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**Federal Communications Commission
USF / ICC Transformation Order**

**Annual 54.313 Report of High Cost Recipient
WC Docket No. 10-90**

**Valley Telephone Cooperative, Inc.
Raymondville, Texas
July 1, 2012**

**Ms. Marlene H. Dortch
Office of the FCC Secretary
Federal Communications Commission**



Received & Inspected

JUN 19 2012

FCC Mail Room

June 28, 2012

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street SW
Washington, D.C. 20554

Re: WC Docket No. 10-90, Annual 54.313 Report of High-Cost Recipient

Dear Ms. Dortch:

Enclosed herein is the report for Valley Telephone Cooperative, Inc., Study Area Code 442159, FRN #0001-6857-18, pursuant to §54.313 of the Commission's rules.

Please direct any questions to Paula Smith, Manager Business Compliance at the following:

Phone 956-642-1194
Email Paular@vtci.net

Sincerely,

Leonard Beurer
Chief Financial Officer
Valley Telephone Cooperative, Inc
956-642-1108
lbeurer@vtci.net

Enclosure

Copies to:

Administrator
Universal Service Administrative Company
2000 L Street NW, Suite 200
Washington, DC 20036

Ms. Tracie Lowery
Filing Clerk
Public Utility Commission of Texas
1701 North Congress Avenue
Austin, TX 78711

VALLEY TELEPHONE COOPERATIVE, INC

Annual 54.313 Report of High-Cost Recipient

Certifications

In compliance with the following regulations, Valley Telephone Cooperative, Inc. (VTCI), by David G. Osborn its Chief Executive Officer, hereby certifies, subject to the penalties for false statements imposed under 18 U.S.C. § 1001, that:

Report & Order 581 – the information provided in this report is accurate

47 CFR § 54.202(a)(1)(i) – VTCI will make reasonable efforts to comply with the service requirements applicable to the support it receives, specifically:

High Cost Loop Support – the services listed and defined in 47 CFR § 54.101(a).

Lifeline Support – the three criteria set forth in 47 CFR § 54.401(a).

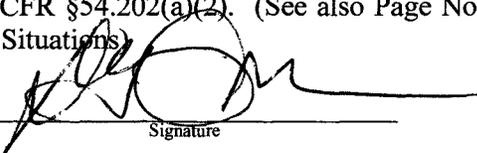
Interstate Common Line Support – the filings required in 47 CFR § 54.903 and the certification required in 47 CFR § 54.

Connect America Fund – the filings required in 47 CFR § 51.919(b).

47 CFR § 54.313(a)(5) – VTCI will make reasonable efforts to comply with applicable service quality standards as stated in Texas PUC Substantive Rule 26.54, Quality of Service and consumer protection rules as defined in 47 CFR Part 64 Subpart U, Customer Proprietary Network Information and the Federal Trade Commission Red Flag rules to prevent identity theft. Please see additional service quality information included on Page No. 6 of this Report

47 CFR § 54.313(a)(6) – VTCI will make reasonable efforts to function in emergency situations as set forth in 47 CFR §54.202(a)(2). (See also Page No. 4 of this Report regarding Reliability in Emergency Situations)

Certified by:


Signature

David G. Osborn
Printed Name

CEO / General Manager
Title

VALLEY TELEPHONE COOPERATIVE, INC.

Annual § 54.313 Report of High-Cost Recipient

Progress Report on its Five-Year Plan for Improvements of Service Quality, Coverage, and/or Capacity

In accordance with § 54.313 (a)(1), Valley Telephone Cooperative, Inc. (VTCI) will file its progress report beginning in its April 1, 2013 annual report.

Valley Telephone Cooperative, Inc. is taking reasonable steps necessary to provide upon reasonable request broadband service at actual speeds of at least 4 Mbps downstream/1 Mbps upstream, with latency suitable for real-time applications, including Voice over Internet Protocol, and usage capacity that is reasonably comparable to comparable offerings in urban areas as determined in an annual survey, and that requests for such service are met within a reasonable amount of time.

Valley Telephone Cooperative, Inc. received in calendar year 2011; \$6,055,182 in High Cost Loop (HCL) universal service support, \$116,577 in Lifeline universal service support, \$3,642,378 in Interstate Common Line Support (ICLS), \$241,296 in Local Switch Support (LSS), and \$0 in Connect America Fund (CAF) universal service support.

