

**Venture Communications Cooperative – Western  
(SAC 391688)**

**Progress Report on 5 Year Plan – Community Anchor Institutions**

Western Telephone Company does not have any newly served community anchor institutions because all anchor institutions had broadband service available to them prior to 2014.

REDACTED - FOR PUBLIC INSPECTION

Received & Inspected

JUN 29 2015

FCC Mail Room



Consolidated Financial Statements  
December 31, 2014 and 2013

**Venture Communications  
Cooperative and Subsidiaries**

Venture Communications Cooperative and Subsidiaries

Table of Contents

December 31, 2014 and 2013

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Independent Auditor's Report.....	1
Consolidated Financial Statements	
Consolidated Balance Sheets .....	3
Consolidated Statements of Operations and Comprehensive Income .....	4
Consolidated Statements of Equities.....	5
Consolidated Statements of Cash Flows .....	6
Notes to Consolidated Financial Statements.....	8
Independent Auditor's Report on Supplementary Information .....	23
Supplemental Information	
Consolidated Balance Sheets with Supplementary Consolidating Information.....	24
Consolidated Statements of Operations with Supplementary Consolidating Information.....	26
Consolidated Statements of Cash Flows with Supplementary Consolidating Information .....	28
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 <i>Government Auditing Standards</i> .....	30



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, 2014 and 2013, 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, 2014 and 2013, 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 25, 2015, 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.

*Eide Bailly LLP*

Sioux Falls, South Dakota  
March 25, 2015

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Assets	2014	2013
<b>Current Assets</b>		
Cash and cash equivalents	\$ [REDACTED]	[REDACTED]
Temporary investments in marketable securities	[REDACTED]	[REDACTED]
Accounts receivable, net of allowance	[REDACTED]	[REDACTED]
Other accounts receivable, net of allowance	[REDACTED]	[REDACTED]
Accrued toll and access revenue	[REDACTED]	[REDACTED]
Materials and supplies	[REDACTED]	[REDACTED]
Prepaid expenses	[REDACTED]	[REDACTED]
Interest receivable	[REDACTED]	[REDACTED]
Current maturities of notes receivable	[REDACTED]	[REDACTED]
Total current assets	[REDACTED]	[REDACTED]
<b>Investments and Noncurrent Assets</b>		
Investments in marketable securities	[REDACTED]	[REDACTED]
Other investments	[REDACTED]	[REDACTED]
Investments in limited liability companies	[REDACTED]	[REDACTED]
Intangibles, net of amortization (2014 [REDACTED] 2013 [REDACTED])	[REDACTED]	[REDACTED]
Long-term notes receivable	[REDACTED]	[REDACTED]
Total investments and noncurrent assets	[REDACTED]	[REDACTED]
<b>Telecommunications Plant</b>		
In service	[REDACTED]	[REDACTED]
Acquisition adjustment	[REDACTED]	[REDACTED]
Under construction	[REDACTED]	[REDACTED]
Total investment in plant	[REDACTED]	[REDACTED]
Less accumulated depreciation	[REDACTED]	[REDACTED]
Net plant	[REDACTED]	[REDACTED]
	\$ [REDACTED]	[REDACTED]

Venture Communications Cooperative and Subsidiaries  
 Consolidated Balance Sheets  
 December 31, 2014 and 2013

