



Report of Independent Auditors
and Consolidated Financial Statements
with Supplementary Consolidating Schedules

Logan Telephone Cooperative, Inc. and Subsidiary

December 31, 2023 and 2022

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Report of Independent Auditors

The Board of Directors
Logan Telephone Cooperative, Inc. and Subsidiary

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of Logan Telephone Cooperative, Inc. and Subsidiary, which comprise the consolidated balance sheets as of December 31, 2023 and 2022, 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.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Logan Telephone Cooperative, Inc. and Subsidiary as of December 31, 2023 and 2022, 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.

We did not audit the financial statements of Bluegrass Networks, LLC (the limited liability company). The investment in the limited liability company was \$9,467,354 and \$8,814,839 as of December 31, 2023 and 2022, respectively, and the equity in its net income was \$652,515 and \$998,468, respectively, for the years then ended. The financial statements of the limited liability company 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 limited liability company, is based solely on the report of the other auditors.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Logan Telephone Cooperative, Inc. and Subsidiary and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 consolidated 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 consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Logan Telephone Cooperative, Inc. and Subsidiary's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 opinion. 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 GAAS 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 consolidated financial statements.

In performing an audit in accordance with GAAS, 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 consolidated 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 Logan Telephone Cooperative, Inc. and Subsidiary's 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Logan Telephone Cooperative, Inc. and Subsidiary's 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.



Overland Park, Kansas
March 8, 2024

Consolidated Financial Statements

Logan Telephone Cooperative, Inc. and Subsidiary
Consolidated Balance Sheets
December 31, 2023 and 2022

	2023	2022
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 6,600,536	\$ 14,638,779
Investments	43,094	384,904
Accounts receivable		
Customers, net	19,151	19,503
Interexchange carriers and NECA	894,401	788,245
Related party and other	142,561	58,377
Material and supplies	1,062,410	1,316,972
Prepaid income taxes	443,633	229,088
Other current assets	192,894	242,010
	9,398,680	17,677,878
NONCURRENT ASSETS		
Investments in affiliates	9,809,375	9,169,859
Long-term investments	51,449,037	51,864,883
Deferred income taxes	625,591	488,992
Other noncurrent assets	2,816,279	2,000,634
	64,700,282	63,524,368
PROPERTY, PLANT, AND EQUIPMENT		
Regulated plant in service	95,241,445	84,246,145
Regulated plant under construction	4,805,874	5,070,918
Nonregulated plant in service	1,245,022	908,541
	101,292,341	90,225,604
Less accumulated depreciation	39,648,703	39,388,737
	61,643,638	50,836,867
TOTAL ASSETS	\$ 135,742,600	\$ 132,039,113

See accompanying notes.

Logan Telephone Cooperative, Inc. and Subsidiary
Consolidated Balance Sheets
December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
LIABILITIES AND MEMBERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 1,975,358	\$ 1,457,205
Advance billing and customer deposits	230,958	236,696
Accrued income taxes	-	8,642
Other current liabilities	<u>159,686</u>	<u>315,225</u>
Total current liabilities	<u>2,366,002</u>	<u>2,017,768</u>
MEMBERS' EQUITY		
Memberships issued	6,257	6,034
Patronage capital	35,788,127	32,590,248
Retained margins	97,897,252	98,094,236
Accumulated other comprehensive loss	<u>(315,038)</u>	<u>(669,173)</u>
Total members' equity	<u>133,376,598</u>	<u>130,021,345</u>
TOTAL LIABILITIES AND MEMBERS' EQUITY	<u><u>\$ 135,742,600</u></u>	<u><u>\$ 132,039,113</u></u>

See accompanying notes.

