



415 Hepplewhite Dr.  
Johns Creek, GA 30022  
770-649-1886 / fax 770-645-6545  
[Eileen@Bodamer.com](mailto:Eileen@Bodamer.com)

March 7, 2016

**VIA FEDERAL EXPRESS**

Hon. James W. Gardner  
Acting Executive Director  
Kentucky Public Service Commission  
211 Sower Blvd.  
Frankfort KY 40601-8924

**RECEIVED**

**MAR 8 2016**

**PUBLIC SERVICE  
COMMISSION**

Re: Tariff Filing of South Central Rural Telephone Cooperative Corporation, Inc.  
Case No. 2016-00045

Dear Acting Executive Director Gardner:

On behalf of South Central Rural Telephone Cooperative Corporation, Inc., through their attorney, I enclose for filing in the above referenced case, one original and ten copies of the following documents:

- 1) Application for a General Adjustment in Rates;
- 2) Motion for Waiver of Certain Rate Application Filing Requirements; and
- 3) Petition for Confidential Treatment.

A copy of the complete filing has also been provided to the Kentucky Attorney General office of Rate Intervention.

Please call or email me with any questions.

Sincerely,

Eileen M Bodamer  
Consultant to South Central Rural Telephone Cooperative Corporation, Inc.

Enc.

Cc: Dave Davis (via email)  
Robby Richardson (via email)

**COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION**

**RECEIVED**

**MAR 8 2016**

**PUBLIC SERVICE  
COMMISSION**

**In the Matter of:**

<b>APPLICATION OF SOUTH CENTRAL RURAL</b>	)	
<b>TELEPHONE COOPERATIVE CORPORATION, INC.</b>	)	<b>CASE NO. 2016-00045</b>
<b>FOR A GENERAL ADJUSTMENT IN RATES</b>	)	

**APPLICATION**

Applicant South Central Rural Telephone Coop. Corp., Inc. ("SCRTC"), by counsel, pursuant to KRS 278.180, 807 KAR 5:001, Sections 14 and 16, and 807 KAR 5:011, Section 6, files this application (the "Application") for authority to adjust its rates and charges for basic local exchange service and gives notice of its intention to increase the same rates and charges effective June 1, 2016.

**INTRODUCTION**

This Application for a rate increase is necessitated by an order from the Federal Communications Commission ("FCC") that fundamentally alters the cost structure of providing telecommunications services in high-cost rural areas, like those SCRTC serves. *See In the Matter of Connect America Fund et al.*, Report and Order and Further Notice of Proposed Rulemaking, FCC 11-161 (Nov 18, 2011) ("ICC/USF Order"). For decades prior to the ICC/USF Order, high-cost carriers had received subsidies from the federal government's "Universal Service Fund" ("USF"). Those USF subsidies were intended to fulfill the Federal Communications Act's requirement that "[c]onsumers in all regions of the Nation, including . . . those in rural, insular, and high cost areas, should have access to telecommunications and information services . . . that are available at rates that are reasonably comparable to rates charged for similar services in urban areas." 47 U.S.C. § 254(b)(3). The FCC found, however,

that many rural consumers were paying rates that were less than those paid by consumers in urban areas. ICC/USF Order at ¶ 235. In consequence, the FCC’s ICC/USF Order sets a rate floor equal to the national average of local rates plus state regulated fees. *Id.* at ¶ 238. The ICC/USF Order also “limit[s] high-cost support where local end-user rates plus state regulated fees” do not meet that national rate floor; those carriers’ federal subsidies will be reduced “on a dollar-for-dollar basis . . . , to the extent that [the] carrier’s local rates (plus state regulated fees) do not meet the urban rate floor.” *Id.* at ¶ 239.

On June 10, 2014, the FCC altered the schedule for the imposition of rate floor penalties, effectively requiring carriers to ensure that their 2016 rate floor obligations are met no later than June 1, 2016. *See In the Matter of Connect America Fund et al.*, Report and Order, Declaratory Ruling, Order, Memorandum Opinion and Order, Seventh Order on Reconsideration, and Further Notice of Proposed Rulemaking, FCC 14-54, ¶¶ 79-80.

SCRTC’s proposed rate adjustment is thus necessary to preserve its ability to receive these USF subsidies that are important to its ability to provide telephone and information services in its high-cost rural service territory. Without a minimum rate sufficient to meet the FCC’s new rate floor, high-cost carriers like SCRTC will lose significant federal funding that has historically allowed these carriers to provide service to the most costly, rural customers. That loss of federal funding will threaten the financial existence of these rural carriers like SCRTC, who have important obligations under federal and state law as carriers of last resort. Moreover, the loss of those subsidies would increase the pressure for SCRTC to raise its rates even higher than the federal rate floor sought here because any loss of federal funds would lead to a need for SCRTC to make up that revenue directly from its customer-members.

\* \* \* \* \*

In support of its Application, SCRTC states as follows:

1. Pursuant to 807 KAR 5:001, Section 14(1): (i) the full name of the applicant is South Central Rural Telephone Coop. Corp., Inc.; (ii) the mailing address of the applicant is 1399 Happy Valley Road / P.O. Box 159, Glasgow, KY 42142-0159; and (iii) the electronic mailing address of the applicant is David.Davis@scrtc.net.

2. Pursuant to 807 KAR 5:001, Section 14(2), SCRTC states that it is currently in good standing in the Commonwealth of Kentucky, where it is incorporated. A certified copy of SCRTC's Articles of Incorporation and all amendments is included as Exhibit 8 of this Application.

3. Pursuant to 807 KAR 5:001, Section 16(1)(b)(1), SCRTC provides the following statement of the reason the adjustment is requested. Further details are provided in Exhibit 1 of this Application.

a. SCRTC was established in 1950 as a not-for-profit, member-owned cooperative to provide local telephone service to businesses and residential members within its Kentucky exchanges of Bonnieville, Buffalo, Canmer, Cave City, Center, Edmonton, Fountain Run, Gamaliel, Glasgow (Rural), Hiseville, Horse Cave, Lucas, Magnolia, Munfordville, Summer Shade, Temple Hill ("Service Territory"). SCRTC is a rural incumbent local exchange carrier serving parts of Larue, Hart, Green, Nelson, Barren, Allen, Adair, and Monroe counties and all of Metcalfe County in south central Kentucky. Per its 2014 PSC Report, SCRTC provided 20,634 residential lines and 3,723 business lines to its members. SCRTC is an eligible telecommunications carrier ("ETC") in the communities it serves and is also the carrier of last resort ("COLR") in its Service Territory. In 2015, SCRTC received \$1,873,113 from the HCLS Fund to support its COLR responsibilities in its Kentucky Service Territory, and anticipates



receiving approximately \$1.75M in calendar year 2016. As a high cost company, all HCLS revenues are crucial for SCRTC to continue to meet its COLR responsibilities and to bring advanced services to the communities it serves.

b. This proceeding was motivated by an order of the FCC that implemented “a rule to limit high-cost support where end-user rates do not meet a specified local rate floor.” *See* ICC/USF Order at ¶ 235.

c. Under the rule, local exchange carriers such as SCRTC must meet a specified rate floor in each year in order to be eligible to receive the maximum possible amount of HCLS funding from the FCC. Failure to meet the rate floor by the deadline will result in a reduction in HCLS funding that the carrier could have otherwise received for that year. ICC/USF Order at ¶¶ 133, 238-40. Therefore, SCRTC requires an adjustment of its rates to comply with the FCC’s 2016 rate floor, thereby maintaining eligibility for the 2016-2017 maximum amount of HCLS funding.

4. The requirements of 807 KAR 5:001, Section 16(1)(b)(2), are inapplicable because SCRTC does not operate under an assumed name pursuant to KRS 365.015.

5. Pursuant to 807 KAR 5:001, Section 16(1)(b)(3), SCRTC has attached its proposed tariff, in such form as is required by 807 KAR 5:011, as part of Exhibit 2. The proposed effective date of the proposed tariff is June 1, 2016, at least 30 days from the date the Application is filed.

6. Pursuant to 807 KAR 5:001, Section 16(1)(b)(4), SCRTC has attached as part of Exhibit 2 its present tariff using italicizing, underscoring, and strikethroughs to show proposed revisions.

7. Pursuant to 807 KAR 5:001, Section 16(1)(b)(5), SCRTC states that notice has been given in compliance with 807 KAR 5:001, Section 17, as described below:

a. Pursuant 807 KAR 5:001, Section 17(1), SCRTC has posted at its place of business a copy of the Public Notice and will, within five days of the filing of the Application, post on its website a copy of the Public Notice and a hyperlink to the location on the Commission's website where the case documents are available. A copy of the Public Notice is attached hereto as part of Exhibit 3.

b. Pursuant to 807 KAR 5:001, Section 17(2), SCRTC, which has more than twenty (20) customers and is not a sewage utility, has provided notice by has provided notice to its customers by including the notice with customer bills mailed no later than the date the Application is submitted to the Commission. A copy of the notice sent to customers is attached hereto as part of Exhibit 3.

c. Pursuant to 807 KAR 5:001, Section 17(3), an affidavit verifying SCRTC's provision of the required notice to its customers is attached hereto as part of Exhibit 3.

d. Pursuant to 807 KAR 5:001, Section 17(4), SCRTC states that the Public Notice attached to this Application as Exhibit 3 complies with all "Notice Content" requirements prescribed by regulation because it contains all of the following elements:

- i. The proposed effective date and the date the proposed rates are expected to be filed with the Commission;
- ii. The present rates and proposed rates for each customer classification to which the proposed rates will apply;

- iii. The amount of the change requested in both dollar amounts and percentage change for each customer classification to which the proposed rates will apply;
- iv. The effect upon the average bill for each customer classification for the proposed rate change in basic local service;
- v. A statement that a person may examine this Application at SCRTC's offices;
- vi. A statement that a person may examine this Application at the Commission's offices located at 211 Sower Boulevard, Frankfort, Kentucky, Monday through Friday, 8:00 a.m. to 4:30 p.m., or through the Commission's Web site at <http://psc.ky.gov>;
- vii. A statement that comments regarding the Application may be submitted to the Commission through its Web site or by mail to Public Service Commission, Post Office Box 615, Frankfort, Kentucky 40602;
- viii. A statement that the rates contained in this notice are the rates proposed by SCRTC but that the Commission may order rates to be charged that differ from the proposed rates contained in the notice;
- ix. A statement that a person may submit a timely written request for intervention to the Public Service Commission, Post Office Box 615, Frankfort, Kentucky 40602, establishing the grounds for the request including the status and interest of the party; and

- x. A statement that if the Commission does not receive a written request for intervention within thirty (30) days of initial publication or mailing of the notice, the Commission may take final action on the Application.

8. The requirements of 807 KAR 5:001, Section 16(1)(b)(6), are inapplicable because SCRTC is not a water district.

9. Pursuant to 807 KAR 5:001, Section 16(2), SCRTC states that it notified the Commission in writing of its intent to file the Application on January 12, 2016, at least thirty (30) days but not more than sixty (60) days prior to filing the Application. A copy of the notice of intent is included as Exhibit 4 of this Application. Pursuant to 807 KAR 5:001, Section 16(2)(a), the notice of intent stated if the Application will be supported by a historical test period or a fully forecasted test period. Pursuant to 807 KAR 5:001, Section 16(2)(c), SCRTC sent by electronic mail a .pdf copy of the notice of intent to the Attorney General's Office of Rate Intervention ([rateintervention@ag.ky.gov](mailto:rateintervention@ag.ky.gov)) upon filing it with the Commission. A copy of this email, including the attached notice of intent, is included as part of Exhibit 4 of this Application.

10. The provisions of 807 KAR 5:001, Section 16(3), are inapplicable because SCRTC is not an electric utility.

11. Pursuant to 807 KAR 5:001, Section 16(4)(a), a narrative summary of the particular circumstances that justify and support SCRTC's Application, including a statement of the reason the adjustment is required, is attached hereto as Exhibit 1 and is incorporated herein by reference. Exhibit 1 is filed subject to a Petition for Confidential Treatment pursuant to 807 KAR 5:001, Section 13, filed contemporaneously with this Application.

12. As more fully explained in SCRTC's Motion for Waiver of Certain Rate Application Requirements ("Motion for Waiver") filed contemporaneously with this Application, SCRTC seeks waiver of 807 KAR 5:001, Section 16(4)(b), requiring the applicant's witnesses' prepared testimony.

13. The requirements of 807 KAR 5:001, Section 16(4)(c) are inapplicable because SCRTC has gross annual revenues in excess of \$5,000,000.00.

14. Pursuant to 807 KAR 5:001, Section 16(4)(d), SCRTC estimates that the total amount of revenue increase resulting from the proposed rate adjustment will be less \$6K per year.

15. The requirements of 807 KAR 5:001, Section 16(4)(e), are inapplicable because SCRTC is not an electric, gas, sewage, or water utility.

16. Pursuant to 807 KAR 5:001, Section 16(4)(f), SCRTC states that the proposed rate adjustment will increase the average affected residential customer bill by \$0.64. Business customers are expected to have an average reduction of \$4.24. Additional details regarding the anticipated impact on affected customers are set forth in Exhibit 1.

17. Pursuant to 807 KAR 5:001, Section 16(4)(g), SCRTC states that its Residential and Business customer classes will be affected by the proposed rate adjustment. SCRTC's analysis of customers' bills and the corresponding revenue impact are provided in SCRTC's responses to the requirements of Section 16(4)(d) and 16(4)(f) in paragraphs 14 and 16 above.

18. Pursuant to 807 KAR 5:001, Section 16(4)(h), SCRTC states that that parts A and B of its 2014 RUS operating report containing its TIER calculation, which assesses SCRTC's actual revenue position compared to its required operating revenues, is attached as Exhibit 5. To the extent the Commission believes this section imposes additional requirements relevant to this

Application, SCRTC respectfully seeks waiver of those requirements for the reasons set forth in its accompanying Motion for Waiver.

19. As more fully explained in SCRTC's Motion for Waiver, SCRTC seeks waiver of 807 KAR 5:001, Section 16(4)(i), requiring a reconciliation of the rate base and capital used to determine revenue requirements.

20. Pursuant to 807 KAR 5:001, Section 16(4)(j), SCRTC states the it follows 47 C.F.R Part 32 Uniform System of Accounts.

21. Pursuant to 807 KAR 5:001, Section 16(4)(k), a copy of SCRTC's independent auditor's annual opinion report is included in Exhibit 6. The other requirements of this section are inapplicable because SCRTC's independent auditor has not indicated "the existence of a material weakness in [SCRTC]'s internal controls."

22. The requirements in 807 KAR 5:001, Section 16(4)(l), are inapplicable because SCRTC has not been audited by the FCC.

23. Pursuant to 807 KAR 5:001, Section 16(4)(m), SCRTC states that its most recent PSC Form T is on file with the Commission.

24. Pursuant to 807 KAR 5:001, Section 16(4)(n), SCRTC states a schedule identifying current depreciation rates used by major plant accounts is included as Exhibit 7. To the extent the Commission believes this section requires more information than SCRTC has provided, SCRTC seeks waiver of 807 KAR 5:001, Section 16(4)(n) for the reasons set for in its Motion for Waiver.

