

**AYRSHIRE FARMERS MUTUAL TELEPHONE  
COMPANY  
AYRSHIRE, IOWA**

**CONSOLIDATED FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
WITH INDEPENDENT AUDITOR'S REPORTS  
Years ended December 31, 2014 and 2013**

**AYRSHIRE FARMERS MUTUAL TELEPHONE COMPANY  
AYRSHIRE, IOWA**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Ayrshire Farmers Mutual Telephone Company and Subsidiary  
Ayrshire, Iowa

### Report on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Ayrshire Farmers Mutual Telephone Company (an Iowa corporation) and subsidiary as of December 31, 2014 and 2013, and the related consolidated statements of operations, comprehensive income, stockholders' equity and cash flows for the years then ended, and the related notes to the consolidated financial statements.

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

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Ayrshire Farmers Mutual Telephone Company and subsidiary as of December 31, 2014 and 2013, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Kiesling Associates LP

Emmetsburg, Iowa

April 10, 2015

**AYRSHIRE FARMERS MUTUAL TELEPHONE COMPANY  
AYRSHIRE, IOWA**

**CONSOLIDATED BALANCE SHEETS  
December 31, 2014 and 2013**

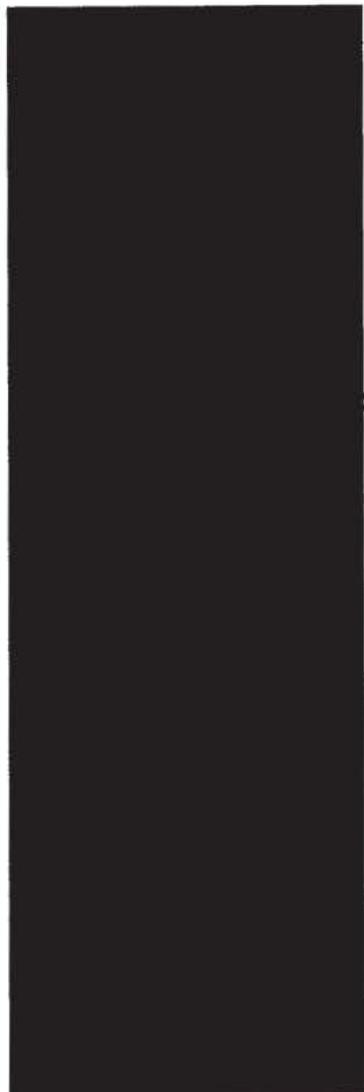
	<u>2014</u>	<u>2013</u>
<u>ASSETS</u>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents		
Special construction account		
Certificates of deposit		
Accounts receivable:		
Due from customers		
Interexchange carriers		
Other		
Refundable income taxes		
Prepaid income taxes		
Current portion of notes receivable		
Interest receivable		
Inventories		
Prepayments		
<b>OTHER NONCURRENT ASSETS</b>		
Long-term investments		
Other investments		
Notes receivable, less current portion		
Cash surrender value of life insurance		
Other noncurrent receivables		
<b>PROPERTY, PLANT AND EQUIPMENT</b>		
Telephone plant in service		
Video plant in service		
Less accumulated depreciation		
Plant under construction		
<b>TOTAL ASSETS</b>		

The accompanying notes are an integral part of these consolidated financial statements.

**AYRSHIRE FARMERS MUTUAL TELEPHONE COMPANY  
AYRSHIRE, IOWA**

**CONSOLIDATED BALANCE SHEETS  
December 31, 2014 and 2013**

	2014	2013
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
<b>CURRENT LIABILITIES</b>		
Accounts payable:		
Other		
Customer deposits		
Accrued taxes		
Other		
<b>DEFERRED INCOME TAXES</b>		
<b>STOCKHOLDERS' EQUITY</b>		
Common stock - \$20 par value, 2,500 shares authorized, 535 shares issued and 445 shares outstanding		
Treasury stock		
Accumulated other comprehensive income:		
Unrealized gains on certain investments		
Retained earnings		
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>		



The accompanying notes are an integral part of these consolidated financial statements.

