

**MOSS ADAMS** LLP  
Certified Public Accountants | Business Consultants

*Acumen. Agility. Answers.*



**REDACTED- FOR PUBLIC INSPECTION**

October 2, 2013

**VIA OVERNIGHT DELIVERY**

Marlene H. Dortch, Secretary  
Federal Communications Commission  
Office of the Secretary  
445 12<sup>th</sup> Street, S.W.  
Washington, DC 20554

RE: **Confidential Financial Information Subject to Protective Order in WC Docket Nos. 10-90, 07-135, 05-337, 03-109, CC Docket Nos. 01-92, 96-45, GN Docket No. 09-51, WT Docket No. 10-208, Before the Federal Communications Commission**

Dear Ms. Dortch:

South Arkansas Telephone Company, a privately-held rate of return carrier receiving high cost support, has electronically submitted FCC Form 481 to the Commission with redacted financial data, in compliance with 47 C.F.R. §§ 54.313 and 54.422

As specified in the Protective Order issued on November 16, 2012 by the Commission, two copies of the redacted confidential information are being filed simultaneously with the non-redacted confidential information. The redacted information for this filing and each page of the file where confidential information has been omitted is marked "REDACTED - FOR PUBLIC INSPECTION"

Please feel free to contact me with any questions regarding this particular matter.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Eric N. Votaw', is written over a light blue circular stamp.

Eric N. Votaw, Senior Manager  
For Moss Adams LLP

Enclosures

.cc Mr. Charles Tyler, FCC Telecommunications Access Policy Division  
Mr. Greg Ashcroft - South Arkansas Telephone Company  
Arkansas Public Utility Commission - Redacted Filing

<b>FCC Form 481 - Carrier Annual Reporting Data Collection Form</b>	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
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<010> Study Area Code	401702
<015> Study Area Name	SOUTH ARKANSAS TEL
<020> Program Year	2014
<030> Contact Name: Person USAC should contact with questions about this data	Eric N. Votaw
<035> Contact Telephone Number: Number of the person identified in data line <030>	209-955-6116
<039> Contact Email Address: Email of the person identified in data line <030>	Eric.Votaw@mobadams.com

<b>ANNUAL REPORTING FOR ALL CARRIERS</b>	<b>54.313 Completion Required</b>	<b>54.422 Completion Required</b>
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			(check box when complete)	
<100> Service Quality Improvement Reporting	(complete attached worksheet)		<input checked="" type="checkbox"/>	
<200> Outage Reporting (voice)	(complete attached worksheet)		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<210> <input checked="" type="checkbox"/> <-- check box if no outages to report				
<300> Unfulfilled Service Requests (voice)	(attach descriptive document)	0	<input checked="" type="checkbox"/>	
<310> Detail on Attempts (voice)	(attach descriptive document)			
<320> Unfulfilled Service Requests (broadband)	(attach descriptive document)			
<330> Detail on Attempts (broadband)	(attach descriptive document)			
<400> Number of Complaints per 1,000 customers (voice)			<input checked="" type="checkbox"/>	
<410> Fixed		3.592E-4		
<420> Mobile				
<430> Number of Complaints per 1,000 customers (broadband)				
<440> Fixed				
<450> Mobile				
<500> Service Quality Standards & Consumer Protection Rules Compliance	(check to indicate certification)		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<510> 401702AR510	(attached descriptive document)		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<600> Functionality in Emergency Situations	(check to indicate certification)		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<610> 401702AR610	(attached descriptive document)		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<700> Company Price Offerings (voice)	(complete attached worksheet)			
<710> Company Price Offerings (broadband)	(complete attached worksheet)			
<800> Operating Companies and Affiliates	(complete attached worksheet)			
<900> Tribal Land Offerings (Y/N)?	(if yes, complete attached worksheet)	<input type="radio"/> <input checked="" type="radio"/>	<input checked="" type="checkbox"/>	
<1000> Voice Services Rate Comparability	(check to indicate certification)			
<1010> [ ]	(attach descriptive document)			
<1100> Terrestrial Backhaul (Y/N)?	(if not, check to indicate certification)	<input checked="" type="radio"/> <input type="radio"/>	<input checked="" type="checkbox"/>	
<1110>	(complete attached worksheet)			
<1200> Terms and Condition for Lifeline Customers	(complete attached worksheet)			<input checked="" type="checkbox"/>