HCL support was received for costs from two years prior, specifically return and taxes on loop investment and loop related expenses.

Lifeline support was received for and was used to provide supported services to an average of 923 eligible customers in calendar year 2011.

ICLS support was received for the projected 2011 interstate portion of common line revenue requirement not covered by projected Subscriber Line Charges and other end user charges designed to cover interstate common line costs. These costs will be trued up with the final 2011 cost study which will be filed with NECA not later than July 31, 2012.

LSS was received for projected 2011 interstate switching cost support, specifically return and taxes on switch investment and switch related expenses, as calculated using the formulae in 47 CFR § 54.301. These costs will be trued up with the final 2011 cost study which will be filed with NECA not later than July 31, 2012.

There was no CAF in 2011.

VALLEY TELEPHONE COOPERATIVE, INC.

Annual § 54.313 Report of High-Cost Recipient

Current Ability to Remain Functional in Emergency Situations

Valley Telephone Cooperative, Inc.'s network has the following safeguards built in to ensure provision of telephone service during emergency situations:

Back-up Power –

All remotes (building and cabinets) within the Valley Telephone Cooperative, Inc. network are monitored by the Network Operations Center on a 365 days a year; 24 hours a day basis.

Switches – stand alone and/or host:

All Switches in Network are located in permanent buildings with DC battery capacity and generators powered by diesel fuel. Every location has enough battery capacity for a minimum of 8 hours of power and diesel fuel to power the on-site generator for a minimum of 24 consecutive hours. Many of the larger sites have capacity of 48 hours for diesel fuel. Generator testing and diesel fuel status is checked weekly for all sites in the network.

Remote Central Offices:

Same as above for all buildings whether it is a remote or main site.

Subscriber carrier (DLC, AFC, OPM, etc.):

All remote DLC sites that are in stand-alone cabinets have at least 6 hours of continuous battery life in the event of an outage. All remote cabinets have portable generator hookups in the case power is out long enough to drain the batteries. There are over 150 remotes with the Valley Telephone Cooperative, Inc. network.

Network Interface Devices (NIDs):

Valley Telephone Cooperative, Inc. has 2,948 customers with metallic (copper) connections to the Central Office and the NID does not require any power for operation.

Valley Telephone Cooperative, Inc. has 1,245 customers with non-metallic (fiber optic) connections to the Central Office. These customers' fiber NIDs are battery powered in case of emergency. The batteries are rated to last a minimum of 24 hours with no use of the NID and 8 hours with constant use. Tests have been conducted in-house to confirm this.

Current Ability to Remain Functional in Emergency Situations (continued)

Ability to reroute traffic around damaged facilities:

Valley Telephone Cooperative, Inc. has built redundant facilities between its exchanges and / or to its connecting company / toll tandem. These redundant facilities are in the form of SONET rings and redundant Ethernet transport with alternate physical facilities and meet points between VTX Telecom, AT&T, and Verizon, its interconnection to the Public Switched Telephone Network.

Capability to manage traffic spikes resulting from emergency situations:

Valley Telephone Cooperative, Inc. has 4,193 customers, switching capacity of 67,000 simultaneous calls, and transport capacity for 1,360 simultaneous calls. Valley Telephone Cooperative, Inc. takes no responsibility for the capabilities of interconnected networks to manage traffic spikes resulting from emergency situations.

Valley Telephone Cooperative, Inc. OUTBOUND TRUNKS

INTRA-LATA	AT&T San Antonio	23
INTRA-LATA	AT&T Harlingen	45
INTRA-LATA	AT&T Corpus	70

maximum number of simultaneous intra-LATA calls: 138

IXC	AT&T	72
IXC	MCI	72
IXC	Sprint	24
IXC	World Com	24
IXC	Global Crossing	24
IXC	WITel	24
IXC	VTX-LD	94
IXC	Qwest	24

maximum number of simultaneous IXC (aka "long distance") calls: 358

ELC/EAS	Verizon Weslaco	24
ELC/EAS	Verizon Falfurrias	96
ELC/EAS	Verizon Premont	24
ELC/EAS	AT&T Alice	24
ELC/EAS	AT&T Benavides	48
ELC/EAS	AT&T Kingsville	24
ELC/EAS	Verizon Roma	48
ELC/EAS	Verizon Rio Grande City	48
ELC/EAS	AT&T Edinburg	24
ELC/EAS	AT&T Mission	24
ELC/EAS	AT&T McAllen	12
ELC/EAS	Verizon Raymondville	96

