

REDACTED – FOR PUBLIC INSPECTION

Smithville Communications Inc.
Five Year Service Quality Improvement Plan Progress Report
For the 2015 Reporting Year
Per 47 CFR § 54.313(a)(1)

I. DISCUSSION

Smithville Communications Inc., an ETC designated by the Indiana Utility Regulatory Commission, hereby submits this five year service quality improvement plan progress report (*Progress Report*) as required by 47 CFR § 54.313(a)(1). The Company is an incumbent carrier with service area(s) in the state Indiana, with [REDACTED] customers in 12 exchanges as of 12/31/2014. Smithville Communications Inc. is a rate-of-return (RoR) regulated carrier.

The *Progress Report* reflected herein represents the Company's ongoing efforts to expand high quality, reasonably-priced broadband services throughout its service area. The Company generated and filed in 2014 a five-year plan in compliance with the Commission's rules, although the out years in the plan (years 3-5) are highly speculative in nature and thus will likely change, sometimes substantially, in future progress updates filed with the Commission. Reasons for the speculative nature of years 3-5 of the Plan include (1) the unknown nature of universal service support in those years, in light of the Commission's USF/ICC Transformation Order, (2) the difficulty in forecasting customer counts, demand, and other factors directly affecting network demand, and (3) the rapid pace of technological innovations in the communications industry makes it difficult to plan more than one or two years in advance with any degree of accuracy.

The *Progress Report* presented herein by necessity includes expenditures not directly tied to "improvements or upgrades" of the Company's network, such as amounts for the maintenance and upkeep of existing telecommunications plant. In order for the Commission to accurately consider the capital and operating expenditures as related to and supported by the federal universal service programs, these types of costs are critical for such an understanding.

II. Five Year Plan Update

The Company has updated the five year service quality improvement plan it filed in 2014 as described below. The main reason for any updates to its five year service quality improvement plan relates to the Company's revisions to capital and operating expense budgets due to a number of factors, including, but not limited to, market changes, regulatory requirements and uncertainty, and technological advancements.

Description	2015 (Jul-Dec)	2016	2017	2018	2019
CapEx	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
OpEx	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Fiber is being built to data service access equipment that is currently serviced by cooper. The process of replacing legacy data serving access equipment with Calix equipment has also begun. This will increase the available bandwidth to each access shelf resolving current congestion issues and providing customers with higher data speeds and a more reliable service. The costs and estimated year to complete are highly tentative due to the high level of uncertainty related to the unknown funding model. Also, future regulatory support, specifically the potential changes to the High-Cost Loop and Interstate Common Line Support.

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Five Year Service Quality Improvement Plan Progress Report
For the 2015 Reporting Year
Per 47 CFR § 54.313(a)(1)

III. Progress Report

A. Maps

Section 54.313(a)(1) requires that all recipients of high cost support are to provide maps depicting the progress made during the current reporting period. The Company is providing a map showing progress in regards to its five year service quality plan through June 30, 2015, and is provided at the wire center or census block level, as applicable.

B. Universal Service Support Received

Section 54.313(a)(1) requires that all recipients of high-cost support provide an explanation of how much universal service support was received during the reporting period. For this year's Progress Report, the amount of universal service support received will be for the 6 months ended June 30, 2015. The Company received the following universal service support amounts during the period January 1, 2015 through June 30, 2015:

Description	Amount Rec'd Jan - Jun 2015
High Cost Loop Support	[REDACTED]
Safety Valve Support	[REDACTED]
Safety Net Additive Support	[REDACTED]
Interstate Common Line Support	[REDACTED]
CAF/ICC Support	[REDACTED]
Total	[REDACTED]

[REDACTED] Of the total amount of support received shown above, the Company estimates that approximately [REDACTED] was used for capital expenditures and [REDACTED] was used for operating expenditures.

C. How Universal Service Support Was Used

Section 54.313(a)(1) also requires all recipients of high-cost support to provide an explanation of how the universal service support received was used to improve service quality, coverage, or capacity. The universal service support received by the Company is either based on (1) actual overall revenue requirements, as determined by associated FCC rules, or (2) the replacement of certain interstate and intrastate access revenues. This support is added to the Company's general funds and the expenditure of such support is not separately tracked, nor is it practical to do so.

