

DUO COUNTY TELEPHONE COOPERATIVE CORPORATION, INC.  
AND SUBSIDIARIES

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REPORT ON AUDIT OF CONSOLIDATED FINANCIAL  
STATEMENTS AND ADDITIONAL INFORMATION

For the Years Ended  
December 31, 2023 and 2022



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CAMPBELL, MYERS AND RUTLEDGE, PLLC

Cindy L. Greer, CPA ▪ R. Brent Billingsley, CPA ▪ Ryan A. Mosier, CPA

Skip R. Campbell, CPA ▪ L. Joe Rutledge, CPA ▪ Jenna B. Glass, CPA ▪ Jordan T. Constant, CPA ▪ Lane S. Norris, CPA

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Duo County Telephone Cooperative Corporation, Inc.  
Jamestown, Kentucky 42629

### **Report on the Financial Statements**

#### ***Opinions***

We have audited the accompanying consolidated financial statements of Duo County Telephone Cooperative Corporation, Inc. and subsidiaries which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the related statements of income, comprehensive income, patronage capital and other equities, and cash flows, for the years then ended and related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the respective financial position of Duo County Telephone Cooperative Corporation, Inc. and subsidiaries as of December 31, 2023 and 2022, and the results of their operations and their cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

We conducted our audit 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Duo County Telephone Cooperative Corporation, Inc. and subsidiaries and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Duo County Telephone Cooperative Corporation, Inc. and subsidiaries ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Duo County Telephone Cooperative Corporation, Inc. and subsidiaries internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Duo County Telephone Cooperative Corporation, Inc. and subsidiaries ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements that collectively comprise Duo County Telephone Cooperative Corporation, Inc. and subsidiaries basic financial statements. The consolidating schedules on pages 22-26 are 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 consolidating information on pages 22-26 is 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 March 29, 2024, on our consideration of the Duo County Telephone Cooperative Corporation, Inc. and subsidiaries 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Duo County Telephone Cooperative Corporation, Inc. and subsidiaries 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 Duo County Telephone Cooperative Corporation, Inc. and subsidiaries internal control over financial reporting and compliance.

*Campbell, Myers & Rutledge, PLLC*

Certified Public Accountants

Glasgow, Kentucky  
March 29, 2024

DUO COUNTY TELEPHONE COOPERATIVE CORPORATION, INC.  
AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
December 31, 2023 and 2022

ASSETS

	<u>2023</u>	<u>2022</u>
Current assets		
Cash and cash equivalents	\$ 5,861,383	\$ 4,703,186
Temporary cash investments	16,821,563	13,779,622
Cash, RUS construction fund	-	556,240
Marketable securities	1,411,672	1,564,431
Accounts receivable, less allowance for doubtful accounts of \$60,446 in 2023 and \$333,219 in 2022.	3,656,225	1,074,606
Materials and supplies at average cost which is less than net realizable value	6,748,954	5,156,934
Accrued interest receivable	185,486	253,349
Prepaid expenses	<u>977,470</u>	<u>1,322,589</u>
Total current assets	<u>35,662,753</u>	<u>28,410,957</u>
Other assets		
Cash investments	19,452,878	27,541,716
Marketable securities	90,762,245	87,302,239
Nonregulated investments	75,867	99,177
Investment in affiliated companies	18,779,224	15,209,733
Deferred debits	<u>1,094,895</u>	<u>612,402</u>
Total other assets	<u>130,165,109</u>	<u>130,765,267</u>
Telecommunication plant, at cost (substantially all pledged as collateral on long-term debt to RUS)		
Telecommunication plant in service	157,263,289	148,666,266
Telecommunication plant under construction	38,786,248	32,030,157
Nonoperating plant-land	<u>52,008</u>	<u>52,008</u>
Total telecommunication plant, at cost	196,101,545	180,748,431
Less accumulated depreciation	<u>(102,165,774)</u>	<u>(98,659,913)</u>
Total telecommunication plant, net	<u>93,935,771</u>	<u>82,088,518</u>
Total Assets	<u>\$ 259,763,633</u>	<u>\$ 241,264,742</u>

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

DUO COUNTY TELEPHONE COOPERATIVE CORPORATION, INC.  
AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS, CONCLUDED  
December 31, 2023 and 2022

LIABILITIES AND MEMBERS' EQUITIES

	<u>2023</u>	<u>2022</u>
Current liabilities:		
Accounts payable, includes construction contracts payable of \$633,178 in 2023 and \$758,527 in 2022	\$ 3,805,169	\$ 3,370,206
Customer deposits	4,250	5,300
Accrued expenses	<u>2,727,589</u>	<u>2,521,240</u>
Total current liabilities	<u>6,537,008</u>	<u>5,896,746</u>
Long-term liabilities:		
Deferred income taxes	<u>1,893,137</u>	<u>1,893,137</u>
Total long term liabilities	<u>1,893,137</u>	<u>1,893,137</u>
Other liabilities and deferred credits:		
Deferred credits	<u>2,686,022</u>	<u>2,725,426</u>
Total other liabilities and deferred credits	<u>2,686,022</u>	<u>2,725,426</u>
Members' equities:		
Patronage capital	82,967,161	71,344,050
Other equities	170,363,961	169,887,360
Accumulated other comprehensive income (loss)	(7,520,765)	(13,054,867)
Other member capital	<u>2,837,109</u>	<u>2,572,890</u>
Total members' equities	<u>248,647,466</u>	<u>230,749,433</u>
Total liabilities and members' equities	<u>\$ 259,763,633</u>	<u>\$ 241,264,742</u>