**Price Cap Carriers, Proceed to Price Cap Additional Documentation Worksheet**  
 Including Rate-of-Return Carriers affiliated with Price Cap Local Exchange Carriers

<2000>	(check to indicate certification)			
<2005>	(complete attached worksheet)			

**Rate of Return Carriers, Proceed to ROR Additional Documentation Worksheet**

<3000>	(check to indicate certification)		<input checked="" type="checkbox"/>	
<3005>	(complete attached worksheet)		<input checked="" type="checkbox"/>	

**(100) Service Quality Improvement Reporting  
Data Collection Form**

FCC Form 481  
OMB Control No. 3060-0986/OMB Control No. 3060-0819  
July 2013

<010> Study Area Code	401702
<015> Study Area Name	SOUTH ARKANSAS TEL
<020> Program Year	2014
<030> Contact Name - Person USAC should contact regarding this data	Eric N. Votaw
<035> Contact Telephone Number - Number of person identified in data line <030>	209-955-6116
<039> Contact Email Address - Email Address of person identified in data line <030>	Eric.Votaw@mossadams.com
<110> Has your company received its ETC certification from the FCC? If your answer to Line <110> is yes, do you have an existing §54.202(a) "5	(yes / no) <input type="radio"/> <input checked="" type="radio"/>
<111> year plan" filed with the FCC?	(yes / no) <input type="radio"/> <input type="radio"/>

If your answer to Line <111> is yes, then you are required to file a progress report, on line <112> delineating the status of your company's existing § 54.202(a) "5 year plan" on file with the FCC, as it relates to your provision of voice telephony service.

<112> Attach Five-Year Service Quality Improvement Plan or, in subsequent years, your annual progress report filed pursuant to 47 C.F.R. § 54.313(a)(1). If your company is a CETC which only receives frozen support, your progress report is only required to address voice telephony service.

Name of Attached Document (.pdf)

Please check these boxes below to confirm that the attached PDF, on line 112, contains a progress report on its five-year service quality improvement plan pursuant to § 54.202(a). The information shall be submitted at the wire center level or census block as appropriate.

- <113> Maps detailing progress towards meeting plan targets
- <114> Report how much universal service (USF) support was received
- <115> How (USF) was used to improve service quality
- <116> How (USF) was used to improve service coverage
- <117> How (USF) was used to improve service capacity
- <118> Provide an explanation of network improvement targets not met in the prior calendar year.

<input type="checkbox"/>	<input type="checkbox"/>









<b>(900) Tribal Lands Reporting Data Collection Form</b>	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
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<010>	Study Area Code	401702
<015>	Study Area Name	SOUTH ARKANSAS TEL
<020>	Program Year	2014
<030>	Contact Name - Person USAC should contact regarding this data	Eric N. Votaw
<035>	Contact Telephone Number - Number of person identified in data line <030>	209-955-6116
<039>	Contact Email Address - Email Address of person identified in data line <030>	Eric.Votaw@mossadams.com

<910> Tribal Land(s) on which ETC Serves

<920> Tribal Government Engagement Obligation

Name of Attached Document (.pdf)

If your company serves Tribal lands, please select (Yes, No, NA) for each these boxes to confirm the status described on the attached PDF, on line 920, demonstrates coordination with the Tribal government pursuant to § 54.313(a)(9) includes:

- <921> Needs assessment and deployment planning with a focus on Tribal community anchor institutions;
- <922> Feasibility and sustainability planning;
- <923> Marketing services in a culturally sensitive manner;
- <924> Compliance with Rights of way processes
- <925> Compliance with Land Use permitting requirements
- <926> Compliance with Facilities Siting rules
- <927> Compliance with Environmental Review processes
- <928> Compliance with Cultural Preservation review processes
- <929> Compliance with Tribal Business and Licensing requirements.

