

OTZ Telephone Cooperative, Inc.



# connective fibers



2017  
ANNUAL  
REPORT





## inside

2017 at a Glance.....	1
Letter to Members.....	2
Connective Fibers.....	3-4
Strengthening Ties.....	5-6
Scholarship Recipients	
Donation Recipients	
Accessibility for All	
Staff Members	
Board of Directors	
Financial Statement.....	7-8
Annual Meeting Minutes.....	9-10

## achievements

- Fiber-optic Connectivity to the world.
- Completion of fiber-optic ring around Kotzebue.
- New 4G LTE cellular switches and antennas installed in all villages except Ambler.
- Numerous central office and outside-plant upgrades.

## on the horizon

- Continued fiber-optic cable buildout and connections to Kotzebue businesses and homes.
- New 4G LTE cellular switch and antenna to be installed in Ambler in 2018.
- Activation of 4G LTE cell service throughout the region starting in 2018.
- Search for a new CEO, with hopes to hire locally.

## letter to members

May 1, 2018

Dear OTZ Members:



We want to thank you for being a member of the Cooperative. Between all of the fiber-optic work in Kotzebue and continuing to build-out our 4G Long Term Evolution (LTE) cellular network throughout the region, 2017 was another busy year for your Cooperative. OTZ works really hard to meet your expectations, and we do everything that we can possibly do to meet your telecommunications needs. Listed below is a brief summary of some of the highlights from 2017:

### Fiber-optic Connectivity to the Rest of the World!

For the first time ever, Kotzebue was able to move all of its telecommunications traffic off of satellite transport and onto Quintillion's undersea fiber-optic cable network. The cutover took place on December 15th, and while the transport is expensive, it is working just great. This was a huge project for OTZ. It required our technicians to move all of our central office equipment two separate times to make room for Quintillion's equipment — and all of this had to be done while still providing telecommunications services to our members. To have fiber-optic connectivity to the rest of the world is a tremendous benefit to the people throughout the region and we are just so glad and grateful that we have it. We want to thank the board and staff for all of their hard work in bringing this project to fruition!

### Fiber-optic Projects in Kotzebue

Our outside-plant crew has completed the fiber-optic ring around Kotzebue, and has begun connecting fiber-optic cable to businesses. This coming summer, and for the foreseeable future, we will continue to buildout and connect fiber-optic cable to both businesses and homes. The big advantage of fiber is that it is far less expensive to purchase and deploy than copper cable.

### Cellular Switches Installed in the Villages

During the summer of 2017, we installed new 4G LTE cellular switches and antennas in all the villages except Ambler. (We'll install Ambler's in 2018.) 4G LTE service is the state-of-the-art of wireless service at this time and is designed for high-speed data transmission. We are in the process of turning up 4G LTE service in all of the villages now.

Along with the above projects, we completed a substantial number of central office and outside-plant upgrades during the year as well. With all of our projects, we pay close attention to our budgets, doing all work up to code, and doing so safely.