Logan Telephone Cooperative, Inc. and Subsidiary
Consolidated Statements of Income
Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
OPERATING REVENUES		
Wireline	\$ 12,167,346	\$ 11,488,391
Internet	3,903,991	3,636,808
Miscellaneous	<u>160,618</u>	<u>198,325</u>
Net operating revenues	<u>16,231,955</u>	<u>15,323,524</u>
OPERATING EXPENSES		
Plant specific	1,756,393	1,589,931
Plant nonspecific	510,115	492,523
Depreciation and amortization	3,843,205	3,781,348
Customer	759,655	766,402
Corporate	1,673,895	1,593,263
Other operating taxes	601,769	561,995
Nonregulated	<u>3,687,406</u>	<u>3,381,598</u>
Total operating expenses	<u>12,832,438</u>	<u>12,167,060</u>
Net operating margins	<u>3,399,517</u>	<u>3,156,464</u>
NONOPERATING INCOME (EXPENSE)		
Income from affiliates	734,274	1,019,215
Other nonoperating expense	(1,800,548)	(2,743,315)
Investment income	<u>2,085,925</u>	<u>1,525,984</u>
Nonoperating income (expense)	<u>1,019,651</u>	<u>(198,116)</u>
NET MARGINS BEFORE INCOME TAXES	<u>4,419,168</u>	<u>2,958,348</u>
Income tax benefit	<u>(38,788)</u>	<u>(262,573)</u>
NET MARGINS	<u><u>\$ 4,457,956</u></u>	<u><u>\$ 3,220,921</u></u>

See accompanying notes.

Logan Telephone Cooperative, Inc. and Subsidiary
Consolidated Statements of Comprehensive Income
Years Ended December 31, 2023 and 2022

	2023	2022
NET MARGINS	\$ 4,457,956	\$ 3,220,921
Postretirement healthcare benefits		
Net gain arising during the period	4,749	2,720,901
Amortization of net loss	349,386	(1,738,473)
Other comprehensive income	354,135	982,428
COMPREHENSIVE INCOME	\$ 4,812,091	\$ 4,203,349

See accompanying notes.

Logan Telephone Cooperative, Inc. and Subsidiary
Consolidated Statements of Members' Equity
Years Ended December 31, 2023 and 2022

	Memberships Issued	Patronage Capital	Retained Margins	Accumulated Other Comprehensive Loss	Total Members' Equity
BALANCE, December 31, 2021	\$ 5,803	\$ 30,310,092	\$ 98,546,194	\$ (1,651,601)	\$ 127,210,488
Memberships issued	632	-	-	-	632
Patronage capital refunds and retirements	(401)	(1,392,723)	-	-	(1,393,124)
Allocation of 2021 patronage margin	-	3,672,879	(3,672,879)	-	-
Net margins	-	-	3,220,921	-	3,220,921
Other comprehensive income	-	-	-	982,428	982,428
BALANCE, December 31, 2022	6,034	32,590,248	98,094,236	(669,173)	130,021,345
Memberships issued	611	-	-	-	611
Patronage capital refunds and retirements	(388)	(1,457,061)	-	-	(1,457,449)
Allocation of 2022 patronage margin	-	4,654,940	(4,654,940)	-	-
Net margins	-	-	4,457,956	-	4,457,956
Other comprehensive income	-	-	-	354,135	354,135
BALANCE, December 31, 2023	<u>\$ 6,257</u>	<u>\$ 35,788,127</u>	<u>\$ 97,897,252</u>	<u>\$ (315,038)</u>	<u>\$ 133,376,598</u>

See accompanying notes.

