



LOGAN
TELEPHONE COOPERATIVE

The logo features the word "LOGAN" in a large, bold, sans-serif font. The letter "O" is replaced by a stylized graphic of a globe with horizontal lines. Below "LOGAN" is the text "TELEPHONE COOPERATIVE" in a smaller, bold, sans-serif font. The background of the entire page is a dark blue space-themed image showing a curved horizon of Earth with city lights, overlaid with a network of glowing blue lines and rectangular nodes.

2016
Annual Report

The text "2016" is in a large, bold, blue font, and "Annual Report" is in a smaller, bold, white font. The background of this section is the same dark blue space-themed image as the rest of the page.

MANAGER'S MESSAGE

GREG HALE
GENERAL MANAGER

Hello Members! It's hard to believe that it's been a year since our last annual report. The Cooperative has been as busy as ever so this year has passed very quickly. I'm pleased to give you a report on our great progress and fill you in on the exciting things happening at Logan Telephone.

Our construction to deploy a fiber-to-the-home network continues. By the time we finish our current Auburn West project in the next few months, we will have reached about 40 percent of members since we began in the summer of 2013.

That's a lot of construction

in just three years! It is a huge undertaking to deliver world-class broadband to our members in our rural areas. We serve over 500 square miles, and the investment made by the Cooperative is approaching \$20 million to serve just 40 percent. The areas we will attempt to build in the future are even more rural, with fewer customers per mile, and will be even more expensive to build. Our ability to continue building depends heavily on good universal service policy and the continued success of our Bluegrass Cellular investment. Our next project is scheduled to begin in September and will take place in our Dunmor exchange in areas where we have a large number of homes and businesses. We are prioritizing our builds based on the number of broadband customers that we currently serve in the approximately 80 different wire centers that make up our network.

We have been talking about expected universal service reform for over five years now. A huge portion of our revenues come from the Universal Service Fund (USF), which is a big part of what allows us to build these great networks in our area. The Federal Communications Commission (FCC) finally released their reform order on March 30, 2016. The order is so complex that we are still in the process of evaluating how it will affect the revenues of the Cooperative. This evaluation is extremely important because USF revenues made up 48 percent of our total wireline revenues in 2015. We know that the FCC is reducing the amount of USF revenues we will receive in the future as they move the program from what we call the Universal Service Fund to the Connect America Fund (CAF). They are placing limits on the amount of investment that will be eligible for universal service support. We will continue our evaluation and hope that we can create a plan going forward with the ultimate goal of bringing fiber connectivity to as many members as possible.

The Cooperative remains in excellent financial condition. All construction that has been completed so far has been done without taking on any debt, and at the end of 2015, the Cooperative still had cash and investments totaling almost \$8 million. If we continue to invest in fiber, we expect that debt will be a necessary part of our strategy going forward, but it is uncommon for a company to be so far along in their fiber deployment without any debt. Our operating margin for 2015 was \$747,361. When we add in other income, which is primarily our portion of the Bluegrass Cellular margins, we had a net margin of \$5,555,813 for 2015. Our partnership in Bluegrass Cellular has been a real blessing to the Cooperative and is the biggest reason we are in such a great financial position going into major reforms of our wireline revenues.

The cash distributions we receive from Bluegrass Cellular also make it easier for the board to continue to retire capital credits to past and present members. In 2015 the Cooperative retired \$617,279 in capital credits, which puts the total amount retired at \$11,183,766 over the history of the Cooperative. That's a big WOW for me! Other communities would do almost anything to have a Cooperative delivering world-class service while also returning this much cash back to members to be further invested in the community. Due to your support of the Cooperative through your membership, the Cooperative is a huge driver of economic prosperity in our area.

Our biggest challenge remains trying to find a way to provide broadband to members without requiring a phone line. Even with the new reforms, the FCC rules for how we receive USF or CAF funding still make that almost impossible to do at this time. We will continue to work with the FCC to try and have them adopt rules that would make this financially possible in the future. This is by far the number one request we receive from members. We take every request seriously and will do our best to try and find ways to make it possible in the future.

We continue to explore other lines of business and hope to have some exciting announcements in the next several months. Stay tuned by reading our print and email newsletters. Also, liking our Facebook page is a great way to keep up with what is going on at your Cooperative as soon as news happens.