Overall, any support expended pursuant to the investment and operating expense budgets presented in the Company's five year service quality improvement plan will be used to increase coverage and capacity, via additional investment in voice and broadband-capable infrastructure, and improve service quality, via expenditures for continued operations and maintenance. By the very nature of the FCC rules that give rise to the universal service support received, the Company clearly expends such funding to support regulated operations and thus serves to improve broadband and voice coverage, capacity and service quality.

Therefore, due to the reimbursement nature of the HCLS and ICLS mechanisms, all support received was already expended to increase coverage, capacity and service quality improvement through qualifying capital investments and the qualifying operating expenses that support them.

D. Network Improvement Targets

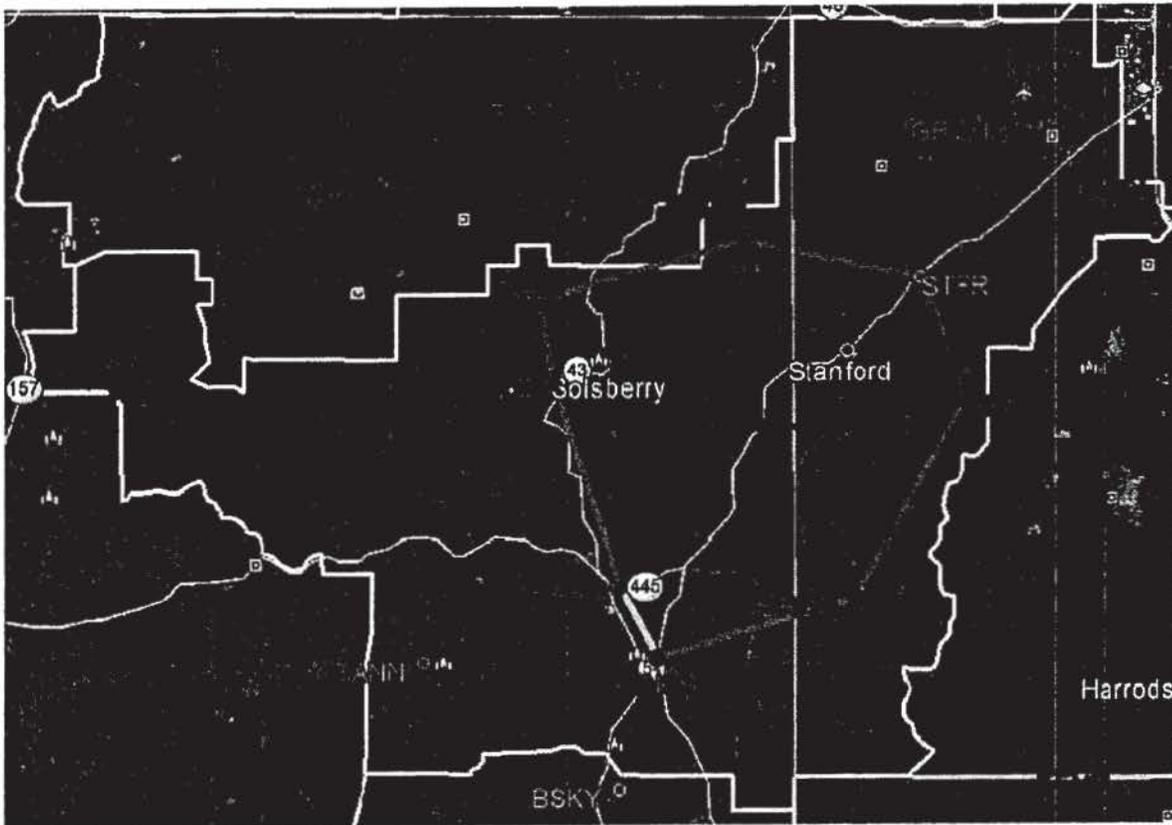
Section 54.313(a)(1) requires all recipients of high cost support to provide an explanation of any network improvement targets that have not been fulfilled in the prior calendar year. Since the Company filed its initial five year service quality improvement plan in 2014, there is no prior calendar year upon which to report at this time.

