTED]	-	[REDACTED]
Equity in earnings of investees	[REDACTED]	[REDACTED]	[REDACTED]	-	[REDACTED]
Equity in losses of subsidiaries	[REDACTED]	-	-	[REDACTED]	-
Gain on sale of marketable securities	[REDACTED]	-	-	-	[REDACTED]
Change in current assets and liabilities	[REDACTED]	[REDACTED]	[REDACTED]	-	[REDACTED]
Receipt of grant receivable	[REDACTED]	-	-	-	[REDACTED]
Change in lease receivable from affiliate	[REDACTED]	-	[REDACTED]	-	[REDACTED]
Change in due to/due from affiliate	[REDACTED]	[REDACTED]	[REDACTED]	-	[REDACTED]
Change in deferred credits	[REDACTED]	-	-	-	[REDACTED]
<b>Net Cash from (used for) Operating Activities</b>	<b>[REDACTED]</b>	<b>[REDACTED]</b>	<b>[REDACTED]</b>	<b>[REDACTED]</b>	<b>[REDACTED]</b>
<b>Investing Activities</b>					
Plant additions and replacements, net					
Telecommunications plant	[REDACTED]	-	[REDACTED]	-	[REDACTED]
CATV plant	[REDACTED]	[REDACTED]	-	-	[REDACTED]
Nonregulated telecommunication equipment	[REDACTED]	-	-	-	[REDACTED]
Contribution in aid of construction	[REDACTED]	-	-	-	[REDACTED]
Grand funds received	[REDACTED]	-	[REDACTED]	-	[REDACTED]
Change in other investments	[REDACTED]	-	-	-	[REDACTED]
Contributions to equity investees	[REDACTED]	[REDACTED]	[REDACTED]	-	[REDACTED]
Distributions from equity investees	[REDACTED]	-	-	-	[REDACTED]
Purchases of marketable securities	[REDACTED]	-	-	-	[REDACTED]
Sales of marketable securities	[REDACTED]	-	-	-	[REDACTED]
Advances on notes receivable	[REDACTED]	-	-	-	[REDACTED]
Payments received on notes receivable	[REDACTED]	-	-	-	[REDACTED]
<b>Net Cash (used for) from Investing Activities</b>	<b>[REDACTED]</b>	<b>[REDACTED]</b>	<b>[REDACTED]</b>	<b>[REDACTED]</b>	<b>[REDACTED]</b>
<b>Financing Activities</b>					
Advances on long-term debt	[REDACTED]	-	-	-	[REDACTED]
Principal payments on long-term debt	[REDACTED]	-	-	-	[REDACTED]
Donated capital credits	[REDACTED]	-	-	-	[REDACTED]
Federal excise tax refund	[REDACTED]	-	-	-	[REDACTED]
Retirement of capital credits	[REDACTED]	-	-	-	[REDACTED]
<b>Net Cash used for Financing Activities</b>	<b>[REDACTED]</b>	<b>[REDACTED]</b>	<b>[REDACTED]</b>	<b>[REDACTED]</b>	<b>[REDACTED]</b>
<b>Net Change in Cash and Cash Equivalents</b>	<b>[REDACTED]</b>	<b>[REDACTED]</b>	<b>[REDACTED]</b>	<b>[REDACTED]</b>	<b>[REDACTED]</b>
<b>Cash and Cash Equivalents</b>					
Beginning of period	[REDACTED]	-	[REDACTED]	-	[REDACTED]
End of period	\$ [REDACTED]	\$ -	\$ [REDACTED]	\$ -	\$ [REDACTED]



CPAs & BUSINESS ADVISORS

**Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance  
Based on an Audit of Consolidated Financial Statements Performed in Accordance with  
*Government Auditing Standards***

The Board of Directors  
Venture Communications Cooperative and Subsidiaries  
Highmore, South Dakota

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 Venture Communications Cooperative and Subsidiaries, which comprise the consolidated balance sheets as of December 31, 2013, and the related consolidated statements of operations and comprehensive income, equities, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated March 28, 2014.

**Internal Control over Financial Reporting**

In planning and performing our audit of the consolidated financial statements, we considered Venture Communications Cooperative and Subsidiaries' 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 Venture Communications Cooperative and Subsidiaries' internal control. Accordingly, we do not express an opinion on the effectiveness of Venture Communications Cooperative and Subsidiaries' internal control.

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 consolidated 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 material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not yet been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Venture Communications Cooperative and Subsidiaries' consolidated financial statements are free from 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. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters and required audit communications that we reported to management of Venture Communications Cooperative and Subsidiaries in a separate letter dated March 28, 2014.

**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.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Sioux Falls, South Dakota  
March 28, 2014



March 28, 2014

To the Board of Directors  
Venture Communications Cooperative and Subsidiaries  
Highmore, South Dakota

We have audited the consolidated financial statements of Venture Communications Cooperative and Subsidiaries for the year ended December 31, 2013, and have issued our report thereon dated March 28, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated November 11, 2013. Professional standards also require that we communicate to you the following information related to our audit.

### **Significant Audit Findings**

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Venture Communications Cooperative and Subsidiaries are described in Note 1 to the consolidated financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2013. We noted no transactions entered into by the Company during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the consolidated financial statements in the proper period.

Accounting estimates are an integral part of the consolidated financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the consolidated financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the consolidated financial statements were:

*Depreciation Expense* – Management's estimate of the useful plant life is based on the estimated useful life of the property based on industry guidelines.

*Revenue Recognition for Access and Universal Service* – The inputs for these revenues are based on forecasts and are subject to future true ups based on actual results.

We evaluated the key factors and assumptions used to develop the above estimates in determining that they are reasonable in relation to the consolidated financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the consolidated financial statements was the disclosure of concentrations of business and credit risk in Note 1 that discloses those concentrations that are significant to the Company. The financial statement disclosures are neutral, consistent, and clear.

### **Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### **Corrected and Uncorrected Misstatements**

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the consolidated financial statements taken as a whole.

There were no uncorrected misstatements identified during the audit.

### **Disagreements with Management**

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the consolidated financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### **Management Representations**

We have requested certain representations from management that are included in the management representation letter dated March 28, 2014.

### **Management Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Company's consolidated financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### **Other Audit Findings or Issues**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Company's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### **Other Matters**

With respect to the supplementary information accompanying the consolidated financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the consolidated financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the consolidated financial statements or to the consolidated financial statements themselves.

This information is intended solely for the use of the Board of Directors and management of Venture Communications Cooperative and Subsidiaries and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

*Eide Bailly LLP*

Sioux Falls, South Dakota