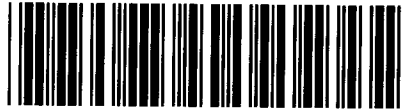




Control Number: 35588



Item Number: 221

Addendum StartPage: 0

**SOUTH  
WEST  
ARKANSAS  
TELEPHONE CO-OP., INC.**

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RECEIVED  
2015 MAR 18 AM 10:57  
PUBLIC UTILITY COMMISSION  
FILING CLERK

March 17, 2015

Public Utility Commission of Texas  
1701 North Congress Avenue  
P. O. Box 13326  
Austin, TX 78711-3326

RE: Project No. 35588 – Annual Operating Report

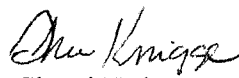
Dear Sir or Madam:

Pursuant to Substantive Rule 26.73, please find enclosed one original and three copies of RUS Form 479

Annual Operating Report for Telecommunications Borrowers for Southwest Arkansas Telephone Cooperative, Inc. for the period ending December 31, 2014.

Should you have any questions or need additional information, please call me at (870)653-8222.

Sincerely,

  
Sherri Knigge  
Accountant

/SK  
Enclosure

221

USDA-RUS  <b>OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS</b>	This data will be used by RUS to review your financial situation. Your response is required by 7 U.S.C. 901 et seq. and, subject to federal laws and regulations regarding confidential information, will be treated as confidential. BORROWER NAME Southwest Arkansas Telephone Cooperative, Inc.  (Prepared with Audited Data)
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INSTRUCTIONS-Submit report to RUS within 30 days after close of the period. For detailed instructions, see RUS Bulletin 1744-2. Report in whole dollars only	PERIOD ENDING December, 2014	BORROWER DESIGNATION AR0514
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**CERTIFICATION**

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

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

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

All of the obligations under the RUS loan documents have been fulfilled in all material respects