25. Pursuant to 807 KAR 5:001, Section 16(4)(o), requiring a schedule of detailed information regarding all software, programs, and models used to prepare the Application,



SCRTC states that it utilized no specialized software, program, or models, and relied on Microsoft Word and Microsoft Excel to prepare the Application and supporting exhibits.

26. The requirements of 807 KAR 5:001, Section 16(4)(p), are inapplicable because SCRTC has never made a stock or bond offering.

27. Pursuant to 807 KAR 5:001, Section 16(4)(q), Exhibit 9 contains the annual report to members. This material is provided to its members as part of its invitation to its annual meeting during which the results are further reviewed.

28. As more fully explained in SCRTC's Motion for Waiver, SCRTC seeks waiver of 807 KAR 5:001, Section 16(4)(r), requiring monthly managerial reports.

29. The requirements of 807 KAR 5:001, Section 16(4)(s), are inapplicable because SCRTC is not required to file the U.S. Securities and Exchange Commission's Form 10-K, Form 8-K, or Form 10-Q.

30. The requirements of 807 KAR 5:001, Section 16(4)(t), are inapplicable because SCRTC has not had any amounts charged or allocated to it by an affiliate or general or home office, and has not paid any monies to an affiliate or a general or home office during the test period or during the previous three (3) calendar years.

31. The requirements of 807 KAR 5:001, Section 16(4)(u), are inapplicable because SCRTC is not an electric, gas, sewage, or water utility.

32. The requirements of 807 KAR 5:001, Section 16(4)(v), are inapplicable because SCRTC has fewer than 50,000 access lines.

33. The requirements of 807 KAR 5:001, Section 16(5), are inapplicable because SCRTC's Application does not include any pro forma adjustments. To the extent the Commission believes the requirements of this section apply to this Application, SCRTC

SCRTC respectfully seeks waiver of those requirements for the reasons set forth in its accompanying Motion for Waiver.

34. The requirements of 807 KAR 5:001, Section 16(6), are inapplicable because SCRTC is not requesting a general adjustment in rates supported by a fully forecasted test period.

35. The requirements of 807 KAR 5:001, Section 16(7), are inapplicable because SCRTC is not requesting a general adjustment in rates supported by a fully forecasted test period.

36. The requirements of 807 KAR 5:001, Section 16(8), are inapplicable because SCRTC is not requesting a general adjustment in rates supported by a fully forecasted test period.

WHEREFORE, South Central Rural Telephone Coop. Corp., Inc. respectfully requests that the Public Service Commission of the Commonwealth of Kentucky enter a final order approving SCRTC's proposed revisions to the applicable tariffs and grant all other relief to which it is entitled.

Respectfully submitted,

A handwritten signature in blue ink that reads "Bobby Richardson".

Bobby Richardson, Attorney  
Richardson, Gardner & Alexander  
117 E. Washington St.  
Glasgow, KY 42141  
270-651-8884; 270-651-3662(fax)  
[BHR@rgba-law.com](mailto:BHR@rgba-law.com)

*Counsel to South Central Rural Telephone  
Coop. Corp., Inc.*

**CERTIFICATE OF SERVICE**

I certify that, on the date this Application was filed with the Kentucky Public Service Commission, a true and accurate copy of the foregoing was served by Federal Express or by hand delivery upon the persons listed below.

Kentucky Attorney General  
Office of Rate Intervention  
700 Capitol Avenue, Suite 118  
Frankfort, Kentucky 40601-3449

On this the 7 day of March, 2016.



Bobby Richardson, Attorney  
Richardson, Gardner & Alexander  
117 E. Washington St.  
Glasgow, KY 42141  
270-651-8884; 270-651-3662(fax)  
[BHR@rgba-law.com](mailto:BHR@rgba-law.com)  
*Counsel to South Central Rural Telephone Coop.  
Corp., Inc.*

## Exhibit 1

**Description and Reason for Filing**

With this filing, South Central Rural Telephone Coop. Corp., Inc. (“SCRTC”) proposes to increase its basic residential local service rates to \$18.00 per month and to offset some of the increase in revenues with reductions in business service rates. This filing is in response to the November 18, 2011 order by the Federal Communications Commission that mandates minimum local residential service rate levels as a condition of continued receipt of certain federal universal service supports. In that Order<sup>1</sup> (the so-called “Transformation Order”) the FCC required that local exchange rates be set at or above a rate floor of \$10 as of June 1, 2012; \$14 as of June 1, 2013, and an “urban rate” – at that time undefined – on or before June 1, 2014 (“2014 rate floor”). The Transformation Order mandated that companies with rate levels below the applicable rate floor be penalized with a dollar for dollar reduction in federal high cost loop support (“HCLS”).

On March 20, 2014 the FCC released the results of its controversial urban rate floor survey<sup>2</sup> that established the 2014 rate floor of \$20.46; if implemented, this floor would become the basis on which HCLS recipients below the floor would be subject to the loss of funding as required by the FCC’s Transformation Order. On June 20, 2014 the FCC issued an Order on Reconsideration<sup>3</sup> that modified the proposed 2014 urban rate floor to allow for a phase-in of the residential rate floor. Under its revised implementation schedule, companies were given the option to implement the rates over a 4-year period:

Therefore, we waive the application of section 54.318(b) for lines reported July 1, 2014, with a rate of \$14 or above. Commencing January 2, 2015 (reflecting rates

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<sup>1</sup> *In the Matter of Connect America Fund et al.*, Report and Order and Further Notice of Proposed Rulemaking, FCC 11-161 (Nov 18, 2011)

<sup>2</sup> *Wireline Competition Bureau Announces Results of Urban Rate Survey for Voice Services; Seeks Comment on Petition for Extension of Time to Comply with New Rate Floor*, Public Notice, DA 14-384, Released March 20, 2014

<sup>3</sup> Report and Order, Declaratory Ruling, Order, Memorandum Opinion And Order, Seventh Order On Reconsideration, and Further Notice of Proposed Rulemaking, FCC 14-54 (June 10, 2014)

as of December 1, 2014), and thereafter, through June 30, 2016, we waive section 54.318(b) to the extent reported lines are greater than or equal to \$16. For the period between July 1, 2016, and June 30, 2017, we waive section 54.318(b) to the extent reported rates are greater than or equal to \$18, or the 2016 rate floor, whichever is lower. For the period between July 1, 2017, and June 30, 2018, we waive section 54.318(b) to the extent reported rates are greater than or equal to \$20, or the 2017 rate floor, whichever is lower.<sup>4</sup>

### **Proposed Revisions and Customer Impact**

With this filing, SCRTC's basic residential rates are proposed to rise to \$18.00. While SCRTC's business services are not subject to the Transformation Order and which are, in any event, above the \$18.00 residential rate floor, the company proposes to offset its residential rate increase with targeted reductions in business service rates. The overall impact of the rate revisions – excluding line losses and ignoring the annual revenue reductions imposed by the FCC's Transformation Order – is essentially revenue neutral.

This is the second rate floor adjustment required by SCRTC. In December of 2014 the company raised the rate charged to its grandfathered rotary (i.e., non-Touchtone) subscribers by 25 to 85-cents, depending on rate band. Because this change represented only a tiny fraction of its subscribers, the overall impact in doing so was less than \$3500 a year.

To meet the \$18 residential rate floor, SCRTC proposes to increase all of its basic residential service rates to \$18.00 and to create a class of service that combines its system-wide calling feature with its basic service rate that includes the access line. Because the majority of its residential subscribers were already near \$18, those customers that do not subscribe to a system-wide plan will have rate increases from 45-cents to \$2.00. Residential subscribers to the company's system-wide plan will have no change in rate. The average residential rate increase is expected to be 58-cents per month. The overall impact of the changes proposed here is an

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<sup>4</sup> *Ibid.*, para. 80



increase of approximately 3.2% of regulated local service rates; this modest change is substantially lower when additional fees, services, and features that are typically included in subscriber bills, are taken into account.

In addition, the company is proposing to rebalance and reduce the rates currently charged to its business subscribers. SCRTC has not modified its business rates in many years and recognizes that its distinction between classifications of service types is reflective of antiquated technology that results in artificially high service rates to its business subscribers. With this revision, the company proposes to reduce its *average* business rate by \$4.24, or 13.6%, and to eliminate the discount for “rotary service.” In doing so, all of its business subscribers, except those few currently receiving the “rotary discount,” will enjoy a rate reduction.

In total, the rate re-balancing proposed by SCRTC is revenue neutral resulting in a new reduction of revenues of less than 0.2%. Attachment C of this exhibit details the impact of the reductions on an individual and aggregate basis.

### **Company Information**

The full name and address of the company is South Central Rural Telephone Coop. Corp., Inc., 1399 Happy Valley Road / P.O. Box 159, Glasgow, KY 42142-0159. SCRTC was established in 1950 as a not-for-profit, member-owned cooperative to provide local telephone service to businesses and residential members within its Kentucky exchanges of Bonnieville, Buffalo, Canmer, Cave City, Center, Edmonton, Fountain Run, Gamaliel, Glasgow (Rural), Hiseville, Horse Cave, Lucas, Magnolia, Munfordville, Summer Shade, Temple Hill (“Service Territory”). SCRTC is a rural incumbent local exchange carrier serving parts of Larue, Hart, Green, Nelson, Barren, Allen, Adair, and Monroe counties and all of Metcalfe County in south

central Kentucky. Per its 2014 PSC Report, SCRTC provided 20,634 residential lines and 3,723 business lines to its members.

SCRTC is an eligible telecommunications carrier (“ETC”) in the communities it serves and is also the carrier of last resort (“COLR”) in its Service Territory. In 2015, SCRTC received \$1,873,113 from the HCLS Fund to support its COLR responsibilities in its Kentucky Service Territory, and anticipates receiving approximately \$1.75M in calendar year 2016. As a high cost company, all HCLS revenues are crucial for SCRTC to continue to meet its COLR responsibilities and to bring advanced services to the communities it serves.

A schedule of SCRTC’s Kentucky quarterly high cost support is provided in Attachment A of this exhibit. Historic access line counts, as reported to the National Exchange Carrier Association, are provided in Attachment B.

### **Financial Support for Filing**

The increase in rates proposed here is driven by two factors: first, the offset of HCLS support pursuant to the FCC’s Transformation Order; and, second, FCC-mandated reductions in access charges that have capped and reduced access compensation available to the company.

Companies that fail to meet the 2016 rate floor will experience a dollar for dollar reduction in HCL support beginning in July, 2016. SCRTC is seeking to increase its residential rates by an average of \$0.58, or \$141K per year based on year-end 2015 residential lines. By doing so, the company will avoid a comparable reduction in HCLS equal to approximately 8.3% of its total HCL support.

**Rate Floor Risk Assessment (year end 2015 counts):**

Service	Block	Subscribers	Current Rate	FCC Floor	At Risk	
Basic line (1FR)	Block A		\$ 16.65	\$18.00		
	Block B		\$ 16.95	\$18.00		
	Block C		\$ 17.55	\$18.00		
	Block D		\$ 17.55	\$18.00		
Res Rotary	Block A		\$ 16.00	\$18.00		
	Block B		\$ 16.00	\$18.00		
	Block C		\$ 16.05	\$18.00		
	Block D		\$ 16.05	\$18.00		
Support at risk absent a rate increase					\$140,999	
Annual HCLS (See Attachment A of this Exhibit)					\$ 1,705,380	
At risk					8.3%	

Included in the FCC's Transformation Order is a requirement that carriers cap and reduce not only their reciprocal, state, and interstate inter-carrier compensation rates but also the revenues the companies are allowed to collect. Under the formula specified in the Transformation Order, the FCC capped allowed terminating access revenues from intercarrier compensation at fiscal year 2011<sup>5</sup> collected levels and established a phase down of those allowed amounts over the subsequent 5 years. With this change, SCRTC cannot collect more than its current capped revenue amount net 5% *each year*.

As shown in the step down of eligible access recovery, the cumulative FCC-mandated reduction in its access revenue recovery from both states of operation is [REDACTED] through the fiscal period ending June, 2016.

<sup>5</sup> October 1, 2010 through September 30, 2011.

### Eligible Access Recovery

	Access Cap	Reduction
FY2011 10/1/10-9/30/11		
2012-2013 Fiscal Period		
2013-2014 Fiscal Period		
2014-2015 Fiscal Period		
2015-2016 Fiscal Period		
<b>Cumulative Reduction</b>		

The FCC-mandated access reductions impose a significant loss of revenues through the current fiscal period. Despite these reductions, the company is proposing no increase and has chosen instead to meet the increase in residential rate floor with a rebalancing of its business rates.

### Summary

The FCC's Transformation Order continues to dramatically change the revenue sources historically available to rural telephone companies like SCRTC to use in meeting their COLR obligation and to expand the availability of advanced broadband services to their customers. Unfortunately, for many of these affected companies, doing so requires upward pressure on local service rates. As shown in this documentation, SCRTC has no other realistic options available to it and requests that its tariff revisions be approved.

Attachments to this Exhibit:

Attachment A: SCRTC's quarterly high cost support 2015-2016

Attachment B: National Exchange Carrier Association Report of Access Lines

Attachment C: Rate Impact Analysis

**South Central Rural Telephone Cooperative  
Case 2016-00045**

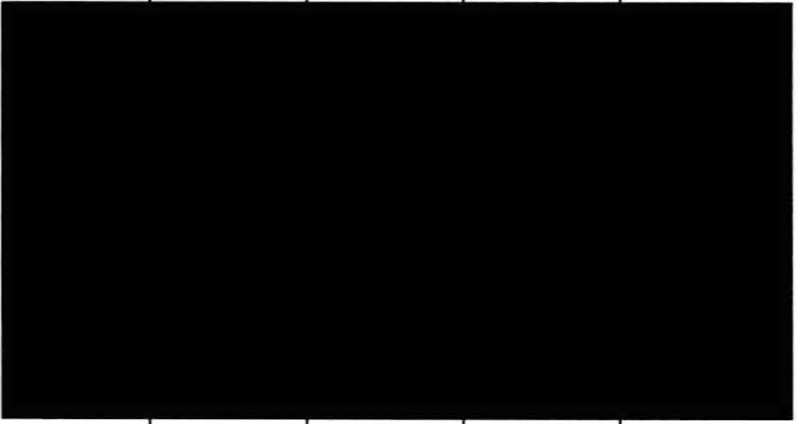

**Exhibit 1, Attachment A**

[illegible]



Exhibit 1 Attachment B has been omitted from the public filing. It has been provided under a petition for confidential treatment