Logan Telephone Cooperative, Inc. and Subsidiary
Consolidated Statements of Cash Flows
Years Ended December 31, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Net margins	\$ 4,457,956	\$ 3,220,921
Adjustments to reconcile net margin to cash from operating activities		
Depreciation and amortization	3,843,205	3,781,348
Nonregulated depreciation	125,972	105,258
Bond amortization and loss on sale of bonds	1,903,530	1,466,501
Income from affiliates	(734,274)	(1,019,215)
Deferred income taxes	(136,599)	(526,699)
Changes in operating assets and liabilities		
Accounts receivable	(189,988)	(561,933)
Materials and supplies	254,562	(327,624)
Other current assets	49,116	(21,348)
Accounts payable	518,153	434,333
Advance billing and customer deposits	(5,738)	(18,310)
Income taxes	(223,187)	(51,263)
Other current liabilities	(155,539)	166,218
Return on investments in affiliates	27,424	26,498
Postretirement benefits	(595,652)	(581,386)
	9,138,941	6,093,299
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property, plant, and equipment	(14,775,948)	(10,239,989)
Purchase of investments	(25,355,623)	(12,360,654)
Return of investment in affiliates	67,334	550,412
Proceeds from sales of investments	24,343,891	11,074,583
	(15,720,346)	(10,975,648)
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital credit retirements	(1,457,061)	(1,392,723)
Payment of members' subscriptions	(388)	(401)
Proceeds from members' contributions	611	632
	(1,456,838)	(1,392,492)

See accompanying notes.

Logan Telephone Cooperative, Inc. and Subsidiary
Consolidated Statements of Cash Flows
Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	\$ (8,038,243)	\$ (6,274,841)
CASH AND CASH EQUIVALENTS, beginning of year	<u>14,638,779</u>	<u>20,913,620</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 6,600,536</u>	<u>\$ 14,638,779</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION		
Cash paid during the year for		
Income taxes	<u>\$ 322,400</u>	<u>\$ 313,700</u>

See accompanying notes.

Logan Telephone Cooperative, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Note 1 – Summary of Significant Accounting Policies

Organization – Logan Telephone Cooperative, Inc. and Subsidiary (the Cooperative), a cooperative organized in the state of Kentucky, is a regulated local exchange telephone company providing telephone and internet service to its 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 consolidated 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 consolidated 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 consolidated 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 and universal service support.

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 \$1,000,000 as of December 31, 2023 and 2022, respectively. Collateral pledged on these investments in repurchase agreements amounted to \$1,238,417 and \$1,709,050 as of December 31, 2023 and 2022, respectively. Repurchase agreements have been included in cash and cash equivalents at both December 31, 2023 and 2022.

Logan Telephone Cooperative, Inc. and Subsidiary

Notes to Consolidated Financial Statements

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 ten 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. Cooperative management believes it has established adequate reserves for any risk associated with these receivables. The allowance for credit losses was \$500 at December 31, 2023 and 2022.

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 consolidated income statement and added to the respective investment account. Under the equity method of accounting, dividends or returns of capital reduce the investment balance. The Cooperative has elected the cumulative earnings approach to account for distributions received from equity method investments. Under this approach, distributions are classified as operating on the consolidated statements of cash flows unless cumulative distributions received, less distributions received in prior years determined to be returns of investment, exceed cumulative equity in earnings recognized by the Cooperative, in which case the excess is considered investing.

Investments and Long-term investments – Debt securities to which the Cooperative has the positive intent and ability to hold are classified as held to maturity and stated at amortized cost.

Equity securities are stated at fair value, with realized and unrealized gains and losses reported as other investment income on the consolidated statements of income.

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.

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.

Logan Telephone Cooperative, Inc. and Subsidiary

Notes to Consolidated Financial Statements

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 of directors, 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 are included in other comprehensive income.

Income taxes – In 2023 and 2022, 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 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%. As of December 31, 2023 and 2022, 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.

Revenue recognition – The Cooperative provides local telephone, network access, long-distance, and broadband services to end user and enterprise customers within its geographic footprint. The majority of the Cooperative's end user customer revenue is based on month-to-month contracts while larger enterprise customers have contracts with defined terms of service that can range from one to five years.

The Cooperative recognizes revenue for services as it provides the applicable service or when control of a product is transferred. Recognition of certain payments received in advance of services provided is deferred until the service is provided i.e., when the Cooperative satisfies its performance obligation.