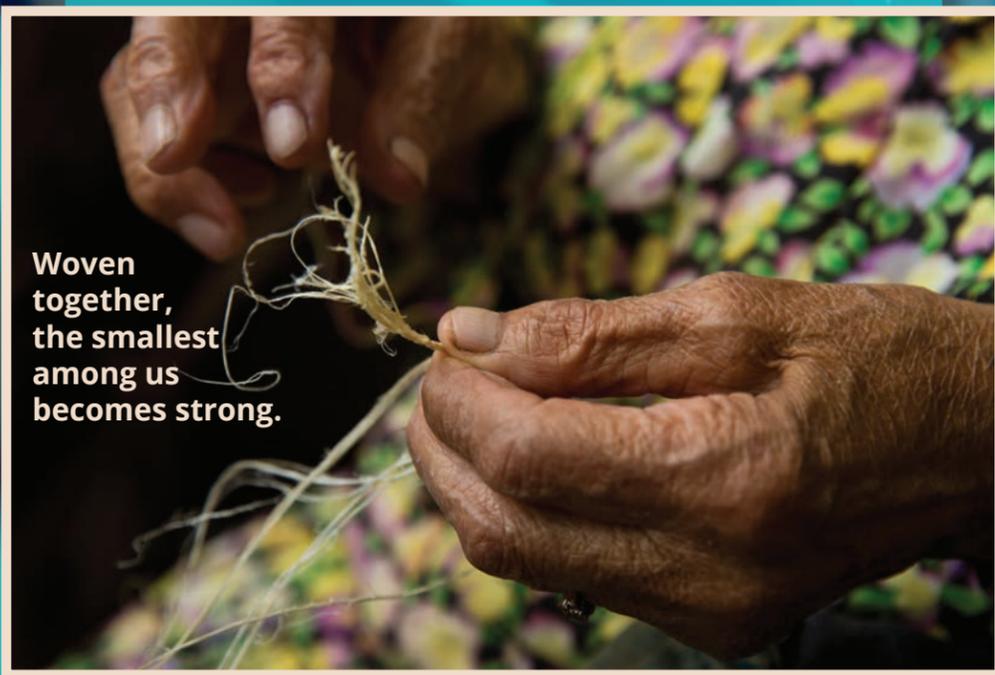
Looking ahead, I (Doug) plan to retire in 2019. The OTZ board is already well into the process of working with the National Telecommunications Cooperative Association to replace me. The board plans to begin actively recruiting for a new CEO during the latter part of this year — and would very much like to hire locally!

2018 promises to be another busy and productive year for us. We remain committed to serving you as members of the Cooperative, and we look forward to serving you for many years into the future! Taikuu.

Sincerely,

Doug Neal  
CEO

Marie N. Greene  
President



**Woven together, the smallest among us becomes strong.**

## connective fibers

The big news for 2017 was made up of tiny threads of glass. Like the sinew on the leg of a caribou or a stalk of grass, it's hard to imagine the power of a single strand. Until it comes together.

Connecting to the glass strands that comprise the new fiber-optic cable system delivers the power of lightning fast internet. Web pages will be more responsive. Videos won't buffer or skip. We can dependably connect with the rest of the world in essentially real time, without the satellite delay.

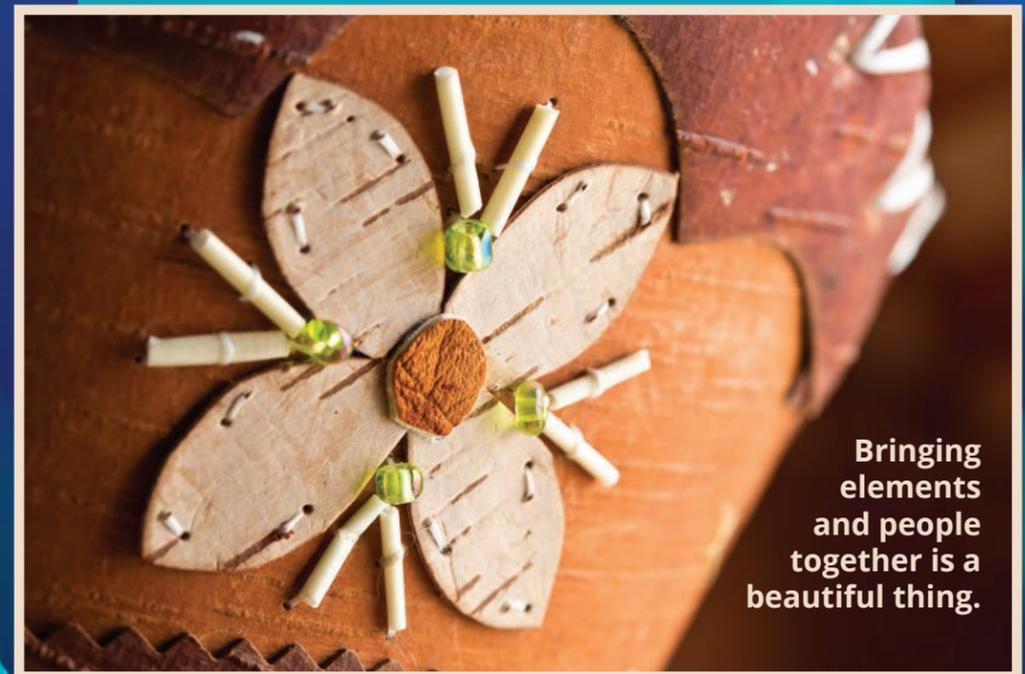
In December of 2017, OTZ made that connection live.

