REPORT OF INDEPENDENT AUDITORS AND
CONSOLIDATED FINANCIAL STATEMENTS
WITH SUPPLEMENTARY CONSOLIDATING SCHEDULES

LOGAN TELEPHONE COOPERATIVE, INC. AND SUBSIDIARY

December 31, 2018 and 2017

MOSSADAMS

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Report of Independent Auditors

The Board of Directors
Logan Telephone Cooperative, Inc.

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Logan Telephone Cooperative, Inc. and its subsidiary, which comprise the consolidated balance sheets as of December 31, 2018 and 2017, and the related consolidated statements of income, comprehensive income, members' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of Kentucky RSA 3 Cellular General Partnership, Cumberland Cellular Partnership, Bluegrass Telecom, LLC and Bluegrass Networks, LLC (the partnerships and limited liability companies). The investments in the partnerships and limited liability companies were $43,089,444 and $43,410,213 as of December 31, 2018 and 2017, respectively, and the equity in their net income was $4,403,769 and $6,843,468, respectively, for the years then ended. The financial statements of the partnerships and limited liability companies were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the partnerships and limited liability companies, is based solely on the report of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Logan Telephone Cooperative, Inc. and its subsidiary as of December 31, 2018 and 2017, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Moss Adams LLP

Overland Park, Kansas
March 21, 2019

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Logan Telephone Cooperative, Inc.
Consolidated Balance Sheets

ASSETS

	December 31, 2018	December 31, 2017
CURRENT ASSETS		
Cash and cash equivalents	$ 5,777,004	$ 2,310,223
Investments	275,052	177,336
Accounts receivable		
Customers, net	16,599	40,957
Interexchange carriers and NECA	897,327	451,476
Related party	40,617	32,144
Material and supplies	446,144	506,968
Prepaid income taxes	147,812	591,705
Other current assets	173,510	141,303
Total current assets	7,774,065	4,252,112
NONCURRENT ASSETS		
Investments in affiliates	43,089,444	43,410,213
Long-term investments	2,986,619	3,049,432
Other noncurrent assets	614,668	728,260
Total noncurrent assets	46,690,731	47,187,905
PROPERTY, PLANT, AND EQUIPMENT		
Regulated plant in service	67,355,672	67,419,514
Regulated plant under construction	3,493,410	369,968
Nonregulated plant in service	353,975	293,420
	71,203,057	68,082,902
Less accumulated depreciation	35,462,535	34,933,324
Net property, plant, and equipment	35,740,522	33,149,578
Total assets	$ 90,205,318	$ 84,589,595

See accompanying notes.

LIABILITIES AND MEMBERS' EQUITY

	December 31, 2018	December 31, 2017
CURRENT LIABILITIES		
Accounts payable	$ 1,082,084	$ 357,559
Advance billing and customer deposits	163,863	148,910
Other current liabilities	369,755	403,534
Total current liabilities	1,615,702	910,003
NONCURRENT LIABILITIES		
Deferred income taxes	1,807,391	1,433,976
Postretirement benefit obligation	988,626	696,864
Total noncurrent liabilities	2,796,017	2,130,840
MEMBERS' EQUITY		
Memberships issued	5,009	5,031
Patronage capital	23,056,775	22,047,311
Retained margins	64,615,013	60,893,988
Accumulated other comprehensive loss	(1,883,198)	(1,397,578)
Total members' equity	85,793,599	81,548,752
Total liabilities and members' equity	$ 90,205,318	$ 84,589,595

Logan Telephone Cooperative, Inc.
Consolidated Statements of Income

	Years Ended December 31, 2018	2017
OPERATING REVENUES		
Wireline	$ 8,836,591	$ 7,834,638
Internet	2,475,501	2,418,201
Miscellaneous	459,145	437,269
Net operating revenues	11,771,237	10,690,108
OPERATING EXPENSES		
Plant specific	1,540,707	1,473,626
Plant nonspecific	723,858	811,463
Depreciation and amortization	3,284,799	3,093,231
Customer	617,493	592,408
Corporate	1,149,237	1,152,386
Other operating taxes	444,044	485,004
Nonregulated	2,154,736	2,205,288
Total operating expenses	9,914,874	9,813,406
Net operating margins	1,856,363	876,702
NONOPERATING INCOME (EXPENSE)		
Income from affiliates	4,403,769	6,843,468
Other nonoperating expenses	(9,865)	(814)
Interest and dividend income	102,523	80,660
Nonoperating income	4,496,427	6,923,314
NET MARGINS BEFORE INCOME TAXES	6,352,790	7,800,016
Income tax expense	1,000,308	1,757,365
NET MARGINS	$ 5,352,482	$ 6,042,651

See accompanying notes.

