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Suite 1200
McLean, VA 22102

John Cimko
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LNGS | LUKAS, NACE, GUTIERREZ & SACHS, LLP

October 31, 2013

VIA ELECTRONIC FILING

Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, S.W., Room TW-A306
Washington, D.C. 20554

Re: Connect America Fund, WC Docket No. 10-90

Dear Secretary Dortch:

On behalf of Scott County Telephone Cooperative, Inc. (SAC 190248) ("Scott County Telephone"), please find attached a copy of Scott County Telephone's FCC Form 481 Carrier Annual Report, filed pursuant to Sections 54.313 and 54.422 of the Commission's Rules ("Form 481 Report"). The Form 481 Report has been submitted to the Universal Service Administrative Company through its E-File System, and was successfully certified on October 15, 2013.

Please contact the undersigned if any questions arise concerning the above-referenced enclosure or if you require any additional information.

Sincerely,

John Cimko

Attorney for:
Scott County Telephone Cooperative, Inc.

Attachment

FCC Form 481 - Carrier Annual Reporting Data Collection Form

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

<010>	Study Area Code	190248
<015>	Study Area Name	SCOTT COUNTY COOP
<020>	Program Year	2014
<030>	Contact Name: Person USAC should contact with questions about this data	Daniel E Odom
<035>	Contact Telephone Number: Number of the person identified in data line <030>	276-452-7224
<039>	Contact Email Address: Email of the person identified in data line <030>	dano@sctc.org

ANNUAL REPORTING FOR ALL CARRIERS			54.313 Completion Required	54.422 Completion Required
			(check box when complete)	
<100>	Service Quality Improvement Reporting	(complete attached worksheet)		
<200>	Outage Reporting (voice)	(complete attached worksheet)	✓	✓
<210>	✓ <-- check box if no outages to report			
<300>	Unfulfilled Service Requests (voice)			
<310>	Detail on Attempts (voice)	(attach descriptive document)		
<320>	Unfulfilled Service Requests (broadband)			
<330>	Detail on Attempts (broadband)	(attach descriptive document)		
<400>	Number of Complaints per 1,000 customers (voice)			
<410>	Fixed			
<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)		
<510>		(attached descriptive document)		
<600>	Functionality in Emergency Situations	(check to indicate certification)		
<610>		(attached descriptive document)		
<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)		
<1000>	Voice Services Rate Comparability	(check to indicate certification)		
<1010>		(attach descriptive document)		
<1100>	Terrestrial Backhaul (Y/N)?	(if not, check to indicate certification)	✓	
<1110>		(complete attached worksheet)		
<1200>	Terms and Condition for Lifeline Customers	(complete attached worksheet)		✓

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)	✓	
<3005>		(complete attached worksheet)		

(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	190248
<015>	Study Area Name	SCOTT COUNTY COOP
<020>	Program Year	2014
<030>	Contact Name - Person USAC should contact regarding this data	Daniel E Odom
<035>	Contact Telephone Number - Number of person identified in data line <030>	276-452-7224
<039>	Contact Email Address - Email Address of person identified in data line <030>	dano@sctc.org

<110>	Has your company received its ETC certification from the FCC?	(yes / no)	○ ✓
<111>	If your answer to Line <110> is yes, do you have an existing §54.202(a) "5 year plan" filed with the FCC?	(yes / no)	○ ○

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.	☐

(200) Service Outage Reporting (Voice)
Data Collection Form

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

<010>	Study Area Code	190248
<015>	Study Area Name	SCOTT COUNTY COOP
<020>	Program Year	2014
<030>	Contact Name - Person USAC should contact regarding this data	Daniel E Odom
<035>	Contact Telephone Number - Number of person identified in data line <030>	276-452-7224
<039>	Contact Email Address - Email Address of person identified in data line <030>	dano@sctc.org

<220>

<a> NORS Reference Number	<b1> Outage Start Date	<b2> Outage Start Time	<b3> Outage End Date	<b4> Outage End Time	<c1> Number of Customers Affected	<c2> Total Number of Customers	<d> 911 Facilities Affected (Yes / No)	<e> Service Outage Description (Check all that apply)	<f> Did This Outage Affect Multiple Study Areas (Yes / No)	<g> Service Outage Resolution	<h> Preventative Procedures

-- See attached worksheet --

(700) Price Offerings including Voice Rate Data
Data Collection Form

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

<010>	Study Area Code	190248
<015>	Study Area Name	SCOTT COUNTY COOP
<020>	Program Year	2014
<030>	Contact Name - Person USAC should contact regarding this data	Daniel E Odom
<035>	Contact Telephone Number - Number of person identified in data line <030>	276-452-7224
<039>	Contact Email Address - Email Address of person identified in data line <030>	dano@sctc.org

<701>	Residential Local Service Charge Effective Date	1/1/2013
<702>	Single State-wide Residential Local Service Charge	0.0

<703>

<a1> State	<a2> Exchange (ILEC)	<a3> SAC (CETC)	<b1> Rate Type	<b2> Residential Local Service Rate	<b3> State Subscriber Line Charge	<b4> State Universal Service Fee	<b5> Mandatory Extended Area Service Charge	<c> Total per line Rates and Fees
				-- See attached worksheet				
				--				

(710) Broadband Price Offerings
Data Collection Form

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

<010>	Study Area Code	190248
<015>	Study Area Name	SCOTT COUNTY COOP
<020>	Program Year	2014
<030>	Contact Name - Person USAC should contact regarding this data	Daniel E Odom
<035>	Contact Telephone Number - Number of person identified in data line <030>	276-452-7224
<039>	Contact Email Address - Email Address of person identified in data line <030>	dano@sctc.org

<711>

<a1> State	<a2> Exchange (ILEC)	<b1> Residential Rate	<b2> State Regulated Fees	<c> Total Rate and Fees	<d1> Broadband Service - Download Speed (Mbps)	<d2> Broadband Service - Upload Speed (Mbps)	<d3> Usage Allowance (GB)	<d4> Usage Allowance Action Taken When Limit Reached (*select*)
		-- See attached worksheet --						

(800) Operating Companies
Data Collection Form

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

<010>	Study Area Code	190248
<015>	Study Area Name	SCOTT COUNTY COOP
<020>	Program Year	2014
<030>	Contact Name - Person USAC should contact regarding this data	Daniel E Odom
<035>	Contact Telephone Number - Number of person identified in data line <030>	276-452-7224
<039>	Contact Email Address - Email Address of person identified in data line <030>	dano@sctc.org

<810>	Reporting Carrier	Scott County Telephone Cooperative
<811>	Holding Company	NA
<812>	Operating Company	NA

<813>

<a1> Affiliates	<a2> SAC	<a3> Doing Business As Company or Brand Designation
-- See attached worksheet --		

(900) Tribal Lands Reporting Data Collection Form

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

<010>	Study Area Code	190248
<015>	Study Area Name	SCOTT COUNTY COOP
<020>	Program Year	2014
<030>	Contact Name - Person USAC should contact regarding this data	Daniel E Odom
<035>	Contact Telephone Number - Number of person identified in data line <030>	276-452-7224
<039>	Contact Email Address - Email Address of person identified in data line <030>	dano@sctc.org

<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:

		Select (Yes,No, NA)
<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.	