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



DUO COUNTY TELEPHONE COOPERATIVE CORPORATION, INC.  
AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF INCOME  
For The Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Operating revenues:		
Local network services	\$ 8,259,826	\$ 9,132,039
Network access services	16,140,628	14,383,503
Miscellaneous operating revenue	2,561,796	2,513,115
Uncollectible revenue	<u>202,610</u>	<u>(125,464)</u>
Total operating revenues	<u>27,164,860</u>	<u>25,903,193</u>
 Operating expenses:		
Plant specific operations	5,432,780	4,653,328
Plant nonspecific operations	5,737,022	6,203,946
Depreciation	6,573,011	6,984,739
Customer operations	1,531,807	1,362,251
Corporate operations	<u>4,205,957</u>	<u>3,851,801</u>
Total operating expenses	<u>23,480,577</u>	<u>23,056,065</u>
 Nonregulated Income	<u>4,881,149</u>	<u>4,855,040</u>
 Operating income	<u>8,565,432</u>	<u>7,702,168</u>
 Nonoperating income	4,421,474	904,000
Gain on sale of asset	104,819	-
Provision for income taxes	<u>-</u>	<u>(300,000)</u>
Nonoperating income net of taxes	<u>4,526,293</u>	<u>604,000</u>
 Income before interest	<u>13,091,725</u>	<u>8,306,168</u>
 Net Income	<u>\$ 13,091,725</u>	<u>\$ 8,306,168</u>

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

DUO COUNTY TELEPHONE COOPERATIVE CORPORATION, INC.  
AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
For The Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Net Income	\$ 13,091,725	\$ 8,306,168
Other comprehensive income		
Postretirement benefit other than pension:		
Unrecognized gain (loss) on assets	2,071,377	(297,658)
Unrealized gain (loss) on marketable securities	<u>3,462,726</u>	<u>(12,963,023)</u>
Total comprehensive income	<u>\$ 18,625,828</u>	<u>\$ (4,954,513)</u>

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

DUO COUNTY TELEPHONE COOPERATIVE CORPORATION, INC.  
AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF PATRONAGE CAPITAL AND OTHER EQUITIES  
For The Years Ended December 31, 2023 and 2022

	Patronage Capital			Accumulated Other Comprehensive Income	Other Equities
	Assignable	Assigned	Balance		
Balances, January 1, 2022	\$ 48,293,317	\$ 57,234,062	\$ 105,527,379	\$ 205,814	\$ 128,387,220
Patronage capital assigned for the year ended December 31, 2022	(6,793,175)	6,793,175	-	-	-
Refund of overcollected Federal Excise tax for prior year	-	12,747	12,747	-	-
Transfer nonoperating margins for 2022	(41,500,140)	-	(41,500,140)	-	41,500,140
Postretirement benefit other than pension Unrecognized gain/(loss) on assets	-	-	-	(297,658)	-
Net income for the year ended December 31, 2022	8,306,168	-	8,306,168	-	-
Other comprehensive income	-	-	-	(12,963,023)	-
Distribution of patronage capital	-	(1,002,104)	(1,002,104)	-	-
Balances, December 31, 2022	<u>8,306,170</u>	<u>63,037,880</u>	<u>71,344,050</u>	<u>(13,054,867)</u>	<u>169,887,360</u>
Patronage capital assigned for the year ended December 31, 2023	(7,829,569)	7,829,569	-	-	-
Refund of overcollected Federal Excise tax for prior year	-	9,267	9,267	-	-
Transfer nonoperating margins for 2023	(476,601)	-	(476,601)	-	476,601
Postretirement benefit other than pension Unrecognized gain/(loss) on assets	-	-	-	2,071,377	-
Net income for the year ended December 31, 2023	13,091,725	-	13,091,725	-	-
Other comprehensive income	-	-	-	3,462,726	-
Distribution of patronage capital	-	(1,001,280)	(1,001,280)	-	-
Balances, December 31, 2023	<u>\$ 13,091,725</u>	<u>\$ 69,875,436</u>	<u>\$ 82,967,161</u>	<u>\$ (7,520,764)</u>	<u>\$ 170,363,961</u>

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

DUO COUNTY TELEPHONE COOPERATIVE CORPORATION, INC.  
AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
For The Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Operating income	\$ 8,565,432	\$ 7,702,168
Adjustments to reconcile net income to net cash provided by operating activities:		
Nonoperating income	4,526,293	904,000
Provision from income taxes	-	(300,000)
Depreciation and amortization	6,573,011	6,984,739
Income from investment in affiliated companies	(208,887)	(210,362)
Refund of Federal Excise taxes	9,267	12,747
Changes in operating assets and liabilities:		
Decrease (increase) in accounts receivable	(2,369,686)	648,144
Decrease (increase) in inventory	(1,592,020)	(206,102)
Decrease (increase) in prepaid expenses	345,119	(863,844)
(Decrease) increase in accounts payable	290,893	516,548
(Decrease) increase in customer deposits	(1,050)	(500)
(Decrease) increase in accrued expenses	<u>206,349</u>	<u>(221,584)</u>
Net cash provided by operating activities	<u>16,344,721</u>	<u>14,965,954</u>
Cash flows from investing activities:		
Purchases of property, plant and equipment	(11,847,253)	(18,430,630)
Decrease (increase) in nonregulated investments	23,310	207,554
Decrease (increase) in deferred charges	56,442	(77,567)
Investment in affiliated companies	4,251,066	(701,808)
Investments - other	(3,432,545)	(3,284)
Purchases of cash investments	(12,398,215)	(12,084,279)
Maturity of cash investments	15,192,326	26,201,597
Purchases of marketable securities	(32,945,242)	(52,839,152)
Securities sold or redeemed	<u>31,898,031</u>	<u>36,995,715</u>
Net cash provided (used) in investing activities	<u>(9,202,080)</u>	<u>(20,731,854)</u>

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

DUO COUNTY TELEPHONE COOPERATIVE CORPORATION, INC.  
AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS, CONCLUDED  
For The Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from financing activities:		
Distributions of patronage capital	\$ (6,501,280)	\$ (1,001,886)
(Decrease) increase in deferred credits	(39,404)	(22,856)
Other member capital	<u>-</u>	<u>189,230</u>
Net cash (used) provided by financing activities	<u>(6,540,684)</u>	<u>(835,512)</u>
Net (decrease) increase in cash and cash equivalents	601,957	(6,601,412)
Cash and cash equivalents at beginning of year	<u>5,259,426</u>	<u>11,860,838</u>
Cash and cash equivalents at end of year	<u>\$ 5,861,383</u>	<u>\$ 5,259,426</u>
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Income taxes	<u>\$ -</u>	<u>\$ 379,432</u>

DUO COUNTY TELEPHONE COOPERATIVE CORPORATION, INC.  
AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022

1. Summary of Significant Accounting Policies:

Principles of Consolidation:

The consolidated financial statements include the accounts of Duo County Telephone Cooperative Corporation, Inc. and its wholly owned subsidiary Cumberland Cellular, LLC. All material intercompany transactions have been eliminated.