	Years Ended December 31, 2018	2017
Net margins	$ 5,352,482	$ 6,042,651
Other comprehensive income (loss)		
Unrealized holding gains (losses) on investments arising during the year	(42,113)	110,558
Postretirement healthcare benefits		
Net gain arising during the period	219,143	900,072
Amortization of prior service obligation and net gain	(662,650)	(664,888)
Other comprehensive income (loss)	(485,620)	345,742
Comprehensive income	$ 4,866,862	$ 6,388,393

See accompanying notes.

Logan Telephone Cooperative, Inc.
Consolidated Statements of Members' Equity

	Memberships Issued	Patronage Capital	Retained Margins	Accumulated Other Comprehensive Loss	Total Members' Equity
December 31, 2016	$ 5,083	$ 20,446,889	$ 57,040,907	$ (1,743,320)	$ 75,749,559
Memberships issued	487	-	-	-	487
Patronage capital refunds and retirements	(539)	(589,148)	-	-	(589,687)
Allocation of 2016 Patronage margin	-	2,189,570	(2,189,570)	-	-
Net margins	-	-	6,042,651	-	6,042,651
Other comprehensive income	-	-	-	345,742	345,742
December 31, 2017	5,031	22,047,311	60,893,988	(1,397,578)	81,548,752
Memberships issued	395	-	-	-	395
Patronage capital refunds and retirements	(417)	(621,993)	-	-	(622,410)
Allocation of 2017 Patronage margin	-	1,631,457	(1,631,457)	-	-
Net margins	-	-	5,352,482	-	5,352,482
Other comprehensive loss	-	-	-	(485,620)	(485,620)
December 31, 2018	$ 5,009	$ 23,056,775	$ 64,615,013	$ (1,883,198)	$ 85,793,599

See accompanying notes.

	Years Ended December 31, 2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net margins	$ 5,352,482	$ 6,042,651
Adjustments to reconcile net margin to cash from operating activities		
Depreciation and amortization	3,284,799	3,093,231
Nonregulated depreciation	66,823	63,930
Amortization of bond premium/discount	10,300	10,769
Change in cash surrender value of life insurance	-	1,063
Income from affiliates	(4,403,769)	(6,843,468)
Deferred income taxes	373,415	(480,193)
Changes in operating assets and liabilities		
Accounts receivable	(429,966)	21,816
Materials and supplies	60,824	217,440
Prepaid income taxes	443,893	(591,705)
Other current assets	(32,207)	(6,168)
Accounts payable	724,525	(415,157)
Advance billing and customer deposits	14,953	17,615
Accrued income taxes	-	(381,736)
Other current liabilities	(33,779)	216,279
Postretirement benefits	(151,745)	(42,480)
Net cash from operating activities	5,280,548	923,887
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property, plant, and equipment	(5,942,566)	(4,766,431)
Purchase of investments	(333,635)	(1,798,333)
Proceeds from sales of investments	359,910	1,440,222
Distributions from investments in affiliates	4,724,539	4,848,982
Net cash from investing activities	(1,191,752)	(275,560)
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital credit retirements	(621,993)	(589,148)
Payment of members' subscriptions	(417)	(539)
Proceeds from members' contributions	395	487
Net cash from financing activities	(622,015)	(589,200)

See accompanying notes.

Logan Telephone Cooperative, Inc.
Consolidated Statements of Cash Flows

	Years Ended December 31,	
	2018	2017
NET CHANGE IN CASH AND CASH EQUIVALENTS	$ 3,466,781	$ 59,127
CASH AND CASH EQUIVALENTS, beginning of year	2,310,223	2,251,096
CASH AND CASH EQUIVALENTS, end of year	$ 5,777,004	$ 2,310,223
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION		
Cash paid during the year for		
Income taxes	$ 183,000	$ 3,211,000
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Postretirement benefit obligation adjustment	$ 443,507	$ (235,184)
Unrealized (gains) losses on investments	$ 42,113	$ (110,558)

See accompanying notes.

Note 1 – Summary of Significant Accounting Policies

Organization

Logan Telephone Cooperative, Inc. (the Cooperative), a cooperative organized in the state of Kentucky, is a regulated local exchange telephone company providing telephone and internet service to approximately 5,100 members.

The Cellular Division of Logan Telephone Cooperative, Inc. (the Cellular Division), a corporation organized in the state of Kentucky, owns non-controlling interests in two partnerships and a limited liability company which provide cellular telephone service and long distance service to members as well as nonmembers of the Cooperative.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Cooperative and the Cellular Division, the consolidated group herein referred to as the "Cooperative". All significant intercompany balances and transactions have been eliminated.

Accounting Policies

The financial statements of the Cooperative have been prepared in conformity with accounting principles generally accepted in the United States of America applicable to regulated public utilities. Such accounting principles are consistent, in all material respects, with accounting prescribed by the Federal Communications Commission (FCC).

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include depreciation expense, deferred income tax expense, postretirement benefit plan obligations, and interstate access revenue settlements.

Cash and Cash Equivalents

For purposes of the consolidated statements of cash flows, the Cooperative considers all highly liquid investments with an original maturity of six months or less when purchased to be cash equivalents.