Logan Telephone Cooperative, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Customer contracts that include both equipment and services are evaluated to determine whether performance obligations are separable. If the performance obligations are deemed separable and separate earnings process exists, the total transaction price with the customer is allocated to each performance obligation based on the relative standalone selling price of the separate performance obligation. The standalone selling price is the price charged to similar customers for the individual services or equipment.

Local telephone and internet revenues are recognized over the period a customer is connected to the network. These services are generally billed in advance but recognized in the month that service is provided.

The Cooperative offers bundle discounts to customers who receive multiple services. These bundle discounts are included in the total transaction price with the customer which is allocated to the various services in the bundled offering based on the standalone selling price of services included in each bundled offering.

Network access and long-distance service revenues are derived from charges for access to the Cooperative's local exchange network and 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 based on an estimate of the Cooperative'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 2023 and 2022 for adjustments related to prior-year differences between the recorded estimates and actual revenues. Management does not anticipate that 2023 and 2022 recorded revenues will require significant adjustments in future years.

Network access and long-distance services included within network access is billed in arrears based on per minute charges. Network access service revenue also includes universal service support revenue which is intended to compensate the Cooperative 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 Cooperative'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-ICC base. The CAF-ICC base is reduced by 5% each year in determining CAF-ICC support.

Miscellaneous revenues include contractually determined arrangements for the provision of various services incident to the Cooperative's core service offerings and are recognized in the period when the services are performed.

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.

Logan Telephone Cooperative, Inc. and Subsidiary

Notes to Consolidated Financial Statements

- 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.

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.

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, 2023 and 2022, revenues from Universal Service support represent approximately 56% and 55%, respectively, of net operating revenues.

Advertising expenses – The Cooperative expenses advertising costs as incurred. Advertising expenses during the years ended December 31, 2023 and 2022 were \$112,328 and \$109,389, 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 investments in Note 2 and postretirement benefit plan assets in Note 5.

Logan Telephone Cooperative, Inc. and Subsidiary

Notes to Consolidated Financial Statements

The estimates of fair value require the application of broad assumptions and estimates. Accordingly, any actual exchange of such financial instruments could occur at values significantly different from the amounts disclosed. As such cash and cash equivalents, current investments, current receivables, materials and supplies, other current assets, current payables, current advanced billings and customer deposits, current accrued income tax, and other current liabilities are all short-term in nature and their carrying amounts approximate fair value. The carrying amounts of long-term investments approximate fair value except for equity method investments. The carrying amount of deferred income taxes and postretirement benefits is adjusted based on actuarial assumptions and market conditions and approximates fair value. Equity method investments are not intended for resale and are not readily marketable.

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.

Recently adopted accounting standards – As of January 1, 2023, the Cooperative adopted FASB Accounting Standards Update (ASU) No. 2016-13, Measurement of Credit Losses on Financial Instruments – Credit Losses (Topic 326). The ASU is applicable to certain financial assets measured at amortized cost and other commitments that may require annual credit exposure assessments. The adoption of this new standard did not have a material impact on the financial statements and related disclosures.

Subsequent events – Subsequent events are events or transactions that occur after the consolidated balance sheets date but before the consolidated 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 8, 2024, which is the date the consolidated financial statements are available to be issued.

Note 2 – Investments

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.

Logan Telephone Cooperative, Inc. and Subsidiary

Notes to Consolidated Financial Statements

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

	Ownership	2023	2022
Bluegrass Networks, LLC	20.00%	\$ 9,467,354	\$ 8,814,839
Bluegrass Telecom, LLC	20.00%	342,021	342,021
Kentucky RSA #3 Cellular General Partnership	25.00%	-	10,347
Cumberland Cellular Partnership	12.50%	-	2,652
Total		\$ 9,809,375	\$ 9,169,859

The assets, liabilities, equity, and the operations of Bluegrass Networks, LLC as of and for the years ended December 31 are as follows:

	2023	2022
Assets	\$ 48,439,659	\$ 45,347,055
Liabilities	(1,102,891)	(1,272,862)
Equity	\$ 47,336,768	\$ 44,074,193
Revenue	\$ 13,590,788	\$ 14,806,561
Expenses	(10,328,211)	(9,814,221)
Net margins	\$ 3,262,577	\$ 4,992,340

During 2023, the Kentucky RSA #3 Cellular General Partnership and Cumberland Cellular Partnership dissolved and the Cooperative received their final distributions from both entities.

