

TENINO TELEPHONE COMPANY

(A Wholly-Owned Subsidiary of
Scatter Creek, Ltd.)

Reviewed Financial Statements

December 31, 2017 and 2016

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(A Wholly-Owned Subsidiary of Scatter Creek, Ltd.)

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December 31, 2017 and 2016

INDEPENDENT ACCOUNTANT'S REVIEW REPORT 1

REVIEWED FINANCIAL STATEMENTS

Balance Sheets	2-3
Statements of Operations and Retained Earnings	4
Statements of Cash Flows	5-6
Notes to Financial Statements	7-15

Independent Accountant's Review Report

Board of Directors
Tenino Telephone Company
Tenino, Washington

We have reviewed the accompanying financial statements of Tenino Telephone Company (a wholly-owned subsidiary of Scatter Creek, Ltd.) (the "Company"), which comprise the balance sheets as of December 31, 2017 and 2016, and the related statements of operations and retained earnings and cash flows for the years then ended and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Accountant's Responsibility

Our responsibility is to conduct the review engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

JOHNSON, STONE & PAGANO, P.S.

February 23, 2018

REDACTED PER WAC 480-07-160

REVIEWED FINANCIAL STATEMENTS

TENINO TELEPHONE COMPANY
(A Wholly-Owned Subsidiary of Scatter Creek, Ltd.)

BALANCE SHEETS

December 31, 2017 and 2016

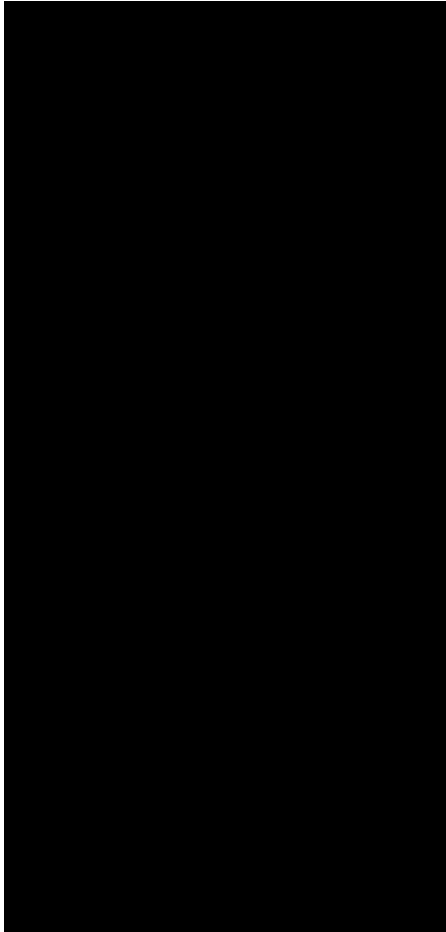
	2017	2016
<u>ASSETS</u>		
CURRENT ASSETS		
Cash		
Short-term investments		
Telecommunications accounts receivable, less allowance for doubtful accounts		
Prepaid expenses		
Recoverable federal income taxes		
Total Current Assets		
DUE FROM AFFILIATED COMPANIES		
NONCURRENT ASSETS		
Other investments		
Deferred federal income tax benefits		
Total Noncurrent Assets		
PROPERTY, PLANT AND EQUIPMENT		
Telecommunications plant in service		
Less allowances for depreciation		
Telecommunications plant under construction		
Total Telecommunications Plant		
TOTAL ASSETS		

TENINO TELEPHONE COMPANY
(A Wholly-Owned Subsidiary of Scatter Creek, Ltd.)

BALANCE SHEETS (Continued)

December 31, 2017 and 2016

	2017	2016
<u>LIABILITIES AND STOCKHOLDER'S EQUITY</u>		
CURRENT LIABILITIES		
Accounts payable		
Taxes, other than income taxes		
Deferred revenue		
Other current liabilities		
Total Current Liabilities		
DUE TO AFFILIATED COMPANIES		
Total Liabilities		
STOCKHOLDER'S EQUITY		
Common stock		
Par value \$100 per share		
Authorized - 1,000 shares		
Issued and outstanding - 972 shares		
Retained earnings		
Total Stockholder's Equity		
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY		



TENINO TELEPHONE COMPANY

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STATEMENTS OF OPERATIONS AND RETAINED EARNINGS

Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
OPERATING REVENUES		
Local network service revenues		
Network access service revenues		
Miscellaneous revenues		
Uncollectible deduction		
Total Operating Revenues		
OPERATING EXPENSES		
Plant specific operations		
Plant nonspecific operations		
Depreciation		
Customer operations		
Corporate operations		
Total Operating Expenses		
OPERATING TAXES (BENEFITS)		
Taxes, other than income		
Federal income tax benefits		
Total Operating Taxes (Benefits)		
Net Operating Loss		
OTHER INCOME (EXPENSE)		
Interest and dividend income		
Nonregulated income - net		
Miscellaneous expense		
Nonoperating federal income taxes		
Total Other Income		
NET LOSS		
Retained Earnings at Beginning of Year		
RETAINED EARNINGS AT END OF YEAR		

TENINO TELEPHONE COMPANY
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STATEMENTS OF CASH FLOWS

Years Ended December 31, 2017 and 2016

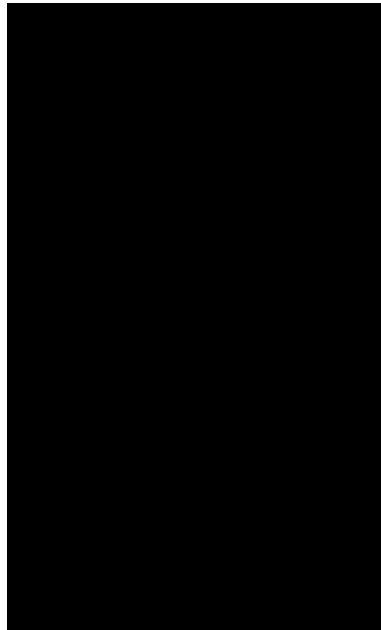
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss		
Adjustments to reconcile net loss to net cash provided by operating activities		
Depreciation of telecommunications plant		
Deferred federal income tax benefits		
Net change in operating assets and liabilities		
Net Cash Provided by Operating Activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Net change in short-term investments		
Additions to telecommunications plant		
Salvage on retired telecommunications plant		
Net Cash Used by Investing Activities		
CASH FLOWS FROM FINANCING ACTIVITIES		
Net change in due to affiliated companies		
Net Cash Provided (Used) by Financing Activities		
NET DECREASE IN CASH		
Cash at Beginning of Year		
CASH AT END OF YEAR		

TENINO TELEPHONE COMPANY
(A Wholly-Owned Subsidiary of Scatter Creek, Ltd.)

STATEMENTS OF CASH FLOWS (Continued)

Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
COMPONENTS OF NET CHANGE IN OPERATING ASSETS AND LIABILITIES		
(Increase) decrease in assets		
Telecommunications accounts receivable		
Prepaid expenses		
Recoverable federal income taxes		
Increase (decrease) in liabilities		
Accounts payable		
Taxes, other than income taxes		
Deferred revenue		
Other current liabilities		
Net Change in Operating Assets and Liabilities		
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Federal income taxes refunded		



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