IV. Considerations

The investment and service quality improvement plan and progress report discussed above were generated, in part, to meet or exceed the broadband public interest obligations adopted by the Commission:

- *Speed* - at least 10 mbps upstream and 1 mbps downstream in regards to requests for service beginning in 2015. This reflects the Commission's recent decision to increase the standard broadband speed from 4 mbps /1 mbps.
- *Latency* - 100mS or less, sufficient for real-time applications
- *Capacity* – The Company currently provides unlimited usage allowance to its broadband service customers.
- As an RoR-regulated carrier, the Company is required pursuant to 47 CFR § 54.313(f)(1)(i) to provide broadband service at 10 meg/1 meg upon reasonable request and within a reasonable timeframe. As a result, the Plan and Progress Report reflected herein takes into account this requirement by meeting all such requests for broadband service within the overall service guidelines adopted by the Indiana Utility Regulatory Commission.
- The Company will provide high speed internet and telephone service to all areas within its franchised area.

Smithville Communications Inc.
Progress Report Map



Re: Unfulfilled Broadband Service Requests Resolution:

Fiber is being built to data service access equipment that is currently serviced by cooper. The process of replacing legacy data serving access equipment with Calix equipment has begun. This will increase the available bandwidth to each access shelf resolving current congestion issues and providing customers with higher data speeds and a more reliable service.



Annual Reporting for High-Cost & Low-Income Recipients
47 C.F.R. §54.313 (a)(5) and 47 C.F.R § 54.422 (b)(3)
Smithville Communications, Inc.

§54.313(a)(5) & 54.422 (b)(3)-COMPLIANCE WITH SERVICE QUALITY STANDARDS AND CONSUMER PROTECTION RULES

Service Quality Standards and Consumer Protection Rules Annual Certification

<u>Darby A. McCarty</u>	<u>President</u>	<u>Smithville Communications, Inc.</u>
Printed Name of Officer	Title of Officer	Company Name

I am authorized to provide this certification on behalf of the Company. I hereby certify that the Company is in compliance with applicable service quality standards and consumer protection rules.

Executed on

6/23/2015

Date

Signature

Darby A. McCarty

Printed/Typed Name

Darby A. McCarty

FCC Form 481

Line 510 – Description of Compliance with Service Quality Standards and Consumer Protection

Smithville Communications Inc. maintains compliance with service quality standards through the use of a variety of tools, including:

1. daily, weekly, and monthly detailed service quality reports;
2. ongoing employee service quality training;
3. regular follow-up inspections of service installation and repairs;
4. proactive maintenance programs;
5. installation of the latest technologies, such as fiber and IP-based equipment;
6. extensive network monitoring equipment; and,
7. 24/7/365 service repair availability

Smithville Communications Inc. maintains compliance with consumer protection rules through the use of a variety of tools, including:

1. ongoing employee training on consumer protection rules;
2. working with industry experts to identify and incorporate consumer protection best practices into our processes;
3. automated systems using the latest security measures to protect sensitive data;
4. monitoring of customer service calls with customers; and,
5. regular updates to senior management on consumer protection activities



Annual Reporting for High-Cost & Low-Income Recipients
47 C.F.R. §54.313(a)(6), 47 C.F.R. § 54.422 (b)(3), & 47 C.F.R §54.202 (a)(2)

Smithville Communications Inc.

§54.313(a)(6), §54.422(b)(3), & 54.202(a)(2)-ABILITY TO FUNCTION IN EMERGENCY SITUATIONS

Ability to Function in Emergency Situations Annual Certification

<u>Darby A. McCarty</u>	<u>President</u>	<u>Smithville Communications, Inc.</u>
Printed Name of Officer	Title of Officer	Company Name

I am authorized to provide this certification on behalf of the Company. I hereby certify that the Company is capable of functioning in emergency situations. The Company has a reasonable amount of back-up power to ensure functionality without an external power source, is able to reroute traffic around damaged facilities, and is capable of managing traffic spikes resulting from emergency situations.

