



Consolidated Financial Statements
December 31, 2016 and 2015
TPC, Inc. and Subsidiary

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Independent Auditor's Report

The Board of Directors
TPC, Inc. and Subsidiary
Devils Lake, North Dakota

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of TPC, Inc. and Subsidiary which comprise the consolidated balance sheets as of December 31, 2016 and 2015 and the related consolidated statements of income, stockholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of TPC, Inc. and Subsidiary as of December 31, 2016 and 2015, and the consolidated results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 12 to the financial statements, TPC, Inc. and Subsidiary has changed its accounting policy for accounting for debt issuance costs by adopting the provisions of FASB Accounting Standards Update 2015-03, *Simplifying the Presentation of Debt Issuance Costs*. Accordingly, the 2015 financial statements have been restated to adopt this update. Our opinion is not modified with respect to this matter.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The supplementary consolidating information on pages 21 through 28 is presented for the purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

The image shows a handwritten signature in black ink that reads "Eric Sully LLP". The signature is written in a cursive, flowing style.

Sioux Falls, South Dakota
April 14, 2017

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	2016	Restated 2015
Assets		
Current Assets		
Cash and cash equivalents	\$ 8,390,537	\$ 6,193,098
Accounts receivable		
Telecommunications, net of allowances	154,550	144,319
Other	1,263,443	1,189,023
Prepaid income taxes	25,031	682,305
Materials and supplies	674,977	700,864
Prepayments	298,511	278,824
Total current assets	<u>10,807,049</u>	<u>9,188,433</u>
Noncurrent Assets		
Equity investments	5,179,647	4,815,735
Other investments	993,719	1,024,062
Total noncurrent assets	<u>6,173,366</u>	<u>5,839,797</u>
Telecommunications Plant		
In service	140,792,423	136,792,208
Nonregulated plant in service	5,148,585	5,008,527
Under construction	11,040	61,537
	<u>145,952,048</u>	<u>141,862,272</u>
Less accumulated depreciation and amortization	95,591,831	93,590,008
Net telecommunications plant	<u>50,360,217</u>	<u>48,272,264</u>
Total assets	<u>\$ 67,340,632</u>	<u>\$ 63,300,494</u>

See Notes to Consolidated Financial Statements

TPC, Inc. and Subsidiary
Consolidated Balance Sheets
December 31, 2016 and 2015

	<u>2016</u>	<u>Restated 2015</u>
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable	\$ 774,003	\$ 612,425
Current maturities of long-term debt	2,200,000	1,100,000
Advance billing and customer deposits	60,534	57,912
Accrued taxes - other	109,727	109,977
Other current liabilities	178,567	93,352
Total current liabilities	<u>3,322,831</u>	<u>1,973,666</u>
Long-Term Debt, Less Current Maturities and Unamortized Debt Issuance Costs	<u>8,167,914</u>	<u>7,504,100</u>
Deferred Income Taxes	<u>10,677,619</u>	<u>10,085,063</u>
Stockholders' Equity		
Common stock, par value \$1,000, authorized 10,000 shares; issued and outstanding 9,200 shares	9,200,000	9,200,000
Retained earnings	<u>35,972,268</u>	<u>34,537,665</u>
Total stockholders' equity	<u>45,172,268</u>	<u>43,737,665</u>
Total liabilities and stockholders' equity	<u>\$ 67,340,632</u>	<u>\$ 63,300,494</u>

TPC, Inc. and Subsidiary
Consolidated Statements of Income
Years Ended December 31, 2016 and 2015

	2016	Restated 2015
Operating Revenues		
Local network access	\$ 4,319,567	\$ 4,326,037
Network access services	11,099,791	10,349,170
Miscellaneous revenue	478,903	467,076
Leasing, sales, and installation	676,588	785,768
Internet revenue	3,854,858	3,786,115
Video revenue	2,959,615	2,897,639
Wireless revenue	50,644	59,794
Uncollectible revenue	(43,000)	(60,990)
	<u>23,396,966</u>	<u>22,610,609</u>
Operating Expenses		
Plant specific operations	4,621,171	4,665,496
Plant nonspecific operations	2,164,609	2,203,850
Cable television programming	2,144,971	2,091,341
Depreciation	5,755,734	5,526,968
Customer operations	1,568,578	1,571,128
Corporate operations	2,071,792	2,091,861
Operating taxes - other	128,720	126,400
Cost of sales and installations	709,349	695,541
Other internet expenses	556,551	566,868
Other video expenses	384,345	489,011
Other wireless expenses	36,374	43,474
	<u>20,142,194</u>	<u>20,071,938</u>
Net Operating Income	<u>3,254,772</u>	<u>2,538,671</u>
Nonoperating Income (Expense)		
Interest and dividend income	2,802	2,230
Allowance for funds used during construction	30,545	20,005
Other nonoperating expense	(39,856)	(40,468)
Earnings from equity investments	863,761	941,308
	<u>857,252</u>	<u>923,075</u>
Net Income Before Interest Expense and Income Taxes	<u>4,112,024</u>	<u>3,461,746</u>
Interest Expense, Net of Patronage Allocations from Lender	257,591	195,987
Net Income Before Income Taxes	<u>3,854,433</u>	<u>3,265,759</u>
Income Tax Expense	1,419,830	1,208,315
Net Income	<u>\$ 2,434,603</u>	<u>\$ 2,057,444</u>

