

Western Telephone Company is audited in conjunction with the Venture Communications Cooperative audit. These financial statements are the Western portion of the consolidated financial statements. We are also including the management letter that was provided per the 2012 financial audit.

**WESTERN TELEPHONE COMPANY
BALANCE SHEET AS OF 12/31/2012**

ASSETS	BALANCE PRIOR YEAR	BALANCE END OF PERIOD	LIABILITIES AND STOCKHOLDERS' EQUITY	BALANCE PRIOR YEAR	BALANCE END OF PERIOD
CURRENT ASSETS			CURRENT LIABILITIES		
1. Cash and Equivalents			25. Accounts Payable		
2. Cash-RUS Construction Fund			26. Notes Payable		
3. Affiliates:			27. Advance Billings and Payments		
a. Telecom, Accounts Receivable			28. Customer Deposits		
b. Other Accounts Receivable			29. Current Mat. L/T Debt		
c. Notes Receivable			30. Current Mat. L/T Debt-Rur. Dev.		
4. Non-Affiliates:			31. Current Mat.-Capital Leases		
a. Telecom, Accounts Receivable			32. Income Taxes Accrued		
g. Other Accounts Receivable			33. Other Taxes Accrued		
c. Notes Receivable			34. Other Current Liabilities		
5. Interest and Dividends Receivable			35. Total Current Liabilities (25 thru 34)		
6. Material-Regulated			LONG-TERM DEBT		
7. Material-Nonregulated			36. Funded Debt-RUS Notes		
8. Prepayments			37. Funded Debt-RTB Notes		
9. Other Current Assets			38. Funded Debt-FFB Notes		
10. Total Current Assets (1 thru 9)			39. Funded Debt-Other		
NONCURRENT ASSETS			40. Funded Debt-Rural Develop. Loan		
11. Investment in Affiliated Companies			41. Premium (Discount) on L/T Debt		
a. Rural Development			42. Reacquired Debt		
b. Nonrural Development			43. Obligations Under Capital Lease		
12. Other Investments			44. Adv. From Affiliated Companies		
a. Rural Development			45. Other Long-Term Debt		
b. Nonrural Development			46. Total Long-Term Debt (36 thru 45)		
13. Nonregulated Investments			OTHER LIAB. & DEF. CREDITS		
14. Other Noncurrent Assets			47. Other Long-Term Liabilities		
15. Deferred Charges			48. Other Deferred Credits		
16. Jurisdictional Differences			49. Other Jurisdictional Differences		
17. Total Noncurrent Assets (11 thru 16)			50. Total Other Liabilities and Deferred Credits (47 thru 49)		
PLANT, PROPERTY, AND EQUIPMENT			EQUITY		
18. Telecom, Plant-In-Service			51. Cap. Stock Outstand. & Subscribed		
19. Property Held for Future Use			52. Additional Paid-in-Capital		
20. Plant Under Construction			53. Treasury Stock		
21. Plant Adj., Nonop. Plant & Goodwill			54. Membership and Cap. Certificates		
22. Less Accumulated Depreciation			55. Other Capital		
23. Net Plant (18 thru 21 less 22)			56. Patronage Capital Credits		
24. TOTAL ASSETS (10+17+23)			57. Retained Earnings or Margins		
			58. Total Equity (51 thru 57)		
			59. TOTAL LIABILITIES AND EQUITY (35+46+50+58)		

**WESTERN TELEPHONE COMPANY
INCOME STATEMENT FOR YEAR ENDING 12/31/2012**

	PRIOR YEAR	THIS YEAR
1. Local Network Services Revenues		
2. Network Access Services Revenues		
3. Long Distance Network Services Revenues		
4. Carrier Billing and Collection Revenues		
5. Miscellaneous Revenues		
6. Uncollectible Revenues		
7. Net Operating Revenues (1 thru 5 less 6)		
8. Plant Specific Operations Expense		
9. Plant Nonspecific Operations Expense (Excluding Depreciation & Amortization)		
10. Depreciation Expense		
11. Amortization Expense		
12. Customer Operations Expense		
13. Corporate Operations Expense		
14. Total Operating Expenses (8 thru 13)		
15. Operating Income or Margins (7 less 14)		
16. Other Operating Income and Expenses		
17. State and Local Taxes		
18. Federal Income Taxes		
19. Other Taxes		
20. Total Operating Taxes (17+18+19)		
21. Net Operating Income or Margins (15+16-20)		
22. Interest on Funded Debt		
23. Interest Expense - Capital Leases		
24. Other Interest Expense		
25. Allowance for Funds Used During Construction		
26. Total Fixed Charges (22+23+24-25)		
27. Nonoperating Net Income		
28. Extraordinary Items		
29. Jurisdictional Differences		
30. Nonregulated Net Income		
31. Total Net Income or Margins (21+27+28+29+30-26)		
32. Total Taxes Based on Income		
33. Retained Earnings or Margins Beginning-of-Year		
34. Miscellaneous Credits Year-to-Date		
35. Dividends Declared (Common)		
36. Dividends Declared (Preferred)		
37. Other Debits Year-to-Date		
38. Transfers to Patronage Capital		
39. Retained Earnings or Margins End-of-Period [(31+33+34)-(35+36+37+38)]		
40. Patronage Capital Beginning-of-Year		
41. Transfers to Patronage Capital		
42. Patronage Capital Credits Retired		
43. Patronage Capital End-of-Year (40+41-42)		
44. Annual Debt Service Payments		
45. Cash Ratio [(14+20-10-11) / 7]		
46. Operating Accrual Ratio [(14+20+26 / 7)]		
47. TIER [(31+26 / 26)]		
48. DSCR [(31+26+10+11 / 44)]		

