

THE TOLEDO TELEPHONE CO., INC. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2014 and 2013

ASSETS	<u>2014</u>	<u>2013</u>
Current Assets:		
Cash and cash equivalents	\$ 1,382,772	\$ 7,927,736
Accounts receivable, less allowance for doubtful accounts of \$0 in 2014 and 2013	523,855	720,349
Marketable securities	2,922,737	2,235,703
Materials and supplies	535,232	331,681
Prepaid expenses	99,777	129,351
Income tax receivable	<u>23,420</u>	<u>-</u>
Total Current Assets	<u>5,487,793</u>	<u>11,344,820</u>
Other Assets and Investments:		
Non-regulated equipment, net	65,877	119,727
Other investments	<u>438,869</u>	<u>461,417</u>
Total Other Assets and Investments	<u>504,746</u>	<u>581,144</u>
Property, Plant, and Equipment:		
In service	21,576,491	21,496,249
Under construction	<u>6,689,601</u>	<u>2,339,721</u>
	28,266,092	23,835,970
Less accumulated depreciation	<u>15,138,103</u>	<u>14,823,216</u>
Property, Plant, and Equipment, net	<u>13,127,989</u>	<u>9,012,754</u>
	<u>\$ 19,120,528</u>	<u>\$ 20,938,718</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

	<u>2014</u>	<u>2013</u>
Current Liabilities:		
Current portion of long-term debt	\$ 939,876	\$ 1,275,692
Accounts payable	439,138	902,603
Income tax payable	-	155,573
Accrued expenses	66,724	211,990
Deferred income taxes	31,060	88,003
Current portion of deferred grant revenue	<u>23,075</u>	<u>198,938</u>
Total Current Liabilities	<u>1,499,873</u>	<u>2,832,799</u>
Noncurrent Liabilities:		
Deferred grant revenue	-	38,185
Deferred income taxes	755,100	662,400
Long-term debt	<u>10,217,038</u>	<u>11,156,762</u>
Total Noncurrent Liabilities:	<u>10,972,138</u>	<u>11,857,347</u>
Stockholders' Equity:		
Common stock, \$10 par value, 5,000 shares authorized, 1,067 shares issued and outstanding	10,670	10,670
Retained earnings	6,493,105	6,039,910
Accumulated other comprehensive income	<u>144,742</u>	<u>197,992</u>
Total Stockholders' Equity	<u>6,648,517</u>	<u>6,248,572</u>
	<u>\$ 19,120,528</u>	<u>\$ 20,938,718</u>

THE TOLEDO TELEPHONE CO., INC. AND SUBSIDIARIES

Consolidated Statements of Operations

Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Operating Revenues:		
Local network	\$ 429,238	\$ 425,670
Network access	3,555,904	3,516,845
Long-distance	50,399	57,139
Miscellaneous	<u>(58,264)</u>	<u>42,969</u>
Total Operating Revenues	<u>3,977,277</u>	<u>4,042,623</u>
Operating Expenses:		
Plant specific	893,341	973,006
Plant nonspecific	380,341	312,486
Customer	305,013	327,734
Corporate	814,800	783,262
Depreciation	966,580	965,638
Income tax expense	58,547	108,335
Other operating taxes	<u>272,783</u>	<u>119,702</u>
Total Operating Expenses	<u>3,691,405</u>	<u>3,590,163</u>
Operating Income	<u>285,872</u>	<u>452,460</u>
Other Income (Expense):		
Interest and dividends	232,946	126,751
Allowance for funds used during construction	59,349	18,245
Non-regulated operations, net	348,471	240,299
Toledo/Cowlitz Broadband Initiative, net	-	16,319
Other income (expense)	13,000	(15,706)
Nonoperating income tax	<u>(108,575)</u>	<u>(142,616)</u>
Total Other Income, net	<u>545,191</u>	<u>243,292</u>
Income Before Interest Expense	831,063	695,752
Interest Expense	<u>377,868</u>	<u>296,143</u>
Net Income	<u>\$ 453,195</u>	<u>\$ 399,609</u>