ELC/EAS	Verizon Dilley	48
ELC/EAS	AT&T Brownsville	12
ELC/EAS	AT&T Thre Rivers	24
ELC/EAS	Verizon Jourdanton	24
ELC/EAS	Verizon George West	24
ELC/EAS	Verizon Lyford	48
ELC/EAS	AT&T Laredo	24
ELC/EAS	AT&T Devine	72
ELC/EAS	AT&T Harlingen	24
ELC/EAS	AT&T Edcouch	24
ELC/EAS	AT&T Pleasanton	24
ELC/EAS	AT&T Pharr	24

maximum number of simultaneous ELC/EAS calls to neighboring exchanges: **864**

Valley Telephone Cooperative, Inc./ ILEC / CA / UX9020 Server		
Calls	67000	Concurrent calls per Call Feature Server
Busy Hour Call Attempts (BHCA)	1000000	Busy Hour Call Attempts per Call Feature Server
Subscribers	200000	Subscriber lines per Call Feature Server
Racking	18	Maximum UX9020 servers per 7' telco rack.

VALLEY TELEPHONE COOPERATIVE, INC.

Annual § 54.313 Report of High-Cost Recipient

Satisfaction of Consumer Protection and Service Quality Standards

Consumer Protection:

Valley Telephone Cooperative, Inc. complies with the requirements of 47 CFR Part 64 Subpart U, Customer Proprietary Network Information and the Federal Trade Commission Red Flag rules to prevent identity theft. A manual for each of those programs is in place and is part of the employees' handbook. Employee training is conducted annually and new hires are instructed on the programs as required by their job functions.

Service Quality Standards

Valley Telephone Cooperative, Inc. is required to meet the service standards of the State of Texas as promulgated in the Texas PUC Substantive Rule 26.54 Quality of Service Administrative Rules **860-034-0390**, Retail Telecommunications Service Standards for Small Telecommunications Utilities.

VALLEY TELEPHONE COOPERATIVE, INC.

Annual § 54.313 Report of High-Cost Recipient

Detailed Information on any Outage

Valley Telephone Cooperative, Inc. is required to report all outages that meet the FCC's definition in § 54.313. An outage is a significant degradation in the ability of an end user to establish and maintain a channel of communications as a result of failure or degradation in the performance of a communications provider's network of at least 30 minutes in our service area.

Valley Telephone Cooperative, Inc. was not required to collect this information in 2011.

Valley Telephone Cooperative, Inc. will track all applicable outages and report this information in their 2013 annual filing for calendar year 2012.

VALLEY TELEPHONE COOPERATIVE, INC.

Annual § 54.313 Report of High-Cost Recipient

Miscellaneous Information

Unfulfilled Requests

Valley Telephone Cooperative, Inc. was not required to collect this information in 2011.

Valley Telephone Cooperative, Inc. will track all applicable unfulfilled requests and report this information in their 2013 annual filing for calendar year 2012.

Complaints

Valley Telephone Cooperative, Inc. was not required to collect this information in 2011.

Valley Telephone Cooperative, Inc. will track all applicable complaints and report this information in their 2013 annual filing for calendar year 2012.

VALLEY TELEPHONE COOPERATIVE, INC.

Annual § 54.313 Report of High-Cost Recipient

Service on Tribal Lands

Service on Tribal lands

Valley Telephone Cooperative, Inc. does not serve Tribal lands.

VALLEY TELEPHONE COOPERATIVE, INC.

Annual § 54.313 Report of High-Cost Recipient

Holding Company, Affiliates, DBA information and Other Identifiers

In accordance with § 54.313 (a)(8), Valley Telephone Cooperative, Inc hereby provides the above requested information:

Parent: Valley Telephone Cooperative, Inc is the Parent company.

Affiliates: Valley Telephone Cooperative, Inc. owns 100% of the following affiliate entities:

VTX Telecom, LLC
VTX Communications, LLC
VTX Investments, LLC
VTX Broadband, LLC

Branding DBA: VTX1, VTCL,

Study Area Code: 442159

CCN: 40088

FCC 499 Filer ID: 802410

USAC SPIN: 143002460

FRN: 0001-6857-18

VALLEY TELEPHONE COOPERATIVE, INC.

