

60 years
OF MILESTONES

LOCAL matters!

SERVICE • ECONOMY • CONTENT



1954
Incorporation papers filed

1958
Began offering automated dial service in Russell, Adair and Cumberland

1959
First official annual meeting of 900 members

1960
Headquarters moved from Burkesville to Jamestown

1974
8-party line eliminated; 5,000 members strong

1980
Installed one of the first computerized digital switching offices in the state

1984
Four-party line eliminated

1999
Moved to new headquarters with drive-thru convenience

2000
High-speed Internet becomes available

2004
Digital TV services introduced

2009
Fiber optic cable services available

2014
myDuo app launches

A quick look across this annual report communicates one very strong message about Duo County Telecom.

We are local. And local matters.



THOMAS E. PRESTON
Chief Executive Officer

I work with this incredible crew of employees every day and I've seen many of these photos before. Yet even now when I look at them, I'm amazed, and proud.

You will not find a telecommunications company serving Adair, Russell

and Cumberland counties that is more invested in these communities than Duo County. Our dedication shows through the top-quality services we bring to your door, the growing line-up of local programming that keeps you informed and entertained, the community events we sponsor and support, and the smiles that we wear on our faces every day.

We are proud to be your service provider. And we're honored that you chose us. We know there are other options available and we take your commitment to this local cooperative seriously.

Duo County celebrates 60 years of business in south central Kentucky this year. We are more committed than ever to providing you with the best and most sophisticated communications technology available and exceptional customer service.

More importantly, we are committed to supporting and connecting our communities in every way possible — from providing much-needed funding to local schools to collecting donations for the Ronald McDonald House. Connections do not just happen through a 4G wireless signal. They are personal. They are local.

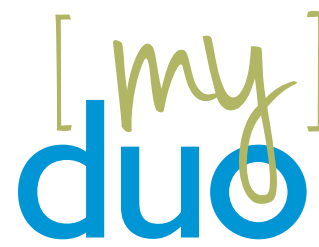
And local matters.



RCHS SWIM TEAM COVERAGE



FIBER OPTIC CABLE DEMONSTRATION



ANNUAL FINANCIAL STATEMENT

Duo County Telecom
Consolidated **BALANCE SHEET**
December 31, 2013

ASSETS

Current Assets:	
Cash & Temporary Cash Investments	\$10,487,670
Accounts Receivable, Less Allowance for Doubtful Accounts	1,573,215
Materials and Supplies	2,199,693
Accrued Interest Receivable	100,253
Prepaid Expenses	400,378
Total Current Assets	\$14,761,209

Other Assets:	
Long-Term Investments	\$25,904,234
Nonregulated Investments	182,326
Investment in Affiliated Companies:	43,451,088
Deferred Charges	32,435
Total Other Assets	\$69,570,083

Telecommunications Plant:	
Telecommunications Plant in Service	\$88,417,852
Telecommunications Plant Under Construction	14,461,106
Non-Operating Plant	52,008
Total Telecommunications Plant	\$102,930,966

Less Accumulated Depreciation	59,098,195
Telecommunications Plant Net	43,832,771

TOTAL ASSETS \$128,164,063

LIABILITIES & MEMBERS' EQUITIES

Current Liabilities:	
Current Portion of Long-Term Debt	\$184,125
Accounts Payable	1,039,612
Customer Deposits	12,050
Accrued Expenses	2,168,597
Total Current Liabilities	\$3,404,384

Deferred Income Taxes-Noncurrent \$9,059,996

Total Long-Term Liabilities \$9,059,996

Other Liabilities and Deferred Credits \$257,221

Members' Equities:	
Patronage Capital	\$48,354,832
Other Equities	68,592,015
Acc. Other Comprehensive Income/Loss	(2,748,694)
Other Member Capital	1,244,309

Total Members' Equities \$115,442,462

TOTAL LIABILITIES/MEMBERS' EQUITIES \$128,164,063



\$19 million

IN DIVIDENDS RETURNED TO MEMBERS SINCE 1988

Duo County Telecom
Consolidated **STATEMENT OF INCOME**
For Year Ended December 31, 2013

Operating Revenues:	
Local Network Services	\$8,445,289
Network Access Services	9,834,642
Carrier Billing and Collection	110,081
Miscellaneous Operating Revenue	1,765,272
Uncollectible Revenue	(109,354)
Total Operating Revenues	\$20,055,930