OTZ crews worked hard throughout the year to complete the main fiber optic ring around Kotzebue and have started connecting local businesses. In 2018 and into the future, OTZ will build offshoots of the main fiber to connect more and more businesses and homes to the fiber.

## invisible threads

In 2017, OTZ crews installed 4G LTE switches and antennas in nearly every village — laying the foundation for state-of-the-art wireless service. The one exception is Ambler, where crews completed a pad, purchased a building, and plan on completing work in 2018.

The LTE service in Kotzebue went live at the turn of the year and we currently are turning over existing GSM customers to LTE. Villages will follow, beginning with Noatak, and we will continue turn-up work through 2018 until all are connected.



**Bringing elements and people together is a beautiful thing.**

# strengthening ties

OTZ is proud to be a member of the community. We work hard every day to strengthen our relationship with you, both through our commitment to high quality service and by supporting education, activities and things important to all of us in the region.

## Zonna Lie-Ito OTZ Scholarship Winner

*Congratulations to Albert Kimmoktoak of Kotzebue!*

Albert will attend Colorado Mountain College and is interested in Information Technology. He will receive \$1,500 per year as a full-time college student as long as he maintains a GPA of 2.0 or higher.

## Donations & Sponsorship Recipients

In addition to funeral/bereavement donations for all members, and cell phones for Selawik and Noorvik members in good standing in 2017, OTZ donated to the following organizations:

- Midnight Sun Color Run to benefit I.F.O.P.A.
- KOTZ Radio Fund Drive
- Kotzebue New Year's Fireworks Display
- Kobuk 440 Dog Race

## Accessibility for All

OTZ is happy to comply with the spirit and intent of the Communications and Video Accessibility Act of 2010 (CVAA), FCC regulations and the Telecommunications Act of 1996, by offering the following and more:

- Single line local service on a flat rate basis.
- Local emergency service reached by dialing "911."
- Long distance, operator service and directory assistance (through interexchange carriers).
- Toll restriction services at customer's request.
- Lifeline and Linkup programs to qualifying low-income residential customers.
- Hearing aid compatible phones.



# connecting with you

## Your OTZ Telecommunications Staff

Stephanie Sampson  
Customer Service Rep

Sadie Ferguson  
Billing Clerk

Elvina Pete,  
Telco Temp Receptionist

Kristen Williamson  
2017 Student Intern

## Your OTZ Telephone Cooperative, Inc. Staff

Doug Neal, CEO

Chandra Abeyratne  
Harry Baldwin  
Skyler Baldwin  
Cindy Fields

Adam Greene  
Ann Howarth  
Mark Iten

Wilbur Karmun, Jr.  
Harold Lambert  
Donna McConnell  
Lucy Mae McConnell  
Grace Norton  
LeAnn Schaeffer  
Don Smith  
Richard Wells, Sr.

## Village Representatives

Bruce Barr (Deering)  
Melford Booth (Noatak)  
Alfred Cleveland (Shungnak)  
Brian Cleveland (Ambler)  
Verne Cleveland (Noorvik)  
Gary Jackson (Selawik)  
Kris McKay (Kobuk)  
Gary Swan (Kivalina)  
Rudy Thomas, Sr. (Buckland)