	2014	2013
<b>Liabilities and Equities</b>		
<b>Current Liabilities</b>		
Current maturities of long-term debt	\$ [REDACTED]	[REDACTED]
Accounts payable	[REDACTED]	[REDACTED]
Accounts payable - construction	[REDACTED]	[REDACTED]
Customer deposits	[REDACTED]	[REDACTED]
Advanced billings	[REDACTED]	[REDACTED]
Accrued taxes - other	[REDACTED]	[REDACTED]
Income taxes payable	[REDACTED]	[REDACTED]
Other current liabilities	[REDACTED]	[REDACTED]
	[REDACTED]	[REDACTED]
Total current liabilities	[REDACTED]	[REDACTED]
<b>Long-Term Debt, Less Current Maturities</b>	[REDACTED]	[REDACTED]
<b>Other Liabilities</b>		
Deferred income taxes	[REDACTED]	[REDACTED]
Deferred credits	[REDACTED]	[REDACTED]
	[REDACTED]	[REDACTED]
Total other liabilities	[REDACTED]	[REDACTED]
<b>Equities</b>		
Patronage capital	[REDACTED]	[REDACTED]
Other allocated patronage	[REDACTED]	[REDACTED]
Other equities	[REDACTED]	[REDACTED]
Current year margins	[REDACTED]	[REDACTED]
Accumulated other comprehensive income	[REDACTED]	[REDACTED]
	[REDACTED]	[REDACTED]
Total equities	[REDACTED]	[REDACTED]
	\$ [REDACTED]	[REDACTED]

Venture Communications Cooperative and Subsidiaries  
 Consolidated Statements of Operations and Comprehensive Income  
 Years Ended December 31, 2014 and 2013

	2014	2013
Operating Revenues		
Local network access	\$ [REDACTED]	[REDACTED]
Network access services	[REDACTED]	[REDACTED]
Cable television revenue	[REDACTED]	[REDACTED]
Internet revenue	[REDACTED]	[REDACTED]
Long distance network services	[REDACTED]	[REDACTED]
Miscellaneous	[REDACTED]	[REDACTED]
Nonregulated telecom and wireless revenue	[REDACTED]	[REDACTED]
Uncollectibles	[REDACTED]	[REDACTED]
Total operating revenues	[REDACTED]	[REDACTED]
Operating Expenses		
Plant specific operations	[REDACTED]	[REDACTED]
Plant nonspecific operations	[REDACTED]	[REDACTED]
Cable television programming	[REDACTED]	[REDACTED]
Depreciation	[REDACTED]	[REDACTED]
Amortization	[REDACTED]	[REDACTED]
Customer operations	[REDACTED]	[REDACTED]
Corporate operations	[REDACTED]	[REDACTED]
Operating taxes, other	[REDACTED]	[REDACTED]
Total operating expenses	[REDACTED]	[REDACTED]
Net Operating Margin	[REDACTED]	[REDACTED]
Nonoperating Margin		
Interest and dividend income	[REDACTED]	[REDACTED]
Allowance for funds used during construction	[REDACTED]	[REDACTED]
Equity in earnings of investees	[REDACTED]	[REDACTED]
Miscellaneous income	[REDACTED]	[REDACTED]
Net nonoperating margin	[REDACTED]	[REDACTED]
Net Margin Before Interest Expense and Income Taxes	[REDACTED]	[REDACTED]
Interest Expense		
Interest on long-term debt	[REDACTED]	[REDACTED]
Net Margin Before Income Taxes	[REDACTED]	[REDACTED]
Provision for Income Taxes	[REDACTED]	[REDACTED]
Net Margin	[REDACTED]	[REDACTED]
Other Comprehensive Income (Loss)		
Unrealized gain (loss) on marketable securities	[REDACTED]	[REDACTED]
Income tax effect on comprehensive income	[REDACTED]	[REDACTED]
Total other comprehensive income (loss)	[REDACTED]	[REDACTED]
Comprehensive Income	\$ [REDACTED]	[REDACTED]

Venture Communications Cooperative and Subsidiaries  
 Consolidated Statements of Equities  
 Years Ended December 31, 2014 and 2013

	Patronage Capital	Other Allocated Capital	Other Equities	Current Margins	Accumulated Other Comprehensive Income	Total
Balance, January 1, 2013	\$					
Assignment of prior year margins						
Net margin						
Retirement of capital credits						
Donated capital credits						
Federal excise tax refund						
Change in unrealized gain on marketable securities, net of deferred taxes						
Balance, December 31, 2013						
Assignment of prior year margins						
Net margin						
Retirement of capital credits						
Donated capital credits						
Change in unrealized gain on marketable securities, net of deferred taxes						
Balance, December 31, 2014	\$					

