

# THE TOLEDO TELEPHONE CO., INC. AND SUBSIDIARIES

## Consolidated Balance Sheets

December 31, 2016 and 2015

ASSETS	<u>2016</u>	<u>2015</u>
Current Assets:		
Cash and cash equivalents	\$ 1,877,155	\$ 1,276,016
Accounts receivable, less allowance for doubtful accounts of \$0 in 2016 and 2015	470,029	408,826
Marketable securities	3,079,892	2,911,806
Materials and supplies	302,093	560,994
Prepaid expenses	69,378	99,256
Income tax receivable	<u>-</u>	<u>474,556</u>
Total Current Assets	<u>5,798,547</u>	<u>5,731,454</u>
Other Assets and Investments:		
Non-regulated equipment, net	76,859	96,676
Other investments	<u>494,955</u>	<u>475,125</u>
Total Other Assets and Investments	<u>571,814</u>	<u>571,801</u>
Property, Plant, and Equipment:		
In service	35,802,950	35,406,333
Under construction	<u>201,891</u>	<u>464,524</u>
	36,004,841	35,870,857
Less accumulated depreciation	<u>17,693,353</u>	<u>16,195,130</u>
Property, Plant, and Equipment, net	<u>18,311,488</u>	<u>19,675,727</u>
	<u>\$ 24,681,849</u>	<u>\$ 25,978,982</u>

<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<u>2016</u>	<u>2015</u>
<b>Current Liabilities:</b>		
Current portion of long-term debt	\$ 995,113	\$ 915,826
Accounts payable	76,838	582,049
Accrued expenses	<u>37,963</u>	<u>57,172</u>
Total Current Liabilities	<u>1,109,914</u>	<u>1,555,047</u>
<b>Noncurrent Liabilities:</b>		
Deferred income taxes	1,705,056	1,514,071
Long-term debt	<u>14,213,465</u>	<u>15,511,631</u>
Total Noncurrent Liabilities	<u>15,918,521</u>	<u>17,025,702</u>
<b>Stockholders' Equity:</b>		
Common stock, \$10 par value, 5,000 shares authorized, 1,067 shares issued and outstanding	10,670	10,670
Retained earnings	7,529,336	7,335,903
Accumulated other comprehensive income	<u>113,408</u>	<u>51,660</u>
Total Stockholders' Equity	<u>7,653,414</u>	<u>7,398,233</u>
	<u>\$ 24,681,849</u>	<u>\$ 25,978,982</u>

**THE TOLEDO TELEPHONE CO., INC. AND SUBSIDIARIES**

**Consolidated Statements of Operations**

Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Operating Revenues:		
Local network	\$ 441,342	\$ 435,373
Network access	4,176,420	4,094,152
Long-distance	43,435	47,479
Miscellaneous	<u>44,625</u>	<u>(128,672)</u>
Total Operating Revenues	<u>4,705,822</u>	<u>4,448,332</u>
Operating Expenses:		
Plant specific	804,352	601,160
Plant nonspecific	519,203	424,769
Customer	309,537	298,405
Corporate	924,038	834,091
Depreciation	1,635,244	1,223,120
Income tax expense	10,800	222,159
Other operating taxes	<u>191,539</u>	<u>287,811</u>
Total Operating Expenses	<u>4,394,713</u>	<u>3,891,515</u>
Operating Income	<u>311,109</u>	<u>556,817</u>
Other Income (Expense):		
Interest and dividends	121,205	184,123
Allowance for funds used during construction	117	234,394
Non-regulated operations, net	456,226	411,779
Other income (expense)	(247,826)	23,408
Nonoperating income tax expense	<u>(151,900)</u>	<u>(206,305)</u>
Total Other Income, net	<u>177,822</u>	<u>647,399</u>
Income Before Interest Expense	488,931	1,204,216
Interest Expense	<u>295,498</u>	<u>361,418</u>
Net Income	<u>\$ 193,433</u>	<u>\$ 842,798</u>