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:

Duo County Telephone Cooperative Corporation and its subsidiaries, provide telecommunication services in all or parts of a seven-county area of south-central Kentucky. The Cooperative 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 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 reporting amounts of the revenues and expenses during the reporting period. Actual results could differ from those estimates.

Telecommunications Plant:

Telecommunications plant is stated at original cost, which includes material, labor, transportation and such indirect items as engineering, supervision and employee fringe benefits. 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 telephone plant as of December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Land	\$ 646,208	\$ 646,208
Buildings	9,508,612	8,988,447
Central Office Equipment	31,460,189	30,503,726
Cable and Wire Facilities	108,465,567	101,089,168
Furniture and Office Equipment	931,975	1,006,226
General Purpose Computers	1,439,043	1,412,281
Vehicles	1,391,900	1,538,968
Other Work Equipment	776,273	837,720
Intangible - CATV	1,638,902	1,638,902
Goodwill	1,004,620	1,004,620
	<u>\$ 157,263,289</u>	<u>\$ 148,666,266</u>

DUO COUNTY TELEPHONE COOPERATIVE CORPORATION, INC.  
AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED  
DECEMBER 31, 2023 AND 2022

1. Summary of Significant Accounting Policies, Continued:

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.

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.

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.

Nonregulated Investments:

This balance reflects the Cooperative's permanent net investment in deregulated CPE and internet equipment. Following is a summary of net income from deregulated operations for the years ended December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Income from operations	\$ 8,796,833	\$ 8,138,926
Expenses	<u>(3,915,684)</u>	<u>(3,283,886)</u>
Nonregulated income	<u>\$ 4,881,149</u>	<u>\$ 4,855,040</u>

Investment in Affiliated Companies:

This balance represents the Cooperative's investments in affiliates for the purpose of providing cellular telephone services, video services and broadband services. Duo County Telephone Cooperative Corporation, Inc. owns 20% of Bluegrass Network, LLC. As of 1/1/2022 Cumberland Cellular, LLC owns 20% of Bluegrass Telecom. In March 2021, Cumberland Cellular Partnership sold all assets. The partnership is still open pending final settlement of all contract details. All of these investments are accounted for using the equity method. Additionally, the Cooperative's 20% investment in a partnership is accounted for using the equity method.

In March 2003, the Cooperative's affiliate Cumberland Cellular, LLC, purchased the assets of a cable television system in Russell County, Kentucky. The operations of the cable system are reflected in the financial statements of Cumberland Cellular, LLC for 2023 and 2022.

In July 2006, the Cooperative's affiliate Cumberland Cellular, LLC purchased the assets of a cable television system in Columbia-Adair County, Kentucky. The operations of the cable system are reflected in the financial statements of Cumberland Cellular, LLC for 2023 and 2022.

DUO COUNTY TELEPHONE COOPERATIVE CORPORATION, INC.  
AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED  
DECEMBER 31, 2023 AND 2022

1. Summary of Significant Accounting Policies, Concluded:

Accounts and Notes Receivable:

The Cooperative estimates uncollectible accounts as a percentage of monthly revenues and compares this to invoices dated over 90 days when they are considered uncollectible. The Cooperative writes off receivables as a charge to the allowance for credit losses, in their estimation, it is probable that the receivable is worthless.

Inventories:

Inventory is accounted for at the lower of cost or net realizable value using the average cost method. 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.

Other Equities:

This balance represents accumulated margins from non-patronage source income primarily from subsidiary operations.

Other Member Capital:

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

Postretirement Benefit Plans:

The Corporation sponsors a defined benefit plan that provides medical insurance coverage to retirees and their dependents. Participating retirees who were employed as of July 30, 2004 and their dependents contributed 0% of the project cost of coverage. For employees hired after July 30, 2004 the Corporation contributed 100% until spouse and retiree were 65. For employees hired after December 1, 2012, the Corporation pays no health insurance for retirees.

2. Cash and Cash Equivalents:

All deposits are in various financial institutions and are carried at cost.

	<u>2023</u>		<u>2022</u>	
	<u>Carrying Amount</u>	<u>Bank Balance</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
Insured (FDIC)	\$ 645,654	\$ 642,919	\$ 1,035,088	\$ 1,032,204
Uninsured				
Collateral held by pledging bank's trust department in Cooperative's name	<u>5,215,729</u>	<u>5,360,033</u>	<u>4,224,338</u>	<u>5,798,459</u>
Total deposits	<u>\$ 5,861,383</u>	<u>\$ 6,002,952</u>	<u>\$ 5,259,426</u>	<u>\$ 6,830,663</u>



DUO COUNTY TELEPHONE COOPERATIVE CORPORATION, INC.  
AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED  
DECEMBER 31, 2023 AND 2022

3. Marketable Securities:

The Cooperative has classified its equity securities and a portion of its debt securities as available for sale securities. Available for sale investments are stated at fair value with unrealized gains and losses included in member's equity. The cost of the investments sold is based on the specific identification method.