Executed on 6/23/2015
Date

Signature Darby A. McCarty

Printed/Typed Name Darby A. McCarty

Ability to Function in Emergency Situations 47 C.F.R. §54.313(a)(6)

Smithville Telephone Company, Inc., dba: Smithville Communication (“Company”) hereby certifies that it is able to function in emergency situations as set forth in the Code of Federal Regulations, Title 47, Part 54, Subpart C, §54.202(a)(2). The Company’s network is designed to remain functional in emergency situations without an external power source, is able to reroute traffic around damaged facilities, and is capable of managing traffic spikes resulting from emergency situations as required by Section 54.202(a)(2). The Company can change call routing translations as needed to reroute traffic around damaged facilities. Changing call routing translations will also allow the Company to manage traffic spikes throughout its network, as emergency situations require.

Each central office building is supplied with standby generators and battery reserve that enable it to keep running until power is restored so long as fuel is available, or until system changes are made to reroute traffic. The Company has battery backup at all office locations and in its electronic equipment sites and has a maintenance program in place. For remotes and cabinets without generators, a plan is in place to recharge the battery plants with portable generators.

In the event of a fiber cut or equipment failure, the voice and data network is designed to provide automatic rerouting of traffic through the use of rings. The Company has two data centers that provide redundancy for critical servers. Multiple upstream connections provide survivability in the event of network or fiber disruptions outside the Company’s network.

Critical core production data (billing, customer, and plant) on the Company’s AS400 is saved nightly on tape and stored onsite in a fireproof (Fire King) file cabinet. This data is also copied nightly to an AS400 at the Company’s disaster recovery location. The entire AS400 system is saved weekly and physically moved offsite to a fireproof file cabinet. All other network data is backed up to tape on a nightly, weekly and monthly basis. Backup tapes are rotated offsite to a fireproof file cabinet. In addition, there is a one-way replication from the production network to the Company’s disaster recovery network daily.



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RATE FLOOR DATA COLLECTION - OMB Control Number 3060-0986

Block 1 - Contact Information			
ROW #	DATA ELEMENT	FORMAT OF REQUESTED DATA	RESPONSE
1	Carrier Study Area Code	6 numeric digits	320818
2	Carrier Study Area Name	alpha characters	SMITHVILLE COMM, INC. DBA SMITHVILLE TEL. CO.
3	Service Provider Identification Number	9 numeric digits	143001756
4	Residential Local Service Charge Effective Date	mm/dd/yy	07/01/15
5	Contact Name	alpha characters	Wall, Stephanie D
6	Contact Telephone Number (include area code)	9 numeric digits	812-935-2215
7	Sheet Number	numeric digit(s)	
8	Total Number of Sheets	numeric digit(s)	

Block 2- Residential Local Service Rates, Fees, and Line Counts

	Column 1 Residential Local Service Charge	Column 2 State Subscriber Line Charge	Column 3 State Universal Service Fee	Column 4 Mandatory Extended Area Service Charge	Column 5 Loops	Column 6 Exchange Name/ Zone Name	Column 7 Class Of Service
9						383/Hymera	Residential
10						659/Lyons	Residential
11						824/Smithville	Residential
12						825/Stanford	Residential
13						837/Lake Monroe	Residential
14						851/Griffin	Residential
15						863/Owensburg	Residential
16						876/Elettsville	Residential
17						879/Gosport	Residential
18						935/Elettsville	Residential
19						936/French Lick	Residential
20						963/Sharpsville	Residential
21						994/Lizton	Residential

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USDA-RUS OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS	BORROWER DESIGNATION IN0503
	PERIOD ENDING December, 2014
INSTRUCTIONS- See RUS Bulletin 1744-2	

PART B. STATEMENTS OF INCOME AND RETAINED EARNINGS OR MARGINS

ITEM	PRIOR YEAR	THIS YEAR
1. Local Network Services Revenues		
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]		