I hope to see you at our Annual Meeting on August 5 at Logan County High School where I will provide additional information, and we will gather to celebrate another successful year in the life of your Cooperative. If you need anything, please don't hesitate to send me an email or give me a call at the office. Your directors, our employees, and I thank you for the opportunity to serve your telecommunication needs through your Cooperative!

Greg Hale
General Manager

OFFICIAL NOTICE OF ANNUAL MEETING & ELECTION

Official notice is hereby given of the
63rd Annual Meeting

FRIDAY, AUGUST 5, 2016 AT 7:00 P.M.

Registration begins at 6:30 p.m. at:
Logan County High School
2200 Bowling Green Road
Russellville, Kentucky

At the Annual Meeting, you will elect members to represent you on the Logan Telephone Cooperative Board of Directors. The following candidates have been nominated:



JOHN LEE BARNES
Adairville 1



JEFF CAMPBELL
Adairville 2



EDDIE SCHWEERS
Lewisburg 2

Scholarship winners will be introduced. Refreshments will be served. Each member present will receive free gifts and will be eligible for cash and prizes at the end of the evening.

WISDOM... EXPERIENCE... DEDICATION

The directors are elected to serve the needs of the Cooperative and to recognize and report the needs and concerns of the members in their representative exchanges. Directors help to guide and facilitate important decisions that impact Logan Telephone Cooperative and its subsidiary. Each director demonstrates a sincere sense of dedication to his duties. Generous amounts of time and study are required of the board to ensure that the members have access to affordable, high-quality telecommunication services.



JOHN LEE BARNES
Box 55 • Adairville, KY 42202



JEFF CAMPBELL
4945 Schley Road • Adairville, KY 42202



COREN ESTES
211 Turner Road • Auburn, KY 42206



DONALD HOLLOWAY
1583 Dunmor Deer Lick Rd • Lewisburg, KY 42256



JERRY HUGHES
4898 Friendship Road • Auburn, KY 42206



EDDIE SCHWEERS
1264 Quality Road • Lewisburg, KY 42256



ALAN SMITH
635 Parker Road • Lewisburg, KY 42256



DON SULLIVAN
10311 Provo Road • Rochester, KY 42273

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Simply Give Us Your Email Address and/or Cell Phone Number and Get Entered in a Drawing to
WIN 1 YEAR OF FREE INTERNET SERVICE!
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Get one entry in the drawing per contact method provided.
(Limit 2 of each method)

The winner will be notified by the email address or cell phone number provided on September 2. The winner will then have 10 days to reply and verify their account. If you've already provided information in the past, you are still eligible. Just call or email us to get entered for your chance to win!

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TELEPHONE COOPERATIVE

Contact us today at
270-542-4121, 270-934-4121,
or by email at cservice@logantele.com
to get entered in the drawing.

RESTRICTIONS: Limit four total drawing entries per account (two for each method). Must be a Logan Telephone member. Residential customers only. Free year of Internet does not apply to the FiberNet 50 or FiberNet 100 services. Contract will be required if new Internet customer. Must provide a valid email address and/or cell phone number as the winner will be contacted by the method given and will have 10 days to respond and verify account or void prize. Prize cannot be transferred to another account. No purchase necessary. Employees and directors are not eligible. **Deadline: August 31, 2016.**

CONGRATULATIONS TO THREE DESERVING STUDENTS

Logan Telephone Cooperative has awarded educational scholarships to three local students who plan to further their education after high school. The 2016 scholarship winners are:

CHANLER STEENBERGEN



Chanler is the daughter of Ronnie and Kelley Steenberg. She plans to attend Western Kentucky University in the fall to pursue a degree in dental hygiene.

EASTON MAY



Easton is the son of William and Tasha May. He plans to attend Western Kentucky University to study physical therapy.

BRIANNA WOODEN



Brianna is the daughter of Brian and Chastity Wooden. She plans to attend Western Kentucky University in the fall to pursue a degree in elementary education.

The Logan Telephone Cooperative Educational Scholarships are awarded based on the applicant's written essay, financial considerations, grade point average, and involvement in extracurricular activities. To qualify for a scholarship, the applicant's parent(s) or guardian must have a good standing membership in the Cooperative.