The cost and fair market values of marketable securities available for sale at December 31, 2023 and 2022 were as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Cost - Bonds	\$ 72,027,185	\$ 71,167,097
Cost - Equities	24,331,221	25,369,668
Gross unrealized gain/(loss) - Bonds	(7,522,192)	(10,032,121)
Gross unrealized gain/(loss) - Equities	3,337,703	2,362,026
Fair Value	<u>\$ 92,173,917</u>	<u>\$ 88,866,670</u>

At December 31, 2023, maturities of marketable debt securities classified as available for sale were as follows:

	<u>Cost</u>	<u>Fair Value</u>
Less than one year	\$ 900,000	\$ 883,170
More than one year	<u>71,127,185</u>	<u>63,621,824</u>
	<u>\$ 72,027,185</u>	<u>\$ 64,504,994</u>

US GAAP provides a framework for fair value measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The methodology for measuring fair value specifies a three-tier hierarchy of valuation techniques based upon whether the inputs to those valuation techniques are based on quoted prices or identical assets or liabilities (Level 1), significant other observable inputs (Level 2), or significant other unobservable inputs that reflects a company's own assumptions of market participation valuation (Level 3).

**Level 1 Fair Value Measurements**

The fair values of common stock are based on quoted market prices.

**Level 2**

The value of corporate bonds, US Government securities, foreign obligations and state and municipal securities for which quoted market prices are not available are valued on yields currently available on comparable securities of issuers with similar credit ratings. Investments in certain restricted common stocks are valued at the quoted market price of the issuer's unrestricted common stock less an appropriate discount.

DUO COUNTY TELEPHONE COOPERATIVE CORPORATION, INC.  
AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED  
DECEMBER 31, 2023 AND 2022

3. Marketable Securities, Concluded:

Fair value measurements using:

<u>December 31, 2023</u>	<u>Fair Value</u>	Unadjusted quoted prices <u>(Level 1)</u>	Significant other observable inputs <u>(Level 2)</u>
Bonds	\$ 64,504,993	\$ -	\$ 64,504,993
Equities	27,668,924	27,668,924	-
	<u>\$ 92,173,917</u>	<u>\$ 27,668,924</u>	<u>\$ 64,504,993</u>

Fair value measurements using:

<u>December 31, 2022</u>	<u>Fair Value</u>	Unadjusted quoted prices <u>(Level 1)</u>	Significant other observable inputs <u>(Level 2)</u>
Bonds	\$ 61,134,976	\$ -	\$ 61,134,976
Equities	27,731,694	27,731,694	-
	<u>\$ 88,866,670</u>	<u>\$ 27,731,694</u>	<u>\$ 61,134,976</u>

The remaining portion of its debt securities are considered to be held to maturity. The maturities of held to maturity investments and their approximate market values at December 31, 2023 and 2022, were as follows:

	<u>Amortized Cost</u>	<u>Market Value</u>	<u>Unrealized Gain/(Loss)</u>
Due in one year of less	\$ 16,821,563	\$ 16,708,813	\$ (112,750)
Due after one year	19,452,878	19,001,540	(451,338)
Balances, December 31, 2023	<u>\$ 36,274,441</u>	<u>\$ 35,710,353</u>	<u>\$ (564,088)</u>
			<u>Unrealized Gain/(Loss)</u>
Due in one year of less	\$ 13,779,622	\$ 13,735,591	\$ (44,031)
Due after one year	27,541,716	26,455,771	(1,085,945)
Balances, December 31, 2022	<u>\$ 41,321,338</u>	<u>\$ 40,191,362</u>	<u>\$ (1,129,976)</u>

DUO COUNTY TELEPHONE COOPERATIVE CORPORATION, INC.  
AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED  
DECEMBER 31, 2023 AND 2022

4. Provision for 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 and the Corporation files separate corporate tax returns for the parent and each of the subsidiaries. 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 2023 and 2022 consists of the following:

		<u>2023</u>		<u>2022</u>
Current income tax expense	\$	-	-	\$ 26,912
Deferred income taxes		-	-	<u>273,088</u>
Provision for income taxes	\$	-	-	<u>\$ 300,000</u>

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

		<u>2023</u>		<u>2022</u>
Differences in Depreciation Methods	\$	<u>1,893,137</u>	-	<u>\$ 1,893,137</u>

The Cooperative follows the recognition requirements for uncertain income tax positions as required by generally accepted accounting principles. The Company has no tax position at December 31, 2023 for which the ultimate deductibility is highly certain but for which there is uncertainty about the timing of such deductibility. The Cooperative'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 2020.

DUO COUNTY TELEPHONE COOPERATIVE CORPORATION, INC.  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED  
DECEMBER 31, 2023 AND 2022

5. Deferred Charges:

Following is a summary of amounts recorded as deferred charges approved by RUS per 1773.33(h) as of December 31, 2023 and 2022:

Deferred Debits:	<u>2023</u>	<u>2022</u>
Gigablast	\$ 106,943	\$ 136,558
Supplies	89,200	62,300
Circuit Equipment	783,211	270,601
Miscellaneous	<u>115,541</u>	<u>142,943</u>
	<u>\$ 1,094,895</u>	<u>\$ 612,402</u>

Deferred Credits:	<u>2023</u>	<u>2022</u>
OPEB Reserve	\$ 224,734	\$ 162,903
Dark Fiber	2,447,347	2,552,610
Information Systems	<u>13,941</u>	<u>9,913</u>
	<u>\$2,686,022</u>	<u>\$2,725,426</u>

6. Pension Plan:

The Cooperative has a non-contributory defined benefit pension plan covering substantially all of its employees. Effective July 1, 1984, the Cooperative changed from its original plan to one sponsored by the National Telephone Cooperative Association.