	Block A	Block B	Block C	Block D	Total
<b>One Month Demand</b>					
<b>Business Service</b>					
Basic Line					
PBX					
Key					
Biz Rotary (becomes Basic Line)					
System Wide - Key					
System Wide - PBX					
System Wide - Business					
<b>Residential</b>					
Basic Line					
Res Rotary (becomes Basic Line)					
System Wide - Residential					
<b>Total</b>	2,746	6,413	6,315	7,837	23,311
<b>Current Rates</b>					
<b>Business Service</b>					
Basic Line	\$ 26.35	\$ 26.75	\$ 27.55	\$ 27.55	
PBX	\$ 57.40	\$ 58.20	\$ 59.80	\$ 59.80	
Key	\$ 43.80	\$ 44.40	\$ 45.60	\$ 45.60	
Biz Rotary (becomes Basic Line)	\$ 24.35	\$ 24.75	\$ 25.55	\$ 25.55	
System Wide - Key	\$ 47.10	\$ 47.10	\$ 47.10	\$ 47.10	
System Wide - PBX	\$ 62.10	\$ 62.10	\$ 62.10	\$ 62.10	
System Wide - Business	\$ 29.95	\$ 29.95	\$ 29.95	\$ 29.95	
<b>Residential</b>			\$ -		
Basic Line	\$ 16.65	\$ 16.95	\$ 17.25	\$ 17.55	
Res Rotary (becomes Basic Line)	\$ 16.00	\$ 16.00	\$ 16.05	\$ 16.05	
System Wide - Residential	\$ 19.95	\$ 19.95	\$ 19.95	\$ 19.95	
<b>Current Revenues</b>					
<b>Business Service</b>					
Basic Line					
PBX					
Key					
Biz Rotary (becomes Basic Line)					
System Wide - Key					
System Wide - PBX					
System Wide - Business					
<b>Residential</b>					
Basic Line					
Res Rotary (becomes Basic Line)					
System Wide - Residential					
Business	\$ 5,259	\$ 32,876	\$ 22,884	\$ 31,134	\$ 92,152
Residential	\$ 43,885	\$ 98,082	\$ 98,963	\$ 121,668	\$ 362,597
<b>Total</b>	\$ 49,143	\$ 130,958	\$ 121,847	\$ 152,802	\$ 454,750

	Block A	Block B	Block C	Block D	Total
<b>Proposed Rates</b>					
<b>Business Service</b>					
Basic Line	\$ 26.35	\$ 26.35	\$ 26.35	\$ 26.35	
PBX	\$ 26.35	\$ 26.35	\$ 26.35	\$ 26.35	
Key	\$ 26.35	\$ 26.35	\$ 26.35	\$ 26.35	
Biz Rotary (becomes Basic Line)	\$ 26.35	\$ 26.35	\$ 26.35	\$ 26.35	
System Wide - Key	\$ 28.35	\$ 28.35	\$ 28.35	\$ 28.35	
System Wide - PBX	\$ 28.35	\$ 28.35	\$ 28.35	\$ 28.35	
System Wide - Business	\$ 28.35	\$ 28.35	\$ 28.35	\$ 28.35	
<b>Residential</b>					
Basic Line	\$ 18.00	\$ 18.00	\$ 18.00	\$ 18.00	
Res Rotary (becomes Basic Line)	\$ 18.00	\$ 18.00	\$ 18.00	\$ 18.00	
System Wide - Residential	\$ 19.95	\$ 19.95	\$ 19.95	\$ 19.95	
<b>Proposed Revenue</b>					
<b>Business Service</b>					
Basic Line					
PBX					
Key					
Biz Rotary (becomes Basic Line)					
System Wide - Key					
System Wide - PBX					
System Wide - Business					
<b>Residential</b>					
Basic Line					
Res Rotary (becomes Basic Line)					
System Wide - Residential					
Business	\$ 4,659	\$ 28,881	\$ 19,446	\$ 26,623	\$ 79,608
Residential	\$ 46,979	\$ 101,215	\$ 102,669	\$ 124,770	\$ 375,633
<b>Total</b>	\$ 51,637	\$ 130,096	\$ 122,115	\$ 151,393	\$ 455,242

	Block A	Block B	Block C	Block D	Total
<b>Rate Change</b>					
<b>Business Service</b>					
Basic Line					
PBX					
Key					
Biz Rotary (becomes Basic Line)					
System Wide - Key					
System Wide - PBX					
System Wide - Business					
<i>Average Business Change</i>					
<b>Residential</b>					
Basic Line					
Res Rotary (becomes Basic Line)					
System Wide - Residential					
<i>Average Residential Change</i>	\$ 1.20	\$ 0.59	\$ 0.66	\$ 0.45	\$ 0.64
<b>Revenue Change</b>					
<b>Business Service</b>					
Basic Line					
PBX					
Key					
Biz Rotary (becomes Basic Line)					
System Wide - Key					
System Wide - PBX					
System Wide - Business					
<b>Residential</b>					
Basic Line					
Res Rotary (becomes Basic Line)					
System Wide - Residential					
Business	\$ (600)	\$ (3,995)	\$ (3,438)	\$ (4,511)	\$ (12,544)
<u>Residential</u>	\$ 3,094	\$ 3,133	\$ 3,707	\$ 3,102	\$ 13,036
Total	\$ 2,494	\$ (862)	\$ 269	\$ (1,409)	\$ 492

## Exhibit 2

**South Central Rural Telephone Coop. Corp., Inc.**  
**Case 2016-00045**

**Exhibit 2**

- Proposed Tariff Pages (Proposed)
- Proposed Tariff Pages (Proposed with Black Line)



Proposed Tariff Pages (To be Filed)

**SOUTH CENTRAL RURAL TELEPHONE  
COOPERATIVE CORPORATION, INC.  
LOCAL EXCHANGE TARIFF**

**PSC KY TARIFF NO. 3  
SECTION 5**  
1<sup>st</sup> Revised Sheet No. 3  
Replaces Original Sheet No. 3

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**5. BASIC LOCAL EXCHANGE SERVICE**

5.1 Exchange Service (continued)

5.1.2 Area of Operations

The following exchanges are included in the Company's Local Exchange Tariff:

Exchange  
Bonnieville  
Buffalo  
Canmer  
Cave City  
Center  
Edmonton  
Fountain Run  
Gamaliel  
Glasgow Rural (T)  
Hiseville  
Horse Cave  
Lucas  
Magnolia  
Munfordville  
Summer Shade  
Temple Hill

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Issue Date:  
Effective Date: June 1, 2016

Issued By: /s/ David Davis  
David Davis, General Manager / COO

By Authority of Order of the Public Service Commission in  
Case No. 2016-00045 dated \_\_\_\_\_.

**SOUTH CENTRAL RURAL TELEPHONE  
COOPERATIVE CORPORATION, INC.  
LOCAL EXCHANGE TARIFF**

**PSC KY TARIFF NO. 3  
SECTION 5**  
1<sup>st</sup> Revised Sheet No. 4  
Replaces Original Sheet No. 4

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**5. BASIC LOCAL EXCHANGE SERVICE (Cont'd)**

5.1 Exchange Service (Cont'd)

5.1.3 Maps

Maps that indicate and define the exchange limits of the respective exchanges are filed with the Kentucky Public Service Commission and are included as Attachment B of this Tariff.

5.2 Local Calling Areas

5.2.1 General

1. The rates in this Tariff entitle callers to receive local calling (i.e., toll-free) to the local calling areas indicated in Section 5.2.2, below. Calls to areas not listed in Section 5.2.2 will be subject to applicable long distance charges by the long distance provider.

(D)

(D)

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David Davis, General Manager / COO

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**SOUTH CENTRAL RURAL TELEPHONE  
COOPERATIVE CORPORATION, INC.  
LOCAL EXCHANGE TARIFF**

**PSC KY TARIFF NO. 3  
SECTION 5**  
1<sup>st</sup> Revised Sheet No. 6  
Replaces Original Sheet No. 6

**5. BASIC LOCAL EXCHANGE SERVICE (Cont'd)**

**5.2 Local Calling Areas (cont'd)**

**5.2.2 List of Local Calling Exchanges (cont'd)**

<u>Exchange</u>	<u>Local Calling Area</u>
<b>Block C</b>	
Edmonton	Center, Glasgow (City and Rural) (T), Lucas, Summer Shade
Fountain Run	Gamaliel, Glasgow (City and Rural) (T), Lucas, Temple Hill, Tompkinsville
Gamaliel	Fountain Run, Glasgow (City and Rural) (T), Lucas, Temple Hill, Tompkinsville
Hiseville	Cave City, Center, Glasgow (City and Rural) (T), Horse Cave, Lucas, Park City
Summer Shade	Center, Edmonton, Glasgow (City and Rural) (T), Lucas, Temple Hill
Temple Hill	Fountain Run, Gamaliel, Glasgow (City and Rural) (T), Lucas, Summer Shade, Tompkinsville
<b>Block D</b>	
Cave City	Canmer, Center, Glasgow (City and Rural) (T), Hiseville, Horse Cave, Lucas, Munfordville, Park City
Glasgow Rural (T)	Cave City, Edmonton, Fountain Run, Gamaliel, Hiseville, Park City, Summer Shade, Temple Hill
Lucas	Cave City, Edmonton, Fountain Run, Gamaliel, Glasgow (City and Rural) (T), Hiseville, Park City, Summer Shade, Temple Hill

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Issue Date:

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By Authority of Order of the Public Service Commission in  
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**SOUTH CENTRAL RURAL TELEPHONE  
COOPERATIVE CORPORATION, INC.  
LOCAL EXCHANGE TARIFF**

**PSC KY TARIFF NO. 3  
SECTION 5**  
2nd Revised Sheet No. 7  
Replaces 1st Revised Sheet No. 7

**5. BASIC LOCAL EXCHANGE SERVICE (Cont'd)**

**5.3 Basic Exchange Line Service**

**5.3.1 Description**

Basic Line Service provides a Customer with a single, voice-grade telephonic communications channel that can be used to place or receive one call at a time. Basic Lines are provided for connection of Customer-provided single station sets or facsimile machines to the public switched telecommunications network. Each Basic Line may be configured into a rotary line hunt group with other Company-provided Basic Lines.

Each Basic Line is provided with touchtone feature. **(C)**

**5.3.2 Rates**

Rates do not include a charge for instrument or other customer premises' wiring or equipment. Rates for additional services, including installation charges, are shown elsewhere in this Tariff.

Monthly Rates  
All Exchanges (C)

**(D)**

**(D)**

Residential                      \$18.00 **(I)**

Business                        \$26.35 **(R)**

**(D)**

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Issue Date:  
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David Davis, General Manager / COO

By Authority of Order of the Public Service Commission in  
Case No. 2016-00045 dated \_\_\_\_\_.

**SOUTH CENTRAL RURAL TELEPHONE  
COOPERATIVE CORPORATION, INC.  
LOCAL EXCHANGE TARIFF**

**PSC KY TARIFF NO. 3  
SECTION 5**  
1<sup>st</sup> Revised Sheet No. 13  
Replaces Original Sheet No. 13

**5. BASIC LOCAL EXCHANGE SERVICE (Cont'd)**

**5.5 Basic Exchange Trunk Service**

**5.5.1 Description**

Basic Exchange Trunk Service provides a Business or Residence Customer with a single, voice-grade telephonic communications channel that can be used to place or receive one call at a time. Basic Exchange Trunks are provided for connection of Customer-provided key systems (KEY) or private branch exchange (PBX) to the public switched telecommunications network. The type of trunk service furnished is based on FCC Administration Number and/or type of equipment of Customer-provided equipment. Each Trunk is provided with touch-tone signaling.

**5.5.2 Tie Lines**

Tie Lines connect two PBX or equivalent equipment and are furnished at rates specified in Section 15 Private Line Service of this Tariff.

**5.5.3 Monthly Service Rates**

Rates do not include a charge for instrument or other customer premises wiring or equipment. Rates for additional services are shown elsewhere in this Tariff.

	<u>Monthly Rate</u>	<u>Monthly Rate</u>	
	KEY	PBX	
All Exchanges (C)	\$26.35 (R)	\$26.35 (R)	(D)
			(D)
			(D)

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David Davis, General Manager / COO

By Authority of Order of the Public Service Commission in  
Case No. 2016-00045 dated \_\_\_\_\_.

**SOUTH CENTRAL RURAL TELEPHONE  
COOPERATIVE CORPORATION, INC.  
LOCAL EXCHANGE TARIFF**

**PSC KY TARIFF NO. 3  
SECTION 14**  
1<sup>st</sup> Revised Sheet No. 3  
Replaces Original Sheet No. 3

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14.2 Reserved For Future Use

**(T)**

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**(D)**

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Issue Date:

Effective Date: June 1, 2016

Issued By: /s/ David Davis

David Davis, General Manager / COO

By Authority of Order of the Public Service Commission in  
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**SOUTH CENTRAL RURAL TELEPHONE  
COOPERATIVE CORPORATION, INC.  
LOCAL EXCHANGE TARIFF**

**PSC KY TARIFF NO. 3  
SECTION 14**  
2<sup>nd</sup> Revised Sheet No. 14  
Replaces 1<sup>st</sup> Revised Sheet No. 4

14.2 Reserved For Future Use

**(T)**

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**(D)**

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Issue Date:

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David Davis, General Manager / COO

By Authority of Order of the Public Service Commission in  
Case No. 2016-00045 dated \_\_\_\_\_.



**SOUTH CENTRAL RURAL TELEPHONE  
COOPERATIVE CORPORATION, INC.  
LOCAL EXCHANGE TARIFF**

**PSC KY TARIFF NO. 3  
SECTION 14**  
1<sup>st</sup> Revised Sheet No. 5  
Replaces Original Sheet No. 5

**14. OPTIONAL EXPANDED AREA CALLING SERVICE (continued)**

(D)

(D)

14.3 System Wide Plan Rates

(C)

	<u>Rate per Line per Month</u>
Residential	\$19.95
Business	\$28.35 (R)

(C)

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Issue Date:

Effective Date: June 1, 2016

Issued By: /s/ David Davis

David Davis, General Manager / COO

By Authority of Order of the Public Service Commission in  
Case No. 2016-00045 dated \_\_\_\_\_.

Proposed Tariff Pages (with Black Line)

**SOUTH CENTRAL RURAL TELEPHONE  
COOPERATIVE CORPORATION, INC.  
LOCAL EXCHANGE TARIFF**

**PSC KY TARIFF NO. 3  
SECTION 5**  
1<sup>st</sup> Revised Sheet No. 3  
Replaces Original Sheet No. 3

**5. BASIC LOCAL EXCHANGE SERVICE**

5.1 Exchange Service (continued)

5.1.2 Area of Operations

The following exchanges are included in the Company's Local Exchange Tariff:

<u>Exchange</u>	<u>(NPA-NXX)</u>
Bonnieville	<del>270-531</del>
Buffalo	<del>270-325</del>
Canmer	<del>270-528, 537</del>
Cave City	<del>270-773</del>
Center	<del>270-565</del>
Edmonton	<del>270-432</del>
Fountain Run	<del>270-434</del>
Gamaliel	<del>270-457</del>
Glasgow <u>Rural (T)</u>	<del>270-614, 670, 678</del>
Hiseville	<del>270-453</del>
Horse Cave	<del>270-786</del>
Lucas	<del>270-646</del>
Magnolia	<del>270-324</del>
Munfordville	<del>270-524</del>
Summer Shade	<del>270-428</del>
Temple Hill	<del>270-427</del>

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David Davis, General Manager / COO

By Authority of Order of the Public Service Commission in  
Case No. 2016-00045 dated \_\_\_\_\_.

**SOUTH CENTRAL RURAL TELEPHONE  
COOPERATIVE CORPORATION, INC.  
LOCAL EXCHANGE TARIFF**

**PSC KY TARIFF NO. 3  
SECTION 5**  
1<sup>st</sup> Revised Sheet No. 4  
Replaces Original Sheet No. 4

**5. BASIC LOCAL EXCHANGE SERVICE (Cont'd)**

5.1 Exchange Service (Cont'd)

5.1.3 Maps

Maps that indicate and define the exchange limits of the respective exchanges are filed with the Kentucky Public Service Commission and are included as Attachment B of this Tariff.