Select (Yes, No, NA)

**(1100) No Terrestrial Backhaul Reporting  
Data Collection Form**

FCC Form 481  
OMB Control No. 3060-0986/OMB Control No. 3060-0819  
July 2013

<010>	Study Area Code	401702
<015>	Study Area Name	SOUTH ARKANSAS TEL
<020>	Program Year	2014
<030>	Contact Name - Person USAC should contact regarding this data	Eric N. Votaw
<035>	Contact Telephone Number - Number of person identified in data line <030>	209-955-6116
<039>	Contact Email Address - Email Address of person identified in data line <030>	Eric.Votaw@mossadams.com

<1120> Please check this box to confirm no terrestrial backhaul options exist within the supported area pursuant to § 54.313(G)

<1130> Please check this box to confirm the reporting carrier offers broadband service of at least 1 Mbps downstream and 256 kbps upstream within the supported area pursuant to § 54.313(G)

<b>(1200) Terms and Condition for Lifeline Customers Lifeline Data Collection Form</b>	FCC Form 481
	OMB Control No. 3060-0986/OMB Control No. 3060-0819
	July 2013

<010> Study Area Code	401702
<015> Study Area Name	SOUTH ARKANSAS TEL
<020> Program Year	2014
<030> Contact Name - Person USAC should contact regarding this data	Eric N. Votaw
<035> Contact Telephone Number - Number of person identified in data line <030>	209-955-6116
<039> Contact Email Address - Email Address of person identified in data line <030>	Eric.Votaw@mosadams.com

<1210> Terms & Conditions of Voice Telephony Lifeline Plans 501702AR1210  
Name of attached document (.pdf)

<1220> Link to Public Website HTTP \_\_\_\_\_

"Please check these boxes below to confirm that the attached PDF, on line 1210, or the website listed, on line 1220, contains the required information pursuant to § 54.422(a)(2) annual reporting for ETCs receiving low-income support, carriers must annually report:

- <1221> Information describing the terms and conditions of any voice telephony service plans offered to Lifeline subscribers,
- <1222> Details on the number of minutes provided as part of the plan,
- <1223> Additional charges for toll calls, and rates for each such plan.

<b>(2000) Price Cap Carrier Additional Documentation</b> <b>Data Collection Form</b> <i>Including Rate-of-Return Carriers affiliated with Price Cap Local Exchange Carriers</i>	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
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<b>&lt;010&gt;</b>	Study Area Code	401702
<b>&lt;015&gt;</b>	Study Area Name	SOUTH ARKANSAS TEL
<b>&lt;020&gt;</b>	Program Year	2014
<b>&lt;030&gt;</b>	Contact Name - Person USAC should contact regarding this data	Eric N. Votaw
<b>&lt;035&gt;</b>	Contact Telephone Number - Number of person identified in data line <030>	209-955-6116
<b>&lt;039&gt;</b>	Contact Email Address - Email Address of person identified in data line <030>	Eric.Votaw@mossadams.com

CHECK the boxes below to note compliance as a recipient of Incremental Connect America Phase I support, frozen High Cost support, High Cost support to offset access charge reductions, and Connect America Phase II support as set forth in 47 CFR § 54.313(b),(c),(d),(e) the information reported on this form and in the documents attached below is accurate.

<b>Incremental Connect America Phase I reporting</b>		
<b>&lt;2010&gt;</b>	2nd Year Certification (47 CFR § 54.313(b)(1))	<input type="checkbox"/>
<b>&lt;2011&gt;</b>	3rd Year Certification (47 CFR § 54.313(b)(2))	<input type="checkbox"/>
<b>Price Cap Carrier Receiving Frozen Support Certification (47 CFR § 54.312(a))</b>		
<b>&lt;2012&gt;</b>	2013 Frozen Support Certification	<input type="checkbox"/>
<b>&lt;2013&gt;</b>	2014 Frozen Support Certification	<input type="checkbox"/>
<b>&lt;2014&gt;</b>	2015 Frozen Support Certification	<input type="checkbox"/>
<b>&lt;2015&gt;</b>	2016 and future Frozen Support Certification	<input type="checkbox"/>
<b>Price Cap Carrier Connect America ICC Support (47 CFR § 54.313(d))</b>		
<b>&lt;2016&gt;</b>	Certification Support Used to Build Broadband	<input type="checkbox"/>
<b>Connect America Phase II Reporting (47 CFR § 54.313(e))</b>		
<b>&lt;2017&gt;</b>	3rd year Broadband Service Certification	<input type="checkbox"/>
<b>&lt;2018&gt;</b>	5th year Broadband Service Certification	<input type="checkbox"/>
<b>&lt;2019&gt;</b>	Interim Progress Certification	<input type="checkbox"/>
<b>&lt;2020&gt;</b>	Please check the box to confirm that the attached PDF , on line 2021, contains the required information pursuant to § 54.313 (e)(3)(ii), as a recipient of CAF Phase II support shall provide the number, names, and addresses of community anchor institutions to which began providing access to broadband service in the preceding calendar year.	<input type="checkbox"/>
<b>&lt;2021&gt;</b>	Interim Progress Community Anchor Institutions	Name of Attached Document Listing Required Information <hr style="width: 100%;"/>