Venture Communications Cooperative and Subsidiaries  
 Consolidated Statements of Cash Flows  
 Years Ended December 31, 2014 and 2013

	2014	2013
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]
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]
Change in deferred credits	[REDACTED]	[REDACTED]
<b>Net Cash from Operating Activities</b>	<b>[REDACTED]</b>	<b>[REDACTED]</b>
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]
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]
Payments received on notes receivable	[REDACTED]	[REDACTED]
	[REDACTED]	[REDACTED]
<b>Net Cash used for Investing Activities</b>	<b>[REDACTED]</b>	<b>[REDACTED]</b>
Financing Activities		
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]
	[REDACTED]	[REDACTED]
<b>Net Cash used for Financing Activities</b>	<b>[REDACTED]</b>	<b>[REDACTED]</b>
<b>Net Change in Cash and Cash Equivalents</b>	<b>[REDACTED]</b>	<b>[REDACTED]</b>
Cash and Cash Equivalents - Beginning of Period	[REDACTED]	[REDACTED]
<b>Cash and Cash Equivalents - End of Period</b>	<b>\$ [REDACTED]</b>	<b>[REDACTED]</b>

Venture Communications Cooperative and Subsidiaries  
Consolidated Statements of Cash Flows  
Years Ended December 31, 2014 and 2013

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	<u>2014</u>	<u>2013</u>
Supplemental Disclosures of Cash Flow Information		
Cash payments for interest	\$ [REDACTED]	[REDACTED]
Cash payments for income taxes	\$ [REDACTED]	[REDACTED]
Non-Cash Investing and Financing Activities		
Accounts payable for plant additions	\$ [REDACTED]	[REDACTED]

## Venture Communications Cooperative and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2014 and 2013

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

#### **Nature of Operations**

Venture Communications Cooperative and Subsidiaries (collectively 'the Cooperative') principal businesses are providing local telephone and [REDACTED] 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 its wholly owned subsidiaries Western Telephone Company and [REDACTED]. 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.

On January 1, 2015, the assets and operations of Western Telephone Company and [REDACTED] were merged with the Cooperative.

#### **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 ■ to ■ 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 ■ and ■ as of December 31, 2014 and 2013, respectively. The ■ in the allowance for uncollectible accounts is discussed in Note 16.

### **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 Cooperative 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.

## Venture Communications Cooperative and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2014 and 2013

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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, 2014 and 2013.

### **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.

Venture Communications Cooperative and Subsidiaries  
Notes to Consolidated Financial Statements  
December 31, 2014 and 2013

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**Revenue Recognition**

Revenue from local telephone network, [REDACTED] s 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, [REDACTED] on account to its customers located in [REDACTED] and [REDACTED] 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 2014 and 2013, the Cooperative received approximately [REDACTED] and [REDACTED] respectively, of its operating revenues from access revenues and [REDACTED] by the [REDACTED]. The manner in which access revenues and revenues from the [REDACTED] are determined is currently being modified by regulatory bodies.

The Cooperative maintains cash and cash equivalent balances in [REDACTED] 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.

[REDACTED]  
The Cooperative has customers in South Dakota and [REDACTED]. The Cooperative [REDACTED] its customers and remits the entire amount to the [REDACTED]. The Cooperative's accounting policy is to [REDACTED] revenue and cost of revenue.

Venture Communications Cooperative and Subsidiaries  
Notes to Consolidated Financial Statements  
December 31, 2014 and 2013

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[REDACTED]

The Cooperative is [REDACTED] under [REDACTED]; however, based upon guidance contained in a [REDACTED], the Cooperative does not meet the [REDACTED].

