

TENINO TELEPHONE COMPANY

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

Reviewed Financial Statements

December 31, 2014 and 2013

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

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December 31, 2014 and 2013

INDEPENDENT ACCOUNTANT'S REVIEW REPORT 1

REVIEWED FINANCIAL STATEMENTS

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1501 Regents Blvd., Suite 100
Fircrest, WA 98466-6060

Independent Accountant's Review Report

Board of Directors
Tenino Telephone Company
Tenino, Washington

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Johnson, Stone & Pagano, P.S.

JOHNSON, STONE & PAGANO, P.S.

February 17, 2015

REVIEWED FINANCIAL STATEMENTS

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

BALANCE SHEETS

December 31, 2014 and 2013

	2014	2013
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ [REDACTED]	\$ [REDACTED]
Short-term investments	[REDACTED]	[REDACTED]
Telecommunications accounts receivable, less allowance for doubtful accounts	[REDACTED]	[REDACTED]
Recoverable federal income taxes	[REDACTED]	[REDACTED]
Total Current Assets	[REDACTED]	[REDACTED]
NONCURRENT ASSETS		
Other investments	[REDACTED]	[REDACTED]
Deferred federal income tax benefits	[REDACTED]	[REDACTED]
Total Noncurrent Assets	[REDACTED]	[REDACTED]
PROPERTY, PLANT AND EQUIPMENT		
Telecommunications plant in service	[REDACTED]	[REDACTED]
Less allowances for depreciation	[REDACTED]	[REDACTED]
Telecommunications plant under construction	[REDACTED]	[REDACTED]
Total Telecommunications Plant	[REDACTED]	[REDACTED]
TOTAL ASSETS	\$ [REDACTED]	\$ [REDACTED]

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BALANCE SHEETS (Continued)

December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<u>LIABILITIES AND STOCKHOLDER'S EQUITY</u>		
CURRENT LIABILITIES		
Accounts payable	\$ [REDACTED]	\$ [REDACTED]
Taxes, other than income taxes	[REDACTED]	[REDACTED]
Other current liabilities	[REDACTED]	[REDACTED]
Total Current Liabilities	[REDACTED]	[REDACTED]
DUE TO AFFILIATED COMPANIES		
Total Liabilities	[REDACTED]	[REDACTED]
STOCKHOLDER'S EQUITY		
Common stock		
Par value \$100 per share		
Authorized - 1,000 shares		
Issued and outstanding - 972 shares	[REDACTED]	[REDACTED]
Retained earnings	[REDACTED]	[REDACTED]
Total Stockholder's Equity	[REDACTED]	[REDACTED]
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	\$ [REDACTED]	\$ [REDACTED]

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STATEMENTS OF OPERATIONS AND RETAINED EARNINGS

Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
OPERATING REVENUES		
Local network service revenues	\$ [REDACTED]	\$ [REDACTED]
Network access service revenues	[REDACTED]	[REDACTED]
Miscellaneous revenues	[REDACTED]	[REDACTED]
Uncollectible revenues (deduction)	[REDACTED]	[REDACTED]
	<hr/>	<hr/>
Total Operating Revenues	[REDACTED]	[REDACTED]
OPERATING EXPENSES		
Plant specific operations	[REDACTED]	[REDACTED]
Plant nonspecific operations	[REDACTED]	[REDACTED]
Depreciation	[REDACTED]	[REDACTED]
Customer operations	[REDACTED]	[REDACTED]
Corporate operations	[REDACTED]	[REDACTED]
	<hr/>	<hr/>
Total Operating Expenses	[REDACTED]	[REDACTED]
OPERATING TAXES (BENEFITS)		
Taxes, other than income	[REDACTED]	[REDACTED]
Federal income tax benefits	[REDACTED]	[REDACTED]
	<hr/>	<hr/>
Total Operating Taxes (Benefits)	[REDACTED]	[REDACTED]
Net Operating Loss	[REDACTED]	[REDACTED]
OTHER INCOME (EXPENSE)		
Interest and dividend income	[REDACTED]	[REDACTED]
Nonregulated income - net	[REDACTED]	[REDACTED]
Nonoperating federal income taxes	[REDACTED]	[REDACTED]
	<hr/>	<hr/>
Total Other Income	[REDACTED]	[REDACTED]
NET LOSS	[REDACTED]	[REDACTED]
Retained Earnings at Beginning of Year	[REDACTED]	[REDACTED]
RETAINED EARNINGS AT END OF YEAR	\$ [REDACTED]	\$ [REDACTED]

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STATEMENTS OF CASH FLOWS

Years Ended December 31, 2014 and 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ [REDACTED]	\$ [REDACTED]
Adjustments to reconcile net loss to net cash provided by operating activities		
Depreciation of telecommunications plant	[REDACTED]	[REDACTED]
Deferred federal income tax benefits	[REDACTED]	[REDACTED]
Net change in operating assets and liabilities	[REDACTED]	[REDACTED]
Net Cash Provided by Operating Activities	[REDACTED]	[REDACTED]
CASH FLOWS FROM INVESTING ACTIVITIES		
Net change in short-term investments	[REDACTED]	[REDACTED]
Additions to telecommunications plant	[REDACTED]	[REDACTED]
Cost of removal of telecommunications plant	[REDACTED]	[REDACTED]
Salvage on retired telecommunications plant	[REDACTED]	[REDACTED]
Net Cash Used by Investing Activities	[REDACTED]	[REDACTED]
CASH FLOWS FROM FINANCING ACTIVITIES		
Net change in due to affiliated companies	[REDACTED]	[REDACTED]
Net Cash Provided by Financing Activities	[REDACTED]	[REDACTED]
NET INCREASE IN CASH	[REDACTED]	[REDACTED]
Cash at Beginning of Year	[REDACTED]	[REDACTED]
CASH AT END OF YEAR	\$ [REDACTED]	\$ [REDACTED]

TENINO TELEPHONE COMPANY
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STATEMENTS OF CASH FLOWS (Continued)

Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
COMPONENTS OF NET CHANGE IN OPERATING ASSETS AND LIABILITIES		
(Increase) decrease in assets		
Telecommunications accounts receivable	\$ [REDACTED]	\$ [REDACTED]
Recoverable federal income taxes	[REDACTED]	[REDACTED]
Increase (decrease) in liabilities		
Accounts payable	[REDACTED]	[REDACTED]
Taxes, other than income taxes	[REDACTED]	[REDACTED]
Other current liabilities	<u>[REDACTED]</u>	<u>[REDACTED]</u>
Net Change in Operating Assets and Liabilities	<u>\$ [REDACTED]</u>	<u>\$ [REDACTED]</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Federal income taxes refunded	\$ [REDACTED]	\$ [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Provision has been made for depreciation of the major classes of the telecommunications plant at straight-line rates as follows:

General support facilities	
Buildings	4.00%
Furniture and office equipment	15.00%-25.00%
Vehicles and other work equipment	16.00%
Central office equipment	9.00%-11.19%
Cable and wire facilities	4.55%-21.76%

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] [REDACTED]
[REDACTED] [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] [REDACTED]
[REDACTED] [REDACTED]
[REDACTED] [REDACTED]
[REDACTED] [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] [REDACTED]
[REDACTED] [REDACTED]
[REDACTED] [REDACTED]

[REDACTED]

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[REDACTED]