Concentration of Risk

At various times throughout the year, the cash balances deposited in local institutions exceed federally insured limits. A possible loss exists for those amounts in excess of $250,000.

The Cooperative invests excess funds in repurchase agreements which are collateralized primarily by bonds of financial institutions. Such investment in repurchase agreements amounted to $5,000,000 and $700,000 as of December 31, 2018 and 2017, respectively. Collateral pledged on these investments in repurchase agreements amounted to $5,106,728 and $983,066 as of December 31, 2018 and 2017, respectively. Repurchase agreements have been included in cash and cash equivalents at both December 31, 2018 and 2017.

Note 1 – Summary of Significant Accounting Policies (continued)

Valuation of Accounts Receivable
Accounts receivable are stated at the amount management expects to collect on outstanding balances. The Cooperative reviews the collectability of accounts receivable annually based upon an analysis of outstanding receivables, historical collection information, and existing economic conditions. Receivables from subscribers are due 10 days after issuance of the bill and receivables from other exchange carriers are due 30 days after issuance of the bill. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Company management believes it has established adequate reserves for any risk associated with these receivables. The allowance for doubtful accounts was $500 at December 31, 2018 and 2017.

Material and Supplies
Material and supplies consist of construction materials, handsets and accessories held for resale, and other equipment, which are valued at the lower of average cost or net realizable value.

Investments in Affiliates
The Cooperative accounts for its investments in limited liability companies and other entities by the equity method of accounting under which the Cooperative's share of the net income of the affiliates is recognized as income in the Cooperative's income statement and added to the respective investment account. Under the equity method of accounting, dividends or returns of capital reduce the investment balance.

Other investments
The Cooperative's policy for investment securities is as follows:

Securities, held to maturity – Debt securities to which the Cooperative has the positive intent and ability to hold to maturity are classified as held to maturity. Held to maturity securities are stated at amortized cost.

Securities, available for sale – Securities not classified as held to maturity or trading are classified as available for sale. Available for sale securities are stated at fair value, with unrealized gains and losses reported as a separate component of members' equity. Realized gains and losses are included in interest and dividend income on the consolidated statements of operations and the cost of securities sold is determined using the specific identification method.

Property, Plant, and Equipment
Property, plant, and equipment are stated at original cost. Regulated plant includes assets that are jointly used for regulated and nonregulated activities. The cost of additions and substantial betterments of property, plant, and equipment is capitalized. The cost of maintenance and repairs is charged to operating expenses.

In accordance with composite group depreciation methodology, when a portion of the Cooperative's regulated depreciable property, plant, and equipment is retired in the ordinary course of business, the gross book value is charged to accumulated depreciation.

Note 1 – Summary of Significant Accounting Policies (continued)

Depreciation of the Cooperative's nonregulated plant is provided by the straight-line method over the estimated useful lives of the assets. Upon retirement, sale, or other disposition of nonregulated investments, the cost and related accumulated depreciation are removed from the related accounts and the resulting gains or losses are included in operations.

Long-lived Assets
Long-lived assets are reviewed whenever events or changes in circumstances indicate the carrying amount of the assets may not be recoverable. When such events occur, the Cooperative determines potential impairment by comparing the carrying value of its assets with the sum of the undiscounted cash flows expected to be provided by operating and eventually disposing of the asset. Should the sum of the expected future net cash flows be less than carrying values, the Cooperative would determine whether an impairment loss should be recognized. No impairment losses on long-lived assets have been identified in the consolidated financial statements.

Members' Equity
Patronage margins are assigned to members on a patronage basis in accordance with the Cooperative's bylaws. Nonpatronage margins, in addition to the net margins of the Cellular Division, are retained by the Cooperative and are not assignable to patrons until the Board of Directors determine otherwise. If authorized by the Board, a portion of total assigned patronage is distributed to members as a general retirement. The total amount retired is determined by Board resolution each year.

Comprehensive Income
Comprehensive income is defined as the change in equity of a business during a period as a result of net margins and other gains and losses affecting equity that, under accounting principles generally accepted in the United States of America, are excluded from net margins. Unrecognized actuarial adjustments in postretirement benefit plan obligations and unrealized gains and losses on available for sale securities are included in other comprehensive income.

Income Taxes
In 2018 and 2017, the Cooperative was taxable for federal purposes. As a taxable cooperative, taxable income consists of margins earned from nonpatronage and nonoperating sources. Margins earned from patronage sources are not taxable to the extent margins are allocated to patrons in the form of capital credits. The Cellular Division is a taxable entity for federal and state income tax purposes.

Deferred taxes are provided on a liability method whereby deferred tax liabilities are recognized for taxable temporary differences, and deferred tax assets are recognized for deductible temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax basis. The differences relate primarily to differences in book basis and tax basis of partnership interests. The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled.