<b>(3000) Rate Of Return Carrier Additional Documentation</b> Data Collection Form	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
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<010> Study Area Code	401702
<015> Study Area Name	SOUTH ARKANSAS TEL
<020> Program Year	2014
<030> Contact Name - Person USAC should contact regarding this data	Eric N. Votaw
<035> Contact Telephone Number - Number of person identified in data line <030>	209-955-6116
<039> Contact Email Address - Email Address of person identified in data line <030>	Eric.Votaw@mossadams.com

CHECK the boxes below to note compliance on its five year service quality plan (pursuant to 47 CFR § 54.202(a)) and, for privately held carriers, ensuring compliance with the financial reporting requirements set forth in 47 CFR § 54.313(f)(2). I further certify that the information reported on this form and in the documents attached below is accurate.

**Progress Report on 5 Year Plan**

(3010) Milestone Certification (47 CFR § 54.313(f)(1)(i)) Please check this box to confirm that the attached PDF, on line 3012, contains the required information pursuant to § 54.313 (f)(1)(ii), as a recipient of CAF Phase II support shall provide the number, names, and addresses of community anchor institutions to which began providing access to broadband service in the preceding calendar year.	Name of Attached Document Listing Required Information _____ <input type="checkbox"/>	
(3012) Community Anchor Institutions (47 CFR § 54.313(f)(1)(ii)) (3013) Is your company a Privately Held ROR Carrier (47 CFR § 54.313(f)(2)) (3014) If yes, does your company file the RUS annual report Please check these boxes to confirm that the attached PDF, on line 3017, contains the required information pursuant to § 54.313(f)(2) compliance requires: (3015) Electronic copy of their annual RUS reports (Operating Report for Telecommunications Borrowers) (3016) PDF of Balance Sheet, Income Statement and Statement of Cash Flows	Name of Attached Document Listing Required Information _____ <input checked="" type="checkbox"/> (Yes/No) <input checked="" type="checkbox"/> (Yes/No)  <input type="checkbox"/> <input checked="" type="checkbox"/>	
(3017) If the response is yes on line 3014, attach your company's RUS annual report and all required documentation (3018) If the response is no on line 3014, Is your company audited? If the response is yes on line 3018, please check the boxes below to confirm your submission, on line 3026 pursuant to § 54.313(f)(2), contains: (3019) Either a copy of their audited financial statement; or (2) a financial report in a format comparable to RUS Operating Report for Telecommunications Borrowers (3020) PDF of Balance Sheet, Income Statement and Statement of Cash Flows (3021) Management letter issued by the independent certified public accountant that performed the company's financial audit. If the response is no on line 3018, please check the boxes below to confirm your submission, on line 3026 pursuant to § 54.313(f)(2), contains: (3022) Copy of their financial statement which has been subject to review by an independent certified public accountant; or 2) a financial report in a format comparable to RUS Operating Report for Telecommunications Borrowers. (3023) Underlying information subjected to a review by an independent certified public accountant (3024) Underlying information subjected to an officer certification. (3025) PDF of Balance Sheet, Income Statement and Statement of Cash Flows (3026) Attach the worksheet listing required information	Name of Attached Document Listing Required Information 401702AR3017 _____ <input type="checkbox"/> (Yes/No)  <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>  <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>  Name of Attached Document Listing Required Information _____	