Logan Telephone Cooperative, Inc. and Subsidiary
Notes to Consolidated Financial Statements

Other investments consist of the following at December 31:

	<u>2023</u>	<u>2022</u>
Current investments		
Debt securities	<u>\$ 43,094</u>	<u>\$ 384,904</u>
Other long-term investments		
Equity securities	11,101,965	9,582,925
Cash surrender value of life insurance	<u>22,016</u>	<u>29,926</u>
Total other long-term investments	<u>11,123,981</u>	<u>9,612,851</u>
Long-term debt securities		
Corporate bonds	16,515,422	23,738,707
Government bonds	23,249,365	18,513,325
Foreign bonds	<u>560,269</u>	<u>-</u>
Total long-term debt securities	<u>40,325,056</u>	<u>42,252,032</u>
Total investments	<u>\$ 51,492,131</u>	<u>\$ 52,249,787</u>

Unrealized gains on equity securities held at year-end totaled \$500,887 as of December 31, 2023. Equity securities are valued as Level 1 in the fair value hierarchy.

The fair market value of debt securities held at year-end totaled \$38,946,543 and \$37,064,739 as of December 31, 2023 and 2022, respectively.

The following is a schedule of bond maturities for each of the following years ending December 31:

Within 1 year	\$ 43,094
1 - 5 years	11,958,518
6 - 10 years	15,414,117
After 10 years	<u>12,952,421</u>
Total	<u>\$ 40,368,150</u>

Logan Telephone Cooperative, Inc. and Subsidiary

Notes to Consolidated Financial Statements

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	2023 Net Balance	2022 Net Balance
Regulated plant					
General support assets	6 – 37 years	\$ 6,573,889	\$ 3,933,978	\$ 2,639,911	\$ 2,829,491
Central office assets	8 – 13 years	10,959,812	7,725,828	3,233,984	3,175,145
Cable and wire facilities	10 – 45 years	77,707,744	27,511,550	50,196,194	39,248,278
Plant under construction	n/a	4,805,874	-	4,805,874	5,070,918
Total regulated plant		<u>100,047,319</u>	<u>39,171,356</u>	<u>60,875,963</u>	<u>50,323,832</u>
Nonregulated plant					
Internet equipment	5 years	<u>1,245,022</u>	<u>477,347</u>	<u>767,675</u>	<u>513,035</u>
Total		<u>\$ 101,292,341</u>	<u>\$ 39,648,703</u>	<u>\$ 61,643,638</u>	<u>\$ 50,836,867</u>

Note 4 – Income Taxes

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

	2023	2022
Current		
Federal	\$ 96,917	\$ 263,259
State	894	867
Deferred		
Federal and state	<u>(136,599)</u>	<u>(526,699)</u>
Total income tax benefit	<u>\$ (38,788)</u>	<u>\$ (262,573)</u>

For the years ended December 31, 2023 and 2022, tax benefit computed at the statutory rate differs from the amount of the benefit recorded in the consolidated financial statements. The difference relates primarily to the Cooperative patronage exclusion, permanent differences, prior year over and under accruals, and state income taxes.