5.2 Local Calling Areas

5.2.1 General

1. The rates in this Tariff entitle callers to receive local calling (i.e., toll-free) to the local calling areas indicated in Section 5.2.2, below. Calls to areas not listed in Section 5.2.2 will be subject to applicable long distance charges by the long distance provider.

2. ~~Exchanges that increase or decrease in the number of callable access lines at 3% for more than three (3) months will be moved into the appropriate rate block exclusive of callable access lines resulting from Optional Expanded Extended Area Calling Services.~~

<del>Rate Block</del>	<del>Lines within the Local Calling Area</del>
<del>A</del>	<del>0-9,000</del>
<del>B</del>	<del>9,001-14,000</del>
<del>C</del>	<del>14,001-20,000</del>
<del>D</del>	<del>Over 20,000</del>

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Issued By: /s/ David Davis

David Davis, General Manager / COO

By Authority of Order of the Public Service Commission in  
Case No. 2016-00045 dated

**SOUTH CENTRAL RURAL TELEPHONE  
COOPERATIVE CORPORATION, INC.  
LOCAL EXCHANGE TARIFF**

**PSC KY TARIFF NO. 3  
SECTION 5**  
1<sup>st</sup> Revised Sheet No. 6  
Replaces Original Sheet No. 6

**5. BASIC LOCAL EXCHANGE SERVICE (Cont'd)**

**5.2 Local Calling Areas (cont'd)**

**5.2.2 List of Local Calling Exchanges (cont'd)**

<u>Exchange</u>	<u>Local Calling Area</u>
<b>Block C</b>	
Edmonton	Center, Glasgow <u>(City and Rural) (T)</u> , Lucas, Summer Shade
Fountain Run	Gamaliel, Glasgow <u>(City and Rural) (T)</u> , Lucas, Temple Hill, Tompkinsville
Gamaliel	Fountain Run, Glasgow <u>(City and Rural) (T)</u> , Lucas, Temple Hill, Tompkinsville
Hiseville	Cave City, Center, Glasgow <u>(City and Rural) (T)</u> , Horse Cave, Lucas, Park City
Summer Shade	Center, Edmonton, Glasgow <u>(City and Rural) (T)</u> , Lucas, Temple Hill
Temple Hill	Fountain Run, Gamaliel, Glasgow <u>(City and Rural) (T)</u> , Lucas, Summer Shade, Tompkinsville
<b>Block D</b>	
Cave City	Canmer, Center, Glasgow <u>(City and Rural) (T)</u> , Hiseville, Horse Cave, Lucas, Munfordville, Park City
Glasgow <u>Rural (T)</u>	Cave City, Edmonton, Fountain Run, Gamaliel, Hiseville, Park City, Summer Shade, Temple Hill
Lucas	Cave City, Edmonton, Fountain Run, Gamaliel, Glasgow <u>(City and Rural) (T)</u> , Hiseville, Park City, Summer Shade, Temple Hill

Issue Date:

Effective Date: June 1, 2016

Issued By: /s/ David Davis

David Davis, General Manager / COO

By Authority of Order of the Public Service Commission in  
Case No. 2016-00045 dated \_\_\_\_\_.

**SOUTH CENTRAL RURAL TELEPHONE  
COOPERATIVE CORPORATION, INC.  
LOCAL EXCHANGE TARIFF**

**PSC KY TARIFF NO. 3**

**SECTION 5**

First ~~2nd~~ Revised Sheet No. 7

Replaces ~~1st Original~~ Revised Sheet No. 7

**5. BASIC LOCAL EXCHANGE SERVICE (Cont'd)**

**5.3 Basic Exchange Line Service**

**5.3.1 Description**

Basic Line Service provides a Customer with a single, voice-grade telephonic communications channel that can be used to place or receive one call at a time. Basic Lines are provided for connection of Customer-provided single station sets or facsimile machines to the public switched telecommunications network. Each Basic Line may be configured into a rotary line hunt group with other Company-provided Basic Lines.

(T)

Each Basic Line is provided with touchtone feature, ~~-(C)~~  
except as follows: non Touchtone Line service is "grand fathered" to those customers who chose not to subscribe to touchtone service on or before March 1, 1997. Residential or Business Basic Line Service is mandatory for all new customers and/or customers who move service from an existing location after March 1, 1997.

**5.3.2 Rates**

Rates do not include a charge for instrument or other customer premises' wiring or equipment. Rates for additional services, including installation charges, are shown elsewhere in this Tariff.

		Monthly Rates			
		<del>Block A</del>	<del>Block B</del>	<del>Block C</del>	<del>Block D</del>
		All Exchanges (C)			
Non Touchtone Line	Res*	\$16.00	\$16.00	\$16.00	\$16.05 (D)
Non Touchtone Line	Bus*	\$24.35	\$24.75	\$25.15	\$25.55 (D)
Residential		\$16.65	\$16.95	\$17.25	\$17.55 \$18.00 (D)
Business		\$26.35	\$26.75	\$27.15	\$27.55 \$26.35 (R)

\* Grand fathered service limited to existing subscribers prior to March 1, 1997. (D)

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Issued By: /s/ David Davis

David Davis, General Manager / COO

By Authority of Order of the Public Service Commission in

Case No. 2016-00045 dated \_\_\_\_\_.

**SOUTH CENTRAL RURAL TELEPHONE  
COOPERATIVE CORPORATION, INC.  
LOCAL EXCHANGE TARIFF**

**PSC KY TARIFF NO. 3  
SECTION 5**

1<sup>st</sup> Revised Sheet No. 13  
Replaces Original Sheet No. 13

**5. BASIC LOCAL EXCHANGE SERVICE (Cont'd)**

**5.5 Basic Exchange Trunk Service**

**5.5.1 Description**

Basic Exchange Trunk Service provides a Business or Residence Customer with a single, voice-grade telephonic communications channel that can be used to place or receive one call at a time. Basic Exchange Trunks are provided for connection of Customer-provided key systems (KEY) or private branch exchange (PBX) to the public switched telecommunications network. The type of trunk service furnished is based on FCC Administration Number and/or type of equipment of Customer-provided equipment. Each Trunk is provided with touch-tone signaling.

**5.5.2 Tie Lines**

Tie Lines connect two PBX or equivalent equipment and are furnished at rates specified in Section 15 Private Line Service of this Tariff.

**5.5.3 Monthly Service Rates**

Rates do not include a charge for instrument or other customer premises wiring or equipment. Rates for additional services are shown elsewhere in this Tariff.

	<u>Monthly Rate</u>	<u>Monthly Rate</u>
	KEY	PBX
<del>Block A</del> <u>All Exchanges (C)</u>	<del>\$43.80</del> <u>26.35 (R)</u>	<del>\$57.40</del> <u>26.35 (R)</u>
<del>Block B</del>	<del>\$44.40</del>	<del>\$58.20</del> <u>(D)</u>
<del>Block C</del>	<del>\$45.00</del>	<del>\$59.00</del> <u>(D)</u>
<del>Block D</del>	<del>\$45.60</del>	<del>\$59.80</del> <u>(D)</u>

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Issued By: /s/ David Davis

David Davis, General Manager / COO

By Authority of Order of the Public Service Commission in  
Case No. 2016-00045 dated \_\_\_\_\_.

**SOUTH CENTRAL RURAL TELEPHONE  
COOPERATIVE CORPORATION, INC.  
LOCAL EXCHANGE TARIFF**

**PSC KY TARIFF NO. 3**

**SECTION 14**

First 2<sup>nd</sup> Revised Sheet No. 2

Replaces 1<sup>st</sup> Revised Original Sheet No. 2

**14. OPTIONAL EXPANDED AREA CALLING SERVICE**

**(C)**

**14.1 System-Wide Call Extend Plan Definition**

~~An optional calling Service plan which extends the local calling area to additional exchanges on any access line for an additional monthly charge.~~ System-Wide is an optional access line class of service that provides for expanded local calling to additional exchanges as described in 14.2.

**14.2 System-Wide Call-Extend Plan Scope**

System-Wide includes local calling to the following areas:

- The Local Calling Area as defined for each exchange in 5.2.2 of this tariff
- All Company exchange areas listed in 5.1.2 of this tariff
- Additional non-Company exchanges not otherwise provided as Local Calling:

Park City, Glasgow City, Tompkinsville, Greensburg, Hodgenville,  
Bee Springs

~~The following exchanges may expand local calling areas Extended Area Service (EAS) to additional exchanges with Call-Extend Plan:~~

**(C)**

**(D)**

<u>Exchange</u>	<u>Existing EAS to:</u>	<u>Call-Extend Plan to:</u>
Bonnieville	Canmer Horse Cave, Magnolia, Munfordville	Buffalo, Cave City, Center, Edmonton, Fountain Run, Gamaliel, Glasgow, Hiseville, Lucas, Summer Shade, Temple Hill
Buffalo	Canmer, Hodgenville, Magnolia	Bonnieville, Cave City, (T) Edmonton, Fountain Run, Gamaliel, Glasgow, Hiseville, Horse Cave, Lucas, Munfordville, Summer Shade, Temple Hill
Canmer	Bonnieville, Buffalo, Cave City, Center, Horse Cave, Magnolia, Munfordville	Edmonton, Fountain Run, Gamaliel, Glasgow, Hiseville, Lucas, Summer Shade, Temple Hill
Cave City	Canmer, Center, Edmonton, Glasgow, Hiseville,	Bonnieville, Buffalo, Fountain Run, Gamaliel,



~~Horse Cave, Lucas, Magnolia, Summer Shade,~~  
~~Munfordville, Park City Temple Hill~~

(D)

Issue Date: IDATE

Effective Date: June 1, 2016

Issued By: /s/ David Davis

David Davis, General Manager / COO

**SOUTH CENTRAL RURAL TELEPHONE  
COOPERATIVE CORPORATION, INC.  
LOCAL EXCHANGE TARIFF**

**PSC KY TARIFF NO. 3  
SECTION 14  
1<sup>st</sup> Revised Sheet No. 3  
Replaces Original Sheet No. 3**

**14.2 Reserved For Future Use**

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**~~14.2~~ System Wide Call Extend Plan Scope (continued)**

<u>Exchange</u>	<u>Existing EAS to:</u>	<u>Call Extend Plan to:</u>
Center	Canmer, Cave City,	Bonnieville, Buffalo,
	Edmonton, Hiseville,	Fountain Run, Gamaliel,
	Horse Cave,	Glasgow, Lucas, Magnolia,
	Munfordville,	Temple Hill
	Summer Shade	
Edmonton	Center, Glasgow, Lucas,	Bonnieville, Buffalo
	Summer Shade	Canmer, Cave City, Center,
		Fountain Run, Gamaliel,
		Hiseville, Horse Cave,
		Magnolia, Munfordville,
		Temple Hill
Fountain Run	Gamaliel, Glasgow,	Bonnieville, Buffalo,
	Lucas, Temple Hill,	Canmer, Cave City,
	Tompkinsville	Center, Edmonton,
		Hiseville, Horse Cave,
		Magnolia, Munfordville,
		Summer Shade
Gamaliel	Fountain Run, Glasgow,	Bonnieville, Buffalo,
	Lucas, Temple Hill,	Canmer, Cave City,
	Tompkinsville	Center, Edmonton, Hiseville,
		Horse Cave, Magnolia,
		Munfordville, Summer Shade
Glasgow	Cave City, Edmonton,	Bonnieville, Buffalo,
	Fountain Run, Gamaliel,	Canmer, Center,
	Hiseville, Lucas,	Horse Cave, Magnolia,
	Park City, Summer Shade	Munfordville, Temple Hill

**(D)**

Issue Date:

Effective Date: June 1, 2016

Issued By: /s/ David Davis

David Davis, General Manager / COO

By Authority of Order of the Public Service Commission in  
Case No. 2016-00045 dated \_\_\_\_\_,

**SOUTH CENTRAL RURAL TELEPHONE  
COOPERATIVE CORPORATION, INC.  
LOCAL EXCHANGE TARIFF**

**PSC KY TARIFF NO. 3  
SECTION 14**

First ~~2<sup>nd</sup>~~ Revised Sheet No. 14  
Replaces 1<sup>st</sup> Revised ~~Original~~ Sheet No. 4

14.2 Reserved For Future Use

(T)

(D)

~~14.2~~ System Wide Call Extend Plan Scope (continued)

<u>Exchange</u>	<u>Existing EAS to:</u>	<u>Call Extend Plan to:</u>
Hiseville	Cave City, Center,	Bonnieville, Buffalo,
	Glasgow, Horse Cave,	Canmer, Edmonton,
	Lucas, Park City	Hiseville, Fountain Run,
		Magnolia, Munfordville,
		Summer Shade, Temple Hill
Horse Cave	Bonnieville, Canmer,	Buffalo, Edmonton,
	Cave City, Center,	Fountain Run, Gamaliel,
	Hiseville, Munfordville	Glasgow, Lucas,
		Magnolia, Summer Shade,
		Temple Hill
Lucas	Cave City, Edmonton,	Bonnieville, Buffalo, Fountain
	Run, Gamaliel,	Canmer, Center,
	Glasgow, Hiseville,	Horse Cave, Magnolia,
	Park City, Summer Shade,	Munfordville
	Temple Hill	
Magnolia	Bonnieville, Buffalo,	Cave City, Center,
	Canmer, Hodgenville,	Edmonton, Fountain Run,
	Munfordville	Gamaliel, Glasgow,
		Hiseville, Lucas, Horse Cave,
		Summer Shade, Temple Hill
Munfordville	Bonnieville, Canmer,	Edmonton, Fountain Run,
	Cave City, Center,	Gamaliel, Glasgow, Buffalo (T)
	Horse Cave, Magnolia	Hiseville, Lucas, (T)
		Summer Shade, Temple Hill

(D)

Issue Date:

Effective Date: June 1, 2016

Issued By: /s/ David Davis

David Davis, General Manager / COO

By Authority of Order of the Public Service Commission in  
Case No. 2016-00045 dated \_\_\_\_\_.

**SOUTH CENTRAL RURAL TELEPHONE  
COOPERATIVE CORPORATION, INC.  
LOCAL EXCHANGE TARIFF**

**PSC KY TARIFF NO. 3  
SECTION 14  
1<sup>st</sup> Revised Sheet No. 5  
Replaces Original Sheet No. 5**

**14. OPTIONAL EXPANDED AREA CALLING SERVICE (continued)**

**14.2 System Wide Call Extend Plan Scope (continued)**

<u>Exchange</u>	<u>Existing EAS to:</u>	<u>Call Extend Plan to:</u>
Summer Shade	Center, Edmonton,	Bonnieville, Buffalo,
	Glasgow, Lucas,	Canmer, Cave City,
	Temple Hill	Fountain Run, Gamaliel,
		Hiseville, Horse Cave,
		Magnolia, Munfordville
<hr/>		
Temple Hill	Fountain Run,	Bonnieville, Buffalo,
	Gamaliel, Glasgow,	Canmer, Cave City,
	Lucas,	Center, Edmonton,
	Summer Shade,	Hiseville, Magnolia,
	Tompkinsville	Munfordville, Temple Hill

**14.3 System Wide Plan Rates**

	<u>Rate</u>	<u>Code</u>
The optional Call Extend Plan monthly rate limited to residence and business access lines and KEY/PBX trunk lines	\$5.00	SWCE

	<u>Rate per Line per Month</u>
Residential	\$19.95
Business	\$28.35 (R)

Issue Date:  
Effective Date: June 1, 2016

Issued By: /s/ David Davis  
David Davis, General Manager / COO

By Authority of Order of the Public Service Commission in  
Case No. 2016-00045 dated \_\_\_\_\_,

## Exhibit 3

**CUSTOMER NOTICE AFFIDAVIT**

**AFFIDAVIT**

I, David R. Davis, am a representative of South Central Rural Telephone Coop. Corp., Inc. and am authorized to make this statement on its behalf.