Annual § 54.313 Report of High-Cost Recipient

Residential Voice Rates as of June 1, 2012

The residential rates for Valley Telephone Cooperative, Inc. and quantities as of the date listed above are included on Attachment "A".

VALLEY TELEPHONE COOPERATIVE, INC.

Annual § 54.313 Report of High-Cost Recipient

Include a full and complete annual report of the company's financial condition and operations as of the end of the preceding fiscal year, which is audited and certified by an independent certified public accountant in a form satisfactory to the Commission. The annual report shall include balance sheets, income statements, and cash flow statements along with necessary notes to clarify the financial statements. The income statements shall itemize revenue, including non-regulated revenue, by its sources.

Valley Telephone Cooperative, Inc. is a Rural Utilities Services (RUS) borrower and thus submits a copy of the financial statements provided to RUS in Attachment "B".

Attachment "A"

VTCI

Residential Voice Rates as of June 1, 2012

Study Area Code	Exchange	Current Residential Flat Rate	Additional Basic Local Rate Charges if applicable	Mandatory Expanded Calling	Fed Subscriber Line Charge	State Subscriber Line Charge	State USF Surcharge	County E-911 Surcharge	State E-911 (e.g. fire & police)	Total Residential Voice Rate
442159	Annarose	\$ 10.65	\$ -	\$ -	\$ 6.50	\$ -	\$ 0.87	\$ 0.04	\$ 0.50	\$ 18.56
442159	Artesia Wells	\$ 11.65	\$ -	\$ -	\$ 6.50	\$ -	\$ 0.87	\$ 0.04	\$ 0.50	\$ 19.56
442159	Conception	\$ 10.65	\$ -	\$ 3.50	\$ 6.50	\$ -	\$ 0.87	\$ 0.04	\$ 0.50	\$ 22.06
442159	El Sauz	\$ 10.65	\$ -	\$ 3.50	\$ 6.50	\$ -	\$ 0.87	\$ 0.04	\$ 0.50	\$ 22.06
442159	Encino	\$ 11.65	\$ -	\$ 0.43	\$ 6.50	\$ -	\$ 0.87	\$ 0.04	\$ 0.50	\$ 19.99
442159	Flowerton	\$ 10.65	\$ -	\$ -	\$ 6.50	\$ -	\$ 0.87	\$ 0.04	\$ 0.50	\$ 18.56
442159	Hargill	\$ 11.65	\$ -	\$ 0.68	\$ 6.50	\$ -	\$ 0.87	\$ 0.04	\$ 0.50	\$ 20.24
442159	Lasara	\$ 11.65	\$ -	\$ 1.66	\$ 6.50	\$ -	\$ 0.87	\$ 0.04	\$ 0.50	\$ 21.22
442159	McCook	\$ 10.65	\$ -	\$ 3.50	\$ 6.50	\$ -	\$ 0.87	\$ 0.04	\$ 0.50	\$ 22.06
442159	Millett	\$ 11.65	\$ -	\$ 1.28	\$ 6.50	\$ -	\$ 0.87	\$ 0.04	\$ 0.50	\$ 20.84
442159	Mirando City	\$ 10.65	\$ -	\$ 1.19	\$ 6.50	\$ -	\$ 0.87	\$ 0.04	\$ 0.50	\$ 19.75
442159	Port Mansfield	\$ 11.65	\$ -	\$ -	\$ 6.50	\$ -	\$ 0.87	\$ 0.04	\$ 0.50	\$ 19.56
442159	San Isidro	\$ 10.65	\$ -	\$ 1.17	\$ 6.50	\$ -	\$ 0.87	\$ 0.04	\$ 0.50	\$ 19.73
442159	San Miguel	\$ 11.65	\$ -	\$ 1.50	\$ 6.50	\$ -	\$ 0.87	\$ 0.04	\$ 0.50	\$ 21.06
442159	San Perlita	\$ 11.65	\$ -	\$ 0.29	\$ 6.50	\$ -	\$ 0.87	\$ 0.04	\$ 0.50	\$ 19.85
442159	Stillman	\$ 12.65	\$ -	\$ 0.93	\$ 6.50	\$ -	\$ 0.87	\$ 0.04	\$ 0.50	\$ 21.49
442159	Tilden	\$ 10.65	\$ -	\$ 3.50	\$ 6.50	\$ -	\$ 0.87	\$ 0.04	\$ 0.50	\$ 22.06

A

B

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0572-0031. The time required to complete this information collection is estimated to average 4 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