WESTERN TELEPHONE COMPANY

STATEMENT OF CASH FLOWS FOR PERIOD ENDING DECEMBER 2012

1. **Beginning Cash (Cash and Equivalents plus RUS Construction Fund)**

CASH FLOWS FROM OPERATING ACTIVITIES

2. **Net Income**

Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities

3. **Add: Depreciation**

4. **Add: Amortization**

5. **Other (Explain) CATV Plant Depreciation, Loss on Disposal in Assets, Equity Earnings in Investees**

Changes in Operating Assets and Liabilities

6. **Decrease/(Increase) in Accounts Receivable**

7. **Decrease/(Increase) in Materials and Inventory**

8. **Decrease/(Increase) in Prepayments and Deferred Charges**

9. **Decrease/(Increase) in Other Current Assets**

10. **Increase/(Decrease) in Accounts Payable**

11. **Increase/(Decrease) in Advance Billings & Payments**

12. **Increase/(Decrease) in Other Current Liabilities**

13. **Net Cash Provided/(Used) by Operations**

CASH FLOWS FROM FINANCING ACTIVITIES

14. **Decrease/(Increase) in Notes Receivable**

15. **Increase/(Decrease) in Notes Payable**

16. **Increase/(Decrease) in Customer Deposits**

17. **Net Increase/(Decrease) in Long Term Debt (Including Current Maturities)**

18. **Increase/(Decrease) in Other Liabilities & Deferred Credits**

19. **Increase/(Decrease) in Capital Stock, Paid-in-Capital, Membership and Capital Certificates**

20. **Less: Payment of Dividends**

21. **Less: Patronage Capital Credits Retired**

22. **Other (Explain) Misc. Adj.**

23. **Net Cash Provided/(Used) by Financing Activities**

CASH FLOWS FROM INVESTING ACTIVITIES

24. **Net Capital Expenditures (Property, Plant & Equipment)**

25. **Other Long-Term Investments**

26. **Other Noncurrent Assets & Jurisdictional Differences**

27. **Other (Explain) Grant Funds Received & Distributions from Equity Investees**

28. **Net Cash Provided/(Used) by Investing Activities**

29. **Net Increase/(Decrease) in Cash**

30. **Ending Cash**

WESTERN TELEPHONE COMPANY
STATEMENT OF CASH FLOWS FOR PERIOD ENDING DECEMBER 2012



CPAs & BUSINESS ADVISORS

Management Letter

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, 2012, and have issued our report thereon dated April 12, 2013. We conducted our audit 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, and 7 CFR Part 1773, Policy on Audits of Rural Utilities Service (RUS) Borrowers. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

In planning and performing our audit, we considered Venture Communications Cooperative and Subsidiaries' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements and not to provide an assurance on the internal control over financial reporting.

A description of the responsibility of management for establishing and maintaining the internal control over financial reporting and the objectives of and inherent limitations in such a control is set forth in our independent auditor's report on compliance and on the internal control over financial reporting dated [Report Date], and should be read in conjunction with this report.

Code of Federal Regulations 7 CFR Part 1773.33 requires comments on specific aspects of the internal control structure over financial reporting, compliance with specific RUS loan and security instrument provisions, and other additional matters. We have grouped our comments accordingly. In addition to obtaining reasonable assurance about whether the consolidated financial statements are free from material misstatements, at your request, we performed tests of specific aspects of the internal control structure over financial reporting, of compliance with specific RUS loan and security instrument provisions and of additional matters. The specific aspects of the internal control structure over financial reporting, compliance with specific RUS loan and security instrument provisions, and additional matters tested include, among other things, the accounting procedures and records, materials control, compliance with specific RUS loan and security instrument provisions set forth in 7 CFR Part 1773.33(e)(2), related party transactions and investments. The additional matters tested also include a schedule of deferred debits and credits, upon which we express an opinion. In addition, our audit of the consolidated financial statements also included the procedures specified in 7 CFR Part 1773.38-.45. Our objective was not to provide an opinion on these specific aspects of the internal control structure over financial reporting, compliance with specific RUS loan and security instrument provisions, or additional matters and, accordingly, we express no opinion thereon.

In addition to our independent auditor's report and our independent auditor's report on compliance and on internal control over financial reporting, all dated April 12, 2013, we have issued an additional communication letter dated April 12, 2013 to those charged with governance as required by audit standards.

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Our comments on specific aspects of the internal control structure over financial reporting, compliance with specific RUS loan and security instrument provisions, and other additional matters as required by 7 CFR Part 1773.33 are presented below.

Comments On Certain Specific Aspects Of The Internal Control Structure

[REDACTED]

- [REDACTED]
- [REDACTED]
- [REDACTED]

Comments On Compliance With Specific RUS Loan Security Instrument Provisions

Management's responsibility for compliance with laws, regulations, contracts, and grants is set forth in our independent auditor's report on compliance dated April 12, 2013. At your request, we have performed the following procedures with respect to compliance with certain provisions of laws, regulations, contracts, and grants. The procedures performed are summarized as follows:

- o [REDACTED]
- [REDACTED]
- [REDACTED]
- o [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]

[REDACTED]

Comments On Other Additional Matters

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole.

[REDACTED]