I attest that the customer notice accompanying this affidavit was sent to all customers as a bill insert on February 15 and March 1, 2016, in accordance with Section 17(2) of 807 KAR 5:001. I declare under penalty of perjury that the foregoing is true and correct.

Signature: \_\_\_\_\_



Subscribed and sworn to me before this 2nd day of MARCH, 2016.

Bethia R. Harlow  
Notary Republic

My commission expires: 5/22/2017



On or around March 3, 2016, South Central Rural Telephone Coop. Corp. has or will file with the KY Public Service Commission (PSC) an increase in the residential basic local service rate due to the Federal Communications Commission (FCC) mandate.

This increase is mandated by the recent changes enacted by the FCC which set minimal local service residential rate levels as a condition of continued receipt of federal high cost support. We had no choice but to make these changes to avoid loss of federal support that allows us to provide advanced voice and broadband services vital to the economic health of our community.

With this change, residential rates for all members who do not subscribe to the system wide calling plan will increase. Business rates are being reduced with this filing. A list of proposed rate changes is summarized below:

	Block A		Block B		Block C		Block D	
	Current	Revised	Current	Revised	Current	Revised	Current	Revised
<b>Residential</b>								
Basic line	\$ 16.65	\$ 18.00	\$ 16.95	\$ 18.00	\$ 17.25	\$ 18.00	\$ 17.55	\$ 18.00
Res Rotary (becomes Basic)	\$ 16.00	\$ 18.00	\$ 16.00	\$ 18.00	\$ 16.00	\$ 18.00	\$ 16.05	\$ 18.00
System Wide Residential	\$ 19.95	\$ 19.95	\$ 19.95	\$ 19.95	\$ 19.95	\$ 19.95	\$ 19.95	\$ 19.95
<b>Business Service</b>								
Basic Line	\$ 26.35	\$ 26.35	\$ 26.75	\$ 26.35	\$ 27.15	\$ 26.35	\$ 27.55	\$ 26.35
Biz Rotary (becomes Basic)	\$ 24.35	\$ 26.35	\$ 24.75	\$ 26.35	\$ 25.15	\$ 26.35	\$ 25.55	\$ 26.35

If approved by the PSC, the effective date of this rate change will be June 1, 2016. We anticipate the average increase to residential subscribers to be 3.2% and the average decrease to business subscribers to be 3.2%.

You may examine this application at the offices of South Central Rural Telephone Coop. Corp., Inc. located at 1399 Happy Valley Road, Glasgow, KY 42142 during regular business hours or at the offices of the KY PSC located at 211 Sower Blvd., Frankfort, KY Monday through Friday, 8:00 a.m. to 4:30 p.m., or through the commission's Web site at <http://psc.ky.gov>.

Comments regarding the application may be submitted to the PSC through its Web site or by mail to Public Service Commission, Post Office Box 615, Frankfort, KY 40602. Rates contained in this notice are the rates proposed by South Central Rural Telephone Coop. Corp., however, the PSC may order rates to be charged that differ from the proposed rates contained in this notice.

You may submit a timely written request for intervention to the Public Service Commission, Post Office Box 615, Frankfort, KY 40602, establishing the grounds for the request including the status and interest of the party. If the Commission does not receive a written request for intervention within thirty (30) days of initial publication or mailing of this notice, the Commission may take final action on the application.

**Exhibit 4**



**South Central Rural Telephone***Cooperative Corporation, Inc.*

Mr. Jeff Derouen, Executive Director  
Kentucky Public Service Commission  
211 Sower Boulevard, P.O. Box 615  
Frankfort, KY 40602-0615

January 12, 2016

Dear Mr. Derouen:

South Central Rural Telephone Coop. Corp., Inc. ("SCRTC") gives this notice pursuant to 807 KAR 5:001 Section 16(2) of its intent to file no sooner than thirty (30) days from today, but not more than sixty (60) days from today, an application for a general adjustment in its rates. The general adjustment in rates will be supported by a twelve (12) month historical test period that may include adjustments for known and measurable changes.

The anticipated rate application is intended to meet the rate floor mandated in 47 CFR § 54.318, compliance with which is required to ensure that SCRTC continues to receive high cost support that is essential to its operations. (See In the matter of Connect America Fund, Report and Order and Further Notice of Proposed Rulemaking, FCC 11-161 (Nov. 18, 2011).)

The FCC's June 10, 2014 Order (See Report and Order, Declaratory Ruling, Order, Memorandum Opinion And Order, Seventh Order On Reconsideration, and Further Notice of Proposed Rulemaking, FCC 14-54) requires SCRTC to have reported line rates greater than or equal to \$18, commencing July 1, 2016 (reflecting rates in effect as of June 1, 2016)<sup>1</sup>.

A copy of this notice is being emailed to the Attorney General's Office of Rate Intervention by electronic mail at [rateintervention@ag.ky.gov](mailto:rateintervention@ag.ky.gov).

Please refer any questions to me at 270-678-2111 or email to [David.Davis@scrtc.net](mailto:David.Davis@scrtc.net).

Sincerely,

A handwritten signature in black ink, appearing to read "David R. Davis", is written over a horizontal line.

David R. Davis, General Manager / COO

Cc via email: Jim Stevens, KY PSC  
Eileen Bodamer, Bodamer Consulting

<sup>1</sup> Paragraph 80.

**Eileen Bodamer**

---

**From:** Donnie Bennett <Donnie\_Bennett@scrtc.net>  
**Sent:** Tuesday, January 12, 2016 4:39 PM  
**To:** 'rateintervention@ag.ky.gov'  
**Cc:** 'wjstevens@ky.gov'; Eileen Bodamer  
**Subject:** Notice of Rate Floor Increase as mandated in 47 CFR § 54.318  
**Attachments:** Rate Floor Increase Notice 1-12-2015.pdf

To whom it concerns,

Find attached an electronic copy of Notice of Rate Increase addressed to the Ky. PSC's Executive Directory, Mr. Jeff Derouen. If you have any questions contact me via phone or email.

Thanks,

***Donnie C. Bennett***

Regulatory & Customer Service Mgr.  
South Central Rural Tel. Coop. Corp. Inc.  
Ph. 270-678-8225, Cell. 270-670-5959  
Fax. 270-678-3030

*The information contained in this e-mail message may be privileged, confidential and protected from disclosure. If you are not the intended recipient, any dissemination, distribution or copying is strictly prohibited. If you have received this e-mail message in error, please reply to the sender and delete the message permanently.*

## Exhibit 5

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

USDA-RUS

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.

# OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS

BORROWER NAME

South Central Rural Telephone Cooperative

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  
KY0505

## CERTIFICATION

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

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

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

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

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

DATE

## PART A. BALANCE SHEET

ASSETS	BALANCE PRIOR YEAR	BALANCE END OF PERIOD	LIABILITIES AND STOCKHOLDERS' EQUITY	BALANCE PRIOR YEAR	BALANCE END OF PERIOD
<b>CURRENT ASSETS</b>			<b>CURRENT LIABILITIES</b>		
1. Cash and Equivalents	3,878,821	3,617,135	25. Accounts Payable	2,964,612	3,582,446
2. Cash-RUS Construction Fund	0	0	26. Notes Payable	0	0
3. Affiliates:			27. Advance Billings and Payments	0	0
a. Telecom, Accounts Receivable	1,166,246	452,735	28. Customer Deposits	270,307	263,997
b. Other Accounts Receivable	0	0	29. Current Mat. L/T Debt	3,050,923	3,180,181
c. Notes Receivable	0	0	30. Current Mat. L/T Debt-Rur. Dev.	0	0
4. Non-Affiliates:			31. Current Mat.-Capital Leases	0	0
a. Telecom, Accounts Receivable	0	0	32. Income Taxes Accrued	20,606	(2,053,493)
b. Other Accounts Receivable	1,539,157	1,442,095	33. Other Taxes Accrued	(167,201)	(211,092)
c. Notes Receivable	0	0	34. Other Current Liabilities	1,778,434	1,897,398
5. Interest and Dividends Receivable	4,859	4,859	35. Total Current Liabilities (25 thru 34)	7,917,681	6,659,437
6. Material-Regulated	2,626,935	2,035,200	<b>LONG-TERM DEBT</b>		
7. Material-Nonregulated	710,103	865,260	36. Funded Debt-RUS Notes	0	0
8. Prepayments	1,506,196	1,604,564	37. Funded Debt-RTB Notes	0	0
9. Other Current Assets	0	0	38. Funded Debt-FFB Notes	357,959	0
10. Total Current Assets (1 Thru 9)	11,432,317	10,021,848	39. Funded Debt-Other	0	0
<b>NONCURRENT ASSETS</b>			40. Funded Debt-Rural Develop. Loan	0	0
11. Investment in Affiliated Companies			41. Premium (Discount) on L/T Debt	0	0
a. Rural Development	0	0	42. Recquired Debt	0	0
b. Nonrural Development	79,670,914	77,212,786	43. Obligations Under Capital Lease	0	0
12. Other Investments			44. Adv. From Affiliated Companies	0	0
a. Rural Development	0	0	45. Other Long-Term Debt	0	0
b. Nonrural Development	39,688,042	41,239,930	46. Total Long-Term Debt (36 thru 45)	357,959	0
13. Nonregulated Investments	6,767	321,935	<b>OTHER LIAB. &amp; DEF. CREDITS</b>		
14. Other Noncurrent Assets	0	0	47. Other Long-Term Liabilities	15,516,300	11,893,323
15. Deferred Charges	323,895	2,347,602	48. Other Deferred Credits	15,237,538	15,343,646
16. Jurisdictional Differences	0	0	49. Other Jurisdictional Differences	0	0
17. Total Noncurrent Assets (11 thru 16)	119,689,618	121,122,253	50. Total Other Liabilities and Deferred Credits (47 thru 49)	30,753,838	27,236,969
<b>PLANT, PROPERTY, AND EQUIPMENT</b>			<b>EQUITY</b>		
18. Telecom, Plant-in-Service	175,217,686	182,477,678	51. Cap. Stock Outstand. & Subscribed	0	0
19. Property Held for Future Use	0	0	52. Additional Paid-In-Capital	0	0
20. Plant Under Construction	5,311,217	6,292,608	53. Treasury Stock	0	0
21. Plant Adj., Nonop. Plant & Goodwill	0	0	54. Membership and Cap. Certificates	0	0
22. Less Accumulated Depreciation	135,629,418	140,330,107	55. Other Capital	1,483,927	1,580,470
23. Net Plant (18 thru 21 less 22)	44,899,485	48,440,179	56. Patronage Capital Credits	50,733,871	43,403,479
24. TOTAL ASSETS (10+17+23)			57. Retained Earnings or Margins	84,774,144	200,703,925
			58. Total Equity (51 thru 57)	136,991,942	145,687,874
			59. TOTAL LIABILITIES AND EQUITY (35+46+50+58)	176,021,420	179,584,280
	176,021,420	179,584,280			

Total Equity = 81.13 % of Total Assets

USDA-RUS		BORROWER DESIGNATION	
OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS		KY0505	
		PERIOD ENDING	
INSTRUCTIONS- See RUS Bulletin 1744-2		December, 2014	
PART B. STATEMENTS OF INCOME AND RETAINED EARNINGS OR MARGINS			
ITEM	PRIOR YEAR	THIS YEAR	
1. Local Network Services Revenues	7,618,760	7,393,589	
2. Network Access Services Revenues	12,985,780	12,879,162	
3. Long Distance Network Services Revenues	0	0	
4. Carrier Billing and Collection Revenues	432,024	432,870	
5. Miscellaneous Revenues	1,199,769	1,227,313	
6. Uncollectible Revenues	8,606	19,920	
7. Net Operating Revenues (1 thru 5 less 6)	22,227,727	21,913,014	
8. Plant Specific Operations Expense	4,754,963	4,438,695	
9. Plant Nonspecific Operations Expense (Excluding Depreciation & Amortization)	2,105,389	2,428,349	
10. Depreciation Expense	9,306,300	9,150,716	
11. Amortization Expense	0	0	
12. Customer Operations Expense	1,627,515	1,755,678	
13. Corporate Operations Expense	2,815,235	2,506,372	
14. Total Operating Expenses (8 thru 13)	20,609,402	20,279,810	
15. Operating Income or Margins (7 less 14)	1,618,325	1,633,204	
16. Other Operating Income and Expenses	0	0	
17. State and Local Taxes	0	0	
18. Federal Income Taxes	0	0	
19. Other Taxes	1,343,699	1,388,858	
20. Total Operating Taxes (17+18+19)	1,343,699	1,388,858	
21. Net Operating Income or Margins (15+16-20)	274,626	244,346	
22. Interest on Funded Debt	31,423	105,216	
23. Interest Expense - Capital Leases	0	0	
24. Other Interest Expense	0	0	
25. Allowance for Funds Used During Construction	144,765	223,230	
26. Total Fixed Charges (22+23+24-25)	(113,342)	(118,014)	
27. Nonoperating Net Income	1,193,525	14,194,888	
28. Extraordinary Items	0	0	
29. Jurisdictional Differences	0	0	
30. Nonregulated Net Income	(5,991,204)	(4,217,380)	
31. Total Net Income or Margins (21+27+28+29+30-26)	(4,409,711)	10,339,868	
32. Total Taxes Based on Income	0	0	
33. Retained Earnings or Margins Beginning-of-Year	87,441,205	84,774,144	
34. Miscellaneous Credits Year-to-Date	22,169,554	204,060	
35. Dividends Declared (Common)	0	0	
36. Dividends Declared (Preferred)	0	0	
37. Other Debits Year-to-Date	19,805,700	220,835	
38. Transfers to Patronage Capital	621,204	(5,606,688)	
39. Retained Earnings or Margins End-of-Period [(31+33+34) - (35+36+37+38)]	84,774,144	100,703,925	
40. Patronage Capital Beginning-of-Year	64,604,965	50,733,871	
41. Transfers to Patronage Capital	621,204	(5,606,688)	
42. Patronage Capital Credits Retired	14,492,298	1,723,704	
43. Patronage Capital End-of-Year (40+41-42)	50,733,871	43,403,479	
44. Annual Debt Service Payments	346,536	218,628	
45. Cash Ratio [(14+20-10-11) / 7]	0.5690	0.5713	
46. Operating Accrual Ratio [(14+20+26) / 7]	0.9825	0.9835	
47. TIER [(31+26) / 26]	39.9062	-86.6156	
48. DSCR [(31+26+10+11) / 44]	13.8030	88.6097	

## Exhibit 6

**SOUTH CENTRAL RURAL TELEPHONE  
COOPERATIVE CORPORATION, INC.**

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**Report on Audit of Financial Statements  
and Supplemental Data**

**For the Years Ended  
June 30, 2015 and 2014**

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CAMPBELL, MYERS AND RUTLEDGE, PLLC

Cindy L. Greer, CPA ▪ L. Joe Rutledge, CPA ▪ Jonathan W. Belcher, CPA ▪ R. Brent Billingsley, CPA

Skip R. Campbell, CPA ▪ Sammie D. Parsley, CPA ▪ Ryan Mosier, CPA ▪ Jenna B. Pace, CPA

### Independent Auditors' Report

Board of Directors  
South Central Rural Telephone  
Cooperative Corporation, Inc.  
Glasgow, Kentucky 42141

We have audited the accompanying financial statements of South Central Rural Telephone Cooperative Corporation, Inc., which comprise the balance sheets as of June 30, 2015 and 2014, and the related statements of operations, comprehensive income, changes in patronage capital and other equities 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of South Central Rural Telephone Cooperative Corporation, Inc., as of June 30, 2015 and 2014, and the results of its operations and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Supplemental Data*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the South Central Rural Telephone Cooperative Corporation, Inc.'s basic financial statements. The accompanying supplemental data on pages 18 and 19 is presented for purposes of additional analysis and are not a required part of the basic financial statements. This data is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental data in pages 18 and 19 are fairly stated in all material respects in relation to the basic financial statements as a whole.