USDA-RUS OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS	<i>This data will be used by RUS to review your financial situation. Your response is required by 7 U.S.C. 901 et seq. and, subject to federal laws and regulations regarding confidential information, will be treated as confidential</i> BORROWER NAME Valley Telephone Cooperative, Inc. (Prepared with Audited Data)
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INSTRUCTIONS -Submit report to RUS within 30 days after close of the period. For detailed instructions, see RUS Bulletin 1744-2. Report in whole dollars only.	PERIOD ENDING December, 2011	BORROWER DESIGNATION TX0562
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CERTIFICATION

We hereby certify that the entries in this report are in accordance with the accounts and other records of the system and reflect the status of the system to the best of our knowledge and belief.

ALL INSURANCE REQUIRED BY 7 CFR PART 1788, CHAPTER XVII, RUS, WAS IN FORCE DURING THE REPORTING PERIOD AND RENEWALS HAVE BEEN OBTAINED FOR ALL POLICIES.

DURING THE PERIOD COVERED BY THIS REPORT PURSUANT TO PART 1788 OF 7CFR CHAPTER XVII
(Check one of the following)

All of the obligations under the RUS loan documents have been fulfilled in all material respects.
 There has been a default in the fulfillment of the obligations under the RUS loan documents. Said default(s) is/are specifically described in the Telecom Operating Report

DATE _____

PART A. BALANCE SHEET					
ASSETS	BALANCE PRIOR YEAR	BALANCE END OF PERIOD	LIABILITIES AND STOCKHOLDERS' EQUITY	BALANCE PRIOR YEAR	BALANCE END OF PERIOD
CURRENT ASSETS			CURRENT LIABILITIES		
1. Cash and Equivalents	1,425,907	1,298,705	25. Accounts Payable	2,001,828	1,395,171
2. Cash-RUS Construction Fund	8,578	0	26. Notes Payable		
3. Affiliates:			27. Advance Billings and Payments	334,505	138,752
a. Telecom, Accounts Receivable			28. Customer Deposits	27,433	23,663
b. Other Accounts Receivable			29. Current Mat. L/T Debt	1,415,032	1,319,104
c. Notes Receivable			30. Current Mat. L/T Debt-Rur. Dev.		
4. Non-Affiliates:			31. Current Mat.-Capital Leases		
a. Telecom, Accounts Receivable	369,628	386,705	32. Income Taxes Accrued		
b. Other Accounts Receivable	1,951,716	2,869,806	33. Other Taxes Accrued	293,598	315,741
c. Notes Receivable			34. Other Current Liabilities	1,099,853	1,278,420
5. Interest and Dividends Receivable			35. Total Current Liabilities (25 thru 34)	5,172,249	4,470,851
6. Material-Regulated	5,814,911	5,048,551	LONG-TERM DEBT		
7. Material-Nonregulated			36. Funded Debt-RUS Notes	12,017,193	10,746,199
8. Prepayments	1,221,149	904,829	37. Funded Debt-RTB Notes		
9. Other Current Assets	40,000		38. Funded Debt-FFB Notes		
10. Total Current Assets (1 Thru 9)	10,831,889	10,508,596	39. Funded Debt-Other		
NONCURRENT ASSETS			40. Funded Debt-Rural Develop. Loan		
11. Investment in Affiliated Companies			41. Premium (Discount) on L/T Debt		
a. Rural Development	47,082,507	48,465,951	42. Recquired Debt		
b. Nonrural Development			43. Obligations Under Capital Lease	55,702	28,817
12. Other Investments			44. Adv. From Affiliated Companies	11,470,462	15,755,529
a. Rural Development			45. Other Long-Term Debt		
b. Nonrural Development			46. Total Long-Term Debt (36 thru 45)	23,543,357	26,530,545
13. Nonregulated Investments			OTHER LIAB. & DEF. CREDITS		
14. Other Noncurrent Assets			47. Other Long-Term Liabilities	5,920,815	7,910,720
15. Deferred Charges	312,653	155,731	48. Other Deferred Credits		
16. Jurisdictional Differences			49. Other Jurisdictional Differences		
17. Total Noncurrent Assets (11 thru 16)	47,395,160	48,621,682	50. Total Other Liabilities and Deferred Credits (47 thru 49)	5,920,815	7,910,720
PLANT, PROPERTY, AND EQUIPMENT			EQUITY		
18. Telecom, Plant-in-Service	125,100,960	137,080,810	51. Cap. Stock Outstand. & Subscribed		
19. Property Held for Future Use			52. Additional Paid-in-Capital		
20. Plant Under Construction	9,125,777	4,302,589	53. Treasury Stock		
21. Plant Adj., Nonop. Plant & Goodwill	26,454	26,454	54. Membership and Cap. Certificates		
22. Less Accumulated Depreciation	79,445,879	82,618,479	55. Other Capital	(3,123,941)	(4,150,097)
23. Net Plant (18 thru 21 less 22)	54,807,312	58,791,374	56. Patronage Capital Credits	23,802,769	25,309,613
24. TOTAL ASSETS (10+17+23)			57. Retained Earnings or Margins	57,719,112	57,850,020
	113,034,361	117,921,652	58. Total Equity (51 thru 57)	78,397,940	79,009,536
			59. TOTAL LIABILITIES AND EQUITY (35+46+50+58)	113,034,361	117,921,652