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

\_\_\_\_\_ 3/16/2015 \_\_\_\_\_  
 William Hegmann 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	3,387,207	1,866,596	25. Accounts Payable	917,927	941,702
2. Cash-RUS Construction Fund	0		26. Notes Payable	0	
3. Affiliates:			27. Advance Billings and Payments	0	
a. Telecom, Accounts Receivable	0		28. Customer Deposits	0	
b. Other Accounts Receivable	0		29. Current Mat. L/T Debt	1,297,882	1,575,510
c. Notes Receivable	0		30. Current Mat. L/T Debt-Rur. Dev	0	
4. Non-Affiliates:			31. Current Mat.-Capital Leases	0	
a. Telecom, Accounts Receivable	367,891	406,459	32. Income Taxes Accrued	0	
b. Other Accounts Receivable	978,612	1,064,587	33. Other Taxes Accrued	228,973	239,149
c. Notes Receivable	0		34. Other Current Liabilities	716,623	1,025,723
5. Interest and Dividends Receivable	16,438	30,299	<b>35. Total Current Liabilities (25 thru 34)</b>	<b>3,161,405</b>	<b>3,782,084</b>
6. Material-Regulated	1,150,617	1,183,268	<b>LONG-TERM DEBT</b>		
7. Material-Nonregulated	27,628	44,915	36. Funded Debt-RUS Notes	12,489,984	16,650,761
8. Prepayments	1,116,292	1,593,844	37. Funded Debt-RTB Notes	0	
9. Other Current Assets	120	120	38. Funded Debt-FFB Notes	0	
<b>10. Total Current Assets (1 Thru 9)</b>	<b>7,044,805</b>	<b>6,190,088</b>	39. Funded Debt-Other	0	
<b>NONCURRENT ASSETS</b>			40. Funded Debt-Rural Develop. Loan	0	
11. Investment in Affiliated Companies			41. Premium (Discount) on L/T Debt	0	
a. Rural Development	4,078,696	4,083,359	42. Reacquired Debt	0	
b. Nonrural Development	0		43. Obligations Under Capital Lease	125,209	50,083
12. Other Investments			44. Adv. From Affiliated Companies	0	
a. Rural Development	0		45. Other Long-Term Debt	0	
b. Nonrural Development	3,861,561	7,125,436	<b>46. Total Long-Term Debt (36 thru 45)</b>	<b>12,615,193</b>	<b>16,700,844</b>
13. Nonregulated Investments	962,349	703,317	<b>OTHER LIAB. &amp; DEF. CREDITS</b>		
14. Other Noncurrent Assets	5,981,666	6,374,230	47. Other Long-Term Liabilities	6,466,623	5,974,382
15. Deferred Charges	0		48. Other Deferred Credits	0	
16. Jurisdictional Differences	0		49. Other Jurisdictional Differences	0	
<b>17. Total Noncurrent Assets (11 thru 16)</b>	<b>14,884,272</b>	<b>18,286,342</b>	<b>50. Total Other Liabilities and Deferred Credits (47 thru 49)</b>	<b>6,466,623</b>	<b>5,974,382</b>
<b>PLANT, PROPERTY, AND EQUIPMENT</b>			<b>EQUITY</b>		
18. Telecom, Plant-in-Service	60,220,800	68,199,058	51. Cap. Stock Outstand. & Subscribed	14,942	14,942
19. Property Held for Future Use	0		52. Additional Paid-in-Capital	0	
20. Plant Under Construction	3,178,485	2,166,863	53. Treasury Stock	(13,577)	(13,577)
21. Plant Adj., Nonop. Plant & Goodwill	0		54. Membership and Cap. Certificates	0	
22. Less Accumulated Depreciation	40,003,209	42,251,721	55. Other Capital	31,678	31,678
<b>23. Net Plant (18 thru 21 less 22)</b>	<b>23,396,076</b>	<b>28,114,200</b>	56. Patronage Capital Credits	18,957,879	20,315,069
<b>24. TOTAL ASSETS (10+17+23)</b>			57. Retained Earnings or Margins	4,091,010	5,785,208
	45,325,153	52,590,630	<b>58. Total Equity (51 thru 57)</b>	<b>23,081,932</b>	<b>26,133,320</b>
			<b>59. TOTAL LIABILITIES AND EQUITY (35+46+50+58)</b>	<b>45,325,153</b>	<b>52,590,630</b>