(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	190248
<015>	Study Area Name	SCOTT COUNTY COOP
<020>	Program Year	2014
<030>	Contact Name - Person USAC should contact regarding this data	Daniel E Odom
<035>	Contact Telephone Number - Number of person identified in data line <030>	276-452-7224
<039>	Contact Email Address - Email Address of person identified in data line <030>	dano@sctc.org

<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) ☑

(1200) Terms and Condition for Lifeline Customers
Lifeline
Data Collection Form

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

<010>	Study Area Code	190248
<015>	Study Area Name	SCOTT COUNTY COOP
<020>	Program Year	2014
<030>	Contact Name - Person USAC should contact regarding this data	Daniel E Odom
<035>	Contact Telephone Number - Number of person identified in data line <030>	276-452-7224
<039>	Contact Email Address - Email Address of person identified in data line <030>	dano@sctc.org

<1210> Terms & Conditions of Voice Telephony Lifeline Plans — 143001414va1210

Name of attached document (.pdf)

<1220> Link to Public Website — HTTP www.sctc.org

"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. ☐

(2000) Price Cap Carrier Additional Documentation
Data Collection Form
Including Rate-of-Return Carriers affiliated with Price Cap Local Exchange Carriers

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

<010>	Study Area Code	190248
<015>	Study Area Name	SCOTT COUNTY COOP
<020>	Program Year	2014
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<035>	Contact Telephone Number - Number of person identified in data line <030>	276-452-7224
<039>	Contact Email Address - Email Address of person identified in data line <030>	dano@sctc.org

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.

Incremental Connect America Phase I reporting

<2010> 2nd Year Certification {47 CFR § 54.313(b)(1)} ☐
<2011> 3rd Year Certification {47 CFR § 54.313(b)(2)} ☐

Price Cap Carrier Receiving Frozen Support Certification {47 CFR § 54.312(a)}

<2012> 2013 Frozen Support Certification ☐
<2013> 2014 Frozen Support Certification ☐
<2014> 2015 Frozen Support Certification ☐
<2015> 2016 and future Frozen Support Certification ☐

Price Cap Carrier Connect America ICC Support {47 CFR § 54.313(d)}

<2016> Certification Support Used to Build Broadband ☐

Connect America Phase II Reporting {47 CFR § 54.313(e)}

<2017> 3rd year Broadband Service Certification ☐
<2018> 5th year Broadband Service Certification ☐
<2019> Interim Progress Certification ☐
<2020> 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. ☐
<2021> Interim Progress Community Anchor Institutions — Name of Attached Document Listing Required Information _____

(3000) Rate Of Return Carrier Additional Documentation
Data Collection Form

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

<010>	Study Area Code	190248
<015>	Study Area Name	SCOTT COUNTY COOP
<020>	Program Year	2014
<030>	Contact Name - Person USAC should contact regarding this data	Daniel E Odom
<035>	Contact Telephone Number - Number of person identified in data line <030>	276-452-7224
<039>	Contact Email Address - Email Address of person identified in data line <030>	dano@sctc.org

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,	Name of Attached Document Listing Required Information	☐
(3011)	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.		
(3012)	Community Anchor Institutions {47 CFR § 54.313(f)(1)(ii)}	Name of Attached Document Listing Required Information	
(3013)	Is your company a Privately Held ROR Carrier {47 CFR § 54.313(f)(2)}		☐ (Yes/No)
(3014)	If yes, does your company file the RUS annual report		☐ (Yes/No)
	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		☐
(3017)	If the response is yes on line 3014, attach your company's RUS annual report and all required documentation	Name of Attached Document Listing Required Information	
(3018)	If the response is no on line 3014, Is your company audited?		☑ (Yes/No)
	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		☑
(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	143001414va3019

Certification - Reporting Carrier Data Collection Form	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013

<010>	Study Area Code	190248
<015>	Study Area Name	SCOTT COUNTY COOP
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<030>	Contact Name - Person USAC should contact regarding this data	Daniel E Odom
<035>	Contact Telephone Number - Number of person identified in data line <030>	276-452-7224
<039>	Contact Email Address - Email Address of person identified in data line <030>	dano@sctc.org

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

Certification of Officer as to the Accuracy of the Data Reported for the Annual Reporting for CAF or LI Recipients

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:	SCOTT COUNTY COOP		
Signature of Authorized Officer:	CERTIFIED ONLINE	Date	10/15/2013
Printed name of Authorized Officer:	Daniel Odom		
Title or position of Authorized Officer:	Chief Financial Officer		
Telephone number of Authorized Officer:	276-452-7224		
Study Area Code of Reporting Carrier:	190248	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.

Certification - Agent / Carrier Data Collection Form	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013

<010>	Study Area Code	190248
<015>	Study Area Name	SCOTT COUNTY COOP
<020>	Program Year	2014
<030>	Contact Name - Person USAC should contact regarding this data	Daniel E Odom
<035>	Contact Telephone Number - Number of person identified in data line <030>	276-452-7224
<039>	Contact Email Address - Email Address of person identified in data line <030>	dano@sctc.org

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

Certification of Officer to Authorize an Agent to File Annual Reports for CAF or LI Recipients on Behalf of Reporting Carrier

I certify that (Name of Agent)_____ 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:

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.

TO BE COMPLETED BY THE AUTHORIZED AGENT:

Certification of Agent Authorized to File Annual Reports for CAF or LI Recipients on Behalf of Reporting Carrier

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:

Name of Authorized Agent or Employee of Agent:

Signature of Authorized Agent or Employee of Agent: Date:

Printed name of Authorized Agent or Employee of Agent:

Title or position of Authorized Agent or Employee of Agent

Telephone number of Authorized Agent or Employee of Agent:

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.

Attachments

(800) Operating Companies
Data Collection Form

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

<010>	Study Area Code	190248
<015>	Study Area Name	SCOTT COUNTY COOP
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<039>	Contact Email Address - Email Address of person identified in data line <030>	dano@sctc.org

<810>	Reporting Carrier	Scott County Telephone Cooperative
<811>	Holding Company	NA
<812>	Operating Company	NA

<813>

<a1> Affiliates	<a2> SAC	<a3> Doing Business As Company or Brand Designation
Scott County Long Distance		
MountaiNet, Inc.		
MountaiNet Long Distance		
MountaiNet Telephone Company		

190248
Scott Co Tele

143001414 va 1210

Scott County Telephone Cooperative Announces Low-Income Discounts

Lifeline ~~and Link-Up~~ provides discounts to eligible low-income consumers to help them establish and maintain telephone service. Lifeline assistance lowers the cost of basic, monthly local telephone service. Eligible consumers can receive up to a $10.88 per month in discounts. ~~Link Up reduces the cost of initiating new telephone service. Eligible consumers can receive a 50% discount off the one time costs associated with initiating telephone service, up to a maximum of $30~~.

Don't know whether you are eligible? If you participate in Medicaid and/or Food Stamps, you are eligible. Just call SCTC at 452-9119 for more information!

SCTC
Connecting you

149 Woodland St. • P.O. Box 487
Gate City, Virginia 24251
(276) 452-9119

190248
Scott County Telephone

143001414 Va 3019

SCOTT COUNTY TELEPHONE COOPERATIVE, INC. AND SUBSIDIARY

DECEMBER 31, 2012

FINANCIAL STATEMENTS

SCOTT COUNTY TELEPHONE COOPERATIVE, INC. AND SUBSIDIARY
GATE CITY, VIRGINIA

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JACKSON THORNTON
A PROFESSIONAL CORPORATION www.jacksonthornton.com

MONTGOMERY, ALABAMA

Dothan
Prattville
Wetumpka

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Scott County Telephone Cooperative, Inc.
and Subsidiary
Gate City, Virginia

Report on the Financial Statements

We have audited the accompanying consolidated balance sheets of Scott County Telephone Cooperative, Inc. and Subsidiary (the Cooperative) as of December 31, 2012 and 2011, and the related consolidated statements of income and comprehensive income, capitalization, 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Cooperative's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Cooperative'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 consolidated financial statements.