The Cooperative files a consolidated [REDACTED] with its subsidiary. The subsidiary is subject to [REDACTED] as a fully [REDACTED]. Deferred [REDACTED] are established for all temporary differences resulting from the use of different accounting methods reported for financial accounting and [REDACTED], principally equity investments. [REDACTED] assets and liabilities are measured using [REDACTED] expected to apply to [REDACTED] 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 [REDACTED] in currently open [REDACTED] and determined that there are no material uncertainties within its [REDACTED]. As of December 31, 2014 and 2013, the unrecognized [REDACTED]. The Cooperative would recognize future accrued interest and penalties related to [REDACTED] if incurred. Generally, the Cooperative is no longer subject to [REDACTED] for years prior to 2011.

#### **Reclassifications**

Certain reclassifications have been made to the 2013 financial statement presentation to conform to the 2014 presentation. These reclassifications had no impact on consolidated net margins.

#### **Subsequent Events**

The Cooperative has evaluated subsequent events through March 25, 2015 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, 2014 and 2013

**Note 2 - Marketable Securities**

Available-for-sale securities:

	2014	2013
Current	\$ [REDACTED]	[REDACTED]
Non-current	[REDACTED]	[REDACTED]
	\$ [REDACTED]	[REDACTED]

	2014		
	Cost	Unrealized Gain/(Loss)	Fair Value
Municipal bonds	\$ [REDACTED]	[REDACTED]	[REDACTED]
Corporate bonds	[REDACTED]	[REDACTED]	[REDACTED]
Certificates of deposit	[REDACTED]	[REDACTED]	[REDACTED]
Common stock and mutual funds	[REDACTED]	[REDACTED]	[REDACTED]
	\$ [REDACTED]	[REDACTED]	[REDACTED]

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

Venture Communications Cooperative and Subsidiaries  
Notes to Consolidated Financial Statements  
December 31, 2014 and 2013

**Note 3 - Fair Value Measurements**

The related fair values are determined as follows:

	Level 1	Level 2	Level 3	Total
December 31, 2014				
Assets:				
Marketable securities	\$ <span style="background-color: black; color: black;">██████████</span>	<span style="background-color: black; color: black;">██</span> <span style="background-color: black; color: black;">██████████</span> <span style="background-color: black; color: black;">██</span>	<span style="background-color: black; color: black;">██</span> <span style="background-color: black; color: black;">██████████</span> <span style="background-color: black; color: black;">██</span>	<span style="background-color: black; color: black;">██████████</span>
December 31, 2013				
Assets:				
Marketable securities	\$ <span style="background-color: black; color: black;">██████████</span>	<span style="background-color: black; color: black;">██</span> <span style="background-color: black; color: black;">██████████</span> <span style="background-color: black; color: black;">██</span>	<span style="background-color: black; color: black;">██</span> <span style="background-color: black; color: black;">██████████</span> <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, 2014 and 2013.

The Cooperative has fixed-rate long term debt financial instruments as of December 31, 2014 and 2013. 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, 2014 and 2013.

Venture Communications Cooperative and Subsidiaries  
 Notes to Consolidated Financial Statements  
 December 31, 2014 and 2013

**Note 4 - Other Investments**

	2014	2013
Rural Telephone Finance Cooperative		
Patronage capital allocations	\$ [REDACTED]	[REDACTED]
Membership fee	[REDACTED]	[REDACTED]
[REDACTED] - common stock (at cost)	[REDACTED]	[REDACTED]
[REDACTED] - common stock (at cost)	[REDACTED]	[REDACTED]
[REDACTED] - common stock (at cost)	[REDACTED]	[REDACTED]
[REDACTED] patronage capital	[REDACTED]	[REDACTED]
[REDACTED] from other cooperatives	[REDACTED]	[REDACTED]
Cash surrender value of life insurance	[REDACTED]	[REDACTED]
Memberships and other investments	[REDACTED]	[REDACTED]
LMDS licenses (at cost, less impairment allowance)	[REDACTED]	[REDACTED]
	\$ [REDACTED]	[REDACTED]

**Note 5 - Notes Receivable**

Notes receivable represent obligations to the Cooperative in conjunction with the Rural Economic Development Loan & Grant (REDLG) program. The instruments are repayable in monthly installments over a [REDACTED] period at [REDACTED] interest. The amounts were funded by a [REDACTED] loan from REDLG in the original amount of [REDACTED] along with a [REDACTED] grant that has been recorded in other equities.