Logan Telephone Cooperative, Inc. and Subsidiary

Notes to Consolidated Financial Statements

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

	2023	2022
Deferred tax assets		
Partnership basis difference	\$ 3,182	\$ 30,432
Capital loss carryforward/carryback	712,289	225,826
Unrealized losses on investments	-	232,734
	715,471	488,992
Deferred tax liabilities		
Unrealized gains on investments	(89,880)	-
Total deferred tax assets	\$ 625,591	\$ 488,992

Note 5 – Postretirement Benefits

Defined benefit plan – The Cooperative participates in a multiple-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 multiple-employer plans are different from single employer plans as follows:

(1) assets contributed to the multiple-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 multiple-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 2022 and 2021. At the date the consolidated financial statements were issued, Form 5500 was not available for the year ending 2023.

Plan Name	Employer Identification Number/Plan Number	Pension Protection Act Zone Status		Employer Contributions		Company Contributions Greater than 5% of Total Plan Contributions	Funding Improvement/ Rehabilitation Plan in Place	Surcharge s Imposed	Expiration Date of Collective- Bargaining Agreements	Minimum Contributions Required in the Future
		2022	2021	2023	2022					
Retirement and 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	\$ 328,081	\$ 350,949	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.

Logan Telephone Cooperative, Inc. and Subsidiary

Notes to Consolidated Financial Statements

NTCA implemented changes to the Retirement and Security in 2017 and at the time companies had a one-time option to prefund future surcharges. As incentive for prefunding its obligation, NTCA waived the variable rate premium the Cooperative 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, 2023 and 2022 was \$341,312 and \$402,643, respectively, and reported as other noncurrent assets.

Defined contribution plan – The Cooperative contributes 1% 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 2023 and 2022 were \$20,932 and \$19,615, respectively.

Other postretirement benefit plan – 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% and 0% of related costs based on hire and retirement eligibility dates.

Obligation and funded status of the other postretirement benefit plan – 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.

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:

	2023	2022
Accumulated postretirement benefit plan obligation	\$ (6,584,663)	\$ (6,542,424)
Plan assets at fair value	9,059,630	8,140,415
Funded status	\$ 2,474,967	\$ 1,597,991

The funded status of the defined postretirement health care plan is included in the other noncurrent assets line of the consolidated balance sheet.

Logan Telephone Cooperative, Inc. and Subsidiary

Notes to Consolidated Financial Statements

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

	2023	2022
Unrecognized net loss	\$ (315,038)	\$ (669,173)

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.

Other plan information – Other plan information is as follows at December 31:

	2023	2022
Net periodic benefit plan benefit	\$ (194,760)	\$ (230,439)

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, expected return on plan assets, and amortization of unrecognized gains/losses.

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

2024	\$ 390,317
2025	408,596
2026	417,294
2027	419,184
2028	434,678
2029 through 2034	2,045,817

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,	2023	2022
Expected return on plan assets	7.00	7.00
Discount rate	5.00	5.00

For measurement purposes, a 7% annual rate of increase in the per capita cost of covered health care benefits was assumed for 2023. The rate was assumed to decrease one-half of one percent each year to a rate of 5% and remain at that level thereafter.

Logan Telephone Cooperative, Inc. and Subsidiary

Notes to Consolidated Financial Statements

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.

The fair values of the Cooperative's post-retirement benefit plan assets at December 31, by asset category, are as follows:

Asset Type	Hierarchy Level	Percentage of Plan Assets		Fair Value	
		2023	2022	2023	2022
Fixed income	1	28%	25%	\$ 2,504,069	\$ 2,263,532
International equities	1	14%	13%	1,303,703	1,165,643
Low volatility equity	1	13%	12%	1,206,506	1,090,611
Domestic equities	1	16%	14%	1,426,315	1,280,982
Real estate	2	12%	11%	1,070,649	963,741
Private equity	2	10%	9%	878,004	789,698
ETFs	1	1%	1%	105,312	94,217
Cash	1	4%	3%	363,471	316,463
Bonds	2	2%	2%	201,601	175,528
Total				<u>\$ 9,059,630</u>	<u>\$ 8,140,415</u>

Note 6 – Operating Revenue

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

	2023	2022
Wireline		
Customer	\$ 1,292,164	\$ 1,393,546
Intercarrier		
Interstate	1,818,782	1,559,349
Intrastate	43,110	49,654
Universal Service Support, federal	<u>9,013,290</u>	<u>8,485,842</u>
Total wireline revenues	<u>\$ 12,167,346</u>	<u>\$ 11,488,391</u>

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.