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2015, on our consideration of the South Central Rural Telephone Cooperative Corporation, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering South Central Rural Telephone Cooperative Corporation, Inc.'s internal control over financial reporting and compliance.

*Campbell, Myers & Ratledge, PLLC*

Certified Public Accountants  
Glasgow, Kentucky

September 20, 2015

SOUTH CENTRAL RURAL TELEPHONE COOPERATIVE CORPORATION, INC.  
BALANCE SHEETS  
June 30, 2015 and 2014

---

	<u>2015</u>	<u>2014</u>
Current assets:		
Cash and cash equivalents	\$ 4,444,160	\$ 5,803,829
Temporary cash investments	400,000	400,000
Accounts and notes receivable, less allowance for doubtful accounts of \$13,978 in 2015 and \$17,451 in 2014	827,742	932,419
Materials and supplies at average cost	2,738,653	2,971,861
Accrued interest receivable	4,859	4,859
Prepaid expenses	3,752,135	1,939,605
Total current assets	<u>12,167,549</u>	<u>12,052,573</u>
Other assets:		
Marketable securities	40,129,510	40,249,167
Nonregulated investments	857,139	1,563,354
Investment in affiliated companies	72,209,642	74,565,740
Other deferred charges	4,157,929	1,297,458
Total other assets	<u>117,354,220</u>	<u>117,675,719</u>
Telephone plant, at cost (substantially all pledged as collateral on long- term debt to RUS):		
Telephone plant in service	184,370,396	176,422,771
Telephone plant under construction	7,768,427	7,306,059
Total	<u>192,138,823</u>	<u>183,728,830</u>
Less accumulated depreciation	<u>143,738,957</u>	<u>137,013,065</u>
Telephone plant, net	<u>48,399,866</u>	<u>46,715,765</u>
	<u>\$ 177,921,635</u>	<u>\$ 176,444,057</u>

	<u>2015</u>	<u>2014</u>
Current liabilities:		
Current portion of long-term debt	\$ 1,606,221	\$ 3,114,353
Accounts payable	4,687,320	5,146,722
Accrued expenses	3,008,558	2,871,631
Total current liabilities	<u>9,302,099</u>	<u>11,132,706</u>
Long-term liabilities:		
Long-term obligation to RUS and RTB	-	351,737
Other long-term liabilities	11,391,814	10,515,644
Total long-term liabilities	<u>11,391,814</u>	<u>10,867,381</u>
Other Liabilities		
Deferred taxes	15,520,411	15,339,330
Total other liabilities	<u>15,520,411</u>	<u>15,339,330</u>
Commitments		
Members' equities:		
Patronage capital	50,086,074	54,417,835
Accumulated other comprehensive loss	(8,879,349)	(8,568,232)
Other equities	98,925,564	91,778,405
Other member capital	1,575,022	1,476,632
Total members' equities	<u>141,707,311</u>	<u>139,104,640</u>
	<u>\$ 177,921,635</u>	<u>\$ 176,444,057</u>

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

SOUTH CENTRAL RURAL TELEPHONE COOPERATIVE CORPORATION, INC.  
STATEMENTS OF OPERATIONS

For the Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Operating revenues:		
Basic local network service	\$ 7,303,580	\$ 7,514,374
Network access services revenues	12,808,359	13,552,985
Carrier billing and collection	430,314	431,297
Miscellaneous	<u>1,310,239</u>	<u>1,172,608</u>
Total operating revenues	<u>21,852,492</u>	<u>22,671,264</u>
Operating expenses:		
Plant specific operations	4,604,232	4,679,914
Plant nonspecific operations	2,450,587	2,180,071
Depreciation and amortization	9,196,787	8,978,849
Customer operations	1,817,563	1,675,309
Corporate operations	2,211,301	2,641,280
Other operating taxes	<u>1,149,318</u>	<u>1,103,574</u>
Total operating expenses	<u>21,429,788</u>	<u>21,258,997</u>
Operating income	<u>422,704</u>	<u>1,412,267</u>
Nonoperating net income	11,169,662	13,660,855
Provision for income taxes	<u>(4,022,503)</u>	<u>(4,069,994)</u>
Income before interest charges	<u>7,569,863</u>	<u>11,003,128</u>
Interest on long-term debt to RUS, net of interest capitalized of \$241,585 in 2015 and \$217,281 in 2014	-	(65,389)
Nonregulated net income (loss)	<u>(2,923,169)</u>	<u>(4,947,243)</u>
Net income	<u>\$ 4,646,694</u>	<u>\$ 5,990,496</u>

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

SOUTH CENTRAL RURAL TELEPHONE COOPERATIVE CORPORATION, INC.  
STATEMENTS OF COMPREHENSIVE INCOME  
For the Years Ended June 30, 2015 and 2014

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	<u>2015</u>	<u>2014</u>
Net income	\$ 4,646,694	\$ 5,990,496
Other comprehensive income (loss)		
Postretirement benefit other than pension:		
Unrecognized loss on assets	<u>(311,117)</u>	<u>3,589,086</u>
Comprehensive income	<u>\$ 4,335,577</u>	<u>\$ 9,579,582</u>

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

**SOUTH CENTRAL RURAL TELEPHONE COOPERATIVE CORPORATION, INC.**  
**STATEMENTS OF PATRONAGE CAPITAL AND OTHER EQUITIES**  
For the Years Ended June 30, 2015 and 2014

	Patronage Capital			Accumulated Other Comprehensive Income (Loss)	Other Equities
	Assignable	Assigned	Balance		
Balances, July 1, 2013	\$ (4,915,335)	\$ 65,321,556	\$ 60,406,221	\$ (12,157,318)	\$ 82,187,544
Distribution of patronage capital	-	(2,037,617)	(2,037,617)	-	-
Patronage capital assigned for the year ended December 31, 2013	5,390,433	(5,390,433)	-	-	-
Retirement of patronage capital of estates of deceased members	-	(566,622)	(566,622)	-	-
Transfer of unclaimed patronage capital	216,218	-	216,218	-	-
Postretirement benefit other than pension Unrecognized loss on assets	-	-	-	3,589,086	-
Net income for the year ended June 30, 2014:					
Operating margins	(3,600,365)	-	(3,600,365)	-	-
Nonoperating margins	-	-	-	-	9,590,861
Balances, June 30, 2014	(2,909,049)	57,326,884	54,417,835	(8,568,232)	91,778,405
Distribution of patronage capital	-	(1,525,566)	(1,525,566)	-	-
Patronage capital assigned for the year ended December 31, 2014	3,140,518	(3,140,518)	-	-	-
Retirement of patronage capital of estates of deceased members	-	(521,661)	(521,661)	-	-
Transfer of unclaimed patronage capital	215,931	-	215,931	-	-
Postretirement benefit other than pension Unrecognized loss on assets	-	-	-	(311,117)	-
Recalculation of prior year allocated loss	(5,360,467)	5,360,467	-	-	-
Net income for the year ended June 30, 2015:					
Operating margins	(2,500,465)	-	(2,500,465)	-	-
Nonoperating margins	-	-	-	-	7,147,159
Balances, June 30, 2015	<u>\$ (7,413,532)</u>	<u>\$ 57,499,606</u>	<u>\$ 50,086,074</u>	<u>\$ (8,879,349)</u>	<u>\$ 98,925,564</u>

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

SOUTH CENTRAL RURAL TELEPHONE COOPERATIVE CORPORATION, INC.  
STATEMENTS OF CASH FLOWS  
For the Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Net income	\$ 4,646,694	\$ 5,990,496
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	9,196,787	8,978,849
Deferred taxes on income	181,081	105,883
Changes in operating assets and liabilities:		
Decrease (increase) in temporary cash investments	-	1,300,000
Decrease (increase) in accounts and notes receivable	104,677	669,028
Decrease (increase) in inventory	233,208	786,757
Decrease (increase) in prepaid expenses	(1,812,530)	(239,071)
Increase (decrease) in accounts payable	(459,402)	1,592,689
Increase (decrease) in accrued expenses	<u>136,927</u>	<u>(47,857)</u>
Net cash provided by operating activities	<u>12,227,442</u>	<u>19,136,774</u>
Cash flows from investing activities:		
Purchases of property, plant and equipment	(7,586,116)	(6,994,161)
Plant removal costs	(170,169)	(154,373)
Salvage recovered from retirement of plant	133,715	102,814
Decrease (increase) in nonregulated investment	706,215	504,441
Decrease (increase) in other deferred charges	(2,860,471)	(1,147,395)
(Increase) in investment in affiliated companies	2,356,098	(160,987)
Purchases of Marketable Securities	(7,033,657)	(4,632,266)
Redemptions of Marketable Securities	<u>7,153,314</u>	<u>3,811,184</u>
Net cash used in investing activities	<u>(7,301,071)</u>	<u>(8,670,743)</u>

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



SOUTH CENTRAL RURAL TELEPHONE COOPERATIVE CORPORATION, INC.  
STATEMENTS OF CASH FLOWS, CONCLUDED  
For the Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash flows from financing activities:		
Distributions of patronage capital	\$ (1,525,566)	\$ (2,037,617)
Retirements of patronage capital	(566,622)	(566,622)
Principal payments to Federal Financing Bank	(3,114,353)	(3,716,701)
Increase (decrease) in long-term liabilities	(1,521,936)	(2,579,187)
Increase (decrease) in other member capital	226,506	128,116
Transfers of unclaimed patronage capital	<u>215,931</u>	<u>216,218</u>
Net cash provided (used) in financing activities	<u>(6,286,040)</u>	<u>(8,555,793)</u>
Net increase (decrease) in cash and cash equivalents	(1,359,669)	1,910,238
Cash and cash equivalents at beginning of year	<u>5,803,829</u>	<u>3,893,591</u>
Cash and cash equivalents at end of year	<u>\$ 4,444,160</u>	<u>\$ 5,803,829</u>
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest (\$241,585 capitalized in 2015 and 217,281 in 2014)	<u>\$ 148,297</u>	<u>\$ 362,286</u>
Income taxes	<u>\$ 5,070,000</u>	<u>\$ 3,964,000</u>

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

SOUTH CENTRAL RURAL TELEPHONE COOPERATIVE CORPORATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2015 and 2014

1. Summary of Significant Accounting Policies:

General:

The Cooperative maintains its accounts in accordance with the Uniform System of Accounts prescribed for telephone companies by the Federal Communications Commission. The financial statements reflect the application of certain accounting policies described in this note.

Nature of Business:

South Central Rural Telephone Cooperative Corporation, Inc., provides telephone service in a nine-county area of south central Kentucky. The Company grants credit to customers, substantially all of whom are local residents and commercial businesses.

Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of management to make estimates and assumptions that affect the reporting amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of the revenues and expenses during the reporting period. Actual results could differ from those estimates.

Telephone Plant:

The telephone plant in service and under construction at June 30, 2015 and 2014 is stated substantially at original cost, which includes material, labor, transportation and such indirect items as engineering, supervision, employee fringe benefits and interest on funds used during construction. As property units are retired in the ordinary course of business, the cost of the property plus removal cost, less salvage, is charged to accumulated depreciation. Listed below are the major classes of the telephone plant as of June 30, 2015 and 2014:

	2015	2014	Depreciation Rate
Organization	\$ 20,039	\$ 20,039	-
Land	522,451	520,950	-
Buildings	7,742,014	7,665,613	2.70%
Central Office Equipment	48,989,629	49,169,998	7.5-11.9%
Station Equipment	997,697	997,697	-
Cable and Wire Facilities	115,349,074	108,254,811	2.2-9.4%
Furniture and Office Equipment	705,202	719,099	7.50%
General Purpose Computers	4,156,630	3,891,903	15.80%
Vehicles	5,752,140	5,047,141	10.1-12.1%
Garage and Work Equipment	135,520	135,520	7.50%
	<u>\$ 184,370,396</u>	<u>\$ 176,422,771</u>	

Depreciation:

Depreciation is calculated by the straight-line method designed to amortize the cost of various classes of depreciable assets over their estimated useful lives.

Depreciation for the years ended June 30, 2015 and 2014 was \$9,196,787 and \$8,978,849 respectively.

SOUTH CENTRAL RURAL TELEPHONE COOPERATIVE CORPORATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2015 and 2014

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1. Summary of Significant Accounting Policies, Continued:

Deregulated Customer Premises Equipment:

Deregulated CPE is stated at cost. The Cooperative provides for depreciation on a straight-line basis at an annual rate of depreciation which will amortize the cost of the equipment over its estimated useful life.

Nonregulated Investments:

This balance reflects the Cooperative's permanent investment in deregulated CPE, net of applicable depreciation, plus deregulated inventory and accounts receivable, less deregulated accounts payable.

Following is a summary of net income (loss) from deregulated operations for the years ending June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Income from operations	\$ 17,866,467	\$ 15,684,571
Expenses	<u>(20,789,636)</u>	<u>(20,631,814)</u>
Net income (loss)	<u>\$ (2,923,169)</u>	<u>\$ (4,947,243)</u>

Cash and Cash Equivalents:

For purposes of the statement of cash flows, the Cooperative considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Accounts and Notes Receivable:

Included in accounts and notes receivable at June 30, 2015 and 2014, is unbilled revenue of \$7,893 and \$9,090, respectively. The Company estimates uncollectable accounts as a percentage of monthly revenues and compares this to invoices dated over 90 days when they are considered uncollectible. The board of directors write off receivables as a charge to the allowance for credit losses, in their estimation, it is probable that the receivable is worthless.

Other Member Capital:

This balance represents unclaimed distributions of patronage capital. After a statutory waiting period, these balances will be re-assigned to the Cooperative's existing patrons.

