

**KALAMA TELEPHONE  
COMPANY, INC.**

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

Reviewed Financial Statements

December 31, 2017 and 2016

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**INDEPENDENT ACCOUNTANT'S REVIEW REPORT ..... 1**

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Independent Accountant's Review Report

Board of Directors  
Kalama Telephone Company, Inc.  
Kalama, Washington

We have reviewed the accompanying financial statements of Kalama Telephone Company, Inc. (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**

**KALAMA TELEPHONE COMPANY, INC.**  
(A Wholly-Owned Subsidiary of Scatter Creek, Ltd.)

BALANCE SHEETS

December 31, 2017 and 2016

**ASSETS**

**CURRENT ASSETS**

Cash  
Short-term investments  
Telecommunications accounts receivable - less  
allowances for doubtful accounts  
Materials and supplies - at average cost  
Prepaid expenses  
Recoverable federal income taxes

\_\_\_\_ [REDACTED] \_\_\_\_\_ [REDACTED] \_\_\_\_\_

\$ [REDACTED] [REDACTED]  
[REDACTED] [REDACTED]  
[REDACTED] [REDACTED]  
[REDACTED] [REDACTED]  
[REDACTED] [REDACTED]  
\_\_\_\_ [REDACTED] \_\_\_\_\_ [REDACTED] \_\_\_\_\_

**Total Current Assets**

[REDACTED] [REDACTED]

**NONCURRENT ASSETS**

Deferred federal income tax benefits

\_\_\_\_ [REDACTED] \_\_\_\_\_ [REDACTED] \_\_\_\_\_

**Total Noncurrent Assets**

[REDACTED] [REDACTED]

**PROPERTY, PLANT AND EQUIPMENT**

Telecommunications plant in service  
Less allowances for depreciation

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

Telecommunications plant under construction

\_\_\_\_ [REDACTED] \_\_\_\_\_ [REDACTED] \_\_\_\_\_

**Total Telecommunications Plant**

[REDACTED] [REDACTED]

**TOTAL ASSETS**

\$ [REDACTED] \_\_\_\_\_

**KALAMA TELEPHONE COMPANY, INC.**  
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BALANCE SHEETS (Continued)

December 31, 2017 and 2016

	2017	2016
<b><u>LIABILITIES AND STOCKHOLDER'S EQUITY</u></b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	█	█
Taxes, other than income taxes	█	█
Deferred revenue	█	█
Other current liabilities	█	█
Federal income taxes payable	█	█
<b>Total Current Liabilities</b>	█	█
<b>DUE TO AFFILIATED COMPANIES</b>		
<b>Total Liabilities</b>	█	█
<b>STOCKHOLDER'S EQUITY</b>		
Common stock		
Class A, par value \$10 per share		
Authorized - 3,000 shares		
Issued and outstanding - 2,100 shares	█	█
Class B, par value \$10 per share		
Authorized - 2,000 shares		
Issued and outstanding - 1,400 shares	█	█
Retained earnings (deficit)	(█)	(█)
<b>Total Stockholder's Equity</b>	█	█
<b>TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY</b>		
	█	█

**KALAMA TELEPHONE COMPANY, INC.**  
 (A Wholly-Owned Subsidiary of Scatter Creek, Ltd.)

**STATEMENTS OF OPERATIONS AND RETAINED EARNINGS**

Years Ended December 31, 2017 and 2016

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

**KALAMA TELEPHONE COMPANY, INC.**  
 (A Wholly-Owned Subsidiary of Scatter Creek, Ltd.)

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2017 and 2016

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



**KALAMA TELEPHONE COMPANY, INC.**  
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STATEMENTS OF CASH FLOWS (Continued)

Years Ended December 31, 2017 and 2016

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

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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

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

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[REDACTED]	[REDACTED]
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