The Cooperative records uncertain tax positions if the likelihood the position will be sustained upon examination is less than 50 percent. As of December 31, 2018 and 2017, the Cooperative had no accrued amounts related to uncertain tax positions. Interest and penalties, if any, are recorded as interest expense and other expense, respectively.

Note 1 – Summary of Significant Accounting Policies (continued)

Revenue Recognition
Monthly service fees derived from local wireline and Internet services are billed one month in advance, but recognized in the month that service is provided.

Usage sensitive revenues such as access (revenues earned for originating/terminating long distance calls), and long distance are generally billed as a per-minute charge. Although these revenues are billed in arrears, an estimate of unbilled revenues is accrued in the month service is provided.

Interstate access revenues also include settlements based on the Cooperative's participation in the revenue pools administered by the National Exchange Carrier Association (NECA). Settlement revenues are determined by annually prepared separations and interstate access cost studies. These studies are prepared subsequent to year end and therefore, the related revenues are recorded on the books based on an estimate of the Company's costs, NECA pool earnings and on other assumptions related to information utilized in the preparation of the Cooperative's cost study. The studies are subject to a 24-month pool earnings adjustment period and a review of the study by NECA. There was an insignificant revenue impact in 2018 and 2017 for adjustments related to prior year differences between the recorded estimates and actual revenues. Management does not anticipate that 2018 and 2017 recorded revenues will require significant adjustments in future years.

Internet revenues are derived from providing end user customers connection to the public Internet. Additionally, interstate access revenues include settlements from NECA that compensate the Cooperative for the DSL transport related to Internet traffic.

The Company's wireline universal service support revenue is intended to compensate the Company for the high cost of providing rural telephone and broadband service. Universal service support revenue includes funds received for high cost loop support (HCLS), Connect America Fund Broadband Loop Support (CAF BLS), Connect America Fund Intercarrier Compensation (CAF ICC), and other miscellaneous programs. HCLS and CAF BLS are based on the Company's relative level of operating expense and plant investment. Support from the CAF ICC is based on a historical frozen amount related to 2011 investment and expenses associated with the switching function and certain 2011 intrastate access revenues, which together make up the CAF base. The CAF base is reduced by 5% each year in determining CAF ICC support.

Regulation
The Cooperative's services are subject to rate regulation as follows:

- Local telephone and intrastate access revenues are regulated by the Kentucky Public Service Commission. The FCC also has assumed preemptive authority to regulate intrastate telecommunications services, including intrastate terminating access rates.
- Interstate access revenues are regulated by the FCC through its regulation of rates and settlements procedures as administered by NECA.
- Universal Service support revenues are administered by Universal Service Administrative Company (USAC), based on rules established by the FCC.

Note 1 – Summary of Significant Accounting Policies (continued)

Other sources of revenues are not rate regulated and include Internet, equipment sales, directory, rents, and other incidental services. Nonregulated expenses and nonregulated plant are directly attributable to nonregulated services and miscellaneous revenues. All other operating expenses and telecommunications plant are related primarily to wireline revenues. However, some of these costs jointly relate to regulated and nonregulated services. For interstate access settlements, Universal Service support, rate case, and other regulatory purposes, the portion of these common costs related to nonregulated activities are removed in accordance with Part 64 of the FCC rules in order to ensure regulated revenues are based on costs of providing regulated services.

The FCC released an Order and Further Notice of Proposed Rulemaking (FNPRM) in December 2018 that allows legacy rate of return carriers to elect model based support beginning in 2019. The Cooperative is currently assessing the impact of the Order on its operations.

Concentration of Market Risk
The Cooperative receives a significant portion of its annual operating revenues from Universal Service support. For the years ended December 31, 2018 and 2017, revenues from Universal Service support represent approximately 47 percent and 41 percent, respectively, of operating revenues.

Advertising Expenses
The Cooperative expenses advertising costs as incurred. Advertising expenses during the years ended December 31, 2018 and 2017 were $98,764 and $96,096, respectively.

Fair Value Measurements
Fair value represents the price that would be received to sell an asset or transfer a liability in an orderly transaction between market participants at the measurement date. The Cooperative follows the following fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities.

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The fair value measurement guidance is applicable to the Cooperative related to the postretirement benefit plan assets in Note 5 and available for sale securities in Note 2.

Taxes Imposed by Governmental Authorities
The Cooperative's customers are subject to taxes assessed by various governmental authorities on many different types of revenue transactions with the Cooperative. These specific taxes are charged to and collected from the Cooperative's customers and subsequently remitted to the appropriate taxing authority. The taxes are accounted for on a net basis and excluded from revenues.

Note 1 – Summary of Significant Accounting Policies (continued)

New Accounting Standards
Beginning in 2019, the Cooperative will adopt ASC 606, "*Revenue from Contracts with Customers*". The core principle of the standard is that a company should recognize revenue at the time goods and services are transferred to a customer in an amount that reflects the consideration the company is expected to receive. In addition, the standard requires deferral of incremental contract acquisition costs with recognition over the expected period of benefit. The adoption of the standard will also result in additional disclosures around performance obligations, deferred contract assets and liabilities, and significant judgements used by the Cooperative in applying the new five-step revenue model. The Cooperative is still in the process of determining the impacts of the changes.