**AYRSHIRE FARMERS MUTUAL TELEPHONE COMPANY  
AYRSHIRE, IOWA**

**CONSOLIDATED STATEMENTS OF OPERATIONS  
Years ended December 31, 2014 and 2013**

	2014	2013
<b>OPERATING REVENUES</b>		
Local network services		
Network access services		
Video services		
Internet services		
Miscellaneous		
<b>OPERATING EXPENSES</b>		
Plant specific operations		
Plant nonspecific operations		
Cost of video services		
Cost of internet services		
Depreciation and amortization		
Customer operations		
Corporate operations		
General taxes		
<b>OPERATING LOSS</b>		
<b>OTHER INCOME (EXPENSES)</b>		
Interest and dividend income		
Gain on sale of investment		
Equity earnings (loss) from investments		
Contract revenue, net		
Commissions from Local Long Distance, L.C.		
Other, net		
<b>INCOME (LOSS) BEFORE INCOME TAXES</b>		
<b>INCOME TAX EXPENSE (BENEFIT)</b>		
<b>NET INCOME (LOSS)</b>		

The accompanying notes are an integral part of these consolidated financial statements.

**AYRSHIRE FARMERS MUTUAL TELEPHONE COMPANY  
AYRSHIRE, IOWA**

**CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME  
Years ended December 31, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
Net Income (Loss)		
Other comprehensive income, net of tax:		
Unrealized losses on securities:		
Unrealized holding gains arising during the period		
Reclassification adjustment for gains included in net income		
<b>COMPREHENSIVE INCOME/(LOSS)</b>		

The accompanying notes are an integral part of these consolidated financial statements.

**AYRSHIRE FARMERS MUTUAL TELEPHONE COMPANY  
AYRSHIRE, IOWA**

**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY  
Years Ended December 31, 2014 and 2013**

	<u>Common Stock</u>		<u>Treasury Stock</u>	
	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>
Balance at December 31, 2012				
Net loss				
Unrealized gains (losses) on securities:				
Unrealized holding gains arising during the period (net of \$3,873 tax)				
Less: Reclassification adjustment (net of \$638 tax)				
Dividends paid				
Balance at December 31, 2013				
Net income				
Unrealized gains (losses) on securities:				
Unrealized holding gains arising during the period (net of \$5,955 tax)				
Less: Reclassification adjustment (net of \$11,729 tax)				
Dividends paid				
Balance at December 31, 2014				

The accompanying notes are an integral part of these consolidated financial statements.

**AYRSHIRE FARMERS MUTUAL TELEPHONE COMPANY  
AYRSHIRE, IOWA**

**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY  
Years Ended December 31, 2014 and 2013**

<u>Accumulated Other Comprehensive Income</u>	<u>Retained Earnings</u>	<u>Total Stockholders' Equity</u>
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The accompanying notes are an integral part of these consolidated financial statements.

**AYRSHIRE FARMERS MUTUAL TELEPHONE COMPANY  
AYRSHIRE, IOWA**

**CONSOLIDATED STATEMENTS OF CASH FLOWS  
Years ended December 31, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income (loss)		
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization		
Deferred income taxes		
Equity (earnings) loss from investments		
Distributions received from unconsolidated affiliates		
Decrease in cash surrender value of life insurance		
Gain on sale of investments		
Changes in assets and liabilities:		
(Increase) Decrease in:		
Receivables		
Inventories		
Prepayments		
Increase (Decrease) in:		
Payables		
Accrued taxes		
Other		
Net cash provided by operating activities		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital expenditures		
Purchases of certificates of deposit		
Purchases of available-for-sale securities		
Purchases of equity investments		
Proceeds from sales/maturities of certificates of deposit		
Proceeds from sales of available-for-sale securities		
Collections of notes receivable		
Net cash provided by (used in) investing activities		
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Change in special construction account		
Dividends paid		
Net cash used in financing activities		
Net Increase in Cash and Cash Equivalents		
Cash and Cash Equivalents at Beginning of Year		
Cash and Cash Equivalents at End of Year		

The accompanying notes are an integral part of these consolidated financial statements.