Total Equity = 67.00% % of Total Assets

USDA-RUS OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS	BORROWER DESIGNATION TX0562
	PERIOD ENDING December, 2011
<i>INSTRUCTIONS- See RUS Bulletin 1744-2</i>	

PART B. STATEMENTS OF INCOME AND RETAINED EARNINGS OR MARGINS

ITEM	PRIOR YEAR	THIS YEAR
1. Local Network Services Revenues	1,198,119	1,246,836
2. Network Access Services Revenues	18,333,873	20,407,487
3. Long Distance Network Services Revenues	82,102	64,625
4. Carrier Billing and Collection Revenues	57,771	47,082
5. Miscellaneous Revenues	145,802	126,109
6. Uncollectible Revenues	10,422	(28,977)
7. Net Operating Revenues (1 thru 5 less 6)	19,807,245	21,921,116
8. Plant Specific Operations Expense	4,635,675	4,407,019
9. Plant Nonspecific Operations Expense (Excluding Depreciation & Amortization)	2,062,815	2,791,071
10. Depreciation Expense	4,567,829	5,273,948
11. Amortization Expense		
12. Customer Operations Expense	1,658,907	1,662,243
13. Corporate Operations Expense	4,232,161	3,971,396
14. Total Operating Expenses (8 thru 13)	17,157,387	18,105,677
15. Operating Income or Margins (7 less 14)	2,649,858	3,815,439
16. Other Operating Income and Expenses		
17. State and Local Taxes		
18. Federal Income Taxes		
19. Other Taxes	454,061	467,266
20. Total Operating Taxes (17+18+19)	454,061	467,266
21. Net Operating Income or Margins (15+16-20)	2,195,797	3,348,173
22. Interest on Funded Debt	653,579	600,256
23. Interest Expense - Capital Leases		
24. Other Interest Expense	6,560	46,973
25. Allowance for Funds Used During Construction	297,290	412,262
26. Total Fixed Charges (22+23+24-25)	362,849	234,967
27. Nonoperating Net Income	6,792,749	1,285,605
28. Extraordinary Items		
29. Jurisdictional Differences		
30. Nonregulated Net Income	(52,955)	(119,373)
31. Total Net Income or Margins (21+27+28+29+30-26)	8,572,742	4,279,438
32. Total Taxes Based on Income		
33. Retained Earnings or Margins Beginning-of-Year	51,328,507	57,719,112
34. Miscellaneous Credits Year-to-Date	975,318	
35. Dividends Declared (Common)		
36. Dividends Declared (Preferred)		
37. Other Debits Year-to-Date		597,339
38. Transfers to Patronage Capital	3,157,455	3,551,191
39. Retained Earnings or Margins End-of-Period [(31+33+34) - (35+36+37+38)]	57,719,112	57,850,020
40. Patronage Capital Beginning-of-Year	23,162,418	23,802,769
41. Transfers to Patronage Capital	3,157,455	3,551,191
42. Patronage Capital Credits Retired	2,517,104	2,044,347
43. Patronage Capital End-of-Year (40+41-42)	23,802,769	25,309,613
44. Annual Debt Service Payments	2,030,630	1,976,952
45. Cash Ratio [(14+20-10-11) / 7]	0.6585	0.6067
46. Operating Accrual Ratio [(14+20+26) / 7]	0.9075	0.8580
47. TIER [(31+26) / 26]	24.6262	19.2129
48. DSCR [(31+26+10+11) / 44]	6.6499	4.9512