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

A PROFESSIONAL CORPORATION CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

Opinions

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Scott County Telephone Cooperative, Inc. and Subsidiary as of December 31, 2012 and 2011, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 14 to the financial statements, the 2011 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 1, 2013 on our consideration of Scott County Telephone Cooperative, Inc. and Subsidiary's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Jackson Thornton & Co. PC

Murfreesboro, Tennessee
July 1, 2013

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Board of Directors
Scott County Telephone Cooperative, Inc.
and Subsidiary
Gate City, Virginia

We have audited, in accordance with the 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, the consolidated financial statements of Scott County Telephone Cooperative, Inc. and Subsidiary (the Cooperative), which comprise the consolidated balance sheet as of December 31, 2012, and the related consolidated statements of income and comprehensive income, capitalization, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated July 1, 2013.

Internal Control Over Financial Reporting

Management of the Cooperative is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Cooperative's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Cooperative's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Cooperative's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

A PROFESSIONAL CORPORATION CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Cooperative's consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit; accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 12-1.

This report is intended solely for the information and use of the Board of Directors, management, the Rural Utilities Service, and supplemental lenders and is not intended to be and should not be used by anyone other than these specified parties.

Jackson Thornton & Co. PC

Murfreesboro, Tennessee
July 1, 2013

SCOTT COUNTY TELEPHONE COOPERATIVE, INC. AND SUBSIDIARY
GATE CITY, VIRGINIA

CONSOLIDATED BALANCE SHEETS
AT DECEMBER 31, 2012 AND 2011 (AS RESTATED)

ASSETS

	2012	2011
CURRENT ASSETS:		
Cash and cash equivalents	$ 4,770,231	$ 6,861,982
Accounts receivable:		
Due from customers, less allowance	182,476	227,924
Other	905,298	304,714
Income tax receivable	142,483	
Materials and supplies	1,285,532	1,219,476
Prepayments	97,059	73,162
Total current assets	7,383,079	8,687,258
NONCURRENT ASSETS:		
Investments in equity securities	306,824	287,362
Other investments	1,603,919	1,699,268
Total other assets	1,910,743	1,986,630
PROPERTY, PLANT, AND EQUIPMENT:		
Telecommunications plant in service	52,000,345	48,672,913
Telecommunications plant under construction	5,154,673	2,906,756
Less: Accumulated depreciation	29,290,248	27,428,368
Total telecommunications plant	27,864,770	24,151,301
Total assets	$ 37,158,592	$ 34,825,189

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

LIABILITIES AND CAPITALIZATION

	2012	2011
CURRENT LIABILITIES:		
Accounts payable	$ 1,965,543	$ 2,012,508
Customer deposits	37,124	41,475
Current maturities on long term debt	947,000	876,000
Accrued and other current liabilites	518,048	540,115
Total current liabilities	3,467,715	3,470,098
NONCURRENT LIABILITIES:		
Long term debt less current maturities	10,823,357	8,784,080
Deferred revenue		3,243
Deferred income taxes	537,308	649,128
Postretirement benefits	4,863,158	4,174,773
Total noncurrent liabilities	16,223,823	13,611,224
Total liabilities	19,691,538	17,081,322
CAPITALIZATION:		
Memberships	110,761	113,211
Accumulated other comprehensive loss	(2,528,232)	(1,804,344)
Patronage capital	19,884,525	19,435,000
Total capitalization	17,467,054	17,743,867
Total liabilities and capitalization	$ 37,158,592	$ 34,825,189

SCOTT COUNTY TELEPHONE COOPERATIVE, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CAPITALIZATION
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011 (AS RESTATED)

	TOTAL	COMPREHENSIVE INCOME (LOSS)	MEMBERSHIPS	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	PATRONAGE CAPITAL
Balances - December 31, 2010	$ 17,010,259		$ 115,921	$ (625,058)	$ 17,519,396
Comprehensive income (loss):					
Net margins for the year	1,915,604	$ 1,915,604			1,915,604
Other comprehensive income (loss):					
Unrealized gain on securities	9,414	9,414		9,414	
Unrecognized net loss and transition obligation for postretirement benefits	(1,188,700)	(1,188,700)		(1,188,700)	
Comprehensive income for the year		$ 736,318			
Decrease in memberships	(2,710)		(2,710)		
Balances - December 31, 2011	17,743,867		113,211	(1,804,344)	19,435,000
Comprehensive income (loss):					
Net margins for the year	449,525	$ 449,525			449,525
Other comprehensive income (loss):					
Unrealized gain on securities	6,912	6,912		6,912	
Unrecognized net loss and transition obligation for postretirement benefits	(730,800)	(730,800)		(730,800)	
Comprehensive loss for the year		$ (274,363)			
Decrease in memberships	(2,450)		(2,450)		
Balances - December 31, 2012	$ 17,467,054		$ 110,761	$ (2,528,232)	$ 19,884,525

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

SCOTT COUNTY TELEPHONE COOPERATIVE, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011 (AS RESTATED)

	2012	2011
OPERATING REVENUES:		
Regulated revenues:		
Basic local network services	$ 1,982,453	$ 2,891,298
Network access and long distance network service	6,299,844	7,059,502
Other	323,537	326,637
Cable television and internet	5,530,682	5,347,752
Less: Uncollectible revenues	58,465	70,213
Total operating revenues	14,078,051	15,554,976
OPERATING EXPENSES:		
Depreciation and amortization	2,878,172	2,815,005
Plant specific operations	2,819,642	2,585,306
Plant nonspecific operations	3,597,178	3,963,457
Customer operations	1,465,015	1,419,315
Corporate operations	2,360,634	1,950,248
Total operating expenses	13,120,641	12,733,331
NET OPERATING INCOME	957,410	2,821,645
NONOPERATING INCOME (EXPENSE):		
Investment income	32,263	36,552
Interest expense	(396,503)	(389,725)
Allowance for funds used during construction	98,957	23,575
Total nonoperating expense	(265,283)	(329,598)
EARNINGS BEFORE INCOME TAXES	692,127	2,492,047
INCOME TAX EXPENSE:		
Federal and state income taxes	354,422	498,563
Provision for deferred taxes	(111,820)	77,880
Total income tax expense	242,602	576,443
NET INCOME	$ 449,525	$ 1,915,604

The accompanying notes are an integral part of these financial statements

SCOTT COUNTY TELEPHONE COOPERATIVE, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011 (AS RESTATED)

	2012	2011
NET INCOME	$ 449,525	$ 1,915,604
OTHER COMPREHENSIVE INCOME:		
Accumulated postretirement benefit obligation:		
Unrecognized loss	(730,800)	(1,188,700)
Unrealized gain on securities:		
Gain on securities	6,912	9,414
Other comprehensive loss	(723,888)	(1,179,286)
COMPREHENSIVE INCOME (LOSS)	$ (274,363)	$ 736,318

The accompanying notes are an integral part of these financial statements

SCOTT COUNTY TELEPHONE COOPERATIVE, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011 (AS RESTATED)
Increase (Decrease) in Cash and Cash Equivalents