**THE TOLEDO TELEPHONE CO., INC. AND SUBSIDIARIES**

**Consolidated Statements of Comprehensive Income**

Years Ended December 31, 2016 and 2015

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	<u>2016</u>	<u>2015</u>
Net Income	\$ <u>193,433</u>	\$ <u>842,798</u>
Other Comprehensive Income (Loss):		
Unrealized holding gains (losses) arising during the year	90,174	(135,551)
Less: Reclassification adjustment for (gains) losses included in net income	(141)	8,780
Deferred income tax (expense) benefit related to other comprehensive income	<u>(28,285)</u>	<u>33,689</u>
Total Other Comprehensive Income (Loss)	<u>61,748</u>	<u>(93,082)</u>
Total Comprehensive Income	\$ <u><u>255,181</u></u>	\$ <u><u>749,716</u></u>

**THE TOLEDO TELEPHONE CO., INC. AND SUBSIDIARIES**  
**Consolidated Statements of Changes in Stockholders' Equity**  
**Years Ended December 31, 2016 and 2015**

	Common Stock	Retained Earnings	Accumulated Other Comprehensive Income	Total
Balance, December 31, 2014	\$ 10,670	\$ 6,493,105	\$ 144,742	\$ 6,648,517
2015 net income	-	842,798	-	842,798
Net change in other comprehensive income	-	-	(93,082)	(93,082)
Balance, December 31, 2015	10,670	7,335,903	51,660	7,398,233
2016 net income	-	193,433	-	193,433
Net change in other comprehensive income	-	-	61,748	61,748
Balance, December 31, 2016	<u>\$ 10,670</u>	<u>\$ 7,529,336</u>	<u>\$ 113,408</u>	<u>\$ 7,653,414</u>

**THE TOLEDO TELEPHONE CO., INC. AND SUBSIDIARIES**

**Consolidated Statements of Cash Flows**

Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities:		
Net income	\$ 193,433	\$ 842,798
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	1,635,244	1,223,120
Non-regulated depreciation	73,824	35,118
Change in deferred taxes	162,701	761,599
(Gains) losses on sale of marketable securities	(141)	8,780
Patronage allocations received	(2,216)	(7,069)
Changes in operating assets and liabilities:		
Accounts receivable	(61,203)	115,029
Materials and supplies	258,901	(25,762)
Prepaid expenses	29,878	521
Income tax receivable	474,556	(451,136)
Accounts payable	(482,924)	(354,856)
Accrued expenses	(19,209)	(9,552)
Deferred grant revenue	-	(23,075)
	<u>2,262,844</u>	<u>2,115,515</u>
Net Cash Provided by Operating Activities		
Cash Flows from Investing Activities:		
Capital expenditures	(3,232,281)	(4,319,781)
Change in other investments	(17,614)	(29,187)
Purchases of marketable securities	(96,787)	(352,848)
Proceeds from sales of marketable securities	18,874	228,229
Plant removal costs	-	(14,322)
Purchases of non-regulated equipment	(54,007)	(65,917)
	<u>(3,381,815)</u>	<u>(4,553,826)</u>
Net Cash Used by Investing Activities		

	<u>2016</u>	<u>2015</u>
Cash Flows from Financing Activities:		
Proceeds from long-term debt	\$ 2,835,723	\$ 3,295,320
Payments on long-term debt	<u>(1,115,613)</u>	<u>(963,765)</u>
Net Cash Provided by Financing Activities	<u>1,720,110</u>	<u>2,331,555</u>
Net Increase (Decrease) in Cash and Cash Equivalents	601,139	(106,756)
Cash and Cash Equivalents, beginning	<u>1,276,016</u>	<u>1,382,772</u>
Cash and Cash Equivalents, ending	<u>\$ 1,877,155</u>	<u>\$ 1,276,016</u>
Cash Paid During the Year for:		
Interest, net of amount capitalized	<u>\$ 295,381</u>	<u>\$ 127,024</u>
Income taxes	<u>\$ -</u>	<u>\$ 132,000</u>
Non-Cash Investing and Financing Activity:		
Additions to property, plant and equipment included in accounts payable	<u>\$ 22,287</u>	<u>\$ 3,436,755</u>
Reclassification of accounts payable to long-term debt	<u>\$ -</u>	<u>\$ 2,938,988</u>