Logan Telephone Cooperative, Inc. and Subsidiary

Notes to Consolidated Financial Statements

- 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.

The following table provides disaggregation of revenue from contracts with customers:

	For the Year Ended December 31, 2023		
	Revenue		
	Total	From Contracts With Customers	Other Revenue
Wireline	\$ 12,167,346	\$ 4,044,886	\$ 8,122,460
Internet	3,903,991	3,903,991	-
Miscellaneous	160,618	103,001	57,617
Total	\$ 16,231,955	\$ 8,051,878	\$ 8,180,077
	For the Year Ended December 31, 2022		
	Revenue		
	Total	From Contracts With Customers	Other Revenue
Wireline	\$ 11,488,391	\$ 4,043,702	\$ 7,444,689
Internet	3,636,808	3,636,808	-
Miscellaneous	198,325	141,101	57,224
Total	\$ 15,323,524	\$ 7,821,611	\$ 7,501,913

Wireline revenue includes revenues received from federal universal service programs and settlements which are not considered revenue from contracts with customers and are specifically scoped out of ASC 606. Miscellaneous revenues includes revenues received for rent and billing and collection services which are not considered revenue from contracts with customers and are scoped out of ASC 606. Revenue from contracts with customers is earned based on services performed over time.

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 2023 and 2022, the Cooperative received services from associated companies totaling \$630,215 and \$556,885, respectively.

Supplementary Consolidating Schedules

Report of Independent Auditors on Supplementary Information

The Board of Directors
Logan Telephone Cooperative, Inc. and Subsidiary

We have audited the consolidated financial statements of Logan Telephone Cooperative, Inc. and Subsidiary as of and for the year ended December 31, 2023, and our report thereon dated March 8, 2024, 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.



Overland Park, Kansas
March 8, 2024

Logan Telephone Cooperative, Inc. and Subsidiary
Consolidating Balance Sheet Detail
December 31, 2023

	Logan Telephone Cooperative, Inc.	Cellular Division of Logan Telephone Cooperative, Inc.	Eliminations	Consolidated
CURRENT ASSETS				
Cash and cash equivalents	\$ 6,407,134	\$ 193,402	\$ -	\$ 6,600,536
Investments	43,094	-	-	43,094
Accounts receivable				
Customers, net	19,151	-	-	19,151
Interexchange carriers and NECA	894,401	-	-	894,401
Related party and other	135,673	9,694	(2,806)	142,561
Material and supplies	1,062,410	-	-	1,062,410
Prepaid income taxes	215,438	228,195	-	443,633
Other current assets	192,894	-	-	192,894
	<u>8,970,195</u>	<u>431,291</u>	<u>(2,806)</u>	<u>9,398,680</u>
NONCURRENT ASSETS				
Investment in affiliates	10,249,993	342,021	(782,639)	9,809,375
Long-term investments	51,449,037	-	-	51,449,037
Deferred income taxes	613,458	12,133	-	625,591
Other noncurrent assets	2,816,279	-	-	2,816,279
	<u>65,128,767</u>	<u>354,154</u>	<u>(782,639)</u>	<u>64,700,282</u>
PROPERTY, PLANT, AND EQUIPMENT				
Regulated plant in service	95,241,445	-	-	95,241,445
Regulated plant under construction	4,805,874	-	-	4,805,874
Nonregulated plant in service	1,245,022	-	-	1,245,022
	<u>101,292,341</u>	<u>-</u>	<u>-</u>	<u>101,292,341</u>
Less accumulated depreciation and amortization	39,648,703	-	-	39,648,703
	<u>61,643,638</u>	<u>-</u>	<u>-</u>	<u>61,643,638</u>
TOTAL ASSETS	<u>\$ 135,742,600</u>	<u>\$ 785,445</u>	<u>\$ (785,445)</u>	<u>\$ 135,742,600</u>