THE TOLEDO TELEPHONE CO., INC. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Net Income	\$ <u>453,195</u>	\$ <u>399,609</u>
Other Comprehensive Income:		
Unrealized holding gain (losses) arising during the year	(58,429)	270,344
Less: Reclassification adjustment for gains included in net income	(23,129)	(13,223)
Deferred income taxes related to other comprehensive income (loss)	<u>28,308</u>	<u>(85,150)</u>
Total Other Comprehensive Income (Loss)	<u>(53,250)</u>	<u>171,971</u>
Total Comprehensive Income	\$ <u><u>399,945</u></u>	\$ <u><u>571,580</u></u>

THE TOLEDO TELEPHONE CO., INC. AND SUBSIDIARIES

Consolidated Statements of Changes in Stockholders' Equity

Years Ended December 31, 2014 and 2013

	Common Stock	Retained Earnings	Accumulated Other Comprehensive Income	Total
Balance, December 31, 2012	\$ 10,670	\$ 5,640,301	\$ 26,021	\$ 5,676,992
2013 net income	-	399,609	-	399,609
Net change in unrealized holding gains, net of deferred income taxes	-	-	171,971	171,971
Balance, December 31, 2013	10,670	6,039,910	197,992	6,248,572
2014 net income	-	453,195	-	453,195
Net change in unrealized holding gains, net of deferred income taxes	-	-	(53,250)	(53,250)
Balance, December 31, 2014	<u>\$ 10,670</u>	<u>\$ 6,493,105</u>	<u>\$ 144,742</u>	<u>\$ 6,648,517</u>

THE TOLEDO TELEPHONE CO., INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash Flows from Operating Activities:		
Net income	\$ 453,195	\$ 399,609
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	966,580	965,638
Non-regulated depreciation	55,503	114,434
Change in deferred taxes	64,065	11,735
Gains on sales of marketable securities	(23,129)	(13,223)
Patronage allocations received	(7,076)	(25,318)
Impairment loss	-	18,219
Loss on sale of other investments	3,254	-
Changes in operating assets and liabilities:		
Accounts receivable	196,494	(402,827)
Materials and supplies	(203,551)	(18,092)
Prepaid expenses	29,574	(42,911)
Income tax receivable	-	50,007
Accounts payable	(463,466)	811,705
Accrued expenses	(145,266)	207,614
Income tax payable	(132,153)	135,207
Deferred grant revenue	<u>(214,048)</u>	<u>(78,708)</u>
Net Cash Provided by Operating Activities	<u>579,976</u>	<u>2,133,089</u>
Cash Flows from Investing Activities:		
Capital expenditures	(5,081,815)	(2,063,421)
Change in other investments	(10,615)	(11,422)
Purchases of marketable securities	(1,452,634)	(475,435)
Proceeds from sales of marketable securities	707,172	698,415
Proceeds from sale of other investments	36,985	-
Purchases of non-regulated equipment	<u>(1,653)</u>	<u>(78,157)</u>
Net Cash Used by Investing Activities	<u>\$ (5,802,560)</u>	<u>\$ (1,930,020)</u>

	<u>2014</u>	<u>2013</u>
Cash Flows from Financing Activities:		
Proceeds from long-term debt	\$ -	\$ 7,989,300
Payments on long-term debt	<u>(1,275,540)</u>	<u>(1,072,468)</u>
Net Cash Provided (Used) by Financing Activities	<u>(1,275,540)</u>	<u>6,916,832</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(6,498,124)	7,119,901
Cash and Cash Equivalents, beginning	<u>7,927,736</u>	<u>807,835</u>
Cash and Cash Equivalents, ending	\$ <u><u>1,429,612</u></u>	\$ <u><u>7,927,736</u></u>
Cash Paid During the Year for:		
Interest, net of amount capitalized	\$ <u><u>318,519</u></u>	\$ <u><u>289,328</u></u>
Income taxes	\$ <u><u>289,015</u></u>	\$ <u><u>32,200</u></u>