Total Equity = 49.69% % of Total Assets

**OPERATING REPORT FOR  
TELECOMMUNICATIONS BORROWERS**

BORROWER DESIGNATION

AR0514

PERIOD ENDING

December, 2014

INSTRUCTIONS- See RUS Bulletin 1744-2

**PART B. STATEMENTS OF INCOME AND RETAINED EARNINGS OR MARGINS**

ITEM	PRIOR YEAR	THIS YEAR
1. Local Network Services Revenues	1,057,302	1,026,074
2. Network Access Services Revenues	8,417,603	8,927,778
3. Long Distance Network Services Revenues	3,300,899	3,825,349
4. Carrier Billing and Collection Revenues	0	
5. Miscellaneous Revenues	91,174	89,004
6. Uncollectible Revenues	(2,369)	(4,219)
<b>7. Net Operating Revenues (1 thru 5 less 6)</b>	<b>12,869,347</b>	<b>13,872,424</b>
8. Plant Specific Operations Expense	3,812,272	4,135,210
9. Plant Nonspecific Operations Expense (Excluding Depreciation & Amortization)	1,118,458	1,510,331
10. Depreciation Expense	3,907,389	3,861,546
11. Amortization Expense	39,123	10,521
12. Customer Operations Expense	578,148	551,520
13. Corporate Operations Expense	1,744,828	1,567,671
<b>14. Total Operating Expenses (8 thru 13)</b>	<b>11,200,218</b>	<b>11,636,799</b>
15. Operating Income or Margins (7 less 14)	1,669,129	2,235,625
16. Other Operating Income and Expenses	0	
17. State and Local Taxes	0	
18. Federal Income Taxes	0	
19. Other Taxes	217,713	234,911
<b>20. Total Operating Taxes (17+18+19)</b>	<b>217,713</b>	<b>234,911</b>
21. Net Operating Income or Margins (15+16-20)	1,451,416	2,000,714
22. Interest on Funded Debt	552,928	763,815
23. Interest Expense - Capital Leases	257	
24. Other Interest Expense	242	3,087
25. Allowance for Funds Used During Construction	95,012	136,318
<b>26. Total Fixed Charges (22+23+24-25)</b>	<b>458,415</b>	<b>630,584</b>
27. Nonoperating Net Income	215,818	272,491
28. Extraordinary Items	0	
29. Jurisdictional Differences	0	
30. Nonregulated Net Income	290,049	232,193
<b>31. Total Net Income or Margins (21+27+28+29+30-26)</b>	<b>1,498,868</b>	<b>1,874,814</b>
32. Total Taxes Based on Income	0	
33. Retained Earnings or Margins Beginning-of-Year	2,786,946	4,091,010
34. Miscellaneous Credits Year-to-Date	297,524	1,251,574
35. Dividends Declared (Common)	0	
36. Dividends Declared (Preferred)	0	
37. Other Debits Year-to-Date	100,000	75,000
38. Transfers to Patronage Capital	392,328	1,357,190
<b>39. Retained Earnings or Margins End-of-Period [(31+33+34) - (35+36+37+38)]</b>	<b>4,091,010</b>	<b>5,785,208</b>
40. Patronage Capital Beginning-of-Year	18,565,551	18,957,879
41. Transfers to Patronage Capital	392,328	1,357,190
42. Patronage Capital Credits Retired		
<b>43. Patronage Capital End-of-Year (40+41-42)</b>	<b>18,957,879</b>	<b>20,315,069</b>
44. Annual Debt Service Payments	1,493,030	1,959,248
45. Cash Ratio [(14+20-10-11) / 7]	0.5806	0.5767
46. Operating Accrual Ratio [(14+20+26) / 7]	0.9228	0.9012
47. TIER [(31+26) / 26]	4.2697	3.9731
48. DSCR [(31+26+10+11) / 44]	3.9542	3.2551

USDA-RUS

**OPERATING REPORT FOR  
TELECOMMUNICATIONS BORROWERS**

INSTRUCTIONS - See RUS Bulletin 1744-2

BORROWER DESIGNATION

AR0514

PERIOD ENDED

December, 2014

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

EXCHANGE	1. RATES		2. SUBSCRIBERS (ACCESS LINES)			3. ROUTE MILES	
	B-1 (a)	R-1 (b)	BUSINESS (a)	RESIDENTIAL (b)	TOTAL (c)	TOTAL (including fiber) (a)	FIBER (b)
Bloomburg	33.15	17.65	28	328	356	95.00	94.00
Doddridge	26.15	15.25	15	437	452	248.00	155.00
Emerson	18.65	15.25	79	469	548	211.00	50.00
Fouke	26.15	15.25	167	1,990	2,157	616.00	203.00
Fulton	18.65	15.25	23	189	212	86.00	42.00
Garland	26.15	15.25	27	76	103	62.00	25.00
Trigg	26.15	15.25	19	181	200	113.00	46.00
Washington	18.65	15.25	71	377	448	186.00	50.00
MobileWireless					0		
Route Mileage Outside Exchange Area						0.00	0.00
Total			429	4,047	4,476	1,617.00	665.00
No. Exchanges	8						