**AYRSHIRE FARMERS MUTUAL TELEPHONE COMPANY  
AYRSHIRE, IOWA**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2014 and 2013**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Presentation

Ayrshire Farmers Mutual Telephone Company and subsidiary (herein referred to as "the Company") are providers of telecommunications exchange and local access services, internet, video and telecommunications equipment in a service area located primarily in northwest Iowa.

The accounting policies of the Company conform to accounting principles generally accepted in the United States of America. Management uses estimates and assumptions in preparing its consolidated financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Management has evaluated subsequent events through April 10, 2015, the date the consolidated financial statements were available for issue. Telephone operations reflect practices appropriate to the telephone industry. The accounting records of the telephone company are maintained in accordance with the Uniform System of Accounts for Class A and B Telephone Companies prescribed by the Federal Communications Commission (FCC) as modified by the state regulatory authority.

Principles of Consolidation

The consolidated financial statements include the accounts of the parent company, Ayrshire Farmers Mutual Telephone Company, and its 100%-owned subsidiary, A.T.C. Cablevision, Co. All material intercompany transactions have been eliminated in consolidation.

Cash Equivalents

All highly liquid investments with a maturity of three months or less at the time of purchase are considered cash equivalents.

Accounts Receivable

Accounts receivable are reported net of an allowance for doubtful accounts. The allowance is based on management's estimate of the amount of receivables that will actually be collected. As a result, the Company determined an allowance for doubtful accounts was not needed for the years ended December 31, 2014 and 2013.

Inventories

Inventories include both merchandise held for resale and materials and supplies. Merchandise held for resale is recorded at the lower of cost or market with cost determined by the average cost method. Materials and supplies are recorded at average cost.

**AYRSHIRE FARMERS MUTUAL TELEPHONE COMPANY  
AYRSHIRE, IOWA**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2014 and 2013**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Investments

Marketable securities bought and held principally for selling in the near future are classified as trading securities and carried at fair value. Unrealized holding gains and losses on trading securities are reported in earnings. Marketable securities classified as available-for-sale are carried at fair value with unrealized holding gains and losses recorded as a separate component of stockholders' equity. Debt securities for which the Company has both the positive intent and ability to hold to maturity are classified as held-to-maturity and are carried at amortized cost. The Company uses the FIFO method of computing realized gains and losses.

Nonmarketable equity investments over which the Company has significant influence are reflected on the equity method. Other nonmarketable equity investments and certificates of deposit are stated at cost.

Intangibles

Intangible assets deemed to have indefinite lives are stated at the lower of cost or fair value. These assets are subject to periodic impairment tests. Intangible assets with definite lives are amortized.

Property, Plant and Equipment

Property, plant and equipment is capitalized at original cost including the capitalized cost of salaries and wages, materials, certain payroll taxes, and employee benefits.

The Company provides for depreciation for financial reporting purposes on the straight-line method by the application of rates based on the estimated service lives of the various classes of depreciable property. These estimates are subject to change in the near term.

Renewals and betterments of units of telephone property are charged to telephone plant in service. When telephone plant is retired, its cost is removed from the asset account and charged against accumulated depreciation less any salvage realized. No gains or losses are recognized in connection with routine retirements of depreciable telephone property. Repairs and renewals of minor items of telephone property are included in plant specific operations expense.

Repairs of video property, as well as renewals of minor items, are charged to plant specific operations expense. A gain or loss is recognized when video property is sold or retired.