# guiding our way

## Your OTZ Telephone Cooperative, Inc. Board of Directors



Marie N. Greene  
President  
Dist. 5: Kotzebue



Larry D. Jones  
Vice President  
Dist. 4: Kivalina, Noatak, Red Dog



Jane Cleveland  
Secretary/Treasurer  
Dist. 1: Ambler, Kobuk, Shungnak



Gordon Newlin  
Dist. 2: Kiana, Noorvik, Selawik



Eunice Hadley  
Dist. 3: Buckland, Deering



Chester L. Ballot  
Dist. 6: Kotzebue



Charlie Gregg  
Dist. 7: Kotzebue

**OTZ TELEPHONE COOPERATIVE, INC. and SUBSIDIARY**

**Consolidated Balance Sheets**

December 31, 2017 and 2016

<b>Assets</b>	<u>2017</u>	<u>2016</u>
Current assets:		
Cash	\$ 980,001	\$ 1,538,952
Accounts receivable, less allowance for doubtful accounts of zero	1,214,865	1,270,874
Materials and supplies	524,404	489,358
Prepaid expenses	<u>55,636</u>	<u>47,144</u>
Total current assets	<u>2,774,906</u>	<u>3,346,328</u>
Other assets and investments:		
Other investments	305,023	448,657
Restricted cash	<u>33,688</u>	<u>27,046</u>
Total other assets and investments	<u>338,711</u>	<u>475,703</u>
Property, plant, and equipment:		
In service	37,785,539	35,487,147
Under construction	<u>325,983</u>	<u>368,734</u>
	38,111,522	35,855,881
Less accumulated depreciation	<u>26,125,093</u>	<u>24,183,196</u>
Property, plant, and equipment, net	<u>11,986,429</u>	<u>11,672,685</u>
Total Assets	<u>\$ 15,100,046</u>	<u>\$ 15,494,716</u>
<b>Liabilities and Members' Equity</b>		
Current liabilities:		
Current portion of long-term debt	\$ 1,000,000	\$ 1,000,000
Accounts payable and accrued expenses	1,008,012	842,973
Customer deposits	45,115	46,035
Deferred revenue	60,000	60,000
Advanced billing	<u>86,052</u>	<u>57,705</u>
Total current liabilities	<u>2,199,179</u>	<u>2,006,713</u>
Line of credit	650,000	-
Long-term debt, net of current portion	<u>5,250,000</u>	<u>6,250,000</u>
Total noncurrent liabilities	<u>5,900,000</u>	<u>6,250,000</u>
Deferred credits	<u>33,688</u>	<u>27,046</u>
Unclaimed capital credits	<u>301,332</u>	<u>296,233</u>
Members' equity:		
Memberships	5,660	6,130
Patronage capital	<u>6,660,187</u>	<u>6,908,594</u>
Total members' equity	<u>6,665,847</u>	<u>6,914,724</u>
Total Liabilities and Members' Equity	<u>\$ 15,100,046</u>	<u>\$ 15,494,716</u>

**OTZ TELEPHONE COOPERATIVE, INC. and SUBSIDIARY**

**Consolidated Statements of Operations**

Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Operating revenues:		
Local network	\$ 775,000	\$ 845,062
Network access	7,602,841	8,461,832
Billing and collection, directory, and other	161,751	94,232
Equipment sales and leases	212,463	160,598
Long distance	66,178	64,970
Cellular	275,444	362,580
Internet	<u>523,700</u>	<u>558,981</u>
Total operating revenues	<u>9,617,377</u>	<u>10,548,255</u>
Operating expenses:		
Plant specific	2,892,280	2,892,328
Plant nonspecific	536,077	590,618
Depreciation	1,941,898	1,759,204
Customer	347,114	384,209
Corporate	1,160,143	1,099,583
Operating taxes	155,590	107,726
Equipment sales and leases	182,684	197,229
OTZ Telecommunications	1,784,941	1,700,287
General and administrative	<u>595,868</u>	<u>755,093</u>
Total operating expenses	<u>9,596,595</u>	<u>9,486,277</u>
Operating margin	<u>20,782</u>	<u>1,061,978</u>
Other income (expense):		
Interest and dividend income	6,246	7,837
Interest expense	(341,017)	(300,107)
Allowance for funds used during construction	16,000	34,000
Other gain (losses), net	<u>49,582</u>	<u>(8,290)</u>
Total other expense	<u>(269,189)</u>	<u>(266,560)</u>
Net margin (loss)	<u>\$ (248,407)</u>	<u>\$ 795,418</u>

A complete copy of the consolidated financial statements audited by BDO LLP may be seen during regular office hours at: OTZ Telephone Cooperative, Inc., Kotzebue, Alaska.