Venture Communications Cooperative and Subsidiaries  
Notes to Consolidated Financial Statements  
December 31, 2014 and 2013

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

	2014	2013
[REDACTED]	[REDACTED]	[REDACTED]
	\$ [REDACTED]	[REDACTED]

Summarized financial information of the significant equity method investees as of December 31, 2014, are as follows:

	[REDACTED]
Revenues	[REDACTED]
Expenses	\$ [REDACTED]
Net income (loss)	[REDACTED]
Assets	\$ [REDACTED]
Liabilities	[REDACTED]
Equity	[REDACTED]

[REDACTED] provides centralized equal access services and access to leased transport facilities. The Cooperative's share of [REDACTED] was [REDACTED] and [REDACTED] in 2014 and 2013, respectively. The Cooperative received distributions from [REDACTED] of [REDACTED] and [REDACTED] in 2014 and 2013, respectively. The Cooperative also leases capacity of certain telecommunications plant on a short term basis to customers through [REDACTED]. [REDACTED] paid the Cooperative approximately [REDACTED] and [REDACTED] for the use of the Cooperative's network during 2014 and 2013, respectively, and is recorded as miscellaneous revenue in the consolidated statements of operations and comprehensive income.

[REDACTED] are joint ventures that were created to explore and develop [REDACTED] systems. The Cooperative recorded [REDACTED] from these entities totaling [REDACTED] and [REDACTED] in 2014 and 2013, respectively. The Cooperative invested [REDACTED] in these entities in 2014.

Venture Communications Cooperative and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2014 and 2013

**Note 7 - Intangibles**

	2014			2013
	Cost	Accumulated Amortization	Net	Net
Customer list	\$ [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

The excess of the Western Telephone purchase price over the estimated fair value of net assets acquired was allocated to intangible assets - customer lists. These intangibles were being amortized over an [REDACTED] period on a straight-line basis. During 2014, the Cooperative determined the [REDACTED] on this [REDACTED] totaled [REDACTED] and [REDACTED] for the years ended December 31, 2014 and 2013, respectively. The change resulted in an [REDACTED] of approximately [REDACTED] during the year ended December 31, 2014.

**Note 8 - Telecommunications Plant and Depreciation**

	Depreciation/ Amortization Rates	2014	2013
Land and support assets	[REDACTED]	[REDACTED]	[REDACTED]
Central office switching	[REDACTED]	[REDACTED]	[REDACTED]
Central office transmission	[REDACTED]	[REDACTED]	[REDACTED]
Information origination and termination	[REDACTED]	[REDACTED]	[REDACTED]
Cable and wire facilities	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Organization costs	[REDACTED]	[REDACTED]	[REDACTED]
Original cost of plant in service	[REDACTED]	[REDACTED]	[REDACTED]
Acquisition adjustment	[REDACTED]	[REDACTED]	[REDACTED]
Plant in service	[REDACTED]	[REDACTED]	[REDACTED]
Plant under construction	[REDACTED]	[REDACTED]	[REDACTED]
Total plant		\$ [REDACTED]	\$ [REDACTED]

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 [REDACTED] and [REDACTED] was [REDACTED] for the years ended December 31, 2014 and 2013, respectively. During 2014, the Cooperative determined that the acquisition adjustment assets will be retired earlier than the original estimated life. Accordingly, the amortizable life of the related assets was changed to the expected useful life effective January 1, 2014. The change resulted in an [REDACTED] in [REDACTED] of approximately [REDACTED] during the year ended December 31, 2014.