**AYRSHIRE FARMERS MUTUAL TELEPHONE COMPANY  
AYRSHIRE, IOWA**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2014 and 2013**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Asset Retirement Obligations

Generally accepted accounting principles require entities to record the fair value of a liability for legal obligations associated with an asset retirement in the period in which the obligations are incurred. When the liability is initially recorded, the entity capitalizes the cost of the asset retirement obligation by increasing the carrying amount of the related long-lived asset. Over time, the liability is accreted to its present value each period, and the capitalized cost is depreciated over the useful life of the related asset.

The Company has determined it does not have a material legal obligation to remove long-lived assets, and accordingly, there have been no liabilities recorded for the years ended December 31, 2014 and 2013.

Long-Lived Assets

The Company would provide for impairment losses on long-lived assets when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amount. Based on current conditions, management does not believe any of its long-lived assets are impaired.

Income Taxes

The Company files a consolidated tax return with its subsidiary for income tax purposes. For financial reporting purposes, income taxes are presented as if each member of the consolidated group were a separate taxpayer.

Income taxes are accounted for using a liability method and provide for the tax effects of transactions reported in the consolidated financial statements including both taxes currently due and deferred. Deferred taxes are adjusted to reflect deferred tax consequences at current enacted tax rates. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred taxes arise from differences between the book and tax basis of plant assets and certain investments. The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible, when the assets and liabilities are recovered or settled.

Revenue Recognition

The Company recognizes revenues when earned regardless of the period in which they are billed. The Company is required to provide telephone service to subscribers within its defined service territory.

Local network service, video and internet revenues are recognized over the period a subscriber is connected to the network.

**AYRSHIRE FARMERS MUTUAL TELEPHONE COMPANY  
AYRSHIRE, IOWA**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2014 and 2013**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Revenue Recognition (Continued)

Network access revenues are derived from charges for access to the Company's local exchange network. The interstate portion of access revenues is based on an average schedule company settlement formula administered by the National Exchange Carrier Association (NECA) which is regulated by the FCC. The intrastate portion of access revenues are billed based upon an individual company tariff access charge structure filed with the Iowa Utilities Board (IUB). The tariffs developed from this structure are used to charge the connecting carrier and recognize revenues in the period the traffic is transported based on the minutes of traffic carried.

In accordance with tariffs filed with the FCC by the National Exchange Carriers Association (NECA), the Company recognizes the regulated portion of internet revenue as network access services and the non-regulated portion of internet revenue as internet services in the statement of operations. Revenue billed to customers for internet included in network access services totaled [REDACTED] respectively.

The Company recognizes taxes charged to customers on a net basis in the consolidated statements of operations.

Fair Value Measurements

The Company determines the fair value of its financial assets and liabilities based on the fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The following three levels of inputs may be used to measure fair value:

- Level 1 Quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.
- Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Reclassifications

Certain reclassifications have been made to the 2013 consolidated financial statements to conform with the 2014 presentation.

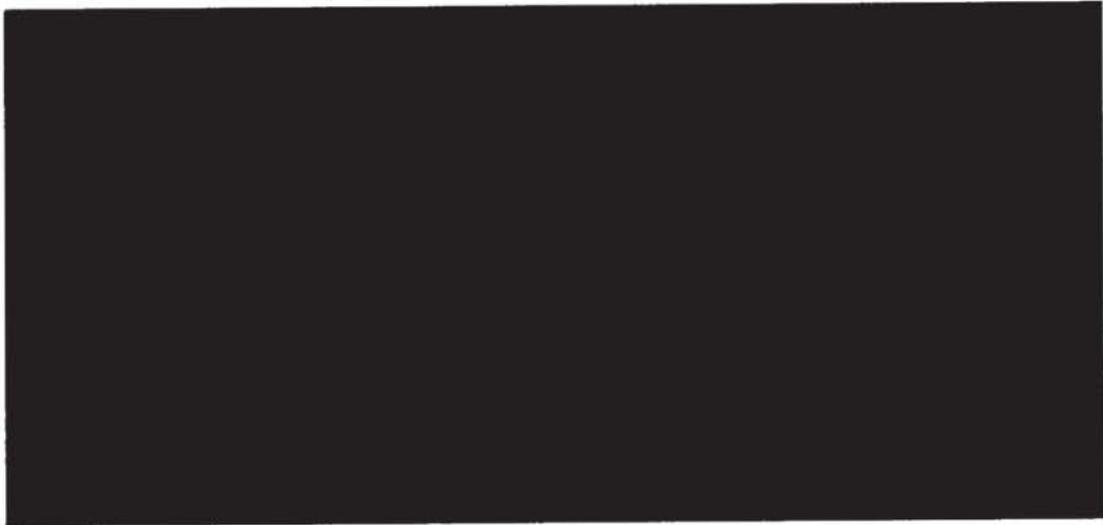
**AYRSHIRE FARMERS MUTUAL TELEPHONE COMPANY  
AYRSHIRE, IOWA**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2014 and 2013**