At the time of transfer to the new Plan, the Cooperative funded all past service costs. Contributions to this Plan for the years ended December 31, 2023 and 2022 were \$928,098 and \$978,247. The fund covers all vested benefits under the Plan. 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 summarizes the benefit obligations and the funded status of the defined postretirement health care plan over the two-year period ending December 31:

Accumulated post retirement benefit obligation	<u>\$ (12,862,976)</u>	<u>\$ (14,100,508)</u>
Fair value of plan assets - end of year	<u>17,783,103</u>	<u>16,303,584</u>
Funded status	<u>\$ 4,920,127</u>	<u>\$ 2,203,076</u>

DUO COUNTY TELEPHONE COOPERATIVE CORPORATION, INC.  
AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED  
DECEMBER 31, 2023 AND 2022

6. Pension Plan, Continued:

Amounts included in other comprehensive loss that have not yet been recognized in net periodic benefit cost at December 31 are listed below:

	<u>2023</u>	<u>2022</u>
Net periodic benefit plan cost	\$ <u>(261,995)</u>	\$ <u>(24,349)</u>

The accumulated loss is a result of the accumulated difference between the actuary's estimates based on actuarial principles and the Cooperative's actual experience with factors such as the length of employment, the discount rate for the Plan obligations, and expected rate of return on plan assets. The change in net loss was driven primarily by the difference between actual return on plan assets and assumed return on plan assets.

Other Plan information as follows at December 31:

	<u>2023</u>	<u>2022</u>
Unrecognized net gain reported as a increase to equity	\$ <u>(3,312,629)</u>	\$ <u>(5,384,006)</u>

The net periodic benefit cost is the amount recognized in the consolidated financial statements as the cost of the Plan for the year. Components of the net periodic benefit costs are service cost, interest cost, and amortization of unrecognized gains/losses and initial obligations.

The weighted average assumptions used in the measurement of the Cooperative's benefit obligation are shown in the following table at December 31:

<u>Weighted-average assumptions as of December 31</u>	<u>Percent</u>	
	<u>2023</u>	<u>2022</u>
Expected return on Plan assets	7.25%	7.00%
Discount rate	4.95%	3.40%

For measurement purposes, a seven percent annual rate of increase in the per capita cost of covered health care benefits was assumed for 2022. The rate was assumed to decrease gradually each year to a rate of five percent by 2027 and remain at that level thereafter:

2024	6.50%
2025	6.00%
2026	5.50%
2027	5.00%
2028	5.00%
2029-2031	5.00%

The discount rate used in determining the accumulated postretirement benefit obligation was 4.95% and 3.40% for the years ending December 31, 2023 and 2022, respectively.

Expected benefit payments from the plan for the year ending December 31, 2023 total \$665,336.

An additional 1% increase in the trend utilized for measurement purposes in 2023 would have resulted in an increase in the accumulated postretirement benefit obligation of approximately \$1,651,000.

DUO COUNTY TELEPHONE COOPERATIVE CORPORATION, INC.  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONCLUDED  
DECEMBER 31, 2023 AND 2022

6. Pension Plan, Concluded

**Defined Contribution Plan**

Additionally, the Cooperative has an elective 401(K) Plan with the Company providing matching contributions as defined in the Savings Plan adoption agreement. Total employee contributions related to the Plan for 2023 and 2022 were approximately \$328,000 and \$358,000. Total employer contributions related to the Plan for 2023 and 2022 were approximately \$154,000 and \$164,000.

The fair values of the Cooperative's pension Plan assets at December 31, 2023, by asset category are as follows:

<u>Asset Type</u>	<u>Percentage of Plan Assets</u>	<u>Amount</u>	<u>Heirarchy Level</u>
Vanguard Total Bond Market Index Fund	13.70%	\$ 2,436,285	1
Vanguard Total Stock Market Index Fund	24.70%	\$ 4,392,426	1
Vanguard High Yield Coporate Fund	8.10%	\$ 1,440,431	1
Vanguard FTSE All Wold EX US Index Fund	26.20%	\$ 4,659,173	1
Vanguard REIT Index Fund	8.30%	\$ 1,475,998	2
Ishares ACWI Minimum Volatility ETF	17.00%	\$ 3,023,128	2
Cash	2.00%	\$ 355,662	1

7. Revenue Recognition:

**Nature of goods and services**

The following is a description of principal activities from which the Cooperative generates its revenues. Telecommunication revenues – The Cooperative's regulated sources of revenue are local network services, network access services (interstate and intrastate), carrier billing, video revenue and other service charges. The Cooperative's nonregulated sources of revenue are customer premises and equipment, internet activities, long distance services, video services and security and business systems revenue.

Revenues from sales of equipment are recognized when control has transferred to the customer. Telecommunication service revenues are recognized as the related service is provided. Services are deemed to be highly interrelated when the method and timing of transfer and performance risk are the same. Highly interrelated services that are determined to not be distinct have been grouped into single performance obligation. Each month of services promised is a performance obligation. The series of monthly service performance obligations promised over the course of the contract are combined into a single performance obligation for purposes of the allocation.

The Cooperative has made judgements regarding transaction price, including but not limited to issues relating to variable consideration, time value of money and returns. When determined to be significant in the context of the contract, these items are considered in the valuation of transaction price at contract inception or modification, as appropriate.

The timing of recognition of revenue for each performance obligation may differ from the timing of the customer billing, creating a contract asset or contract liability. Short-term contract liabilities are classified as customer deposits. The Cooperative has no contract assets.

DUO COUNTY TELEPHONE COOPERATIVE CORPORATION, INC.  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONCLUDED  
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7. Revenue Recognition, Continued:

Multiple performance obligations

The Cooperative sells bundled service and equipment offerings. In these instances, the Cooperative recognizes its revenue based on the relative standalone selling prices for each distinct service or equipment performance obligation or bundles thereof. The Cooperative estimates the standalone selling price of the device or accessory to be its retail price excluding discounts. The Cooperative estimates the standalone selling price of telecommunication service to be the price offered to customers on month-to-month contracts.