Also beginning in 2019, the Cooperative will adopt an amended standard that requires a company to record changes in the fair value of equity instruments, except for those accounted for under the equity method, in net income rather than accumulated other comprehensive loss. As of December 31, 2018, the Cooperative's net unrealized gain, after taxes, on available for sale equity securities was $57,581.

Subsequent Events
Subsequent events are events or transactions that occur after the balance sheet date but before the financial statements are available to be issued. The Cooperative recognizes in the consolidated financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the consolidated balance sheets, including the estimates inherent in the process of preparing the consolidated financial statements. The Cooperative's consolidated financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the consolidated balance sheets but arose after the consolidated balance sheet's date and before the consolidated financial statements are available to be issued.

The Cooperative has evaluated subsequent events through March 21, 2019, which is the date the consolidated financial statements are available to be issued.

Reclassifications
For comparability, certain amounts reported in 2017 have been reclassified in order to conform to the 2018 presentation. These reclassifications had no effect on net margins or members' equity as previously reported.

Note 2 – Investments

Investments consist of the following at December 31:

	2018	2017
Investments in affiliates	$ 43,089,444	$ 43,410,213
Investments, held to maturity	2,860,237	2,810,859
Investments, available for sale	377,175	391,650
Cash surrender value of life insurance	24,259	24,259
Total	$ 46,351,115	$ 46,636,981

Investments in Affiliates

Investments in affiliates include investments in two partnerships which operate cellular telephone systems and two limited liability companies (LLCs) which provide network services and long distance services.

Investment balances and the Company's respective ownership percentages in the entities are as follows:

	Ownership	2018	2017
Kentucky RSA #3 Cellular General Partnership	25.00%	$ 27,098,675	$ 28,005,894
Bluegrass Networks, LLC	20.00%	5,938,212	5,728,325
Bluegrass Telecom, LLC	20.00%	342,022	342,022
Cumberland Cellular Partnership	12.50%	9,710,535	9,333,972
Total		$ 43,089,444	$ 43,410,213

The assets, liabilities, equity, and the operations of the Cooperative's significant investments in affiliates as of and for the years ended December 31 are as follows:

	Bluegrass Networks, LLC		Cumberland Cellular Partnership		Kentucky RSA #3	
	2018	2017	2018	2017	2018	2017
Assets	$ 30,267,344	$ 29,422,464	$ 82,074,491	$ 81,261,223	$ 114,724,478	$ 121,561,344
Liabilities	(576,284)	(780,840)	(4,390,211)	(6,589,450)	(6,329,779)	(9,537,768)
Equity	$ 29,691,060	$ 28,641,624	$ 77,684,280	$ 74,671,773	$ 108,394,699	$ 112,023,576
Revenue	$ 12,529,231	$10,993,453	$ 69,213,110	$ 68,731,099	$ 78,761,283	$ 84,504,479
Expenses	(9,479,800)	(8,647,189)	(58,200,607)	(55,438,654)	(69,390,164)	(65,949,779)
Net margins	$ 3,049,431	$ 2,346,264	$ 11,012,503	$ 13,292,445	$ 9,371,119	$ 18,554,700

Investments, Held to Maturity

Investments classified as held to maturity are carried at amortized cost and classified within Level 2 of the valuation hierarchy. Those investments include corporate bonds, and government bonds. Unrealized losses on investment classified as held to maturity amounted to $52,153 and $28,666 at December 31, 2018 and 2017, respectively.

Note 2 – Investments (continued)

Investments, held to maturity, consist of the following at December 31:

	2018		2017	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Current investments:				
Corporate/ Government bonds	$ 275,052	$ 293,535	$ 177,336	$ 179,139
Total current investments	275,052	293,535	177,336	179,139
Long-term investments:				
Corporate bonds	1,355,307	1,301,180	1,500,948	1,483,022
Government bonds	1,229,878	1,213,369	1,132,575	1,120,032
Total long-term investments	2,585,185	2,514,549	2,633,523	2,603,054
Total investments	$ 2,860,237	$ 2,808,084	$ 2,810,859	$ 2,782,193

The following is a schedule of the held to maturity investments by maturity date:

2019	$ 275,052
2020	303,721
2021	580,726
2022	282,064
2023 and thereafter	1,418,674
	$ 2,860,237

Investments, Available for Sale
Investments classified as available for sale at December 31, 2018 and 2017 have a cost basis of $319,594 and $319,636, and fair value of $377,175 and $391,650. Shares of common stock are valued using the quoted value of shares held by the Cooperative and are classified within Level 1 of the valuation hierarchy.