Inventories:

Inventory is valued at average cost. Inventory consists of materials and expendable supplies held for future consumption or capitalization. The cost is recorded as an expense or capitalized as inventory items are consumed.

Subsequent Events:

Management has evaluated subsequent events through September 20, 2015, the date which the financial statements were available to be issued.

SOUTH CENTRAL RURAL TELEPHONE COOPERATIVE CORPORATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2015 and 2014

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1. Summary of Significant Accounting Policies, Concluded:

Related Party Transactions:

The Company was indebted to 100% owned subsidiary (South Central Telcom, LLC) in the amount of \$1,987,480 and \$1,875,842 for the years ended June 30, 2015 and 2014 respectively.

South Central Telcom, LLC pays South Central Rural Telephone Cooperative for switch port costs and billing and collection services on a monthly basis.

South Central Telcom, LLC provides content to South Central Rural Telephone Cooperative for its cable television services. Content is charged on a monthly basis at cost plus 10% to the Cooperative through September 26, 2014. Effective September 26, 2014, content is charged on a monthly basis at cost plus 5% to the Cooperative.

South Central Rural Telephone Cooperative performs and contracts construction services for the addition of plant and infrastructure for its subsidiary. These amounts are billed to the subsidiary when completed and ready to be placed in service. As of June 30, 2015 and 2014, South Central Rural Telephone had \$3,904,191 and \$871,948 of construction included in deferred charges for South Central Telcom, LLC.

Investment in Affiliated Companies:

This balance reflects the Cooperative's investment in partnerships and limited liability companies with other telephone companies in Kentucky, for the purpose of providing cellular telephone services and local telephone service. The investment is accounted for using the equity method. Investments in affiliated companies are listed as follows:

	Percentage Owned	2015	2014
RSA #3 Partnership	25%	\$ 19,031,219	\$ 19,066,785
RSA #4 Partnership	50%	29,762,597	30,294,064
Cumberland Cellular Partnership	12.5%	6,910,057	6,754,487
Bluegrass Network, LLC	20%	4,570,308	3,881,048
Bluegrass Telcom, LLC	20%	326,680	320,997
South Central Telcom, LLC	100%	11,608,781	14,248,359
		<u>\$ 72,209,642</u>	<u>\$ 74,565,740</u>

SOUTH CENTRAL RURAL TELEPHONE COOPERATIVE CORPORATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2015 and 2014

2. Long-Term Debt:

Long-term debt is represented by mortgage notes payable to the United States of America. Principal and interest payments are due in quarterly installments. The notes are scheduled to be repaid during the fiscal year 2016. At June 30, 2015, the Cooperative had exhausted its advance payments in fiscal year 2015. The schedule of the amounts due in 2016 are as follows:

	<u>2015</u>	<u>2014</u>
Due to United States of America		
4.1710% First Mortgage Notes - FFB	\$ 1,606,221	\$ 4,720,574
Advance Payments	<u>-</u>	<u>1,254,484</u>
	1,606,221	3,466,090
 Less current maturities	 <u>(1,606,221)</u>	 <u>(3,114,353)</u>
 Total	 <u>\$ -</u>	 <u>\$ 351,737</u>

The maturities of long-term debt for each of the five years succeeding the balance sheet date is as follows:

2016	<u>1,606,221</u>
Total	<u>\$ 1,606,221</u>

The long-term debt agreements and the bylaws of the Cooperative contain restrictions on the return to patrons of capital credits. These restrictions require the maintenance of defined amounts of members' equity and working capital.

3. Cash and Temporary Investments:

All deposits are in various financial institutions and are carried at cost. Temporary Investments reflect Certificates of Deposit held at various financial institutions. Insured amounts reflect those covered by FDIC or by collateral pledged by the respective financial institutions.

	<u>2015</u>		<u>2014</u>	
	<u>Carrying Amount</u>	<u>Bank Balance</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
Insured	\$ 4,844,160	\$ 5,717,024	\$ 5,320,229	\$ 5,320,229
Uninsured:				
Uncollateralized	<u>-</u>	<u>-</u>	<u>883,600</u>	<u>1,153,690</u>
Total cash and temporary investments	<u>\$ 4,844,160</u>	<u>\$ 5,717,024</u>	<u>\$ 6,203,829</u>	<u>\$ 6,473,919</u>

SOUTH CENTRAL RURAL TELEPHONE COOPERATIVE CORPORATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2015 and 2014

4. Pension Plan:

The Cooperative has a defined benefit pension plan covering substantially all of its employees. In October, 1988, the Cooperative approved the retroactive purchase of all prior service benefits as of December 31, 1988, at a cost of \$487,804. Contributions to the Plan for the years ended June 30, 2015 and 2014 were \$1,138,310 and \$1,081,151, respectively. The Plan has been approved by the Internal Revenue Service. As the Cooperative is only one of several employers participating in the Plan, it is not practicable to determine if the vested benefits of the Cooperative's employees exceed the Cooperative's portion of the Plan assets.

The following table presents certain information regarding the Plan's status as a whole, derived from actuarial valuations performed as of the dates indicated:

	<u>Pension Benefits</u>	
	<u>January 1, 2015</u>	<u>January 1, 2014</u>
Fair value of plan assets	\$ 1,637,126,366	\$ 1,532,374,435
Present value of accumulated benefits	<u>(1,690,108,999)</u>	<u>(1,599,861,485)</u>
Overfunded/(Unfunded)	\$ <u>(52,982,633)</u>	\$ <u>(67,487,050)</u>

	<u>Pension Benefits</u>	
	<u>January 1, 2015</u>	<u>January 1, 2014</u>
Weighted – average assumptions as of January 1:		
Valuation interest rate	7.00%	7.25%
Expected return on plan assets	7.00%	7.25%
Rate of compensation increase	age related	age related

5. Income Taxes:

The Corporation has been exempt from federal income taxes as a cooperative telephone company under Section 501(c)(12) of the Internal Revenue Code. In 1991, the Internal Revenue Service issued a Technical Advice Memorandum, which interprets certain types of revenues to be excluded in determining when the Cooperative satisfies the 85 percent income test to qualify for tax exempt status. By applying these interpretations, the Cooperative does not qualify in the current year for the tax exempt status. The Company's provision for income taxes differs from applying the statutory U.S. federal income tax rate to income before income taxes. The primary differences result from providing for state income taxes and from deducting certain expenses for financial statement purposes but not for federal tax purposes.

The provision for income taxes for 2015 and 2014 consists of the following:

<u>Provision for Income Taxes:</u>	<u>2015</u>	<u>2014</u>
Current tax expense	\$ 3,841,422	\$ 3,964,111
Deferred tax (benefit)	181,081	105,883
Total	<u>\$ 4,022,503</u>	<u>\$ 4,069,994</u>

SOUTH CENTRAL RURAL TELEPHONE COOPERATIVE CORPORATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2015 and 2014

5. Income Taxes, Concluded:

A cumulative net deferred tax liability is included in other liabilities. The components of the liability are as follows:

	<u>2015</u>	<u>2014</u>
Differences in depreciation methods	<u>\$ 15,520,410</u>	<u>\$ 15,339,330</u>

The Company follows the recognition requirements for uncertain income tax positions as required by generally accepted accounting principles. The Company has no tax position at June 30, 2015 for which the ultimate deductibility is highly certain but for which there is uncertainty about the timing of such deductibility. The Company's policy is to classify income tax related interest and penalties in interest expense and other expenses, respectively. No such interest or penalties were recognized during the periods presented.

The Company files income tax returns in the U.S. federal jurisdiction, and various state and local jurisdictions. The Company is no longer subject to U.S. federal, state and local income tax examinations by tax authorities for years before 2012.

6. Marketable Securities:

The maturities of held to maturity investments and their approximate market values at June 30, 2015 and 2014, were as follows:

All debt securities of the Cooperative are considered to be held to maturity. The carrying amounts and approximate market value of held to maturity investments are:

	Amortized Cost	Net Unrealized Gains (Losses)	Market Value
June 30, 2015	\$ 40,529,510	\$ (1,899,126)	\$ 38,630,384
June 30, 2014	\$ 40,649,167	\$ (1,771,665)	\$ 38,877,502
June 30, 2013	\$ 39,828,085	\$ (1,844,966)	\$ 37,983,119

	Amortized Cost	Market Value
Due in one year or less (included in Temporary Cash Investments)	\$ 400,000	\$ 400,000
Due after one year	40,129,510	38,630,384
Balances, June 30, 2015	<u>\$ 40,529,510</u>	<u>\$ 39,030,384</u>

	Amortized Cost	Market Value
Due in one year or less (included in Temporary Cash Investments)	\$ 400,000	\$ 400,000
Due after one year	40,249,167	38,477,502
Balances, June 30, 2014	<u>\$ 40,649,167</u>	<u>\$ 38,877,502</u>



SOUTH CENTRAL RURAL TELEPHONE COOPERATIVE CORPORATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2015 and 2014

7. Postretirement Benefits:

The Corporation sponsors a defined benefit plan that provides medical and life insurance coverage to retirees and their dependents. Participating retirees and dependents contribute 0% of the projected cost of coverage. The plan is partially funded.

The following sets forth the accumulated post-retirement benefit obligation, the change in plan assets, and the component of accrued post-retirement benefit cost and net periodic benefit cost as of June 30, 2015 and 2014.

	<u>2015</u>	<u>2014</u>
Accumulated post-retirement benefit obligation, beginning	\$ 28,376,002	\$ 28,390,149
Service cost	960,974	956,246
Interest cost	1,320,250	1,257,034
Employer contributions	(753,480)	(766,472)
Actuarial loss/(gain)	(127,269)	(1,460,955)
Accumulated post retirement benefit obligation, ending	<u>\$ 29,776,477</u>	<u>\$ 28,376,002</u>
 Fair value of plan assets - beginning of year	 \$ 16,696,977	 \$ 14,315,966
Employer contributions	753,480	766,742
Unrealized gains on assets	1,091,292	2,570,515
Benefits paid	(960,974)	(956,246)
Fair value of plan assets - end of year	<u>17,580,775</u>	<u>16,696,977</u>
 Unfunded status	 \$ 12,195,702	 \$ 11,406,025
Unrecognized net actuarial loss	8,879,350	8,568,233
Net amount recognized	<u>\$ 3,316,352</u>	<u>\$ 2,837,792</u>
 Unfunded status	 \$ 12,195,702	 \$ 11,406,025
Current liabilities	884,938	893,682
Noncurrent liabilities	<u>\$ 11,310,764</u>	<u>\$ 10,512,343</u>
 Service cost	 \$ 960,974	 \$ 956,246
Interest cost	1,320,250	1,257,034
Amortization of net actuarial gain	378,163	352,835
Expected return on assets	(1,274,606)	(1,232,037)
Net periodic benefit cost	<u>\$ 1,384,781</u>	<u>\$ 1,334,078</u>
 Net amount recognized (included in other comprehensive income)	 <u>\$ (311,117)</u>	 <u>\$ 3,589,086</u>
 Amounts in other comprehensive income expected to be realized in the subsequent year - actuarial gain	 <u>\$ 378,163</u>	 <u>\$ 352,835</u>



SOUTH CENTRAL RURAL TELEPHONE COOPERATIVE CORPORATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2015 and 2014

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7. Postretirement Benefits, Concluded:

The Discount rate used in determining the accumulated postretirement benefit obligation was 4.5% for the years ending June 30, 2015 and 2014, respectively.

Expected benefit payments from the plan for year ending June 30, 2016 total \$884,938.

The Cooperative contributes to a 401(h) trust that will be used to fund post-retirement benefits for future retirees. These monies are invested with NTCA, who manages such funds for cooperatives. NTCA invests in common stocks, high quality bonds, and US government securities. The estimated rates of return for plan assets are 7.25% and is based on recent historical performance. The investments of the assets are 98% in various equities and 2% in cash.

For measurement purposes, a 6.0% annual rate of increase in the per capita cost of covered health care benefits was used for the year ended June 30, 2015. The anticipated future rates are as follows:

2015	6.00%
2016	5.50%
2017	5.00%
2018	5.00%
2019	5.00%
2020-2024	5.00%

An additional 1% increase in the trend utilized for measurement purposes in 2015 would have resulted in an increase in the accumulated postretirement benefit obligation of approximately 5.9 million.

## SUPPLEMENTAL DATA

	2015	2014
<u>Telephone Plant in Service - June 30:</u>	\$ 184,370,396	\$ 176,422,771
Investment per subscriber - June 30	7,890	7,403
Investment per dollar of operating revenue	8.44	7.78
<u>Depreciation Reserve - June 30:</u>	143,738,957	137,013,065
Percent of plant in service	77.96%	77.66%
Annual depreciation	9,196,787	8,978,849
Percent of annual depreciation to plant in service	4.99%	5.09%
<u>Average Annual Revenue Per Subscriber:</u>		
Local service	313	315
Toll service and access charges	567	587
Total operating revenue	935	951
<u>Number of Stations - June 30:</u>		
Residence:		
Main stations	20,328	20,726
Business:		
Main stations (access lines)	3,041	3,106
Total main stations	23,369	23,832

Computations involving number of subscribers are based on the number of subscribers at June 30.

	2015		2014	
	Amount	Percent	Amount	Percent
Local network service	\$ 7,303,580	33.42%	\$ 7,514,374	33.14%
Network access and long-distance network service	12,808,359	58.61%	13,552,985	59.78%
Miscellaneous	<u>1,740,553</u>	<u>7.97%</u>	<u>1,603,905</u>	<u>7.08%</u>
Total operating revenue	<u>21,852,492</u>	<u>100.00%</u>	<u>22,671,264</u>	<u>100.00%</u>
Cost of telephone service, net of other income and expenses	<u>17,205,798</u>	<u>78.74%</u>	<u>16,680,768</u>	<u>73.58%</u>
Net income	<u>\$ 4,646,694</u>	<u>21.26%</u>	<u>\$ 5,990,496</u>	<u>26.42%</u>

Source of Funds Invested in

Total Assets:

Members' equities	\$141,707,311	79.64%	\$139,104,640	78.84%
Long-term liabilities	26,912,225	15.13%	26,206,711	14.85%
Other liabilities	<u>9,302,099</u>	<u>5.23%</u>	<u>11,132,706</u>	<u>6.31%</u>
Total assets	<u>\$177,921,635</u>	<u>100.00%</u>	<u>\$176,444,057</u>	<u>100.00%</u>



CAMPBELL, MYERS AND RUTLEDGE, PLLC

Cindy L. Greer, CPA ■ L. Joe Rutledge, CPA ■ Jonathan W. Belcher, CPA ■ R. Brent Billingsley, CPA

Skip R. Campbell, CPA ■ Sammie D. Parsley, CPA ■ Ryan Mosier, CPA ■ Jenna B. Pace, CPA

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*

Board of Directors  
South Central Rural Telephone  
Cooperative Corporation, Inc.  
Glasgow, Kentucky 42141

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 balance sheets of South Central Rural Telephone Cooperative Corporation, Inc. as of and for the years ended June 30, 2015 and 2014, and the related statements of operations, comprehensive income, patronage capital and other equities, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated September 20, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered South Central Rural Telephone Cooperative Corporation, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of South Central Rural Telephone Cooperative Corporation, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of South Central Rural Telephone Cooperative Corporation, Inc.'s internal control.