This is the 19th year that Logan Telephone has awarded scholarships. Since 1998, LTC has awarded \$72,000 to local students to help further their education.

Scholarship winners will be introduced at the Cooperative's Annual Meeting on Friday, August 5.

We wish all three scholarship recipients the best of luck in their college endeavors.



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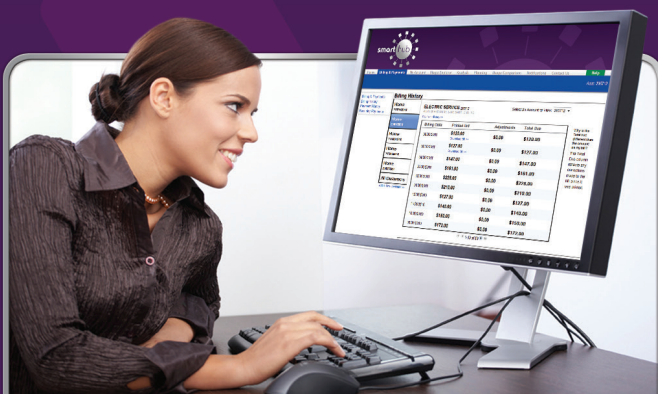


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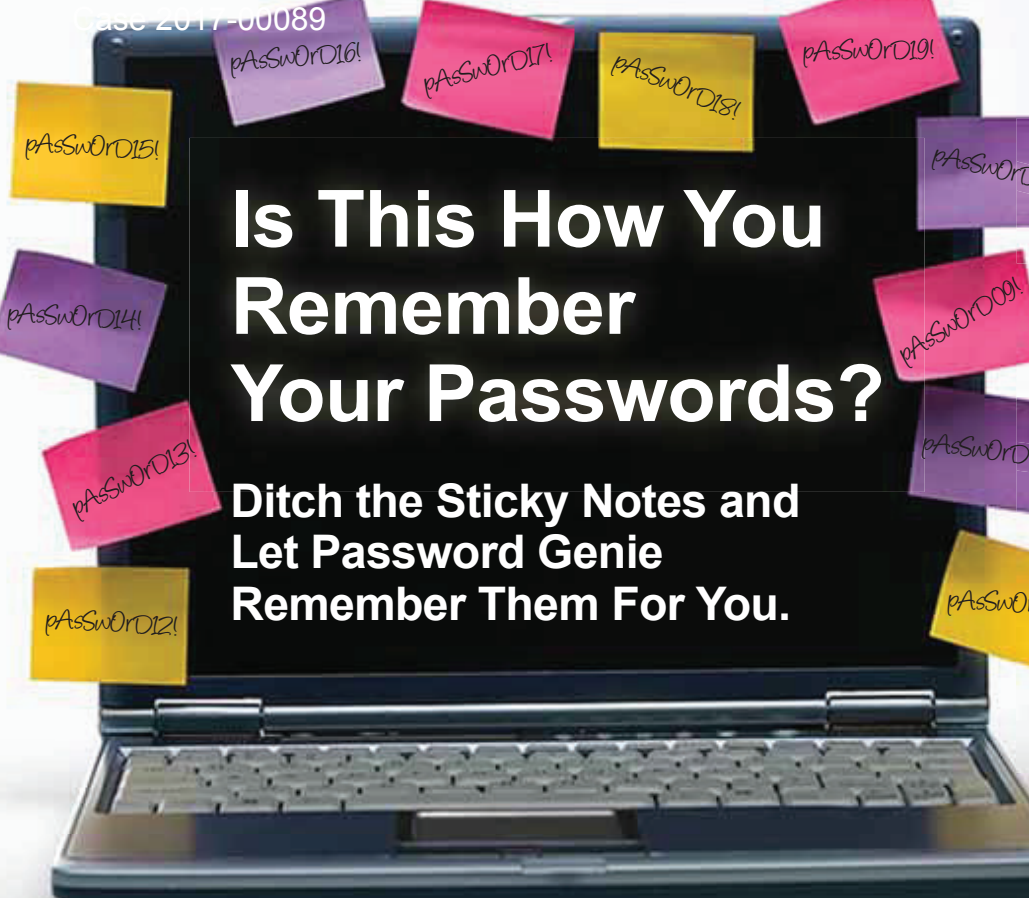
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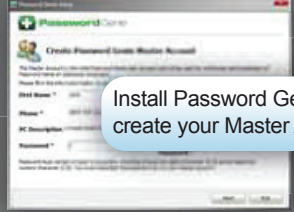
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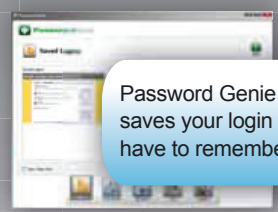