	2012	2011
CASH FLOWS FROM (USED FOR) OPERATING ACTIVITIES:		
Net income	$ 449,525	$ 1,915,604
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	2,878,172	2,815,005
Provision for uncollectible revenue	(58,465)	70,213
Deferred income taxes	(111,820)	77,880
Cash value of life insurance	(4,652)	731
Decrease (increase) in operating assets and increase (decrease) in operating liabilities:		
Accounts receivable	(639,154)	33,771
Material and supplies	(66,056)	(827,499)
Prepayments and deferred charges	(23,897)	48,215
Accounts payable	(46,965)	1,393,697
Customer deposits	(4,351)	3,150
Accrued and other current liabilitites	(22,067)	158,083
Deferred revenue	(3,243)	(38,919)
Postretirement benefits	(42,414)	(198,049)
Total adjustments	1,855,088	3,536,278
Net cash from operating activities	2,304,613	5,451,882
CASH FLOWS FROM (USED FOR) INVESTING ACTIVITIES:		
Acquisition and construction of plant, net of salvage, and cost of removal	(6,591,641)	(4,591,952)
Purchase of securities available for sale	(12,550)	(8,550)
Other investments	100,000	
Net cash used for investing activities	(6,504,191)	(4,600,502)
CASH FLOWS FROM (USED FOR) FINANCING ACTIVITIES:		
Principal payments on long term debt	(1,037,175)	(1,189,965)
Proceeds from long term debt	3,147,452	2,128,633
Decrease in memberships issued	(2,450)	(2,710)
Net cash from financing activities	2,107,827	935,958
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,091,751)	1,787,338
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	6,861,982	5,074,644
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 4,770,231	$ 6,861,982
SUPPLEMENTAL INFORMATION:		
Cash used to pay interest	$ 290,768	$ 372,928
Cash used to pay income taxes, net of refunds	622,652	580,593

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

SCOTT COUNTY TELEPHONE COOPERATIVE, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:
The following is a summary of significant accounting policies of Scott County Telephone Cooperative, Inc. and Subsidiary (the Cooperative):

Consolidation - The consolidated financial statements included the accounts of Scott County Telephone Cooperative, Inc. and its wholly owned subsidiary, SCTC Management Group, Inc. Scott Telecom and Electronics, Inc., Scott County Long Distance, Inc., MountaiNet, Inc., and Appalachian Broadband, LLC are wholly owned subsidiaries of SCTC Management Group, Inc. MountaiNet Telephone Cooperative, Inc. and MountaiNet Long Distance, Inc. are wholly owned subsidiaries of MountaiNet, Inc. SW VA Fiber Network, LLC is a wholly owned subsidiary of Appalachian Broadband, LLC. All material intercompany balances and transactions have been eliminated.

The Cooperative's principal line of business is providing local telephone service, long distance telephone service, and cable and internet access service. The revenues reported on these statements of income reflect the relative importance of each type of service. The principal market for these telecommunications services are local residential and business customers residing in the exchange the Cooperative serves in Gate City, Virginia.

Revenue recognition - Compensation for interstate access services is received through tariffed access charges filed by the National Exchange Carrier Association (NECA) with the Federal Communications Commission (FCC) on behalf of the member companies. These access charges are billed by the Cooperative to the interstate interexchange carriers, and pooled with like revenues from all NECA member companies. The portion of the pooled access charge revenue received by the Cooperative is based upon its actual cost of providing interstate access service, plus a return on the investment dedicated to providing that service.

Compensation for Intrastate/IntraLATA access services (for toll traffic not carried by an interexchange carrier) is received under an IntraLATA Toll Originating Responsibility Plan (ITORP). Access charges, as filed with the Virginia State Corporation Commission, are billed to the originating local exchange carrier for terminating toll traffic, and retained by the Cooperative. Toll revenue is billed to the end user at the Cooperative's local tariffed rates, and is retained by the Cooperative. The Cooperative pays the other local exchange carrier for terminating the toll traffic.

Compensation for Intrastate/InterLATA service and Intrastate/IntraLATA service (for toll traffic carried by an interexchange carrier) is received through tariffed access charges as filed with the Virginia State Corporation Commission. These access charges are billed to the interexchange carriers carrying the traffic and retained by the Cooperative.

Compensation for long distance service is received through charges for providing usage of the local exchange network. Toll revenues are recognized when services are rendered.

Compensation for cable television and internet access is received through monthly charges for providing cable television programming and internet access to customers that subscribe to these services.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

Taxes - The Cooperative collects communications taxes from its members on behalf of the State of Virginia. Revenue is presented net of taxes collected in the statement of income.

Income taxes - The Cooperative accounts for income taxes in accordance with the Income Taxes Topic of the FASB Accounting Standards Codification. This topic requires companies to record deferred tax liabilities or assets for the deferred tax consequences of all temporary differences. Deferred taxes are provided on the liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss and tax credit carry forwards, and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance, when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

Management evaluated the Cooperative's tax positions and concluded that the Cooperative had taken no uncertain tax positions that require adjustment to the financial statements. With few exceptions, the Cooperative is no longer subject to income tax examinations by the United States federal, state, or local tax authorities for years before 2009.

Inventories - The Cooperative's inventories are priced at cost. The Cooperative's inventory cost is determined by the average cost method.

Cash equivalents - The Cooperative considers all highly liquid investments with a maturity of one year or less when purchased to be cash equivalents.

Investments - Investments in marketable securities are classified according to management's intent and may be classified as available for sale, trading, or held to maturity. The Cooperative has classified its investments in marketable securities as available for sale. Available for sale securities are stated at fair value, and unrealized holding gains and losses are reported as a separate component of equity.

Accounts receivable - The Cooperative extends credit to its commercial and residential subscribers, the majority of whom reside in southwest Virginia. Accounts receivable are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts.

Accounts receivable, which do not accrue interest, are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received.

SCOTT COUNTY TELEPHONE COOPERATIVE, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)
A summary of the changes in the allowance for doubtful accounts is as follows:

	2012	2011
Balance at beginning of period	$ 70,120	$ 80,190
Provision charged to income	(58,465)	(70,213)
Accounts written-off, net of recoveries	126,324	60,142
Balance at end of period	$ 137,979	$ 70,120

Capitalization of interest - Interest is capitalized, in connection with the construction of telephone and cable plant, using the Allowance for Funds Used during Construction (AFUDC) method. The construction period interest is recorded as part of the asset to which it relates and is amortized over the asset's estimated useful life. Interest costs of $98,957 and $23,575 were capitalized in 2012 and 2011, respectively.

Depreciation - Depreciation is computed principally by the straight line method. The estimated annual rates used to compute depreciation for financial reporting purposes are as stated below.

Property, plant, and equipment - Property, plant, and equipment in service and under construction are stated at cost. Listed below are the major classes of property, plant, and equipment as of December 31, 2012 and 2011.

	ESTIMATED ANNUAL DEPRECIATION RATES
Vehicles and other work equipment	10.0% - 12.86%
Buildings	2.86%
Furniture	6.33%
Leasehold improvements	2.86%
Central office and computer equipment	6.33% - 12.22%
Outside plant - pole, aerial, and buried	4.40% - 4.66%

Depreciation expense for 2012 and 2011 was $2,878,172 and $2,815,005, respectively.

Fair value - The Fair Value Measurements and Disclosures Topic of the FASB Accounting Standards Codification establishes a fair value hierarchy that is based on the valuation inputs used in the fair value measurements. Measurements using quoted prices in active markets for identical assets and liabilities fall within Level 1 of the hierarchy, measurements using significant other observable inputs fall within Level 2, and measurements using significant unobservable inputs fall within Level 3.