TPC, Inc. and Subsidiary
Consolidated Statements of Stockholders' Equity
Years Ended December 31, 2016 and 2015

	Common Stock	Retained Earnings	Total
Balance, January 1, 2015	\$ 9,200,000	\$ 33,480,221	\$ 42,680,221
Dividends paid	-	(1,000,000)	(1,000,000)
Net Income	-	2,057,444	2,057,444
Balance, December 31, 2015	9,200,000	34,537,665	43,737,665
Dividends paid	-	(1,000,000)	(1,000,000)
Net Income	-	2,434,603	2,434,603
Balance, December 31, 2016	\$ 9,200,000	\$ 35,972,268	\$ 45,172,268

TPC, Inc. and Subsidiary
Consolidated Statements of Cash Flows
Years Ended December 31, 2016 and 2015

	2016	Restated 2015
Operating Activities		
Net income	\$ 2,434,603	\$ 2,057,444
Adjustments to reconcile net income to net cash from operating activities		
Depreciation		
Telecommunications plant	5,232,484	4,995,559
Nonregulated plant	523,250	531,409
Interest expense attributable to amortization of debt issuance costs	18,163	18,870
Earnings from equity investments	(863,761)	(941,308)
Distributions from equity investments	499,849	741,226
Noncash capital credit allocations	(106,598)	(137,689)
Proceeds from CoBank patronage and equity retirements	136,941	134,180
Deferred income taxes	592,556	162,572
Change in current assets and liabilities		
Accounts receivable	(84,651)	(252,750)
Prepaid income taxes	657,274	961,613
Prepayments	(19,687)	63,636
Accounts payable	(183,885)	(145,424)
Advance billing and deposits	2,622	(2,323)
Accrued taxes - other	(250)	(59)
Accrued income taxes	-	(1,870)
Other current liabilities	85,215	600
Net Cash from Operating Activities	8,924,125	8,185,686
Investing Activities		
Telecommunications plant additions	(7,498,224)	(5,465,874)
Change in materials and supplies	25,887	(59,245)
Net Cash used for Investing Activities	(7,472,337)	(5,525,119)
Financing Activities		
Principal payments on long-term debt	(550,000)	-
Advances on long-term debt	2,295,651	-
Payments of debt issuance costs	-	(14,848)
Dividends paid	(1,000,000)	(1,000,000)
Net Cash from (used for) Financing Activities	745,651	(1,014,848)
Net Change in Cash and Cash Equivalents	2,197,439	1,645,719
Cash and Cash Equivalents, Beginning of Year	6,193,098	4,547,379
Cash and Cash Equivalents, End of Year	\$ 8,390,537	\$ 6,193,098

TPC, Inc. and Subsidiary
Consolidated Statements of Cash Flows
Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Supplementary Disclosures of Cash Flow Information		
Cash payments for interest	<u>\$ 323,479</u>	<u>\$ 281,865</u>
Cash payments for income taxes, net	<u>\$ 170,000</u>	<u>\$ 1,286,000</u>
Supplemental Disclosure of Noncash Investing and Financing Activities		
Plant additions funded with accounts payable at year end	<u>\$ 410,000</u>	<u>\$ 64,537</u>

Note 1 - Summary of Significant Accounting Policies

Nature of Operations

TPC, Inc.'s (the "Company") primary line of business is to provide local telephone, internet, IPTV television, and access to long-distance telephone services throughout its local exchange network. The principal market for these telecommunications services are local, residential and business customers residing in each of the exchanges the Company serves.

The Company follows the Federal Communication Commission's (FCC) Uniform System of Accounts, Part 32 of the FCC Rules and Regulations.

The Company's local service rates are subject to rate of return regulation by the North Dakota Public Service Commission. Toll charges to customers and access fees charged to long distance carriers are subject to state and federal regulation. The Company participates in the National Exchange Carrier Association (NECA) pooling process for interstate access as a "cost company."

Principles of Consolidation

The consolidated financial statements include the accounts of TPC, Inc. (a North Dakota Corporation) and its wholly-owned subsidiary, North Dakota Telephone Company (a North Dakota Corporation) located in Devils Lake, North Dakota. The assets and liabilities of the subsidiary are consolidated with the assets and liabilities of TPC, Inc. All significant intercompany assets and liabilities have been eliminated. The operations of the subsidiary are consolidated with the operations of TPC, Inc.