## **ANNUAL MEETING MINUTES OTZ TELEPHONE COOPERATIVE, INC. May 15, 2017**

### **I. Call to Order**

At 7:00 p.m. on May 15, 2017, Board President Gordon Newlin called to order the Annual Meeting of Members of OTZ Telephone Cooperative, Inc. He shared with the members that we are on the air with KOTZ radio and thanked Ann Howarth for preparing for this annual meeting.

### **II. Invocation**

Gordon welcomed everyone to the meeting and Lena Hanna gave the invocation.

### **III. Determination of Quorum**

It was determined that with more than 50 members in attendance, a quorum was established.

### **IV. Early Bird Drawing**

After an explanation of how the raffle was going to be run, Ann Howarth and Stephanie Sampson conducted the early bird drawing. The first winner, attendee Donna McConnell gave her win to Helen Barger who picked the 12-pc Outdoor Portable Butcher Kit, the mail-in winner was Maggie Mitchell of Selawik. The second winner, attendee Beulah Commack, picked the 3-pc Aluminum Nonstick Frying Pan Set and the mail-in winner Lawrence & Amy Morris of Kiana.

### **V. Approval of Annual Meeting Minutes of May 17, 2016**

Claude Wilson Jr. moved to approve the minutes of the Annual Meeting of May 17, 2016. Seconded by Irene Stalker, which passed unanimously. Gordon then gave the next item to Chester L. Ballot.

### **VI. Election of Three Directors – from District 4 (Kivalina, Noatak, Red Dog); District 6 (Kotzebue); and District 7 (Kotzebue)**

Chester read the letter that was sent to all members notifying them of the annual meeting. He then thanked the nominating committee: Pierre Lonewolf, Sophie Foster, and Matt Bergan, all of Kotzebue. Chester then read the section of the bylaws that pertains to the process of nominating members to the board of directors. Chester then read the list of nominees for the three board seats:

District 4 (Kivalina, Noatak, Red Dog) – Stanley Hawley, Kivalina; Lowell Sage Jr., Kivalina; Nelda Swan, Kivalina; Magdeline E. Ahvakana, Noatak; and Larry D. Jones, Incumbent, Noatak. District 6 (Kotzebue) – Chester L. Ballot, Incumbent; and Tommy Geffe. District 7 (Kotzebue) – Charlie R. Gregg, Incumbent; Elizabeth Ito; and Nicole N. Stoops.

Chester notified the members that per the bylaws, he was required to request nominations from the floor. After a minute, hearing none, he noted that the nominations would now be closed.

Chester requested six volunteers from the membership to help Ann Howarth with counting the ballots. He then asked if there were any more ballots on the floor to be picked up. Chester then gave the meeting back to Gordon.

### **VII. New Business**

There was no New Business.

### **VIII. Reports**

#### **A. Board**

Gordon then introduced the board of directors. For District 1 (Ambler, Kobuk, Shungnak), Jane Cleveland; District 2 (Kiana, Noorvik, Selawik), Gordon Newlin; District 3 (Buckland, Deering), Eunice Hadley, Secretary/Treasurer; District 5 (Kotzebue), Marie N. Greene; District 6 (Kotzebue), Chester L. Ballot; and District 7 (Kotzebue), Charlie R. Gregg. Gordon notified the membership that Larry D. Jones, Vice-President, District 4 Kivalina, Noatak, Red Dog was unable to attend due to travel.

He gave the Scholarship Report and introduced the committee: Chester L. Ballot, Chair, Marie N. Greene and Eunice Hadley. He announced the winners for 2016, who were Lee Barr, Brandye Reich and Lloyd Walker, and for 2017 was Albert Kimoaktoak III.

He informed the membership that Kristina Woolston, Vice President of External Relations for Quintillion Networks, would join us to do a presentation and update on the undersea cable project.

He shared that with the implementation of the Alaska Plan, which was approved by the Federal Communication Commission in the latter part of 2016, the federal funding support will now enable OTZ to pursue some really exciting projects to our region.

He shared that the board meets monthly along with management to strategically plan for financial forecasting to include the cellular and fiber optic technology.

He also reported that cybersecurity has become a national concern and, to make sure everything is being done in this area to ensure best practices, the board created a Cybersecurity Committee. Members are Marie N. Greene, Charlie R. Gregg, Eunice Hadley and Mark Iten.