In determining the appropriate levels, the Cooperative performs a detailed analysis of the assets and liabilities that are subject to fair value measurement accounting.

For the years ended December 31, 2012 and 2011, the application of valuation techniques applied to similar assets and liabilities has been consistent.

Use of estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Reclassifications - Certain prior year amounts have been reclassified to conform to the current year presentation.

NOTE 2 - CASH AND CASH EQUIVALENTS:
The Cooperative maintains cash in bank deposit accounts. The Cooperative has cash balances on deposit that exceed the balance insured by the FDIC in the amount of $214,000.

NOTE 3 - CASH RESTRICTIONS:
The loan agreement with the Rural Utilities Services (RUS) restricts the use of cash in the RUS construction fund account to approved construction budget purposes in amounts approved for those purposes. The construction fund cash balance amounted to $88,454 and $331,463 at December 31, 2012 and 2011, respectively.

SCOTT COUNTY TELEPHONE COOPERATIVE, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

NOTE 4 - PROPERTY, PLANT, AND EQUIPMENT:
The major classes of property and equipment are summarized as follows:

	2012	2011
Telecommunications plant in service:		
Land	$ 425,904	$ 391,066
Vehicles and other work equipment	2,014,388	1,846,942
Buildings	4,886,626	3,750,805
Furniture	801,341	743,384
Leasehold improvements	341,542	272,829
Central office and computer equipment	22,329,044	21,695,357
Outside plant - pole, aerial, and buried	21,201,500	19,972,530
Total telecommunications plant in service	$ 52,000,345	$ 48,672,913

NOTE 5 - OTHER INVESTMENTS:
A summary of other investments is as follows:

	2012	2011
Tennessee Independent Telecommunications Group, LLC	$ 1,065,556	$ 1,065,556
Cash surrender value of life insurance policies	326,090	321,438
Virginia Independent Telephone Alliance, LLC	154,034	154,034
National Telecom Corporation	34,524	134,524
Rural Telephone Finance Cooperative-capital term certificates	23,716	23,716
Total other investments	$ 1,603,920	$ 1,699,268

TITG provides data transport services and tandem access services in Tennessee. TITG has ten member telephone companies, each with a representative on the board of directors. As of December 31, 2012 and 2011, the percentage ownership in TITG is 10.56%; therefore the Cooperative is not considered the primary beneficiary of TITG.

The Cooperative is a guarantor of up to $550,000 of TITG's long-term debt. Thus, the Cooperative's maximum exposure to loss is $1,615,555.

Other investments are carried at cost, plus allocated equities, if applicable.

SCOTT COUNTY TELEPHONE COOPERATIVE, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

NOTE 6 - LONG TERM DEBT:

DESCRIPTION	2012	2011
Mortgage notes payable - RUS; payable in monthly and quarterly installments; interest rates of 5.0%; notes due at various times to 2020	$ 922,742	$ 1,113,986
Mortgage notes payable - FFB; payable in quarterly installments; interest rates of 0.84% to 5.06%; notes due at various times to 2021	7,250,751	7,558,447
Mortgage notes payable - RUS Broadband Loan; payable in quarterly installments; interest rates of 2.28% to 4.28%; notes due in 2034	3,036,334	937,085
Mortgage notes payable - Lenowisco Planning Commission; interest rate of 0.24% to 6.0%; due in 2014	500,000	
Capital lease - Farm Credit Leasing; payable in monthly installments; interest rates of 3.02% to 3.13%; due in 2017	60,530	50,563
Less: Current maturities	947,000	876,000
Total long term debt	$ 10,823,357	$ 8,784,081

All mortgage notes payable are secured by total assets of the Cooperative.

Estimated maturities on long term debt for the next five years are as follows:

For the years ending:	
2013	$ 947,000
2014	1,467,000
2015	988,000
2016	1,009,000
2017	1,032,000

The Cooperative had approved unadvanced loans with FFB in the amount of $623,591 as of December 31, 2012.

The Cooperative had approved unadvanced loans with RUS in the amount of $4,371,613 as of December 31, 2012.

The Cooperative has certain financial covenants, including a covenant of the times interest earned ratio of not less than 1.5. The Cooperative is required to achieve this covenant each calendar year. This covenant was not achieved for the year ended December 31, 2012.

Although the Cooperative was in violation of the above covenant, the violation has been waived by RUS for the year ended December 31, 2012.

NOTE 7 - CAPITAL LEASE AGREEMENTS:
The Cooperative is the lessee of construction vehicles under a capital lease that expires in 2017. The assets and liabilities under these capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the assets. The assets are depreciated over the lower of their related lease terms or their estimated productive lives. Depreciation of assets under capital leases is included in depreciation expense for the years ended December 31, 2012 and 2011.

The equipment and related accumulated depreciation under capital leases is included in plant in service and accumulated depreciation, respectively, on the consolidated balance sheets at December 31, 2012 and 2011. Following is a summary of equipment held under capital leases:

	2012	2011
Vehicles	$ 299,519	$ 230,033
Less: Accumulated depreciation	235,025	201,383
Totals	$ 64,494	$ 28,650

Obligations under capital leases are included with long-term debt on the consolidated balance sheets at December 31, 2012 and 2011, with the current portion of obligations under capital leases included in current maturities on long-term debt (See Note 6).

The Cooperative's future minimum lease payments under capital lease obligations are as follows:

For the year ending:	
2013	$ 12,740
2014	13,897
2015	13,897
2016	13,897
2017	10,621
Less: Imputed interest	4,522
Total	$ 60,530

NOTE 8 - POSTRETIREMENT BENEFITS OTHER THAN PENSIONS:
The Cooperative has a postretirement benefit plan that covers all eligible employees, directors, and spouses. Benefits provided by this plan consist primarily of hospitalization insurance benefits which are provided by the payment of insurance premiums on behalf of eligible retirees.

The Cooperative uses a measurement date of December 31 for the plan.

The postretirement plan's funded status and amounts recognized in the Cooperative's financial statements are as follows:

	2012		2011	
Accumulated postretirement benefit obligation	$ (9,927,900)		$ (8,699,500)	
Fair value of plan assets:				
Life insurance cash values	4,565,521	90.14%	4,030,034	89.07%
Certificates of deposit	499,221	9.86%	494,692	10.93%
Totals	5,064,742		4,524,726	
Totals	$ (4,863,158)		$ (4,174,774)	

NOTE 8 - POSTRETIREMENT BENEFITS OTHER THAN PENSIONS: (continued)
The following sets forth the changes in plan assets at December 31, 2012 and 2011.

	2012	2011
Fair value of plan assets, beginning of year:	$ 4,524,727	$ 4,219,158
Return on plan assets	64,915	305,569
Contributions by the Cooperative	721,300	215,800
Benefits paid	(246,200)	(215,800)
Fair value of plan assets, end of year:	$ 5,064,742	$ 4,524,727

The actual rate of return on plan assets was a gain of 1.43% and 7.24% for 2012 and 2011 respectively. The long term return on plan assets was determined by taking the weighted average rate of return based on the market values of the asset classes for the past several years.

The Cooperative expects to contribute $313,800 to this plan in 2013.

The plan's assets consist of life insurance policies on certain members of the Board of Directors and key employees, as well as certificates of deposits.

The fair values of the plan assets are determined using the specific identification method. These are level 1 instruments.