From time to time, the Cooperative may offer certain promotions to incentivize customers to switch to, or to purchase additional services from the Company. Under these types of promotions, an eligible customer may receive an incentive in the form of a discount off additional services purchased shown as a rebate or credit to the customer's monthly bill. Rebates are amortized over the life of the contract and are recognized when included in the customer's monthly bill.

Disaggregation of revenue

In the following table, revenue for the years ended December 31, 2023 and 2022 is disaggregated by type of service.

Regulated Income	<u>2023</u>	<u>2022</u>
Duo County Telephone Cooperative Inc.		
Local network services	\$ 1,477,858	\$ 1,648,930
Network access services	16,140,628	14,383,503
Lease revenue	217,250	212,663
Miscellaneous	<u>1,747,696</u>	<u>1,707,127</u>
	<u>\$ 19,583,432</u>	<u>\$ 17,952,223</u>
Cumberland Cellular, LLC		
Local network services	\$ 7,037,547	\$ 7,483,109
Lease revenue	109,682	438,492
Miscellaneous	<u>443,985</u>	<u>100,136</u>
	<u>\$ 7,591,214</u>	<u>\$ 8,021,737</u>
Nonregulated Income		
	<u>2023</u>	<u>2022</u>
Duo County Telephone Cooperative, Inc.		
Internet services	\$ 8,256,738	\$ 7,658,238
Sales revenue	12,518	9,231
Lease revenue	527,577	471,457
Miscellaneous	<u>-</u>	<u>-</u>
	<u>\$ 8,796,833</u>	<u>\$ 8,138,926</u>
Cumberland Cellular, LLC		
Internet services	\$ -	\$ -
Cable television	-	-
Other	<u>-</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ -</u>

DUO COUNTY TELEPHONE COOPERATIVE CORPORATION, INC.  
AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONCLUDED  
DECEMBER 31, 2023 AND 2022

7. Revenue Recognition, Concluded:

Contract cost liabilities

Contract cost liabilities include customer deposits. The balance in contract liabilities was \$4,250 and \$5,300 as of December 31, 2023 and 2022, respectively.

8. Subsequent Events:

Management has evaluated subsequent events through March 29, 2024, the date which the financial statements were available to be issued.

9. Reclassifications:

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

10. Related Party Transactions:

Related party transactions have been eliminated during the consolidation of the financial statements for the years ended December 31, 2023 and 2022.



SUPPLEMENTARY INFORMATION



CAMPBELL, MYERS AND RUTLEDGE, PLLC

Cindy L. Greer, CPA ▪ R. Brent Billingsley, CPA ▪ Ryan A. Mosier, CPA

Skip R. Campbell, CPA ▪ L. Joe Rutledge, CPA ▪ Jenna B. Glass, CPA ▪ Jordan T. Constant, CPA ▪ Lane S. Norris, CPA

Independent Auditor's Report  
on Consolidating Information

Board of Directors  
Duo County Telephone Cooperative Corporation, Inc.  
Jamestown, Kentucky 42629

We have audited the consolidated financial statements of Duo County Telephone Cooperative Corporation, Inc. and subsidiaries as of and for the years ended December 31, 2023 and 2022, and our report thereon dated March 29, 2024, which expressed an unmodified opinion on those financial statements appears on pages 1-3. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information presented on pages 23-26 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual companies, and it is not a required part of the consolidated financial statements. The consolidating information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information on pages 23-26, is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*Campbell, Myers & Rutledge, PLLC*

Certified Public Accountants

Glasgow, Kentucky  
March 29, 2024

**DUO COUNTY TELEPHONE COOPERATIVE CORPORATION INC.**  
**SCHEDULE I – CONSOLIDATING BALANCE SHEET**  
**December 31, 2023**

ASSETS	Duo County Telephone Cooperative Corp., Inc.	Cumberland Cellular, LLC	Consolidating Entries	Consolidated Totals
Cash and equivalents	\$ 3,049,284	\$ 2,812,099	\$ -	\$ 5,861,383
Temporary cash investments	2,990,000	13,831,563	-	16,821,563
Marketable securities	-	1,411,672	-	1,411,672
Accounts receivable	4,212,877	-	(556,652) (1)	3,656,225
Material and supplies - Regulated	6,520,660	228,294	-	6,748,954
Accrued interest receivable	-	185,486	-	185,486
Prepayments and other current assets	346,593	630,877	-	977,470
Total current assets	<u>17,119,414</u>	<u>19,099,991</u>	<u>(556,652)</u>	<u>35,662,753</u>
Other assets				
Cash investments	7,189,544	12,263,334	-	19,452,878
Marketable securities	-	90,762,245	-	90,762,245
Investments in affiliated company	157,781,204	222,671	(1,400,000) (2)	9,680,526
			(146,923,349) (3)	
Other noncurrent investments	9,098,698	-	-	9,098,698
Nonregulated investments	75,867	-	-	75,867
Deferred debits	1,073,770	21,125	-	1,094,895
Total other assets	<u>175,219,083</u>	<u>103,269,375</u>	<u>(148,323,349)</u>	<u>130,165,109</u>
Telecommunication plant in service	121,427,070	35,836,219	-	157,263,289
Telecommunication plant under construction	29,513,118	9,325,138	-	38,838,256
Total telecommunication plant	<u>150,940,188</u>	<u>45,161,357</u>	<u>-</u>	<u>196,101,545</u>
Depreciation reserve	81,474,383	20,691,391	-	102,165,774
Total telecommunication plant less reserve	<u>69,465,805</u>	<u>24,469,966</u>	<u>-</u>	<u>93,935,771</u>
Total assets	<u>\$ 261,804,302</u>	<u>\$ 146,839,332</u>	<u>\$ (148,880,001)</u>	<u>\$ 259,763,633</u>
<b>LIABILITIES AND EQUITY</b>				
Accounts payable	\$ 3,211,716	1,150,105	\$ (556,652) (1)	\$ 3,805,169
Customer deposits	4,250	-	-	4,250
Accrued liabilities	2,328,989	398,600	-	2,727,589
Total current liabilities	<u>5,544,955</u>	<u>1,548,705</u>	<u>(556,652)</u>	<u>6,537,008</u>
Deferred income taxes-noncurrent	1,893,137	-	-	1,893,137
Total long-term liabilities	<u>1,893,137</u>	<u>-</u>	<u>-</u>	<u>1,893,137</u>
Other deferred credits	1,510,608	1,175,414	-	2,686,022
Total other liabilities and deferred credits	<u>1,510,608</u>	<u>1,175,414</u>	<u>-</u>	<u>2,686,022</u>
Capital stock	-	1,400,000	(1,400,000) (2)	-
Patronage capital credits	82,967,161	-	-	82,967,161
Other equities	170,363,961	146,923,349	(146,923,349) (3)	170,363,961
Accumulated other comprehensive income(loss)	(3,312,629)	(4,208,136)	-	(7,520,765)
Other equities	2,837,109	-	-	2,837,109
Retained margins and capital credits	<u>252,855,602</u>	<u>144,115,213</u>	<u>(148,323,349)</u>	<u>248,647,466</u>
Total liabilities and equity	<u>\$ 261,804,302</u>	<u>\$ 146,839,332</u>	<u>\$ (148,880,001)</u>	<u>\$ 259,763,633</u>