**NOTE 2. LONG-TERM INVESTMENTS**

The amortized cost and fair value of available-for-sale securities are as follows:

	<u>Amortized Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>
<u>December 31, 2013</u>				
Available-for-sale equity securities:				
Mutual funds - domestic				
Mutual funds - international				
Total				
Amounts classified as:				
Long-term investments				



**AYRSHIRE FARMERS MUTUAL TELEPHONE COMPANY  
AYRSHIRE, IOWA**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2014 and 2013**

**NOTE 3. OTHER INVESTMENTS**

Other investments include the following:

	2014	2013
		
		

**AYRSHIRE FARMERS MUTUAL TELEPHONE COMPANY  
AYRSHIRE, IOWA**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2014 and 2013**

**NOTE 3. OTHER INVESTMENTS (Continued)**



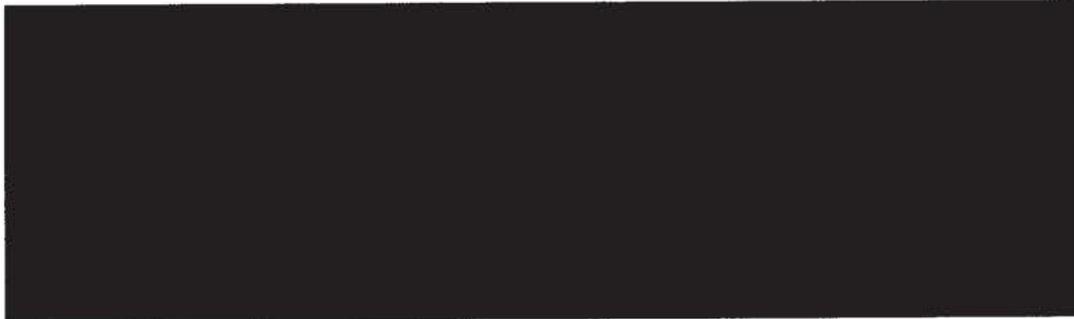
**NOTE 4. NOTES RECEIVABLE**



**AYRSHIRE FARMERS MUTUAL TELEPHONE COMPANY  
AYRSHIRE, IOWA**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2014 and 2013**

**NOTE 5. INTANGIBLES**



**NOTE 6. PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment includes the following:

	<u>2014</u>	<u>2013</u>
Telephone plant in service:		
Land		
Buildings		
Other general support assets		
Central office assets		
Cable and wire facilities		
Other plant and equipment		
Subtotal		
Video plant in service:		
Land		
Towers, antennas and head end equipment		
Cable and wire facilities		
Other plant and equipment		
Subtotal		
Total property, plant and equipment		



**AYRSHIRE FARMERS MUTUAL TELEPHONE COMPANY  
AYRSHIRE, IOWA**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2014 and 2013**

**NOTE 7. INCOME TAXES**

Income taxes reflected in the Consolidated Statements of Operations consist of the following:

	<u>2014</u>	<u>2013</u>
Federal income taxes:		
Current tax expense (benefit)		
Deferred tax expense (benefit)		
State income taxes:		
Current tax expense (benefit)		
Deferred tax expense (benefit)		
Total income tax expense (benefit)		

Deferred federal and state tax liabilities and assets reflected in the Consolidated Balance Sheets are summarized as follows:



The tax provision differs from the expense that would result from applying the federal statutory rates to operations before income taxes because of state income taxes being deductible in determining taxable income and the Company is permitted to exclude from taxable income a portion of dividends received during the year.