Logan Telephone Cooperative, Inc. and Subsidiary
Consolidating Balance Sheet Detail
December 31, 2023

	Logan Telephone Cooperative, Inc.	Cellular Division of Logan Telephone Cooperative, Inc.	Eliminations	Consolidated
CURRENT LIABILITIES				
Accounts payable	\$ 1,975,358	\$ -	\$ -	\$ 1,975,358
Accounts payable, affiliates	-	2,806	(2,806)	-
Advance billing and customer deposits	230,958	-	-	230,958
Other current liabilities	159,686	-	-	159,686
	<u>2,366,002</u>	<u>2,806</u>	<u>(2,806)</u>	<u>2,366,002</u>
MEMBERS' EQUITY				
Memberships issued	6,257	-	-	6,257
Common stock	-	10,112,379	(10,112,379)	-
Patronage capital	35,788,127	-	-	35,788,127
Retained margins	97,897,252	(9,329,740)	9,329,740	97,897,252
Accumulated other comprehensive loss	(315,038)	-	-	(315,038)
	<u>133,376,598</u>	<u>782,639</u>	<u>(782,639)</u>	<u>133,376,598</u>
TOTAL LIABILITIES AND MEMBERS' EQUITY	<u>\$ 135,742,600</u>	<u>\$ 785,445</u>	<u>\$ (785,445)</u>	<u>\$ 135,742,600</u>

Logan Telephone Cooperative, Inc. and Subsidiary
Consolidating Statement of Income Detail
Year Ended December 31, 2023

	Logan Telephone Cooperative, Inc.	Cellular Division of Logan Telephone Cooperative, Inc.	Eliminations	Consolidated
OPERATING REVENUES				
Wireline	\$ 12,167,346	\$ -	\$ -	\$ 12,167,346
Internet	3,903,991	-	-	3,903,991
Miscellaneous	160,618	-	-	160,618
	<u>16,231,955</u>	<u>-</u>	<u>-</u>	<u>16,231,955</u>
Net operating revenues				
OPERATING EXPENSES				
Plant specific	1,756,393	-	-	1,756,393
Plant nonspecific	510,115	-	-	510,115
Depreciation and amortization	3,843,205	-	-	3,843,205
Customer	759,655	-	-	759,655
Corporate	1,673,895	-	-	1,673,895
Other operating taxes	601,769	-	-	601,769
Nonregulated	3,685,367	2,039	-	3,687,406
	<u>12,830,399</u>	<u>2,039</u>	<u>-</u>	<u>12,832,438</u>
Total operating expenses				
Net operating margins	<u>3,401,556</u>	<u>(2,039)</u>	<u>-</u>	<u>3,399,517</u>
NONOPERATING INCOME (EXPENSE)				
Income from affiliates	710,664	81,760	(58,150)	734,274
Other nonoperating expense	(1,800,548)	-	-	(1,800,548)
Investment income	2,085,496	429	-	2,085,925
	<u>995,612</u>	<u>82,189</u>	<u>(58,150)</u>	<u>1,019,651</u>
Total nonoperating income (expense)				
NET MARGINS BEFORE INCOME TAXES	4,397,168	80,150	(58,150)	4,419,168
Income tax expense (benefit)	<u>(60,788)</u>	<u>22,000</u>	<u>-</u>	<u>(38,788)</u>
NET MARGINS	<u>\$ 4,457,956</u>	<u>\$ 58,150</u>	<u>\$ (58,150)</u>	<u>\$ 4,457,956</u>