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 a 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control 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 material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether South Central Rural Telephone Cooperative Corporation, Inc.'s financial statements are free from 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, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Campbell, Myers & Ratledge, PLLC*

Certified Public Accountants  
Glasgow, Kentucky

September 20, 2015



CAMPBELL, MYERS AND RUTLEDGE, PLLC

Cindy L. Greer, CPA ■ L. Joe Rutledge, CPA ■ Jonathan W. Belcher, CPA ■ R. Brent Billingsley, CPA

Skip R. Campbell, CPA ■ Sammie D. Parsley, CPA ■ Ryan Mosier, CPA ■ Jenna B. Pace, CPA

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH ASPECTS  
OF CONTRACTUAL AGREEMENTS AND REGULATORY REQUIREMENTS  
FOR TELECOMMUNICATION BORROWERS**

Board of Directors  
South Central Rural Telephone  
Cooperative Corporation, Inc.  
Glasgow, Kentucky 42141

**Independent Auditor's Report**

We have audited, 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, the financial statements of South Central Rural Telephone Cooperative Corporation, Inc., which comprise the balance sheets as of June 30, 2015 and 2014, and the related statements of operations, comprehensive income, patronage capital and other equities, and cash flows for the years ended, and the related notes to the financial statements, and have issued our report thereon dated September 20, 2015. In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2015, on our consideration of South Central Rural Telephone Cooperative Corporation, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. No reports other than the reports referred to above have been furnished to management.

In connection with our audit, nothing came to our attention that caused us to believe that South Central Rural Telephone Cooperative Corporation, Inc. failed to comply with the terms, covenants, provisions, or conditions of their loan, grant, and security instruments as set forth in 7 CFR Part 1773, Policy on Audits of Rural Utilities Service Borrowers, &1773.33 clarified in the RUS policy memorandum dated September 20, 2015, insofar as they relate to accounting matters as enumerated below. However, our audit was not directed primarily toward obtaining knowledge of noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding South Central Rural Telephone Cooperative Corporation, Inc.'s noncompliance with the above-referenced terms, covenants, provisions, or conditions of the contractual agreements and regulatory requirements, insofar as they relate to accounting matters. In connection with our audit, we noted no matters regarding South Central Rural Telephone Cooperative Corporation, Inc.'s accounting and records to indicate that South Central Rural Telephone Cooperative Corporation, Inc. did not:

Maintain adequate and effective accounting procedures;

Utilize adequate and fair methods for accumulating and recording labor, material, and overhead costs, and the distribution of these costs to construction, retirement, and maintenance or other expense accounts;

Reconcile continuing property records to the controlling general ledger plant accounts;

Clear construction accounts and accrue depreciation on completed construction;

Record and properly price the retirement of plant;

Seek approval of the sale, lease or transfer of capital assets and disposition of proceeds for the sale or lease of plant, material, or scrap;

Maintain adequate control over materials and supplies;

Prepare accurate and timely Financial and Operating Reports;

Obtain RUS approval to enter into any contract for the management, operation, or maintenance of the borrower's system if the contract covers all or substantially all of the electric system;

Disclose material related party transactions in the financial statements, in accordance with requirements for related parties in generally accepted accounting principles;

Comply with the requirements for the detailed schedule of deferred debits and deferred credits which is as follows:

Deferred Debits:	<u>2015</u>	<u>2014</u>
Special Project	\$ 211,291	\$ 417,771
Job Orders	42,446	7,739
South Central Telcom Construction	3,904,191	871,948
	<u>\$ 4,157,928</u>	<u>\$ 1,297,458</u>

Record depreciation in accordance with RUS requirements (See RUS Bulletin 183-1, Depreciation Rates and Procedures); and

Comply with the requirements for the detailed schedule of investments. A detailed schedule of investments is as follows:

RSA #3 Partnership represents the Cooperative's 25% investment in a partnership which provides cellular telephone service. The Cooperative accounts for the investment on the equity basis.

RSA #4 represents the Cooperative's 50% investment in a partnership which provides cellular telephone service. The Cooperative accounts for the investment on the equity basis.

Cumberland Cellular Partnership represents the Cooperative's 12.5% investment in a partnership which provides cellular telephone service. The Cooperative accounts for the investment on the equity basis.

Bluegrass Network LLC represents the Cooperative's 20% investment in a partnership which provides cellular telephone service. The Cooperative accounts for the investment on the equity basis.

Bluegrass Telcom represents the Cooperative's 20% investment in a partnership which provides cellular telephone service. The Cooperative accounts for the investment on the equity basis.

South Central Telcom is a wholly owned subsidiary which invests in providing telephone, cable television and internet services to non-member patrons. The Cooperative accounts for the investment on the equity basis.



**SOUTH CENTRAL RURAL TELEPHONE COOPERATIVE**  
**Investment in Affiliated Companies**

	<u>RSA #3</u>	<u>RSA #4</u>	<u>RSA #5</u>	<u>Bluegrass</u> <u>Network LLC</u>	<u>Bluegrass</u> <u>Telecom LLC</u>	<u>South Central</u> <u>Telecom LLC</u>	<u>Total</u>
Book Value of Investment as of 12/31/12	\$ 18,045,416	\$ 29,896,129	\$ 6,979,500	\$ 3,649,613	\$ 325,420	\$ 15,508,675	\$ 74,404,753
Dividends as of 12/31/13	\$ 2,562,500	\$ 5,112,500	\$ 2,011,379	\$ 400,000	\$ 48,673	\$ -	
Undistributed Earnings/(Loss) as of 12/31/13	\$ 3,583,869	\$ 5,510,435	\$ 1,786,366	\$ 631,435	\$ 44,250	\$ 739,684	
Return of Capital as of 12/31/13	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,000,000	
Book Value of Investment as of 12/31/13	\$ 19,066,785	\$ 30,294,064	\$ 6,754,487	\$ 3,881,048	\$ 320,997	\$ 14,248,359	\$ 74,565,740
Dividends as of 12/31/14	\$ 2,375,000	\$ 5,000,000	\$ 1,239,550	\$ -	\$ 78,105	\$ -	
Undistributed Earnings/(Loss) as of 12/31/14	\$ 2,339,434	\$ 4,468,533	\$ 1,395,120	\$ 689,260	\$ 83,788	\$ 335,422	
Return of Capital as of 12/31/14	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,975,000	
Book Value of Investment as of 12/31/14	\$ 19,031,219	\$ 29,762,597	\$ 6,910,057	\$ 4,570,308	\$ 326,680	\$ 11,608,781	\$ 72,209,642

This report is intended solely for the information and use of the board of directors, management, and the RUS and supplemental lenders and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

*Campbell, Myers & Ratledge, PLLC*  
Glasgow, Kentucky

September 20, 2015

## Exhibit 7

<u>Account</u>	<u>Description</u>	<u>Depreciation rate</u>
2112	Motor Vehicles	12.10%
2116	Other Work Equipment	7.50%
2121	Buildings	2.70%
2122	Furniture	8.70%
2123	Office Equipment	8.70%
2124	General Purpose Computers	15.80%
2212	Digital-Electronic Switching	7.50%
2220	Operator Systems	9.80%
2232	Circuit Equipment	11.90%
2411.1	Poles - pre 1988	8.90%
2411.2	Poles - post 1988	5.60%
2421	Aerial Cable (metallic)	6.60%
2421.2	Aerial Cable (fiber)	5.10%
2421.1	Aerial Cable (drop)	6.60%
2422	Underground Cable (metallic)	5.00%
2422.1	Underground Cable (fiber)	5.00%
2423	Buried Cable (Metallic)	5.50%
2423.05	Buried Cable (fiber)	5.10%
2424	Submarine Cable	3.70%
2431	Aerial Wire	9.40%
2441	Conduit	2.20%

## Exhibit 8

ARTICLES OF INCORPORATION

OF

SOUTH CENTRAL RURAL TELEPHONE COOPERATIVE CORPORATION, INC.

We, the undersigned, being natural persons and citizens of the Commonwealth of Kentucky do hereby execute these articles of incorporation for the purpose of organizing a nonprofit cooperative corporation (herein called the "Cooperative") under the laws of the Commonwealth of Kentucky, pursuant to an Act entitled "AN ACT relating to telephone cooperative, nonprofit corporations, rural telephones and telephone services", approved March 25, 1950.

FIRST, the name of the Cooperative is South Central Rural Telephone Cooperative Corporation, Inc.

SECOND, the address of the principal office of the Cooperative is Glasgow, Barren County, Kentucky, and its authorized process agent is James E. Gillenwater, Attorney, Glasgow, Barren County, Kentucky.

THIRD, the names and addresses of the incorporators of the Cooperative are:

<u>Names</u>	<u>Addresses</u>
<u>James J. Crouch</u>	<u>Glasgow, Kentucky</u>
<u>Paul L. Young</u>	<u>Rte. 2, Horse Cave, Kentucky</u>
<u>Robert E. Eaton</u>	<u>Fountain Run, Kentucky</u>
<u>A. W. Ross</u>	<u>Cave City, Kentucky</u>
<u>Roger Glass</u>	<u>Edmonton, Kentucky</u>

FOURTH, the names and addresses of the persons who shall constitute the first Board of Trustees of the Cooperative are:

<u>Names</u>	<u>Addresses</u>
<u>James J. Crouch</u>	<u>Glasgow, Kentucky</u>
<u>Paul L. Young</u>	<u>Rte. 2, Horse Cave, Kentucky</u>
<u>Robert E. Eaton</u>	<u>Fountain Run, Kentucky</u>
<u>A. W. Ross</u>	<u>Cave City, Kentucky</u>
<u>Roger Glass</u>	<u>Edmonton, Kentucky</u>

FIFTH, the operations of the Cooperative are to be conducted in the Counties of Barren, Hart, Metcalfe, Monroe and Allen, and in such other counties as such operations may from time to time become necessary or desirable in the interest of this Cooperative or of its members.

IN TESTIMONY WHEREOF we have hereunto subscribed our names this twenty-first day of September, 1950.

James J. Crouch  
James J. Crouch

Paul L. Young  
Paul L. Young

Robert E. Eaton  
Robert E. Eaton

A. W. Ross  
A. W. Ross

Roger Glass  
Roger Glass

Acknowledged before me by James J. Crouch, Paul L. Young, Robert E. Eaton, A. W. Ross and Roger Glass to be their free and voluntary action and deed this twenty-first day of September, 1950.

John Willis Bunch  
Notary Public for Barren County, Kentucky

ORIGINAL COPY  
FILED AND RECORDED

DATE OCT 6 1950

George Blain Harrison  
SECRETARY OF STATE OF KENTUCKY  
FRANKFORT, KENTUCKY

BY M. N. A.  
DEPUTY

## Exhibit 9

# South Central Rural Telephone Cooperative

***65th Annual Meeting***

***October 1, 2015***

***Cave City  
Convention Center***



# ***Program***

Registration  
Refreshments  
Entertainment:  
New Direction Quartet  
Welcome  
Meeting Called to Order  
Invocation  
Proof of Meeting, Notice & Quorum  
Reading of Minutes  
Treasurer's Report  
President's Report  
Manager's Report  
Nominating Committee Report  
Report of Election  
Unfinished Business  
New Business  
Adjournment of Business Meeting  
Prize Drawings

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## ***Board of Trustees***

Zack Kender— President  
Charles L. Stinson—Vice President  
Stanley Greer— Secretary/Treasurer  
Ralph Thompson—Asst. Secretary/Treasurer  
Joel Dixon  
Jerry Polson  
Ronnie Tucker

### **Legal Counsel**

Bobby Richardson, Attorney



## ***Management***

David R. Davis.....*General Manager*  
Tina Harlow.....*Corporate Exec. Assistant*  
Jeff Eaton.....*Outside Plant Manager*  
Janie Gossett.....*Human Resources Director*  
Becky Williams.....*Marketing Director*  
Chris Lawrence.....*Business Director*  
Lonnie Meredith.....*Network Manager*  
Donnie Bennett.....*Regulatory/Customer Service Manager*  
Kyle Jones.....*South Central Telcom Manager*

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ANNUAL FINANCIAL REPORT

STATEMENTS OF OPERATIONS

	July 1, 2014 THRU June 30, 2015	July 1, 2013 THRU June 30, 2014
<b>REVENUE &amp; INCOME</b>		
Local Service	\$ 7,303,000	\$ 7,514,000
Long Distance Access	12,808,000	13,553,000
Other Revenue & Cellular Income	5,854,000	9,835,000
(Net of Federal Income Taxes)*		
<b>Total Revenue &amp; Income</b>	<b>25,765,000</b>	<b>30,902,000</b>
<b>EXPENSES &amp; DEDUCTIONS</b>		
Operating Expenses & Other Deductions	11,083,000	11,176,000
Depreciation and Amortization	9,197,000	8,978,000
Interest RUS and Other	-	65,000
Taxes on Cooperative Property	1,150,000	1,103,000
<b>Total Expenses &amp; Deductions</b>	<b>21,430,000</b>	<b>21,322,000</b>
<b>Year's Margin</b>	<b>\$ 4,335,000</b>	<b>\$ 9,580,000</b>

BALANCE SHEETS

	June 30, 2015	June 30, 2014
<b>ASSETS (What We Own)</b>		
Cash - General Fund	\$ 4,844,000	\$ 6,203,000
Receivables	833,000	937,000
Materials & Supplies	2,738,000	2,972,000
Prepaid expenses	3,752,000	1,940,000
<b>Total Current Assets</b>	<b>12,167,000</b>	<b>12,052,000</b>
Marketable Securities	40,129,000	40,250,000
Other Deferred Assets	4,158,000	1,297,000
Investments Affiliated - Cellular, Net	72,210,000	74,566,000
Investments Affiliated - Other	857,000	1,563,000
	<b>117,354,000</b>	<b>117,676,000</b>
Total Telephone Plant	162,138,000	183,729,000
Accumulated Depreciation	(143,738,000)	(137,013,000)
Net Telephone Plant	48,400,000	46,716,000
<b>Total Noncurrent Assets</b>	<b>165,754,000</b>	<b>164,392,000</b>
<b>TOTAL ASSETS</b>	<b>\$ 177,921,000</b>	<b>\$ 176,444,000</b>
<b>LIABILITIES AND PATRONAGE (What We Owe)</b>		
Accounts & Notes Payable	\$ 7,896,000	\$ 8,018,000
RUS Debt - Current Portion	1,608,000	3,114,000
<b>Total Current Liabilities</b>	<b>9,302,000</b>	<b>11,132,000</b>
Accrued & Deferred Liabilities	26,912,000	25,855,000
RUS Debt - Long Term Portion	-	352,000
<b>Total Noncurrent Liabilities</b>	<b>26,912,000</b>	<b>26,207,000</b>
Patronage Capital & Margins	141,707,000	139,105,000
<b>Total Patronage</b>	<b>141,707,000</b>	<b>139,105,000</b>
<b>TOTAL LIABILITIES AND PATRONAGE</b>	<b>\$ 177,921,000</b>	<b>\$ 176,444,000</b>

\* The Cooperative paid Federal Income Taxes of \$5,070,000 in 2015 and \$3,964,000 in 2014