Components of net periodic benefit cost recognized for the years ended December 31, 2012 and 2011:

	2012	2011
Service costs	$ 374,200	$ 271,100
Interest costs	470,200	408,600
Expected return on plan assets	(226,200)	(211,000)
Amortization of net loss	60,700	
Totals	$ 678,900	$ 468,700

NOTE 8 - POSTRETIREMENT BENEFITS OTHER THAN PENSIONS: (continued)

	2012	2011
Items not yet recognized as a component of net periodic benefit cost:		
Net loss	$ 2,581,500	$ 1,850,700

The following sets forth the components of the accumulated postretirement benefit obligation at December 31, 2012 and 2011.

	2012	2011
Weighted-average assumptions as of December 31:		
Discount rate	5.12%	5.12%
Rate of return on plan assets	5.50%	5.50%
Healthcare cost trend rate assumed for next year	9.00%	9.00%
Rate to which the cost trend rate is assumed to decline ultimate trend rate	5.50%	5.50%
Year that the rate reaches the ultimate trend rate	2017	2016

Components of projected 12 months net periodic benefit cost for the year ending December 31, 2013:

Service cost	$ 407,878
Interest cost	494,274
Return on plan assets	(278,561)
Amortization of net loss	60,700
Total	$ 684,291

Estimated future benefit payments, which reflect expected future service, as appropriate, are expected as follows:

For the years ending:	
2013	$ 313,800
2014	328,700
2015	344,700
2016	352,700
2017	349,300
2018 - 2022	2,099,200

NOTE 9 - PENSION PLANS:

The employees of the Cooperative participate in the Retirement and Security Program of the National Telephone Cooperative Association and its Member Systems (the Plan). The Plan is a defined benefit pension plan qualified under Section 401 and tax exempt under Section 501(a) of the Internal Revenue Code. It is a multiemployer plan under the accounting standards. The Plan's Employer Identification Number is 52-0741336 and the Plan Number is 333.

The Cooperative makes quarterly contributions to the plan equal to the amounts billed for pension expense. In this master multiemployer plan, which is available to all members of NTCA, the accumulated benefits and plan assets are not determined or allocated separately by individual employer. Benefits to employees at retirement are based on the High - 5 years of compensation. The Cooperative's contributions to the Plan in 2012 and 2011 represented less than 5% of the total contributions made to the Plan by all participating employers. The Cooperative's pension costs for the years ended December 31, 2012 and 2011 were $437,059 and $387,215, respectively.

In the Plan, a zone status determination is not required, and therefore not determined, under the Pension Protection Act (PPA) of 2006. In addition, the accumulated benefit obligations and plan assets are not determined or allocated separately by individual employer. In total, the plan was at least 80% funded at January 1, 2012 and January 1, 2011 based on the PPA funding target and PPA actuarial value of assets on those dates.

In addition to the pension plan described above, the Cooperative maintains a deferred compensation plan, as permitted by Section 401(k) of the Internal Revenue Code, for all eligible employees. The Cooperative contributes up to 4.0% of employees' basic annual salaries to this plan, which amounted to $126,004 and $118,585 for the years ended December 31, 2012 and 2011, respectively.

SCOTT COUNTY TELEPHONE COOPERATIVE, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

NOTE 10 - INCOME TAXES:

The provision for income taxes consists of an amount for taxes currently payable and a provision for tax consequences deferred to future periods. Deferred income taxes are provided for certain temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Such deferred taxes are credited or charged to income as the related temporary differences reverse. The components of the Cooperative's deferred tax assets and deferred tax liabilities at December 31 are as follows:

	2012	2011
Deferred tax assets:		
Book allowance for doubtful accounts	$ 31,679	$ 5,950
Deferred revenue		1,297
	31,679	7,247
Deferred tax liability:		
Tax over book depreciation	568,987	656,375
Net deferred tax liabilities	$ 537,308	$ 649,128

Tax provisions charged to expense for the years ended December 31, 2012 and 2011 are summarized below.

	2012	2011
Current provision	$ 354,422	$ 498,563
Deferred provision	(111,820)	77,880
Total income taxes	$ 242,602	$ 576,443

SCOTT COUNTY TELEPHONE COOPERATIVE, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

NOTE 11 - INVESTMENT IN EQUITY SECURITIES:
The carrying amount of securities and their approximate fair values at December 31 are as follows:

2012	COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	FAIR VALUE
Securities available for sale:				
Equities	$ 253,556	$ 53,268	$ -	$ 306,824
Totals	$ 253,556	$ 53,268	$ -	$ 306,824
2011				
Securities available for sale:				
Equities	$ 241,007	$ 46,355	$ -	$ 287,362
Totals	$ 241,007	$ 46,355	$ -	$ 287,362

The fair values of the equities are determined using the specific identification method. These are level 1 instruments.

NOTE 12 - COMMITMENTS
In 2012, the Cooperative entered into contracts for completion of a fiber to the home construction project. The original amount of the contracts was $12,544,209. As of December 31, 2012, $8,875,231 had been expended on these contracts.

NOTE 13 - OTHER COMPREHENSIVE INCOME:
Changes in the accumulated balances for each component of other comprehensive income for the year ended December 31, 2012 are presented below.

	POSTRETIREMENT BENEFIT OBLIGATION	UNREALIZED GAINS ON SECURITIES	ACCUMULATED OTHER COMPREHENSIVE INCOME
Beginning balance	$ (1,850,700)	$ 46,356	$ (1,804,344)
Current period other comprehensive income (loss)	(730,800)	6,912	(723,888)
Ending balance	$ (2,581,500)	$ 53,268	$ (2,528,232)

NOTE 14 - RESTATEMENT

During the year ended December 31, 2012, the Cooperative discovered an error made in the prior year's reporting of other postretirement benefits. Accordingly, the December 31, 2011 financial statements were restated to reflect an increase in accumulated other comprehensive income of $993,168, a decrease in corporate operations expense of $597,545, and a decrease in patronage capital of $1,590,712.

NOTE 15 - SUBSEQUENT EVENTS:

The Cooperative has evaluated subsequent events through July 1, 2013 which is the date these financial statements were available to be issued. All subsequent events requiring recognition as of December 31, 2012 have been incorporated into these financial statements.

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INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

The Board of Directors
Scott County Telephone Cooperative, Inc.
and Subsidiary
Gate City, Virginia

We have audited the consolidated financial statements of Scott County Telephone Cooperative, Inc. and Subsidiary as of and for the year ended December 31, 2012, and our report thereon dated July 1, 2013, which expressed an unmodified opinion on those financial statements, appears on page 1. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information on pages 26 - 27 is presented for purposes of additional analysis of the consolidated financial statements, rather than to present financial position, results of operations, and cash flows of the individual companies, and it is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information on pages 26 - 27 is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Jackson Thornton & Co. PC

Murfreesboro, Tennessee
July 1, 2013

A PROFESSIONAL CORPORATION CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