USDA-RUS

**OPERATING REPORT FOR
TELECOMMUNICATIONS BORROWERS**

INSTRUCTIONS - See RUS Bulletin 1744-2

BORROWER DESIGNATION

TX0562

PERIOD ENDED

December, 2011

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)
Concepcion	14.15	10.65	49	339	388	722.49	129.42
El Sauz	14.15	10.65	68	375	443	699.32	173.62
Encino	15.15	11.65	158	187	325	503.37	122.38
Fowlerton	14.15	10.65	54	124	178	506.83	110.58
Hargill	15.15	11.65	23	211	234	259.51	125.45
Lasara	15.15	11.65	39	291	330	249.02	112.18
McCook	14.15	10.65	131	83	214	441.98	127.26
Millet	15.15	11.65	134	191	325	521.63	95.98
Mirando City	14.15	10.65	245	324	569	812.23	213.13
Port Mansfield	15.15	11.65	63	231	294	96.27	39.03
San Isidro	14.15	10.65	150	421	571	530.46	127.11
San Miguel	15.15	11.65	38	134	172	171.53	142.69
San Perita	15.15	11.65	86	216	302	263.18	89.25
Stillman	16.15	12.65	19	168	187	355.30	130.58
Tilden	14.15	10.65	215	246	461	540.98	107.52
Amarose	14.15	10.65	84	249	333	798.78	122.07
Artesia Wells	15.15	11.65	70	119	189	500.77	117.68
MobileWireless					0		
Route Mileage Outside Exchange Area						0.00	0.00
Total			1,626	3,869	5,515	7,973.66	2,085.92
No. Exchanges	17						

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**OPERATING REPORT FOR
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BORROWER DESIGNATION

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

4. BROADBAND SERVICE

Details on Least Expensive Broadband Service

EXCHANGE	No. Access Lines with BB available (a)	No Of Broadband Subscribers (b)	Number Of Subscribers (c)	Advertised Download Rate (Kbps) (d)	Advertised Upload Rate (Kbps) (e)	Price Per Month (f)	StandAlone/Pckg (f)	Type Of Technology (g)
Annarose	333	130	22	512	256	21.95	StandAlone	DSL
Artesia Wells	189	82	12	512	256	21.95	StandAlone	DSL
Concepcion	388	161	18	512	256	21.95	StandAlone	DSL
El Sauz	443	235	23	512	256	21.95	StandAlone	DSL
Encino	325	95	10	512	256	21.95	StandAlone	DSL
Fowlerton	178	67	4	512	256	21.95	StandAlone	DSL
Hargill	234	103	0	512	256	21.95	StandAlone	DSL
Lasara	330	182	8	512	256	21.95	StandAlone	DSL
McCook	214	74	8	512	256	21.95	StandAlone	DSL
Millet	325	155	21	512	256	21.95	StandAlone	DSL
Mirando City	569	208	18	512	256	21.95	StandAlone	DSL
Port Mansfield	294	180	8	512	256	21.95	StandAlone	DSL
San Isidro	571	229	25	512	256	21.95	StandAlone	DSL
San Miguel	172	69	10	512	256	21.95	StandAlone	DSL
San Peritta	302	157	6	512	256	21.95	StandAlone	DSL
Stillman	187	119	7	512	256	21.95	StandAlone	DSL
Tilden	461	209	14	512	256	21.95	StandAlone	DSL
Total	5,515	2,455						

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PART D. SYSTEM DATA				
1. No. Plant Employees	63	2. No. Other Employees	71	3. Square Miles Served
				7,675
				.72
				.69

PART E. TOLL DATA	
1. Study Area ID Code(s) a. 442159 b. _____ 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

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)	9,213,570
6. Salvaged Materials	398,099
7. Contribution in Aid to Construction	
8. Gross Additions to Telecom. Plant (1 thru 7)	9,611,669

PART G. INVESTMENTS IN AFFILIATED COMPANIES					
INVESTMENTS (a)	CURRENT YEAR DATA		CUMULATIVE DATA		
	Investment This Year (b)	Income/Loss This Year (c)	Cumulative Investment To Date (d)	Cumulative Income/Loss To Date (e)	Current Balance (f)
1. Investment in Affiliated Companies - Rural Development		1,383,444	(17,663,140)	66,129,091	48,465,951
2. Investment in Affiliated Companies - Nonrural Development					