Operating Expenses:	
Plant Specific Operations	\$8,086,799
Plant Nonspecific Operations	1,648,505
Depreciation and Amortization	5,526,422
Customer Operations	1,575,845
Corporate Operations	2,480,437
Total Operating Expenses	\$19,318,008

Operating Income \$737,922

Non-Operating Income	
Provision for Income Taxes	\$10,312,005
Non-Operating Income Net of Taxes	(3,726,390)
Non-Operating Income Net of Taxes	6,585,615

Income Before Interest and Nonregulated Income \$7,323,537

Interest on Long-Term Debt to RUS (264,848)

Net of Interest Capitalized \$62,898

Non-Regulated Income \$1,131,334

Total Net Income \$8,190,023

Other Comprehensive Income	
Unrealized Loss on Assets on Postretirement Benefits	(493,669)
Unrealized Gain/Loss on Marketable Securities	533,276
TOTAL COMPREHENSIVE INCOME	\$8,229,630



COLUMBIA STORE



JAMESTOWN HEADQUARTERS

CONTACT US:

(270) 343-3131 [Russell]
(270) 378-4141 [Adair]
(270) 433-2121 [Cumberland]
duotel@duo-county.com

BOARD OF DIRECTORS

Bill Norris
Cumberland County,
President

Jerry D. Roy
Russell Springs,
Vice President

Sharon Hill
Jamestown, Secretary

Joseph Sparks
Adair County, Member

James E. Monin, MD
Jamestown, Member

Randy Hart
Russell Springs, Member

Douglas Butler
Cumberland County,
Member

Howard Kent Cooper
Legal Counsel

Thomas E. Preston
Chief Executive Officer



LOCAL matters!

SUPPORTING AND CONNECTING OUR COMMUNITY



2014 COMMUNITY REPORT



LOCAL service

DUO COUNTY DONATED A TOTAL OF
\$75,000

this year to Adair, Russell and Cumberland County schools for technology improvements.



DUO PRESENTS CHECK TO CUMBERLAND COUNTY SCHOOLS

FOR 15 YEARS,

Duo County has given a full-time, first-time freshman scholarship to a local student, who is selected by Lindsey Wilson College.