USDA-RUS

**OPERATING REPORT FOR  
TELECOMMUNICATIONS BORROWERS**

INSTRUCTIONS - See RUS Bulletin 1744-2

BORROWER DESIGNATION

AR0514

PERIOD ENDED

December, 2014

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

**4. BROADBAND SERVICE**

**Details on Least Expensive Broadband Service**

EXCHANGE	No. Access Lines with BB available (a)	No Of Broadband Subscribers (b)	Number Of Subscribers (c)	Advertised Download Rate (Kbps) (d)	Advertised Upload Rate (Kbps) (e)	Price Per Month (f)	Standalone/Pckg (f)	Type Of Technology (g)
Bloomburg	356	238	238	6,000	1,500	22.42	Package	DSL
Doddridge	452	310	310	6,000	1,500	22.42	Package	DSL
Emerson	548	325	312	6,000	1,500	22.42	Package	DSL
Fouke	2,157	1,619	2,157	6,000	1,500	22.42	Package	DSL
Fulton	212	127	120	6,000	1,500	22.42	Package	DSL
Garland	103	49	46	6,000	1,500	22.42	Package	DSL
Trigg	200	148	143	6,000	1,500	22.42	Package	DSL
Washington	448	220	210	6,000	1,500	22.42	Package	DSL
Total	4,476	3,036						

<b>USDA-RUS</b>  <b>OPERATING REPORT FOR</b> <b>TELECOMMUNICATIONS BORROWERS</b>	<b>BORROWER DESIGNATION</b> AR0514  <b>PERIOD ENDING</b> December, 2014
<b>INSTRUCTIONS- See RUS Bulletin 1744-2</b>	

**PART D. SYSTEM DATA**

1 No Plant Employees	2 No. Other Employees	3 Square Miles Served	4 Access Lines per Square Mile	5 Subscribers per Route Mile
14	22	951	4.71	2.77

**PART E. TOLL DATA**

<b>1. Study Area ID Code(s)</b> a 401724 b _____ c _____ d _____ e _____ f _____ g _____ h _____ i _____ j _____	<b>2. Types of Toll Settlements (Check one)</b>  Interstate: <input type="checkbox"/> Average Schedule <input checked="" type="checkbox"/> Cost Basis  Intrastate: <input type="checkbox"/> Average Schedule <input checked="" type="checkbox"/> Cost Basis
--	---

**PART F. FUNDS INVESTED IN PLANT DURING YEAR**

1. RUS, RTB, & FFB Loan Funds Expended	5,655,849
2. Other Long-Term Loan Funds Expended	
3. Funds Expended Under RUS Interim Approval	
4. Other Short-Term Loan Funds Expended	
5. General Funds Expended (Other than Interim)	1,310,787
6. Salvaged Materials	
7. Contribution in Aid to Construction	
8. Gross Additions to Telecom. Plant (1 thru 7)	6,966,636

**PART G. INVESTMENTS IN AFFILIATED COMPANIES**

INVESTMENTS  (a)	CURRENT YEAR DATA		CUMULATIVE DATA		
	Investment This Year	Income/Loss This Year	Cumulative Investment To Date	Cumulative Income/Loss To Date	Current Balance
	(b)	(c)	(d)	(e)	(f)
1. Investment in Affiliated Companies - Rural Development	7,000	(2,337)	486,166	3,597,193	4,083,359
2. Investment in Affiliated Companies - Nonrural Development					