Net unrealized holding gains on available for sale securities in the amounts of $57,581 and $72,014 for the years ended December 31, 2018 and 2017 have been included in accumulated other comprehensive income.

Note 3 – Property, Plant, and Equipment

Major classes of property, plant, and equipment consist of the following at December 31:

	Depreciable Life	Plant Account	Accumulated Depreciation	2018 Net Balance	2017 Net Balance
Regulated plant					
General support assets	6-37 years	$ 6,491,908	$ 3,158,764	$ 3,333,144	$ 3,327,865
Central office assets	8-13 years	10,592,084	7,929,856	2,662,228	2,355,429
Cable and wire facilities	10-45 years	50,271,680	24,106,101	26,165,579	27,061,132
Plant under construction	n/a	3,493,410	-	3,493,410	369,968
		70,849,082	35,194,721	35,654,361	33,114,394
Nonregulated plant					
Internet equipment	5 years	353,975	267,814	86,161	35,184
		353,975	267,814	86,161	35,184
		$71,203,057	$ 35,462,535	$ 35,740,522	$ 33,149,578

Note 4 – Income Taxes and Deferred Income Tax

Income tax expense consists of the following for the years ended December 31:

	2018	2017
Current		
Federal	$ 460,519	$ 1,876,748
State	166,374	360,810
Deferred		
Federal & state	373,415	200,583
Change in effective rate due to Tax Reform Act	-	(680,776)
Total income tax expense	$ 1,000,308	$ 1,757,365

The “Tax Reform Act” was enacted December 22, 2017. The law includes significant changes to the U.S. corporate system, including a Federal corporate rate reduction from 35% to 21%. As a result of when the Act was signed into law, the Company’s deferred tax assets and liabilities were required to be remeasured using the lower 21% federal rate as of December 31, 2017. This resulted in a one-time favorable charge to tax expense of approximately $681,000.

Note 4 – Income Taxes and Deferred Income Tax (continued)

For the years ended December 31, 2018 and 2017, the consolidated income tax return computed at the statutory rate differs from the amount of the expense recorded in the financial statements. The difference relates primarily to the Cooperative patronage exclusion, permanent differences, prior year over and under accruals, and state income taxes.

The components of the Cooperative's net deferred tax liability consist of the following at December 31:

	2018	2017
Deferred tax liabilities		
Partnership basis difference	$ (1,807,391)	$ (1,433,976)

Note 5 – Postretirement Benefits

Defined Benefit Plans

The Cooperative participates in a multi-employer pension plan with the National Telephone Cooperative Association (NTCA) that cover substantially all of its employees and are described below.

The risks of participating in multi-employer plans are different from single employer plans as follows:

(1) assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers, (2) if a participating employer stops contributing to the Plan, the unfunded obligations of the Plan may be borne by the remaining participating employers, and (3) if the Cooperative chooses to stop participating in a plan, the Cooperative may be required to pay a penalty.

The Cooperative's participation in the multi-employer plan is outlined in the table below. The information below is from the Plan's most recent Form 5500 filing which covers the Plan years 2017 and 2016. At the date the consolidated financial statements were issued, Form 5500 was not available for the year ending 2018.

		Pension Protection Act Zone Status		Employer Contributions						
Plan Name	Employer Identification Number/Plan Number	2017	2016	2018	2017	Company Contributions Greater than 5% of Total Plan Contributions	Funding Improvement/ Rehabilitation Plan in Place	Surcharges Imposed	Expiration Date of Collective-Bargaining Agreements	Minimum Contributions Required in the Future
Retirement & Security program for employees of the National Telecommunications Cooperative Association and its member systems	52-0741336/333	At least 80% funded	At least 80% funded	$ 206,166	$ 183,024	No	No	Yes	N/A	No

Employees are eligible to receive an annuity or lump-sum payment at retirement based on an average of prior years' compensation. The Cooperative makes monthly contributions to the plan based on each employee's compensation and recognizes as an expense the required contribution for the period.

Note 5 – Postretirement benefits (continued)

Retirement and Security
NTCA recently implemented changes to the Retirement & Security Program that were implemented in phases beginning in 2017. The most significant changes are increases in the contribution rates beginning in 2017, a new surcharge began in 2018, and companies had a one-time option to prefund its surcharge. As incentive for prefunding its obligation, NTCA will waive the variable rate premium the Company pays and the returns on assets contributed may be used to offset future costs. The Cooperative elected to prefund the surcharge NTCA and recognized the prepayment in other noncurrent assets in the consolidated balance sheets. The Cooperative anticipates an amortization period of 12 years for the asset, which represents the estimated period of time the new surcharge is estimated to be in place. The prefund amount as of December 31, 2018 and 2017 was $614,668 and $728,260 and reported as other noncurrent assets. Unrealized gains related to the investment of the prefunded obligation as of December 31, 2018 and 2017 were $21,986 and $49,666, which are included as accumulated other comprehensive income in the consolidated balance sheets.