Venture Communications Cooperative and Subsidiaries  
Notes to Consolidated Financial Statements  
December 31, 2014 and 2013

**Note 9 - Long -Term Debt**

	2014	2013
Rural Utilities Service (RUS) mortgage notes		
[REDACTED] notes due in quarterly installments through 2018	\$ [REDACTED]	[REDACTED]
[REDACTED] notes due in monthly installments through 2016	[REDACTED]	[REDACTED]
[REDACTED] notes due in monthly installments through 2016	[REDACTED]	[REDACTED]
[REDACTED] note due in quarterly installments through 2018	[REDACTED]	[REDACTED]
[REDACTED] note due in quarterly installments through 2027	[REDACTED]	[REDACTED]
[REDACTED] note due in quarterly installments through 2027	[REDACTED]	[REDACTED]
[REDACTED] note due in quarterly installments through 2028	[REDACTED]	[REDACTED]
[REDACTED] note due in quarterly installments through 2028	[REDACTED]	[REDACTED]
[REDACTED] note due in quarterly installments through 2028	[REDACTED]	[REDACTED]
USDA (BIP loan program)		
[REDACTED] note due in quarterly installments through 2032	[REDACTED]	[REDACTED]
[REDACTED] note due in quarterly installments through 2032	[REDACTED]	[REDACTED]
[REDACTED] note due in quarterly installments through 2032	[REDACTED]	[REDACTED]
USDA (REDLG program)		
[REDACTED] note due in [REDACTED] monthly installments through 2022	[REDACTED]	[REDACTED]
Long-term debt	[REDACTED]	[REDACTED]
Less current maturities	[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	[REDACTED]	USDA	Total
2015	\$ [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2016	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2017	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2018	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2019	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

All loan funds advanced by RUS and [REDACTED] are deposited in a [REDACTED] account, the disbursements from which are restricted by the provisions of the loan agreement to purposes approved by RUS and [REDACTED]. There were unadvanced loan funds available to the Cooperative of [REDACTED] from [REDACTED] as of December 31, 2014. The mortgage provisions restrict the Cooperative's debt limit to [REDACTED].

Venture Communications Cooperative and Subsidiaries  
 Notes to Consolidated Financial Statements  
 December 31, 2014 and 2013

**Note 10 - Deferred Credits**

	2014	2013
Unclaimed checks	\$ [REDACTED]	[REDACTED]
Deferred revenue	[REDACTED]	[REDACTED]
	\$ [REDACTED]	[REDACTED]

**Note 11 - Patronage Capital**

	2014	2013
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] the net margins of the prior calendar year.

**Note 12 - Other Equities**

	2014	2013
Unallocated nonoperating margins	\$ [REDACTED]	[REDACTED]
Rural Economic Development Grant	[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 [REDACTED] 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 [REDACTED] is [REDACTED] and the [REDACTED]

Venture Communications Cooperative and Subsidiaries  
Notes to Consolidated Financial Statements  
December 31, 2014 and 2013

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 [REDACTED] in 2014 and 2013 represented less than [REDACTED] of the total contributions made to the plan by all participating employers. The Cooperative made contributions to the plan of approximately [REDACTED] in 2014 and [REDACTED] in 2013. There have been no significant changes that affect the comparability of 2014 and 2013 contributions.

In the [REDACTED], 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, 2013 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 [REDACTED] 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:

	2014	2013
Income tax expense consists of the following		
Current payable	\$ [REDACTED]	[REDACTED]
Alternative minimum tax credit carryforward used	[REDACTED]	[REDACTED]
Deferred - accelerated depreciation - [REDACTED]	[REDACTED]	[REDACTED]
Deferred - amortization of [REDACTED]	[REDACTED]	[REDACTED]
Deferred - accelerated depreciation - Western plant	[REDACTED]	[REDACTED]
Deferred - timing differences from equity investments	[REDACTED]	[REDACTED]
Provision for income taxes	\$ [REDACTED]	[REDACTED]