USDA-RUS  
**OPERATING REPORT FOR  
 TELECOMMUNICATIONS BORROWERS**

BORROWER DESIGNATION  
 AR0514

PERIOD ENDING  
 December, 2014

**PART H. CURRENT DEPRECIATION RATES**

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

YES  NO

EQUIPMENT CATEGORY	DEPRECIATION RATE
1. Land and support assets - Motor Vehicles	21.25%
2. Land and support assets - Aircraft	
3. Land and support assets - Special purpose vehicles	
4. Land and support assets - Garage and other work equipment	6.90%
5. Land and support assets - Buildings	2.78%
6. Land and support assets - Furniture and Office equipment	8.94%
7. Land and support assets - General purpose computers	13.19%
8. Central Office Switching - Digital	14.29%
9. Central Office Switching - Analog & Electro-mechanical	
10. Central Office Switching - Operator Systems	
11. Central Office Transmission - Radio Systems	
12. Central Office Transmission - Circuit equipment	14.29%
13. Information origination/termination - Station apparatus	
14. Information origination/termination - Customer premises wiring	
15. Information origination/termination - Large private branch exchanges	
16. Information origination/termination - Public telephone terminal equipment	11.65%
17. Information origination/termination - Other terminal equipment	
18. Cable and wire facilities - Poles	6.86%
19. Cable and wire facilities - Aerial cable - Metal	
20. Cable and wire facilities - Aerial cable - Fiber	
21. Cable and wire facilities - Underground cable - Metal	
22. Cable and wire facilities - Underground cable - Fiber	
23. Cable and wire facilities - Buried cable - Metal	6.34%
24. Cable and wire facilities - Buried cable - Fiber	6.67%
25. Cable and wire facilities - Conduit systems	
26. Cable and wire facilities - Other	



USDA-RUS

BORROWER DESIGNATION

AR0514

**OPERATING REPORT FOR  
TELECOMMUNICATIONS BORROWERS**

PERIOD ENDED

December, 2014

INSTRUCTIONS – See help in the online application.

**PART I – STATEMENT OF CASH FLOWS**

<b>1. Beginning Cash (Cash and Equivalents plus RUS Construction Fund)</b>	3,387,207
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
<b>2. Net Income</b>	1,874,814
<i>Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities</i>	
3. Add: Depreciation	3,861,546
4. Add: Amortization	10,521
5. Other (Explain) RETIREMENTS	(1,623,556)
<i>Changes in Operating Assets and Liabilities</i>	
6. Decrease/(Increase) in Accounts Receivable	(124,543)
7. Decrease/(Increase) in Materials and Inventory	(49,938)
8. Decrease/(Increase) in Prepayments and Deferred Charges	(477,552)
9. Decrease/(Increase) in Other Current Assets	0
10. Increase/(Decrease) in Accounts Payable	23,775
11. Increase/(Decrease) in Advance Billings & Payments	0
12. Increase/(Decrease) in Other Current Liabilities	319,276
<b>13. Net Cash Provided/(Used) by Operations</b>	3,814,343
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
14. Decrease/(Increase) in Notes Receivable	0
15. Increase/(Decrease) in Notes Payable	0
16. Increase/(Decrease) in Customer Deposits	0
17. Net Increase/(Decrease) in Long Term Debt (Including Current Maturities)	4,363,279
18. Increase/(Decrease) in Other Liabilities & Deferred Credits	(492,241)
19. Increase/(Decrease) in Capital Stock, Paid-in Capital, Membership and Capital Certificates & Other Capital	0
20. Less: Payment of Dividends	0
21. Less: Patronage Capital Credits Retired	0
22. Other (Explain) INTEREST RECEIVABLE	(13,860)
<b>23. Net Cash Provided/(Used) by Financing Activities</b>	3,857,178
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
24. Net Capital Expenditures (Property, Plant & Equipment)	(6,966,636)
25. Other Long-Term Investments	(3,009,506)
26. Other Noncurrent Assets & Jurisdictional Differences	(392,564)
27. Other (Explain) PRIOR PERIOD ADJUSTMENTS	1,176,574
<b>28. Net Cash Provided/(Used) by Investing Activities</b>	(9,192,132)
<b>29. Net Increase/(Decrease) in Cash</b>	(1,520,611)
<b>30. Ending Cash</b>	1,866,596

Revision Date 2010

USDA-RUS  <b>OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS</b>	BORROWER DESIGNATION  AR0514
INSTRUCTIONS - See RUS Bulletin 1744-2	PERIOD ENDED December, 2014
<b>NOTES TO THE OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS</b>	

USDA-RUS <b>OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS</b>	BORROWER DESIGNATION AR0514
INSTRUCTIONS - See RUS Bulletin 1744-2	PERIOD ENDED December, 2014
<b>CERTIFICATION LOAN DEFAULT NOTES TO THE OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS</b>	