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USDA-RUS

**OPERATING REPORT FOR
TELECOMMUNICATIONS BORROWERS**

INSTRUCTIONS - See RUS Bulletin 1744-2

BORROWER DESIGNATION

IN0503

PERIOD ENDED

December, 2014

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

EXCHANGE	1. RATES		2. SUBSCRIBERS (ACCESS LINES)			3. ROUTE MILES	
	B-1 (a)	R-1 (b)	BUSINESS (a)	RESIDENTIAL (b)	TOTAL (c)	TOTAL (including fiber) (a)	FIBER (b)
Ellettsville							
French Lick							
Gosport							
Griffin							
Hymera							
Lake Monroe							
Lizton							
Lyons							
Owensburg							
Sharpsville							
Smithville							
Stanford							
MobileWireless							
Route Mileage Outside Exchange Area							
Total							
No. Exchanges							

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USDA-RUS OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS	BORROWER DESIGNATION IN0503 <hr/> PERIOD ENDING December, 2014
INSTRUCTIONS- See RUS Bulletin 1744-2	

PART D. SYSTEM DATA

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

1. Study Area ID Code(s) a. [REDACTED] b. [REDACTED] c. _____ d. _____ e. _____ f. _____ g. _____ h. _____ i. _____ j. _____	2. Types of Toll Settlements (Check one) Interstate: <input type="checkbox"/> Average Schedule <input checked="" type="checkbox"/> Cost Basis Intrastate: <input type="checkbox"/> Average Schedule <input checked="" type="checkbox"/> Cost Basis
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PART F. FUNDS INVESTED IN PLANT DURING YEAR

1. RUS, RTB, & FFB Loan Funds Expended	
2. Other Long-Term Loan Funds Expended	
3. Funds Expended Under RUS Interim Approval	
4. Other Short-Term Loan Funds Expended	
5. General Funds Expended (Other than Interim)	[REDACTED]
6. Salvaged Materials	
7. Contribution in Aid to Construction	
8. Gross Additions to Telecom. Plant (1 thru 7)	[REDACTED]

PART G. INVESTMENTS IN AFFILIATED COMPANIES

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

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USDA-RUS OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS	BORROWER DESIGNATION IN0503 <hr/> PERIOD ENDING December, 2014
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PART H. CURRENT DEPRECIATION RATES

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

YES NO

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

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USDA-RUS OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS		BORROWER DESIGNATION IN0503
INSTRUCTIONS -- See help in the online application.		PERIOD ENDED December, 2014
PART I – STATEMENT OF CASH FLOWS		
1.	Beginning Cash (Cash and Equivalents plus RUS Construction Fund)	██████████
CASH FLOWS FROM OPERATING ACTIVITIES		
2.	Net Income	██████████
<i>Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities</i>		
3.	Add: Depreciation	██████████
4.	Add: Amortization	██████████
5.	Other (Explain) ████████████████████	██████████
<i>Changes in Operating Assets and Liabilities</i>		
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 & Other Capital	██████████
20.	Less: Payment of Dividends	██████████
21.	Less: Patronage Capital Credits Retired	██████████
22.	Other (Explain) ████████████████████	██████████
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) Adjust to conform with Audit	██████████
28.	Net Cash Provided/(Used) by Investing Activities	██████████
29.	Net Increase/(Decrease) in Cash	██████████
30.	Ending Cash	██████████

USDA-RUS OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS	BORROWER DESIGNATION IN0503
INSTRUCTIONS - See RUS Bulletin 1744-2	PERIOD ENDED December, 2014
NOTES TO THE OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS	

<p>USDA-RUS</p> <p>OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS</p>	<p>BORROWER DESIGNATION</p> <p>IN0503</p>
<p>INSTRUCTIONS - See RUS Bulletin 1744-2</p>	<p>PERIOD ENDED</p> <p>December, 2014</p>
<p>CERTIFICATION LOAN DEFAULT NOTES TO THE OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS</p>	