Gordon then informed the members that Chief Executive Officer Doug Neal has indicated that he has plans to retire in late 2018. He explained that with this in mind, the board has created a Succession Planning Committee, including Marie N. Greene, Larry D. Jones, Chester L. Ballot and Doug Neal.

Gordon then introduced CEO Doug Neal.

#### **B. Management**

Doug greeted the membership, and asked for past presidents to stand up. He recognized Ron Hogan and thanked him for all he did for the cooperative in the early days, his leadership in Kotzebue and at OTZ, and for encouraging him to apply for the manager's job 24 years ago.

He welcomed everyone to the meeting, including JG and those listening on KOTZ Radio and thanked the OTZ staff and board for all their hard work over the past year. He also thanked Ann for "putting this whole conference together."

He introduced and honored the OTZ management for their work, including Donna McConnell, Accounting, Billing and Front Office Supervisor; Mark Iten who runs the OTZ IT and cellular network; Don Smith, Purchasing Agent and "go-to guy"; and Harold Lambert now Outside Plant and Central Office Supervisor. Doug then welcomed Kristina from Quintillion.

He then discussed OTZ's financial future. He said that with the Federal Communications Commission (FCC) approval of the Alaska Plan, OTZ will now have the financial resources to do some exciting projects in the region, especially connecting to the undersea fiber optic cable. He stated that Alaska's congressional delegation, Senator Sullivan in particular, helped make that happen.

Turning to cellular service, Doug apologized to OTZ cell customers who experienced frustration with the reduced coverage when AT&T shut down its 2G network and OTZ had to move over to T-Mobile. He said OTZ hopes to make it up to customers when OTZ turn up the 4G LTE service.

He then reported on internet services and that he hopes businesses and residents of Kotzebue will have fiber optic connectivity in late 2017, when OTZ plans to roll out metered broadband internet packages in Kotzebue. He went on to explain the various data bucket options that the cooperative is working on and how the cost of service has changed over the years.

He then thanked the Ambler IRA for approving a land lease so OTZ could build a new central office switch and a new wireless switch there.

He then introduced Harold Lambert, who thanked Doug and all the OTZ members in the room and listening on the radio.

Harold proceeded to introduce and individually honor his team, including Wilbur Karmun, Chandra Abeyratne, Ricky Wells, Harry Baldwin, IT contractor Clark White, Skyler Baldwin, and Adam Greene. Harold continued honoring his guys in the field, including Brian Cleveland who takes care of Ambler, Rudy Thomas in Buckland, Bruce Barr in Deering, Gary Swan in Kivalina, Kris McKay in Kobuk, Melford Booth in Noatak, Verne Cleveland in Noorvik, Gary Jackson over in Selawik, and Alfred Cleveland in Shungnak. Harold then recognized his engineers and others: Gerald Gardner, Jeff Simpson, Mike Walls, project manager Helen Schwertz and consultant Brenda Schaeffer.

Harold then reported on 2016 projects. He said OTZ put in new ring of fiber around Kotzebue and completed substantial upgrades in the villages. He shared that OTZ acquired a new bucket truck for Kotzebue to help with construction.

For the upcoming projects, Harold said OTZ will be building a new central office building and switch in Ambler, continue work on preparations for the 4G LTE project and continue to work on the fiber system.

Harold then introduced Donna McConnell.

Donna introduced and honored her people in the Front Office and Accounting, including Lucy Mae McConnell, Cindy Fields, LeAnn Schaeffer, Grace Norton, Sadie Ferguson Wilson, and Stephanie Sampson.

She then gave the financial report, a summary from the Consolidated Financials that included activities of the Cooperative and Telecommunications.

Doug thanked Donna for her report.

He announced that Elizabeth Pierce, CEO of Quintillion Networks, was selected by the FCC Chairman to chair the Broadband Deployment Advisory Committee, a 14-member group of industry leaders to help the FCC.

He then introduced special guest Kristina Woolston, Vice President of External Relations for Quintillion. Kristina thanked Doug and everyone. She then updated the membership on the Quintillion project and said they are on schedule to turn on service to the area in December.