<b>Certification - Reporting Carrier Data Collection Form</b>	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
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<b>&lt;010&gt;</b>	<b>Study Area Code</b>	401702
<b>&lt;015&gt;</b>	<b>Study Area Name</b>	SOUTH ARKANSAS TEL
<b>&lt;020&gt;</b>	<b>Program Year</b>	2014
<b>&lt;030&gt;</b>	<b>Contact Name - Person USAC should contact regarding this data</b>	Eric N. Votaw
<b>&lt;035&gt;</b>	<b>Contact Telephone Number - Number of person identified in data line &lt;030&gt;</b>	209-955-6116
<b>&lt;039&gt;</b>	<b>Contact Email Address - Email Address of person identified in data line &lt;030&gt;</b>	Eric.Votaw@mosbadama.com

TO BE COMPLETED BY THE REPORTING CARRIER, IF THE REPORTING CARRIER IS FILING ANNUAL REPORTING ON ITS OWN BEHALF:

<b>Certification of Officer as to the Accuracy of the Data Reported for the Annual Reporting for CAF or LI Recipients</b>	
I certify that I am an officer of the reporting carrier; my responsibilities include ensuring the accuracy of the annual reporting requirements for universal service support recipients; and, to the best of my knowledge, the information reported on this form and in any attachments is accurate.	
Name of Reporting Carrier:	
Signature of Authorized Officer:	Date
Printed name of Authorized Officer:	
Title or position of Authorized Officer:	
Telephone number of Authorized Officer:	
Study Area Code of Reporting Carrier:	Filing Due Date for this form:
Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.	

<b>Certification - Agent / Carrier Data Collection Form</b>	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
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<010> Study Area Code	401702
<015> Study Area Name	SOUTH ARKANSAS TEL
<020> Program Year	2014
<030> Contact Name - Person USAC should contact regarding this data	Eric N. Votaw
<035> Contact Telephone Number - Number of person identified in data line <030>	209-955-6116
<039> Contact Email Address - Email Address of person identified in data line <030>	Eric.Votaw@mosadams.com

TO BE COMPLETED BY THE REPORTING CARRIER, IF AN AGENT IS FILING ANNUAL REPORTS ON THE CARRIER'S BEHALF:

<b>Certification of Officer to Authorize an Agent to File Annual Reports for CAF or LI Recipients on Behalf of Reporting Carrier</b>	
I certify that (Name of Agent) <u>Moss Adams, LLP</u> is authorized to submit the information reported on behalf of the reporting carrier. I also certify that I am an officer of the reporting carrier; my responsibilities include ensuring the accuracy of the annual data reporting requirements provided to the authorized agent; and, to the best of my knowledge, the reports and data provided to the authorized agent is accurate.	
Name of Authorized Agent:	Moss Adams, LLP
Name of Reporting Carrier:	SOUTH ARKANSAS TEL
Signature of Authorized Officer:	CERTIFIED ONLINE Date: 10/03/2013
Printed name of Authorized Officer:	Greg Ashcraft
Title or position of Authorized Officer:	Secretary/Treasurer
Telephone number of Authorized Officer:	870-942-4344
Study Area Code of Reporting Carrier:	401702 Filing Due Date for this form: 10/15/2013
Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.	

TO BE COMPLETED BY THE AUTHORIZED AGENT:

<b>Certification of Agent Authorized to File Annual Reports for CAF or LI Recipients on Behalf of Reporting Carrier</b>	
I, as agent for the reporting carrier, certify that I am authorized to submit the annual reports for universal service support recipients on behalf of the reporting carrier; I have provided the data reported herein based on data provided by the reporting carrier; and, to the best of my knowledge, the information reported herein is accurate.	
Name of Reporting Carrier:	SOUTH ARKANSAS TEL
Name of Authorized Agent or Employee of Agent:	Moss Adams LLP
Signature of Authorized Agent or Employee of Agent:	CERTIFIED ONLINE Date: 10/03/2013
Printed name of Authorized Agent or Employee of Agent:	Eric N. Votaw
Title or position of Authorized Agent or Employee of Agent:	Senior Manager
Telephone number of Authorized Agent or Employee of Agent:	209-955-6116
Study Area Code of Reporting Carrier:	401702 Filing Due Date for this form: 10/15/2013
Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.	