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CONSOLIDATED BALANCE SHEET

YEAR ENDING DECEMBER 31

ASSETS

	2015	2014
Cash and Cash Equivalents	\$4,148,390	\$8,971,453
Investments	981,997	1,271,672
Accounts Receivable (Net)	469,666	480,225
Materials and Supplies	537,224	339,400
Prepaid Income Taxes	-	505,068
Other Current Assets	<u>129,438</u>	<u>135,781</u>
TOTAL CURRENT ASSETS	\$6,266,715	\$11,703,599
Investments in Affiliates	\$34,404,741	\$32,050,469
Other Noncurrent Investments	2,688,724	3,068,826
Prepaid Postretirement Benefit Obligation	<u>-</u>	<u>293,733</u>
TOTAL NONCURRENT ASSETS	\$37,093,465	\$35,413,028
Telecommunications Plant in Service	\$62,028,656	\$50,892,211
Telecommunications Plant under Construction	3,782,322	5,718,218
Less Accumulated Depreciation	<u>36,031,334</u>	<u>34,360,185</u>
NET PROPERTY, PLANT, AND EQUIPMENT	\$29,779,644	\$22,250,244
TOTAL ASSETS	<u>\$73,139,824</u>	<u>\$69,366,871</u>

LIABILITIES AND EQUITY

Accounts Payable	\$829,108	\$1,105,140
Advanced Billing and Customer Deposits	123,634	106,914
Other Accrued Taxes	168,456	24,700
Other Current Liabilities	<u>430,494</u>	<u>291,947</u>
TOTAL CURRENT LIABILITIES	\$1,551,692	\$1,528,701
Deferred Income Taxes	\$2,520,958	\$3,260,033
Postretirement Benefit Obligation	<u>816,342</u>	<u>-</u>
TOTAL NONCURRENT LIABILITIES	\$3,337,300	\$3,260,033
Memberships Issued	\$4,992	\$4,936
Patronage Capital Credits	19,399,654	18,232,845
Retained Earnings	<u>48,846,186</u>	<u>46,340,356</u>
TOTAL MEMBERS' EQUITY	\$68,250,832	\$64,578,137
TOTAL LIABILITIES AND MEMBERS' EQUITY	<u>\$73,139,824</u>	<u>\$69,366,871</u>

FINANCIAL REPORT**CONSOLIDATED STATEMENT OF INCOME**

YEAR ENDING DECEMBER 31

	<u>2015</u>	<u>2014</u>
OPERATING REVENUES		
Wireline	\$6,955,572	\$6,729,566
Internet	1,944,719	1,810,472
Miscellaneous	<u>350,835</u>	<u>310,408</u>
TOTAL OPERATING REVENUES	\$9,251,126	\$8,850,446
OPERATING EXPENSES		
Plant Operations and Depreciation	\$4,470,713	\$4,753,459
Customer and Corporate Operations	1,655,619	1,729,654
Operating Taxes	533,704	457,194
Nonregulated	<u>1,843,729</u>	<u>1,937,967</u>
TOTAL OPERATING EXPENSES	\$8,503,765	\$8,878,274
NET OPERATING MARGINS	\$747,361	\$(27,828)
NONOPERATING INCOME (EXPENSE)		
Investment Earnings	\$6,152,411	\$4,478,261
Interest Income	86,527	96,243
Non-Operating Expenses	<u>(437)</u>	<u>(666)</u>
NET MARGINS BEFORE INCOME TAXES	\$6,985,862	\$4,546,010
Income Tax Expense	<u>1,430,049</u>	<u>1,668,262</u>
NET MARGINS	\$5,555,813	\$2,877,748
Other Comprehensive Income (Loss)	<u>(1,332,324)</u>	<u>623,236</u>
TOTAL COMPREHENSIVE INCOME	<u>\$4,223,489</u>	<u>\$3,500,984</u>



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