SCOTT COUNTY TELEPHONE COOPERATIVE, INC. AND SUBSIDIARY

CONSOLIDATING BALANCE SHEET
DECEMBER 31, 2012

	SCTC MANAGEMENT GROUP, INC.	MOUNTAINET, INC.	SCOTT TELECOM AND ELECTRONICS INC.	SCOTT COUNTY LONG DISTANCE, INC.	APPALACHIAN BROAD BAND, LLC	CONSOLIDATING ENTRIES	SCTC MANAGEMENT GROUP, INC. AND SUBSIDIARIES	SCOTT COUNTY TELEPHONE COOPERATIVE, INC.	CONSOLIDATING ENTRIES	CONSOLIDATED DECEMBER 31 2012	CONSOLIDATED DECEMBER 31 2011
CURRENT ASSETS:											
Cash and cash equivalents	$ 5,190	$ 2,011,463	$ 31,947				$ 2,048,600	$ 2,721,631		$ 4,770,231	$ 6,861,982
Accounts receivable:											
Due from customers, less allowance		66,900	85,755				152,655	29,821		182,476	227,924
Other		158,748					158,748	746,550		905,298	304,714
Accounts receivable-intercompany	351,611	3,162,827	9,255	$ 334,861	$ 163,566	$ (780,020)	3,242,100	2,666,741	$ (5,908,841)		
Income tax receivable	142,483						142,483			142,483	
Materials and supplies		22,660	178,617				201,277	1,084,255		1,285,532	1,219,476
Prepayments		2,872	17,044				19,916	77,143		97,059	73,162
Total current assets	499,284	5,425,470	322,618	334,861	163,566	(780,020)	5,965,779	7,326,141	(5,908,841)	7,383,079	8,687,258
NONCURRENT ASSETS:											
Investments in equity securities								306,824		306,824	287,362
Other investments	2,545,000				586,000	(3,131,000)		3,753,919	(2,150,000)	1,603,919	1,699,268
Total other assets	2,545,000				586,000	(3,131,000)		4,060,743	(2,150,000)	1,910,743	1,986,630
PROPERTY, PLANT, AND EQUIPMENT:											
Telecommunications plant in service		1,147,059	10,723,060		1,152,000		13,022,119	38,978,226		52,000,345	48,672,913
Telecommunications plant under construction			101,947				101,947	5,052,726		5,154,673	2,906,756
Less: Accumulated depreciation		749,483	8,222,141		12,000		8,983,624	20,306,624		29,290,248	27,428,368
Total telecommunications plant		397,576	2,602,866		1,140,000		4,140,442	23,724,328		27,864,770	24,151,301
Total assets	$ 3,044,284	$ 5,823,046	2,925,484	334,861	1,889,566	$ (3,911,020)	$ 10,106,221	$ 35,111,212	$ (8,058,841)	$ 37,158,592	$ 34,825,189
CURRENT LIABILITIES:											
Accounts payable		36,694	$ 96,964		566,000		$ 699,658	$ 1,265,885		$ 1,965,543	$ 2,012,508
Accounts payable-intercompany	$ 559,098	919,083	1,911,255	$ 23,861	413,132	$ (780,020)	3,046,409	2,862,432	$ (5,908,841)		
Customer deposits								37,124		37,124	41,475
Current maturities on long-term debt								947,000		947,000	876,000
Accrued and other current liabilites		5,970	393	31,930			38,293	479,755		518,048	540,115
Total current liabilities	559,098	961,747	2,008,612	55,791	979,132	(780,020)	3,784,360	5,592,196	(5,908,841)	3,467,715	3,470,098
NONCURRENT LIABILITIES											
Long term debt less current maturities					500,000		500,000	10,323,357		10,823,357	8,784,080
Deferred revenue											3,243
Deferred income taxes	(40,625)	110,845	469,860	(2,772)			537,308			537,308	649,128
Postretirement benefis								4,863,158		4,863,158	4,174,773
Total noncurrent liabilities	(40,625)	110,845	469,860	(2,772)	500,000		1,037,308	15,186,515		16,223,823	13,611,224
Total liabilities	518,473	1,072,592	2,478,472	53,019	1,479,132	(780,020)	4,821,668	20,778,711	(5,908,841)	19,691,538	17,081,322
CAPITALIZATION:											
Memberships								110,761		110,761	113,211
Common stock	5,000	3,500	32,000	2,000		(37,500)	5,000		(5,000)		
Additional paid-in-capital	2,145,000	341,500	2,118,000	48,000	586,000	(3,093,500)	2,145,000		(2,145,000)		
Accumulated other comprehensive loss								(2,528,232)		(2,528,232)	(1,804,344)
Patronage capital	375,811	4,405,454	(1,702,988)	231,842	(175,566)		3,134,553	16,749,972		19,884,525	19,435,000
Total capitalization	2,525,811	4,750,454	447,012	281,842	410,434	(3,131,000)	5,284,553	14,332,501	(2,150,000)	17,467,054	17,743,867
Total liabilities and capitalization	$ 3,044,284	$ 5,823,046	$ 2,925,484	$ 334,861	$ 1,889,566	$ (3,911,020)	$ 10,106,221	$ 35,111,212	$ (8,058,841)	$ 37,158,592	$ 34,825,189

See Independent Auditor's Report.

SCOTT COUNTY TELEPHONE COOPERATIVE, INC. AND SUBSIDIARY

CONSOLIDATING STATEMENTS OF REVENUES AND EXPENSES
DECEMBER 31, 2012

	SCTC MANAGEMENT GROUP, INC.	MOUNTAINET, INC.	SCOTT TELECOM AND ELECTRONICS INC.	SCOTT COUNTY LONG DISTANCE, INC.	APPALACHIAN BROAD BAND, LLC	CONSOLIDATING ENTRIES	SCTC MANAGEMENT GROUP, INC. AND SUBSIDIARIES	SCOTT COUNTY TELEPHONE COOPERATIVE, INC.	CONSOLIDATING ENTRIES	CONSOLIDATED DECEMBER 31 2012	CONSOLIDATED DECEMBER 31 2011
OPERATING REVENUES:											
Regulated revenues:											
Basic local network services		$ 624,794					$ 624,794	$ 1,626,895	$ (269,236)	$1,982,453	$2,891,298
Network access and long distance network service		699,980		$ 616,577		$ (141,423)	1,175,134	6,167,825	(1,043,115)	6,299,844	7,059,502
Other		19,900	$ 80,827				100,727	286,864	(64,054)	323,537	326,637
Cable television and internet		2,390,818	3,154,992			(14,400)	5,531,410		(728)	5,530,682	5,347,752
Less: Uncollectible revenues		(10,606)	(43,003)	(4,856)			(58,465)			(58,465)	(70,213)
Total operating revenues		3,724,886	3,192,816	611,721		(155,823)	7,373,600	8,081,584	(1,377,133)	14,078,051	15,554,976
OPERATING EXPENSES:											
Depreciation and amortization		234,579	637,044		$ 12,000		883,623	1,994,549		2,878,172	2,815,005
Plant specific operations		367,154	280,685		101	(27,962)	619,978	2,207,527	(7,863)	2,819,642	2,585,306
Plant nonspecific operations		2,090,466	1,814,486	461,955		(118,068)	4,248,839	641,031	(1,292,692)	3,597,178	3,963,457
Customer operations		273,924	356,408	81,899		(9,768)	702,463	827,298	(64,746)	1,465,015	1,419,315
Corporate operations	$ 419	104,806	52,136	4,592	163,465	(25)	325,393	2,047,073	(11,832)	2,360,634	1,950,248
Total operating expenses	419	3,070,929	3,140,759	548,446	175,566	(155,823)	6,780,296	7,717,478	(1,377,133)	13,120,641	12,733,331
NET OPERATING INCOME (LOSS)	(419)	653,957	52,057	63,275	(175,566)		593,304	364,106		957,410	2,821,645
NONOPERATING INCOME (EXPENSE):											
Investment income		7,395	1,149				8,544	23,719		32,263	36,552
Interest expense								(396,503)		(396,503)	(389,725)
Allowance for funds used during construction								98,957		98,957	23,575
Total nonoperating income (expense)		7,395	1,149				8,544	(273,827)		(265,283)	(329,598)
EARNINGS (LOSSES) BEFORE INCOME TAXES	(419)	661,352	53,206	63,275	(175,566)		601,848	90,279		692,127	2,492,047
INCOME TAX EXPENSE (BENEFIT):											
Federal and state income taxes	(24,095)	363,911	(9,255)	23,861			354,422			354,422	498,563
Provision for deferred taxes	(40,625)	(99,595)	28,400				(111,820)			(111,820)	77,880
Total income tax expense (benefit)	(64,720)	264,316	19,145	23,861			242,602			242,602	576,443
NET MARGINS	$ 64,301	$ 397,036	$ 34,061	$ 39,414	$ (175,566)	$ -	$ 359,246	$ 90,279	$ -	$ 449,525	$1,915,604

See Independent Auditor's Report

SCOTT COUNTY TELEPHONE COOPERATIVE, INC. AND SUBSIDIARY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2012

Findings related to the financial statements in accordance with *Government Auditing Standards.*

- 12-1 - During our audit we noted that the Cooperative did not achieve its financial covenant with the RUS of a 1.5 times interest earned ratio (TIER) for the year ended December 31, 2012. The failure of the covenant could result in RUS calling the notes payable in 2013.