He thanked Kristina and then invited Brenda Schaeffer to give her report on the OTZ website development. Brenda greeted everyone and thanked Marie Greene for her hard work. Brenda explained that OTZ redesigned the whole website with the help of MSI Communications of Anchorage and went through details involved in the process. She concluded by saying she welcomes any comments or suggestions to the website.

Gordon thanked Doug and staff for the reports.

### **IX. Unfinished Business**

There was no Unfinished Business.

### **X. Election Results**

Ann thanked the ballot counters: Arthur Douglas Jr., Claude Wilson Jr., Suzan Howarth, Ellen Booth, Iva Baker and Alice Sheldon for helping with this process. She then presented the election results:

District 4 (Kivalina, Noatak, Red Dog) – Stanley Hawley, Kivalina 27 votes; Lowell Sage Jr., Kivalina 54 votes; Nelda Swan, Kivalina 44 votes; Magdeline E. Ahvakana, Noatak 36 votes; and Larry D. Jones, Incumbent, Noatak 125 votes. Winner was Larry D. Jones with 125 votes.

District 6 (Kotzebue) – Chester L. Ballot, Incumbent 208 votes; and Tommy Geffe 81 votes. Winner was Chester L. Ballot with 208 votes.

District 7 (Kotzebue) – Charlie R. Gregg, Incumbent 174 votes; Elizabeth Ito 58 votes; and Nicole N. Stoops 57 votes. Winner was Charlie R. Gregg with 174 votes.

She asked the membership if they had any questions about the cooperative, comments or about the services please come up to the microphone.

Tommy Geffe introduced himself and shared that he was born in Noorvik and is thankful someone picked him to be put on the ballot. He shared some of his background and experience with technology with the membership.

Bob Douglass came up and asked why there wasn't a webcam on the website. Ann replied that it has not been configured yet but is in the works.

Ann thanked Doug and the whole company for pitching in to make her job easier. She said she "just organizes it and they do all the work...then I get all the credit. But it is everybody that works at OTZ from 8 to 5 that helps me get prepared for this. So thanks to the staff for making me look good."

Ann informed the membership that if they have any questions, concerns or complaints they are more than welcome to put it in writing, mail it in or bring it by the office, open Monday through Friday from 8:00am to 5:00pm, and "we do work through lunch."

### **XI. Drawing of Door Prizes**

Ann and Stephanie volunteered to help with the final drawing. The drawing of door prizes was held and the following winners announced: attendee Lydia Killbear picked the Ugly Stik GX2 Spinning Rod Combo, the mail-in winner was Mary Booth Barger of Kotzebue; attendee Nicole Stoops picked the 100-Quart Coleman Performance Cooler, the mail-in winner was Vivian Lane of Kotzebue; attendee Tommy Geffe picked the Stanley Classic 1.1 Thermos, the mail-in winner was Mary Foster of Ambler; attendee Sheila Stein picked the set of 4 Stainless Steel Non-Slip Mixing Bowls, the mail-in winner was Doug Neal who gave the win to Lois Lane of Kotzebue; attendee LeAnn Schaeffer picked the Portable Folding Camp Chair, the mail-in winner was Kiki Kenworthy of Kotzebue.

The Grand Prize Drawing: attendee Lydia Killbear picked the Eskimo Shark Z71 10" Ice Auger, mail-in winner was Ron & Raven Hunnicutt of Kotzebue; attendee Sheila Stein picked 1 Drum of Gas or Stove Oil, the mail-in winner was Sidney Cleveland of Ambler; and final grand prize Vivian Lane picked the Samsung S7 Cell Phone, mail-in winner was Arlene Ballot of Selawik.

She thanked everyone who mailed in their ballots.

Gordon thanked Ann and Stephanie, and all the volunteers and the staff.

### **XII. Adjournment**

Judy Stein moved to adjourn, seconded by Claude Wilson Jr. The meeting adjourned at 8:30 p.m. Gordon closed by thanking the members and the meeting was adjourned.



**OTZ Telephone Cooperative, Inc.**

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Kotzebue, Alaska 99752

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[www.otz.net](http://www.otz.net)

Many different fibers connect us to friends, family and joy in our lives.

Photo credit:  
Chris Arend  
Photography