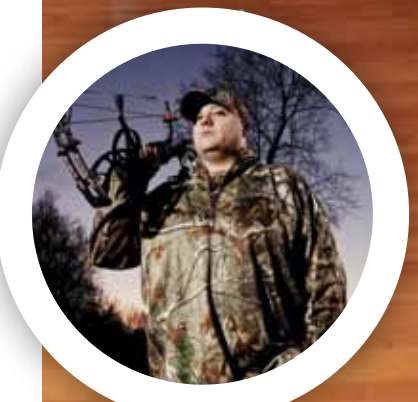


RUSSELL AND ADAIR COLLECT DONATIONS FOR RONALD MCDONALD HOUSE

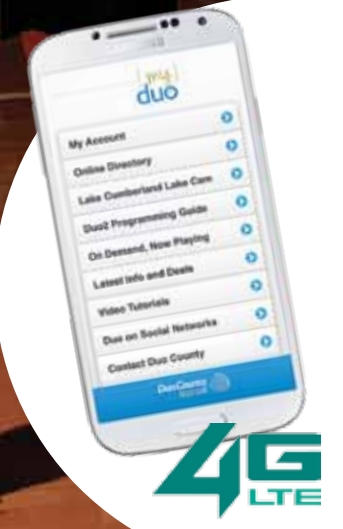
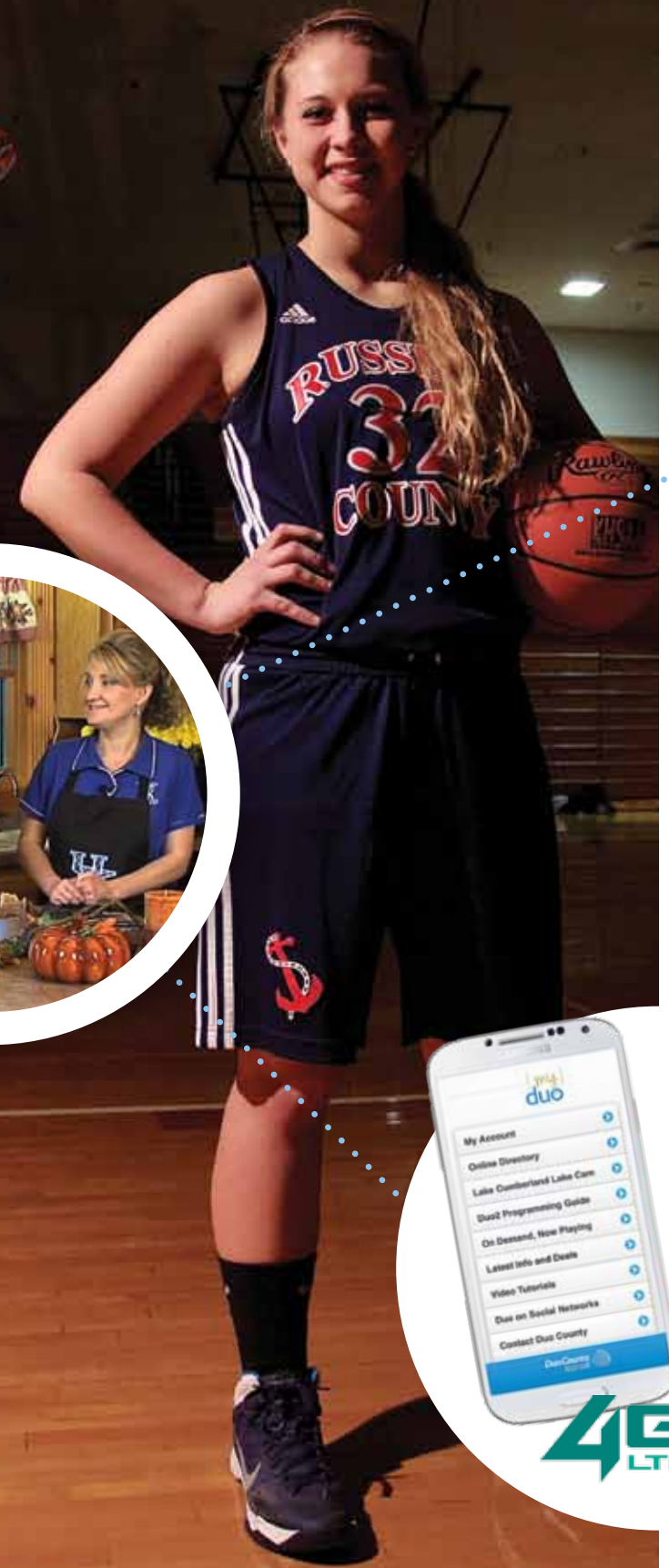
LOCAL content



PLATE IT UP, KENTUCKY PROUD



AARON OUTDOORS



4G LTE

WE'RE HERE TO SERVE

Whether we are answering a DuoCare customer service call or collecting items for the Ronald McDonald House donation drive, we believe in supporting our customers and our community. And by investing in local education, we accomplish both. Duo County recently provided funding to the three school districts in its coverage area for much-needed technology upgrades. The goal: Enhance the learning experience so students want to return home after college to work and raise their families. "This will affect the lives of so many Adair County students, and, in time, the local economy," Adair County Superintendent Alan Reed said.

IN 2013, Duo County added **31** HD channels to the Digital TV lineup

- AND, AIRED CLOSE TO
- 60 government meetings
 - 50 high school & college ballgames
 - 8 episodes of Plate It Up, Kentucky Proud
 - 7 local sports previews

DESIGNED JUST FOR YOU

At Duo County, we are completely focused on perfecting your entertainment experience — from producing local programming on Duo Channel 2 and adding to our Video on Demand line-up, to installing the cables and wireless signals through which that content is delivered. We expanded our Lightspeed fiber optic services to two more communities in 2013, and, partnering with Bluegrass Cellular, introduced 4G LTE wireless services to five communities in Adair, Cumberland and Russell counties. We also released our first app for iPhone and Android, myDuo, which allows you to view what's playing on VOD, pay your bill and even look up local telephone numbers.

LOCAL economy



CONGRESSMAN ED WHITFIELD SPEAKS AT DUO COUNTY

DUO COUNTY 2013 ANNUAL MEETING



DUO'S PORTFOLIO

48 employees

600,000+

\$ paid annually in local taxes

9,466

cooperative members

THE BEST RETURN ON INVESTMENT

Did you know that for every \$100 you spend with a locally owned business, \$68 stays in your community? When you do business with Duo County, there's one more advantage: ownership. As a member of your local telecommunications cooperative, you are represented by a local board of directors, and you earn your share of the company's financial success. To date, Duo County has returned almost \$19 million in dividends to its members. In return, Duo County strives to be a good steward of the local business community, staying involved with the Chambers of Commerce in the service area and providing excellent customer service.