Defined Contribution Plans
The Cooperative contributes one percent of gross wages to a defined contribution 401(k) savings plan covering substantially all employees. Participating employees can contribute up to the maximum percentage of compensation and dollar amount permissible under the Internal Revenue Code. Contributions for the Plan during 2018 and 2017 were $18,672 and $18,196, respectively.

Other Postretirement Plan Benefits
The Cooperative also sponsors a postretirement benefit plan (the Plan) for employees, directors, and their spouses that provides medical, dental and vision care. Directors shall be defined as Board Retirees after having served on the Board of Directors at least three years if leaving the Board before December 31, 2006, and after having served 20 years if leaving the Board after December 31, 2006. Cooperative funding for this plan ranges between 100 percent and zero percent of related costs based on hire and retirement eligibility dates.

Obligation and Funded Status
The amount of benefit to be paid depends on a number of future events incorporated into a formula, including estimates of the average life of employees and average years of service rendered, and future interest rates. The benefit obligation is the accumulated benefit obligation, which represents the present value of all future benefits attributed to employee service rendered through the measurement date and does not include changes in future compensation. The measurement date for the accumulated benefit obligation is December 31.

Note 5 – Postretirement benefits (continued)

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:

	2018	2017
Accumulated postretirement benefit plan obligation	$ (7,238,229)	$ (7,258,488)
Plan assets at fair value	6,249,603	6,561,624
Funded status	$ (988,626)	$ (696,864)

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

	2018	2017
Unrecognized net loss	$ (1,962,765)	$ (1,508,136)
Net amount reported as a reduction to equity	$ (1,962,765)	$ (1,508,136)

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
Other Plan information is as follows at December 31:

	2018	2017
Net periodic benefit Plan cost	$ 54,421	$ 140,544

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 cost are service cost, interest cost, and amortization of unrecognized gains/losses.

Note 5 – Postretirement benefits (continued)

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

2019	$ 302,821
2020	281,612
2021	268,783
2022	268,908
2023	270,153
2024 through 2029	1,347,848

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

	Percent	
Weighted-average assumptions as of December 31	2018	2017
Expected return on Plan assets	7.00	7.00
Discount rate	4.25	4.25

For measurement purposes, a seven percent annual rate of increase in the per capita cost of covered health care benefits was assumed for 2018. The rate was assumed to decrease one-half of one percent each year to a rate of five percent and remain at that level thereafter.

Plan Assets

Plan assets are managed by NTCA. Equity securities primarily include investments in large-cap companies located in the United States and internationally. Fixed income securities include corporate bonds of companies from diversified industries, mortgage-backed securities, and U.S. treasuries. Other types of investments include real estate investment trusts and private equity funds that follow several different strategies.

NTCA makes all the investment decisions for the program with the help of an investment management and consulting firm, Wilshire Associates. The trust committee makes investment decisions, which begin with a review of the assets and liabilities of potential investments and then make their final decision based upon obtaining the rate of return consistent with program needs.

Note 5 – Postretirement benefits (continued)

The fair values of the Cooperative's pension Plan assets at December 31, 2018, by asset category, are as follows:

Asset Type	Percentage of Plan Assets	Amount	Hierarchy Level
Fixed income	24%	$ 1,470,635	1
International equities	18%	1,096,412	1
Low volatility equity	14%	898,138	1
Domestic equities	16%	983,648	1
Real estate	12%	739,312	2
Private equity	10%	606,011	2
ETFs	1%	72,470	1
Cash	4%	246,342	1
Bonds	2%	136,635	2
Total		$ 6,249,603	

Note 6 – Operating Revenue

Wireline and miscellaneous revenues consist of the following for the years ended December 31:

	2018	2017
Wireline		
Customer	$ 2,330,244	$ 2,414,763
Intercarrier		
Interstate	825,239	946,888
Intrastate	95,051	97,070
Universal Service Support, federal	5,586,057	4,375,917
Total wireline revenues	$ 8,836,591	$ 7,834,638

Wireline revenues are classified above as follows:

- Customer revenues include end user charges, such as the subscriber line charge, the federal universal service charge, and access recovery charge.
- Universal Service Support includes the HCLS, CAF BLS, and CAF ICC.
- All access charge and settlement revenue, except as described above, are classified as intercarrier revenue.

Note 7 – Related-Party Transactions

Services are performed for the Cooperative by associated companies, which are related through common ownership. The services received include long distance and broadband transport. During 2018 and 2017, the Cooperative received services from associated companies totaling $707,772 and $716,812, respectively.

MOSSADAMS

Report of Independent Auditors on Supplementary Information

Board of Directors
Logan Telephone Cooperative, Inc.