The Company has evaluated its income tax positions and has determined that there are no uncertain income tax positions that need to be recorded or reported in the financial statements at December 31, 2014.

**AYRSHIRE FARMERS MUTUAL TELEPHONE COMPANY  
AYRSHIRE, IOWA**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2014 and 2013**

**NOTE 7. INCOME TAXES (Continued)**

The Company's federal and state income tax returns for years 2011 to present remain subject to examination.

**NOTE 8. EMPLOYEE BENEFIT PLAN**



**NOTE 9. TREASURY STOCK**

Treasury stock is shown at cost and consists of 90 shares of common stock for both 2014 and 2012. The Company is holding these shares as treasury stock until the ultimate disposition of the reacquired shares is decided.

**NOTE 10. CONCENTRATIONS OF CREDIT RISK**

The Company grants credit to customers, all of whom are located in the franchised service area, and telecommunications intrastate and interstate long distance carriers.

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash, cash equivalents and investments. The Company places its cash, cash equivalents and investments in several financial institutions which limits the amount of credit exposure in any one financial institution.

The Company maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant credit risk on cash and cash equivalents.

**NOTE 11. REGULATORY MATTERS**

The Company received 56% of its 2014 revenues from access revenues and assistance provided by the Federal Universal Service Fund. As a result of the National Broadband Plan the manner in which access revenues and Universal Service Funds are determined has been modified by the Federal Communications Commission in an order effective December 29, 2011. Among other things, this order provides for (1) a requirement to provide broadband services; (2) the establishment of a Connect America Fund (CAF) to replace current USF and high cost support mechanisms with a cap on the total fund; (3) modifications to the current rate of return support model including caps on the recovery of certain expenditures; (4) a reduction in the terminating access charges billed by the Company over a nine year period with eventual transition to a bill-and-keep framework for the exchange of traffic between carriers; (5) a new access recovery charge on monthly customer bills; and (6) a national framework for reporting and oversight.

**AYRSHIRE FARMERS MUTUAL TELEPHONE COMPANY  
AYRSHIRE, IOWA**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2014 and 2013**

**NOTE 11. REGULATORY MATTERS (Continued)**

The order and subsequent reconsideration orders call for further guidelines to be adopted on implementation and other topics. Portions of this order applicable to the Company are being challenged. Accordingly, neither the outcome of these proceedings nor their potential impact on the Company can be predicted at this time.

**NOTE 12. OPERATING AND MANAGEMENT AGREEMENT**

The Company has an operating and management agreement with Northwest Telephone Cooperative Association (Northwest) to provide management services and labor forces as needed for the operations of the Company. The Company also provides labor forces to Northwest as needed and is reimbursed for these costs. This agreement is in effect until April 30, 2016, but can be terminated by either party upon the fulfillment of certain requirements.

The agreement provides that Northwest shall be responsible for the operations, maintenance and keeping in good condition the Company's plant and equipment, and that Northwest shall receive reimbursement on a monthly basis for the actual cost of construction, maintenance, and operational services rendered. The Company also entered into an agreement with Northwest for payroll services.