  Recommendation:
  The Company should request a waiver from RUS regarding the financial covenant violation. The Cooperative should also develop and implement a plan to achieve and remain in compliance with the TIER covenant in future years.

  Views of responsible officials and corrective actions:
  Management agrees with this finding, and the Cooperative received a waiver from RUS regarding the financial covenant violation for 2012 on May 17, 2013. The Cooperative also submitted a five year forecast to RUS outlining its plan to achieve and maintain TIER compliance going forward.

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The Board of Directors
Scott County Telephone Cooperative, Inc. and Subsidiary
Gate City, Virginia

We have audited the consolidated financial statements of Scott County Telephone Cooperative, Inc. and Subsidiary (the Cooperative) for the year ended December 31, 2012, and have issued our report thereon dated July 1, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 7 CFR 1773, Policy on Audits of Rural Utilities Service (RUS) Borrowers. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

Management of the Cooperative is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit of the consolidated financial statements of Scott County Telephone Cooperative, Inc. and Subsidiary for the year ended December 31, 2012, we considered its internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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A PROFESSIONAL CORPORATION CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

7 CFR 1773.33 requires comments on specific aspects of the internal control over financial reporting, compliance with specific RUS loan and security instrument provisions, and other additional matters. We have grouped our comments accordingly. In addition to obtaining reasonable assurance about whether the financial statements are free from material misstatements, at your request, we performed tests of specific aspects of the internal control over financial reporting, of compliance with specific RUS loan and security instrument provisions, and of additional matters. The specific aspects of the internal control over financial reporting, compliance with specific RUS loan and security instrument provisions, and additional matters tested include, among other things, the accounting procedures and records, compliance with specific RUS loan, and security instrument provisions set forth in 7 CFR 1773.33(e)(1), related party transactions, depreciation rates, a schedule of deferred debits and credits, and a schedule of investments. In addition, our audit of the financial statements also included the procedures specified in 7 CFR 1773.38 - .45. Our objective was not to provide an opinion on these specific aspects of the internal control over financial reporting, compliance with specific RUS loan and security instrument provisions, or additional matters and, accordingly, we express no opinion thereon.

No reports (other than our independent auditor's report, required communications to the Board of Trustees in accordance with *Government Auditing Standards*, and our report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards*, each dated July 1, 2013) or summary of recommendations related to our audit have been furnished to management.

Our comments on specific aspects of the internal control over financial reporting, compliance with specific RUS loan and security instrument provisions, and other additional matters as required by 7 CFR 1773.33 are presented below.

Comments On Certain Specific Aspects Of The Internal Control Over Financial Reporting

We noted no matters regarding Scott County Telephone Cooperative, Inc. and Subsidiary's internal control over financial reporting and its operation that we consider to be material weaknesses as previously defined with respect to:

- The accounting procedures and records;
- The process of accumulating and recording labor, material, and overhead costs, and the distribution of these costs to construction, retirement, and maintenance or other expense accounts; and
- The materials control.

Comments On Compliance With Specific RUS Loan And Security Instrument Provisions

At your request, we have performed the procedures enumerated below with respect to compliance with certain provisions of laws, regulations, contracts, and grants. The procedures we performed are summarized as follows:

- Procedures performed with respect to the requirement for a borrower to obtain written approval of the mortgagee to enter into any contract for the operation or maintenance of property, or for the use of mortgaged property by others, for the year ended December 31, 2012 of Scott County Telephone Cooperative, Inc. and Subsidiary:

  1. Obtained and read a borrower prepared schedule of new written contracts entered into during the year for the operation or maintenance of its property and for the use of its property by others as defined in § 1773.33(e)(1)(i).

  2. Reviewed Board of Trustees' minutes to ascertain whether board approved written contracts are included in the borrower prepared schedule.

  3. Noted the existence of written RUS (and other mortgagee) approval of each contract listed by the borrower.

- Procedure performed with respect to the requirement to submit RUS Form 479 to the RUS:

  1. Agreed amounts reported in Form 479 to Scott County Telephone Cooperative, Inc. and Subsidiary's records.

The results of our tests indicate that, with respect to the items tested, Scott County Telephone Cooperative, Inc. and Subsidiary complied, in all material respects, with the specific RUS loan and security instrument provisions referred to below, except as described in the schedule of findings and responses included in the December 31, 2012 financial statements as item 12-1. The specific provisions tested, as well as any exceptions noted, include the requirements that:

- The borrower has not entered into any contract for the operation or maintenance of property, or for the use of mortgaged property by others as defined in 1773.33(e)(1)(i);

Comments On Other Additional Matters

In connection with our audit of the financial statements of Scott County Telephone Cooperative, Inc. and Subsidiary, nothing came to our attention that caused us to believe that Scott County Telephone Cooperative, Inc. and Subsidiary failed to comply with respect to:

- The reconciliation of continuing plant records to the controlling general ledger plant accounts addressed at 7 CFR 1773.33(c)(1);

- The clearing of the construction accounts and the accrual of depreciation on completed construction addressed at 7 CFR 1773.33(c)(2);

- The retirement of plant addressed at 7 CFR 1773.33(c)(3) and (4);

- Approval of the sale, lease, or transfer of capital assets and disposition of proceeds for the sale or lease of plant, material, or scrap addressed at 7 CFR 1773.33(c)(5);

- The disclosure of material related party transactions for the year ended December 31, 2012, in the financial statements referenced in the first paragraph of this report addressed at 7 CFR 1773.33(f);

- The depreciation rates addressed at 7 CFR 1773.33(g);

- The detailed schedule of deferred debits and deferred credits; and

- The detailed schedule of investments.

We have audited the consolidated financial statements of Scott County Telephone Cooperative, Inc. and Subsidiary as of and for the year ended December 31, 2012, and our report thereon dated July 1, 2013, which expressed an unqualified opinion on those financial statements, appears on page 1 of the financial statements. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The detailed schedule of deferred debits and deferred credits required by 7 CFR 1773.33(h), and the detailed schedule of investments in affiliated companies required by 7 CFR 1773.33(i), and provided below, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. This information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Schedule of Deferred Debits and Deferred Credits:

Deferred Debits:
None

Deferred Credits:
None

Schedule of Investments:
None

This report is intended solely for the information and use of the Board of Trustees, management, and RUS and supplemental lenders and is not intended to be and should not be used by anyone other than these specified parties.

Jackson Thornton & Co. PC

Murfreesboro, Tennessee
July 1, 2013