DUO COUNTY TELEPHONE COOPERATIVE CORPORATION, INC.  
SCHEDULE II - CONSOLIDATING STATEMENT OF INCOME AND COMPREHENSIVE INCOME  
For the Year Ended December 31, 2023

	Duo County Telephone Cooperative Corp., Inc.	Cumberland Cellular, LLC	Consolidating Entries	Consolidated Totals
Local network services revenue	\$ 1,477,858	\$ 6,781,968	\$ -	\$ 8,259,826
Network access service revenue	16,140,628	-	-	16,140,628
Miscellaneous revenues	1,964,946	596,850	-	2,561,796
Less: Uncollectible revenues	<u>(9,786)</u>	<u>212,396</u>	<u>-</u>	<u>202,610</u>
Total operating revenues	<u>19,573,646</u>	<u>7,591,214</u>	<u>-</u>	<u>27,164,860</u>
Plant specific operating expenses	5,432,780	-	-	5,432,780
Plant nonspecific operating expenses	1,410,704	4,326,318	-	5,737,022
Depreciation and amortization expense	5,370,324	1,202,687	-	6,573,011
Customer operations expense	1,267,206	264,601	-	1,531,807
Corporate operations expense	<u>2,617,236</u>	<u>1,588,721</u>	<u>-</u>	<u>4,205,957</u>
Total operating expenses	<u>16,098,250</u>	<u>7,382,327</u>	<u>-</u>	<u>23,480,577</u>
Nonregulated income	<u>4,881,149</u>	<u>-</u>	<u>-</u>	<u>4,881,149</u>
Operating income (loss)	<u>8,356,545</u>	<u>208,887</u>	<u>-</u>	<u>8,565,432</u>
Nonoperating income	4,735,180	4,247,251	(4,560,957) (1)	4,421,474
Gain on sale of asset	<u>-</u>	<u>104,819.00</u>	<u>-</u>	<u>104,819.00</u>
Nonoperating income net of taxes	<u>4,735,180</u>	<u>4,352,070</u>	<u>(4,560,957)</u>	<u>4,526,293</u>
Income before interest	<u>13,091,725</u>	<u>4,560,957</u>	<u>(4,560,957)</u>	<u>13,091,725</u>
Net income	13,091,725	4,560,957	(4,560,957)	13,091,725
Other comprehensive income and post retirement benefits and unrealized gain/ loss	<u>2,071,377</u>	<u>3,462,726</u>	<u>-</u>	<u>5,534,103</u>
Total comprehensive income	<u>\$ 15,163,102</u>	<u>\$ 8,023,683</u>	<u>\$ (4,560,957)</u>	<u>\$ 18,625,828</u>

DUO COUNTY TELEPHONE COOPERATIVE CORPORATION, INC.  
SCHEDULE III - CONSOLIDATING STATEMENT OF CASH FLOWS  
For the Year Ended December 31, 2023

	Duo County Telephone Cooperative Corp., Inc.	Cumberland Cellular, LLC.	Consolidating Entries	Consolidated Totals
Cash flows from operating activities:				
Operating income	\$ 8,356,545	\$ 208,887	\$ -	\$ 8,565,432
Adjustments to reconcile net income to net cash provided by operating activities:				
Nonoperating income	4,735,180	4,352,070	(4,560,957)	4,526,293
Provision from income taxes	-	-	-	-
Depreciation and amortization	5,370,324	1,202,687	-	6,573,011
Income from investment in affiliated companies	(208,887)	-	-	(208,887)
Refund of Federal Excise taxes	9,267	-	-	9,267
Changes in operating assets and liabilities:				
Decrease (increase) in accounts receivable	(2,454,292)	12,571	72,035	(2,369,686)
Decrease (increase) in inventory	(1,614,718)	22,698	-	(1,592,020)
Decrease (increase) in prepaid expenses	470,632	(125,513)	-	345,119
(Decrease) increase in accounts payable	(235,362)	598,290	(72,035)	290,893
(Decrease) increase in customer deposits	(1,050)	-	-	(1,050)
(Decrease) increase in accrued expenses	177,448	28,901	-	206,349
Net cash provided by operating activities	<u>14,605,087</u>	<u>6,300,591</u>	<u>(4,560,957)</u>	<u>16,344,721</u>
Cash flows from investing activities:				
Purchases of property, plant and equipment	(5,675,948)	(6,171,305)	-	(11,847,253)
Decrease (increase) in nonregulated investments	23,310	-	-	23,310
Decrease (increase) in deferred charges	-	56,442	-	56,442
Investment in affiliated companies	(286,526)	(23,365)	4,560,957	4,251,066
Investments - other	(3,432,545)	-	-	(3,432,545)
Purchases of cash investments	(7,398,215)	(5,000,000)	-	(12,398,215)
Maturity of cash investments	3,555,000	11,637,326	-	15,192,326
Purchases of marketable securities	-	(32,945,242)	-	(32,945,242)
Securities sold or redeemed	-	31,898,031	-	31,898,031
Net cash used in investing activities	<u>(13,214,924)</u>	<u>(548,113)</u>	<u>4,560,957</u>	<u>(9,202,080)</u>