**NOTE 13. NONCASH INVESTING ACTIVITIES**



**NOTE 14. RELATED PARTY TRANSACTIONS**



**AYRSHIRE FARMERS MUTUAL TELEPHONE COMPANY  
AYRSHIRE, IOWA**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2014 and 2013**

**NOTE 15. CONTINGENCIES**

The Company is involved in certain contractual disputes in the ordinary course of business. As of December 31, 2014, the Company has received notification from an interexchange carrier disputing the billing of carrier access charges on certain telecommunications traffic. The Company has denied the interexchange carriers' claims. The Company is currently in the process to resolve the dispute with the interexchange carrier and at this time is unable to determine the potential liability, if any, in regards to this dispute.

**SUPPLEMENTARY INFORMATION**



**INDEPENDENT AUDITOR'S REPORT ON  
SUPPLEMENTARY INFORMATION**

To the Board of Directors  
Ayrshire Farmers Mutual Telephone Company and Subsidiary  
Ayrshire, Iowa

We have audited the consolidated financial statements of Ayrshire Farmers Mutual Telephone Company and subsidiary as of and for the years ended December 31, 2014 and 2013, and have issued our report thereon dated April 10, 2015, which contained an unmodified opinion on those consolidated financial statements. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating supplementary information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

*Kiesling Associates LLP*

Emmetsburg, Iowa  
April 10, 2015

**AYRSHIRE FARMERS MUTUAL TELEPHONE COMPANY  
AYRSHIRE, IOWA**

**CONSOLIDATING BALANCE SHEET  
December 31, 2014**

**ASSETS**

	<u>Ayrshire Farmers Mutual Telephone Company</u>	<u>A.T.C. Cablevision, Co.</u>	<u>Intercompany Eliminations</u>	<u>Consolidated</u>
<b>CURRENT ASSETS</b>	<div style="display: flex; justify-content: space-between; padding: 5px;"> <span>Cash and cash equivalents</span> <span>Special construction account</span> <span>Certificates of deposit</span> <span>Accounts receivable:</span> <span style="padding-left: 20px;">Due from customers</span> <span style="padding-left: 20px;">Interexchange carriers</span> <span style="padding-left: 20px;">Affiliate</span> <span style="padding-left: 20px;">Other</span> <span>Refundable income taxes</span> <span>Prepaid income taxes</span> <span>Interest receivable</span> <span>Inventories</span> <span>Prepayments</span> </div> <div style="display: flex; justify-content: space-between; padding: 5px;"> <span><b>OTHER NONCURRENT ASSETS</b></span> </div> <div style="display: flex; justify-content: space-between; padding: 5px;"> <span>Investment in affiliate</span> <span>Other investments</span> <span>Cash surrender value of life insurance</span> <span>Other noncurrent receivables</span> </div> <div style="display: flex; justify-content: space-between; padding: 5px;"> <span><b>PROPERTY, PLANT AND EQUIPMENT</b></span> </div> <div style="display: flex; justify-content: space-between; padding: 5px;"> <span>Telephone plant in service</span> <span>Video plant in service</span> </div> <div style="display: flex; justify-content: space-between; padding: 5px;"> <span>Less accumulated depreciation</span> </div> <div style="display: flex; justify-content: space-between; padding: 5px;"> <span>Plant under construction</span> </div> <div style="display: flex; justify-content: space-between; padding: 5px;"> <span><b>TOTAL ASSETS</b></span> </div>			
Cash and cash equivalents				
Special construction account				
Certificates of deposit				
Accounts receivable:				
Due from customers				
Interexchange carriers				
Affiliate				
Other				
Refundable income taxes				
Prepaid income taxes				
Interest receivable				
Inventories				
Prepayments				
<b>OTHER NONCURRENT ASSETS</b>				
Investment in affiliate				
Other investments				
Cash surrender value of life insurance				
Other noncurrent receivables				
<b>PROPERTY, PLANT AND EQUIPMENT</b>				
Telephone plant in service				
Video plant in service				
Less accumulated depreciation				
Plant under construction				
<b>TOTAL ASSETS</b>				