We have audited the consolidated financial statements of Logan Telephone Cooperative, Inc. and subsidiary as of and for the year ended December 31, 2018, and our report thereon dated March 21, 2019, which contained an unmodified opinion on those consolidated financial statements appears on page 1. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating balance sheet detail and consolidating statement of income detail are presented for purposes of additional analysis rather than to present financial position, results of operations and cash flows of the individual companies, and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The 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 supplementary information is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

Moss Adams LLP

Overland Park, Kansas
March 21, 2019

Logan Telephone Cooperative, Inc.
Consolidating Balance Sheet Detail
December 31, 2018

	Logan Telephone Cooperative, Inc.	Cellular Division of Logan Telephone Cooperative, Inc.	Eliminations	Consolidated
CURRENT ASSETS				
Cash and cash equivalents	$ 5,729,188	$ 47,816	$ -	$ 5,777,004
Investments	275,052	-	-	275,052
Accounts receivable				
Customers, net	16,599	-	-	16,599
Interexchange carriers and NECA	897,327	-	-	897,327
Related party	1,157	39,460	-	40,617
Material and supplies	446,144	-	-	446,144
Prepaid income taxes	162,590	(14,778)	-	147,812
Other current assets	173,510	-	-	173,510
Total current assets	7,701,567	72,498	-	7,774,065
NONCURRENT ASSETS				
Investment in affiliates	41,354,551	37,151,231	(35,416,338)	43,089,444
Long-term investments	2,986,619	-	-	2,986,619
Other noncurrent assets	614,668	-	-	614,668
Total noncurrent assets	44,955,838	37,151,231	(35,416,338)	46,690,731
PROPERTY, PLANT, AND EQUIPMENT				
Regulated plant in service	67,355,672	-	-	67,355,672
Regulated plant under construction	3,493,410	-	-	3,493,410
Nonregulated plant in service	353,975	-	-	353,975
	71,203,057	-	-	71,203,057
Less accumulated depreciation and amortization	35,462,535	-	-	35,462,535
Net property, plant, and equipment	35,740,522	-	-	35,740,522
Total assets	$ 88,397,927	$ 37,223,729	$ (35,416,338)	$ 90,205,318

	Logan Telephone Cooperative, Inc.	Cellular Division of Logan Telephone Cooperative, Inc.	Eliminations	Consolidated
CURRENT LIABILITIES				
Accounts payable	$ 1,082,084	$ -	$ -	$ 1,082,084
Advance billing and customer deposits	163,863	-	-	163,863
Other current liabilities	369,755	-	-	369,755
Total current liabilities	1,615,702	-	-	1,615,702
NONCURRENT LIABILITIES				
Deferred income taxes	-	1,807,391	-	1,807,391
Postretirement benefit obligation	988,626	-	-	988,626
Total noncurrent liabilities	988,626	1,807,391	-	2,796,017
MEMBERS' EQUITY				
Memberships issued	5,009	-	-	5,009
Common stock	-	1,100,000	(1,100,000)	-
Patronage capital	23,056,775	-	-	23,056,775
Retained margins	64,615,013	34,316,338	(34,316,338)	64,615,013
Accumulated other comprehensive loss	(1,883,198)	-	-	(1,883,198)
Total members' equity	85,793,599	35,416,338	(35,416,338)	85,793,599
Total liabilities and members' equity	$ 88,397,927	$ 37,223,729	$ (35,416,338)	$ 90,205,318

Logan Telephone Cooperative, Inc.
Consolidating Statement of Income Detail
Year Ended December 31, 2018

	Logan Telephone Cooperative, Inc.	Cellular Division of Logan Telephone Cooperative, Inc.	Eliminations	Consolidated
OPERATING REVENUES				
Wireline	$ 8,836,591	$ -	$ -	$ 8,836,591
Internet	2,475,501	-	-	2,475,501
Miscellaneous	459,145	-	-	459,145
Net operating revenues	11,771,237	-	-	11,771,237
OPERATING EXPENSES				
Plant specific	1,540,707	-	-	1,540,707
Plant nonspecific	723,858	-	-	723,858
Depreciation and amortization	3,284,799	-	-	3,284,799
Customer	617,493	-	-	617,493
Corporate	1,149,237	-	-	1,149,237
Operating Income Tax	444,044	-	-	444,044
Nonregulated	2,127,639	27,097	-	2,154,736
Total operating expenses	9,887,777	27,097	-	9,914,874
Net operating margins	1,883,460	(27,097)	-	1,856,363
NONOPERATING INCOME (EXPENSE)				
Income from affiliates	3,385,799	3,793,882	(2,775,912)	4,403,769
Other nonoperating expenses	(9,865)	-	-	(9,865)
Interest and dividend income	102,079	444	-	102,523
Nonoperating income	3,478,013	3,794,326	(2,775,912)	4,496,427
NET MARGINS BEFORE INCOME TAXES	5,361,473	3,767,229	(2,775,912)	6,352,790
Income tax expense	8,991	991,317	-	1,000,308
NET MARGINS	$ 5,352,482	$ 2,775,912	$ (2,775,912)	$ 5,352,482