DUO COUNTY TELEPHONE COOPERATIVE CORPORATION, INC.  
SCHEDULE III CONSOLIDATING STATEMENT OF CASH FLOWS, CONCLUDED  
For the Year Ended December 31, 2023

	Duo County Telephone Cooperative Corp., Inc.	Cumberland Cellular, LLC	Consolidating Entries	Consolidated Totals
Cash flows from financing activities:				
Distributions of patronage capital	\$ (1,001,280)	\$ (5,500,000)	\$ -	\$ (6,501,280)
(Decrease) increase in deferred credits	<u>11,152</u>	<u>(50,556)</u>	<u>-</u>	<u>(39,404)</u>
Net cash (used) provided by financing activities	<u>(990,128)</u>	<u>(5,550,556)</u>	<u>-</u>	<u>(6,540,684)</u>
Net (decrease) increase in cash and cash equivalents	400,035	201,922	-	601,957
Cash and cash equivalents at beginning of year	<u>2,649,249</u>	<u>2,610,177</u>	<u>-</u>	<u>5,259,426</u>
Cash and cash equivalents at end of year (Notes 1 and 4)	<u>\$ 3,049,284</u>	<u>\$ 2,812,099</u>	<u>\$ -</u>	<u>\$ 5,861,383</u>
Supplemental disclosures of cash flow information:				
Cash paid during the year for:				
Income taxes	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>



CAMPBELL, MYERS AND RUTLEDGE, PLLC

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

Board of Directors  
Duo County Telephone Cooperative Corporation, Inc.  
Jamestown, Kentucky 42629

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Duo County Telephone Cooperative Corporation, Inc. and subsidiaries which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the related consolidated statements of income, comprehensive income, patronage capital and other equities, and cash flows for the years then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated March 29, 2024.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Duo County Telephone Cooperative Corporation, Inc. and subsidiaries internal control over financial reporting (internal control) as a basis for designing 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 Duo County Telephone Cooperative Corporation, Inc. and subsidiaries internal control. Accordingly, we do not express an opinion on the effectiveness of Duo County Telephone Cooperative Corporation, Inc. and subsidiaries 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, or significant deficiencies may exist that have not been identified.

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Duo County Telephone Cooperative Corporation, Inc. and subsidiaries 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 & Rutledge, PLLC*

Certified Public Accountants

Glasgow, Kentucky

March 29, 2024





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

Board of Directors  
Duo County Telephone  
Cooperative Corporation  
Jamestown, Kentucky 42629

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 consolidated financial statements of Duo County Telephone Cooperative Corporation, Inc. and subsidiaries, which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of income, 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 March 29, 2024. In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2024, on our consideration of Duo County Telephone Cooperative Corporation, Inc. and subsidiaries 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 Duo County Telephone Cooperative Corporation, Inc. and subsidiaries 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 and Grantees*, 1773.33, 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 Duo County Telephone Cooperative Corporation, Inc. and subsidiaries 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 Duo County Telephone Cooperative Corporation, Inc. and subsidiaries accounting and records to indicate that Duo County Telephone Cooperative Corporation, Inc. and subsidiaries 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 written RUS approval to enter into any contract, agreement, or lease with an affiliate as defined in § 1773.33(d)(2)(i);

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 investments. A detailed schedule of investments is as follows:

Cumberland Cellular LLC is a wholly owned subsidiary which invests in businesses providing cellular telephone service and cable television 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.

Undistributed (Losses) Earnings:

	<u>Cumberland Cellular LLC</u>	<u>Bluegrass Network LLC</u>
Previous Years Earnings	\$ 85,168,782	\$ 7,596,193
12/31/18	7,235,385	609,886
12/31/19	10,667,293	449,298
12/31/20	15,347,048	1,311,546
12/31/21	52,793,514	676,831
12/31/22	1,450,370	998,468
12/31/23	<u>4,560,957</u>	<u>652,516</u>
Total Undistributed (Losses) Earnings	177,223,349	12,294,738
Original Investment and Investment Advances	1,400,000	936,000
Partnership Distribution as of 12/31/23	<u>(30,300,000)</u>	<u>(3,772,883)</u>
Book Value 12/31/23	<u>\$ 148,323,349</u>	<u>\$ 9,457,855</u>

Investment Advances:

	Cumberland Cellular LLC	Bluegrass Network LLC
Previous Years Investment Advances	\$ 1,400,000	\$ 936,000
Previous Years Distributions	(4,000,000)	(736,000)
12/31/18	-	(200,000)
12/31/19	-	-
12/31/20	-	-
12/31/21	(20,500,000)	-
12/31/22	(300,000)	-
12/31/23	(5,500,000)	-
	<u>                    </u>	<u>                    </u>
 Total Contributions/ Distributions	 <u>\$ (28,900,000)</u>	 <u>\$ -</u>

The purpose of this report is solely to communicate, in connection with the audit of financial statements, on compliance with aspects of contractual agreements and the regulatory requirements for telecommunications borrowers based on the requirements of 7 CFR Part 1773, *Policy on Audits of Rural Utilities Service Borrowers and Grantees*. Accordingly, this report is not suitable for any other purpose.

*Campbell, Myers & Rutledge, PLLC*

Glasgow, Kentucky

Glasgow, Kentucky

March 29, 2024