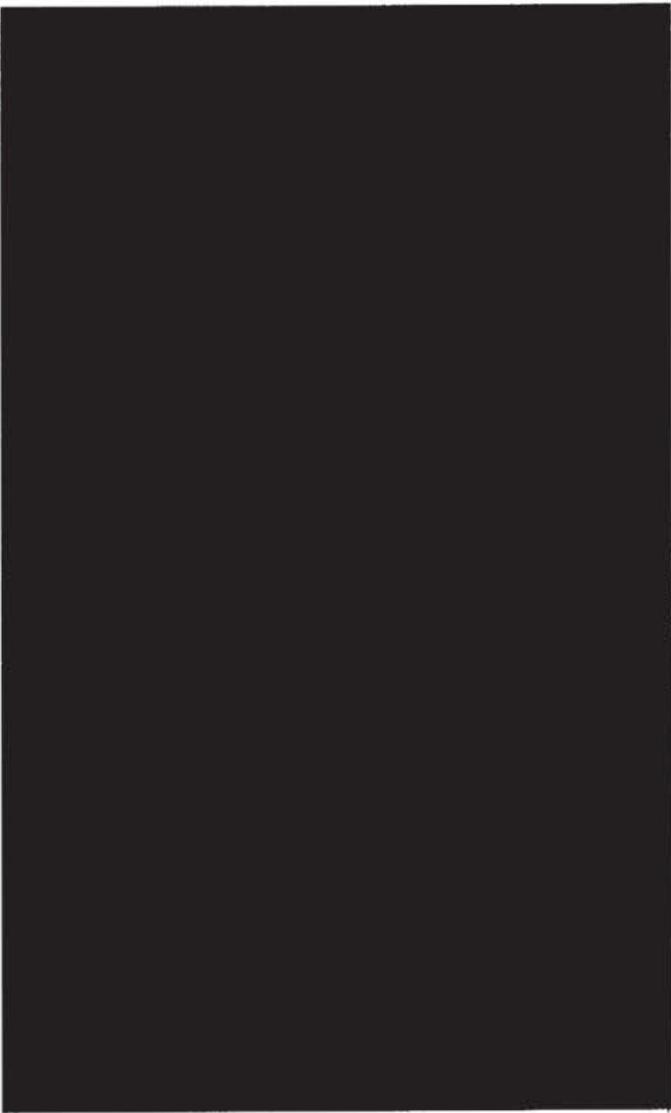
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**AYRSHIRE FARMERS MUTUAL TELEPHONE COMPANY  
AYRSHIRE, IOWA**

**CONSOLIDATING STATEMENT OF OPERATIONS  
Year Ended December 31, 2014**

	<u>Ayrshire Farmers Mutual Telephone Company</u>	<u>A.T.C. Cablevision, Co.</u>	<u>Intercompany Eliminations</u>	<u>Consolidated</u>
<b>OPERATING REVENUES</b>				
Local network services				
Network access services				
Video services				
Internet services				
Miscellaneous				
<b>OPERATING EXPENSES</b>				
Plant specific operations				
Plant nonspecific operations				
Cost of video services				
Cost of internet services				
Depreciation and amortization				
Customer operations				
Corporate operations				
General taxes				
<b>OPERATING LOSS</b>				
<b>OTHER INCOME (EXPENSES)</b>				
Interest and dividend income				
Gain on sale of investment				
Equity earnings (loss) from investments				
Contract revenue, net				
Commissions from Local Long Distance, L.C.				
Other, net				
<b>INCOME BEFORE INCOME TAXES AND EQUITY EARNINGS OF SUBSIDIARY</b>				
<b>INCOME TAX EXPENSE (BENEFIT)</b>				
<b>INCOME BEFORE EQUITY EARNINGS OF SUBSIDIARY</b>				
<b>EQUITY EARNINGS OF SUBSIDIARY</b>				
<b>NET INCOME</b>				



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## CONFIRMATION

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SAC : 351105

SPIN : 143001917

Carrier Name : AYRSHIRE FARMERS MUT

Program Year : 2016

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