## Attachments

Response Line 510  
South Arkansas Telephone Company  
Study Area 401702

#### Service Quality Standards and Consumer Protection Rules

Pursuant to 47 C.F.R. § 54.313 (a)(5) and or 47 C.F.R. § 54.422 (b)(3) South Arkansas Telephone Company is in compliance with appropriate FCC Service Quality Standards and Consumer Protection Rules. South Arkansas Telephone Company provided CPNI training to all of its new employees and in addition trains all of its existing employees on an annual basis. South Arkansas Telephone Company also conducts subscriber outreach regarding CPNI by periodically placing CPNI explanation messages into subscriber's bills and also has signage in its business office regarding CPNI rules and regulations. In addition South Arkansas Telephone trains staff on Red Flag issues on an annual basis. All company employees are required to sign and acknowledge that they have completed CPNI and Red Flag training and understand obligations to adherence of applicable rules. South Arkansas Telephone is also in compliance with applicable Arkansas Public Service Commission's Telecommunications Providers Rules .

Response Line 610  
South Arkansas Telephone Company  
Study Area 401702

Functionality in Emergency Situations:

Pursuant to 47C.F.R. § 54.313(a)(6) and 47C.F.R. § 54.22(b)(4) as set forth in 47 C.F.R. § 54.202(a)(2) South Arkansas Telephone Company meets the requirements to remain functional in emergency situations and has the following capabilities; Back-up power is provided to Hampton, Banks, Hermitage and Louann central offices by use of a fixed generator and batteries that provide it with 12 hours of emergency power. In addition, South Arkansas Telephone Company field electronics have 8 hours of back-up power by use of fixed and/or mobile generators and batteries. South Arkansas also has ATM technology deployed in its core fiber optic network that is a self-healing and will automatically reroute traffic should a fiber cut occur. Last, South Arkansas Telephone Company is prepared and capable of managing traffic spikes resulting from emergency situations.



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 1 hour 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.

<b>USDA-RUS</b>  <b>OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS</b>	This data will be used by RUS to review your financial position. Your response is required by 7 CFR 990.43 and, subject to the Federal laws and regulations regarding confidential information, will be treated as confidential.	
	BORROWER NAME South Arkansas Telephone Company (Prepared with Audited Data)	
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, 2012	BORROWER DESIGNATION AR0533

**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) were specifically described in the Telecom Operating Report.

\_\_\_\_\_ David Wells \_\_\_\_\_ 5/6/2013 \_\_\_\_\_  
 DATE

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

Total Equity = \_\_\_\_\_ % of Total Assets

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INSTRUCTIONS- See RUS Bulletin 1744-2	PERIOD ENDING  December, 2012

**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]		

USDA-RUS  <b>OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS</b>	BORROWER DESIGNATION AR0533
INSTRUCTIONS – See help in the online application.	PERIOD ENDED December, 2012
<b>PART I – STATEMENT OF CASH FLOWS</b>	
<b>1. Beginning Cash (Cash and Equivalents plus RUS Construction Fund)</b>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
<b>2. Net Income</b>	
<i>Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities</i>	
3. Add: Depreciation	
4. Add: Amortization	
5. Other (Explain) Retirements & Proceeds	
<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	
<b>13. Net Cash Provided/(Used) by Operations</b>	
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
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)	
<b>23. Net Cash Provided/(Used) by Financing Activities</b>	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
24. Net Capital Expenditures (Property, Plant & Equipment)	
25. Other Long-Term Investments	
26. Other Noncurrent Assets & Jurisdictional Differences	
27. Other (Explain) Increase in Taxes Accrued & Decrease in Interest Receivable	
<b>28. Net Cash Provided/(Used) by Investing Activities</b>	
<b>29. Net Increase/(Decrease) in Cash</b>	
<b>30. Ending Cash</b>	

## REPORT OF INDEPENDENT AUDITORS

To the Board of Directors  
South Arkansas Telephone Company

### Report on the Financial Statements

We have audited the accompanying financial statements of South Arkansas Telephone Company, which comprise the balance sheets as of December 31, 2012 and 2011, and the related statements of income, comprehensive income (loss), stockholder's equity and cash flows for the years then ended, and the related notes to the financial statements.

### *Management's Responsibility for the 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 the 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 for 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.

## REPORT OF INDEPENDENT AUDITORS (continued)

### *Auditor's Responsibility (continued)*

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

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of South Arkansas Telephone Company as of December 31, 2012 and 2011, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### *Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2013 on our consideration of South Arkansas Telephone Company's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

*Moss Adams LLP*

Overland Park, Kansas  
April 30, 2013