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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	33.33%
2. Land and support assets - Aircraft	
3. Land and support assets - Special purpose vehicles	
4. Land and support assets - Garage and other work equipment	10.00%
5. Land and support assets - Buildings	4.10%
6. Land and support assets - Furniture and Office equipment	8.61%
7. Land and support assets - General purpose computers	33.33%
8. Central Office Switching - Digital	7.50%
9. Central Office Switching - Analog & Electro-mechanical	14.66%
10. Central Office Switching - Operator Systems	
11. Central Office Transmission - Radio Systems	10.00%
12. Central Office Transmission - Circuit equipment	11.23%
13. Information origination/termination - Station apparatus	20.00%
14. Information origination/termination - Customer premises wiring	
15. Information origination/termination - Large private branch exchanges	
16. Information origination/termination - Public telephone terminal equipment	15.50%
17. Information origination/termination - Other terminal equipment	15.50%
18. Cable and wire facilities - Poles	8.00%
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	4.40%
23. Cable and wire facilities - Buried cable - Metal	6.80%
24. Cable and wire facilities - Buried cable - Fiber	5.40%
25. Cable and wire facilities - Conduit systems	2.20%
26. Cable and wire facilities - Other	

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OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS		PERIOD ENDED December, 2011	
INSTRUCTIONS – See help in the online application.			
PART I – STATEMENT OF CASH FLOWS			
1. Beginning Cash (Cash and Equivalents plus RUS Construction Fund)		1,434,485	
CASH FLOWS FROM OPERATING ACTIVITIES			
2. Net Income		4,279,438	
<i>Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities</i>			
3. Add: Depreciation		5,273,948	
4. Add: Amortization		0	
5. Other (Explain)			
<i>Changes in Operating Assets and Liabilities</i>			
6. Decrease/(Increase) in Accounts Receivable		(935,167)	
7. Decrease/(Increase) in Materials and Inventory		766,360	
8. Decrease/(Increase) in Prepayments and Deferred Charges		473,242	
9. Decrease/(Increase) in Other Current Assets		40,000	
10. Increase/(Decrease) in Accounts Payable		(606,657)	
11. Increase/(Decrease) in Advance Billings & Payments		(195,753)	
12. Increase/(Decrease) in Other Current Liabilities		178,567	
13. Net Cash Provided/(Used) by Operations		9,273,978	
CASH FLOWS FROM FINANCING ACTIVITIES			
14. Decrease/(Increase) in Notes Receivable		0	
15. Increase/(Decrease) in Notes Payable		0	
16. Increase/(Decrease) in Customer Deposits		(3,770)	
17. Net Increase/(Decrease) in Long Term Debt (Including Current Maturities)		2,891,260	
18. Increase/(Decrease) in Other Liabilities & Deferred Credits		1,989,905	
19. Increase/(Decrease) in Capital Stock, Paid-in Capital, Membership and Capital Certificates & Other Capital		(1,026,156)	
20. Less: Payment of Dividends		0	
21. Less: Patronage Capital Credits Retired		(2,044,347)	
22. Other (Explain)			
23. Net Cash Provided/(Used) by Financing Activities		1,806,892	
CASH FLOWS FROM INVESTING ACTIVITIES			
24. Net Capital Expenditures (Property, Plant & Equipment)		(7,156,662)	
25. Other Long-Term Investments		(1,383,444)	
26. Other Noncurrent Assets & Jurisdictional Differences		0	
27. Other (Explain) Reconciling Adjustments including Plant Retirements		(2,676,544)	
28. Net Cash Provided/(Used) by Investing Activities		(11,216,650)	
29. Net Increase/(Decrease) in Cash		(135,780)	
30. Ending Cash		1,298,705	

Revision Date 2010

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INSTRUCTIONS - See RUS Bulletin 1744-2	PERIOD ENDED December, 2011
NOTES TO THE OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS	
Broadband services described in Part C of the Operating Report are wholly provided by an affiliate of Valley Telephone Cooperative, Inc.	

<p>USDA-RUS</p> <p>OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS</p>	<p>BORROWER DESIGNATION</p> <p>TX0562</p>
<p>INSTRUCTIONS - See RUS Bulletin 1744-2</p>	<p>PERIOD ENDED</p> <p>December, 2011</p>
<p>CERTIFICATION LOAN DEFAULT NOTES TO THE OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS</p>	