Telecommunications and Other Plant

Telecommunications and other plant assets are stated at cost. The cost of additions to telephone plant are recorded at cost, which includes contracted work, direct labor and materials, and allocable overheads. When units of property are retired, sold, or otherwise disposed of in the ordinary course of business, their average book cost less net salvage is charged to accumulated depreciation. Maintenance and repair costs and the replacement and renewal of items determined to be less than units of property are charged to expense.

Recoverability of Long-Lived Assets

The Company reviews its long-lived assets whenever events or changes in circumstances indicate the carrying amount of the assets may not be recoverable. If a review indicates that the carrying value of such asset is not recoverable as determined based on projected undiscounted cash flows related to the asset over its remaining life, the Company would determine whether an impairment loss should be recognized. No impairment losses have been identified in the consolidated financial statements.

Depreciation

The Company utilizes composite depreciation methods for each property, plant and equipment account. Depreciation rates for each account are determined based on management's estimate of the average useful life of the assets along with future cost of removal and salvage factor estimates.

Cash and Cash Equivalents

For purposes of reporting cash flows, the Company considers all cash deposits and money market savings accounts with an original maturity of three months or less to be cash and cash equivalents. Cash and cash equivalents are stated at cost, which approximates market value.

Accounts Receivable

Trade receivables are uncollateralized customer obligations due under normal trade terms requiring payment within 30 days from the invoice date. The receivables are non-interest bearing. Payments on trade receivables are applied to the applicable unpaid invoices.

The carrying amount of the trade receivables is reduced by an amount that reflects management's best estimate of the amounts that will not be collected. Allowances for uncollectible accounts amounted to approximately \$15,000 as of December 31, 2016 and 2015, respectively.

Materials and Supplies

Inventories are stated at average cost except for material held for resale which is valued by the specific identification method.

Investments

Investments in limited liability companies (LLC's) are accounted for using the equity method. Under the equity method, the Company records its invested capital and proportionate share of earnings and losses less the amount of any distributions received. Investments in cooperatives, including the Company's lender, are recorded at cost plus any allocated patronage capital.

Fair Value Measurements

The Company has determined the fair value of certain assets and liabilities in accordance with generally accepted accounting principles, which provides a framework for measuring fair value.

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques should maximize the use of observable inputs and minimize the use of unobservable inputs.

A fair value hierarchy has been established, which prioritizes the valuation inputs into three broad levels. Level 1 inputs consist of quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the related asset or liability. Level 3 inputs are unobservable inputs related to the asset or liability.

Debt Issuance Costs

Debt issuance costs are amortized over the period the related obligation is outstanding using the straight-line method which approximates the effective interest method. Debt issuance costs are included within long-term debt on the balance sheet. Amortization of debt issuance costs is recorded in interest expense in the accompanying financial statements.

Revenue Recognition

Revenue from local telephone network, internet and IPTV television services is recorded as revenue in the month when it is billed to customers. Toll and access revenues are accrued through the end of the year.

Accounting Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Pension Costs

The policy is to fund pension costs accrued.

Estimated Self-Insurance

The Company self-insures the health care benefits of its employees. To provide for the self-insured benefits, the Company has set up an estimated liability for any claims incurred prior to the year-end. In addition, the Company has entered into a stop-loss agreement whereby their costs for these self-insurance plans are subject to a ceiling, after which the costs will be covered by an insurance contract. Any differences between the estimated liability and the actual benefits will be reflected in the subsequent year's consolidated statement of income.

Advertising Costs

Advertising costs are expensed as incurred.

Income Taxes

Deferred income taxes are established for all temporary differences resulting from the use of different accounting methods reported for financial accounting and income tax purposes, principally equity investments. Deferred income tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

Sales Taxes

The Company has customers in North Dakota and its municipalities in which those governmental units impose a sales tax on certain sales. The Company collects those sales taxes from its customers and remits the entire amount to the various governmental units. The Company's accounting policy is to exclude the tax collected and remitted from operating revenues and operating expenses.

Reclassifications

Certain reclassifications have been made to the 2015 consolidated financial statements to conform to the 2016 presentation. The reclassifications had no effect on previously reported net income.

Note 2 - Concentrations of Business and Credit Risk

The Company provides telephone, internet, and IPTV television service on account to its customers located in north central North Dakota. The Company also provides access service on account to various long distance companies, which provide toll service to the Company's customers.

A significant portion of the Company's revenues are from long distance carriers in the telephone industry, and consequently, the Company is directly affected by the financial well-being of that industry. However, the credit risk associated with other accounts receivable is minimized due to the large number of long distance carriers, and historically, credit losses have not been significant.

In 2011, the FCC approved an Order on Intercarrier Compensation and Universal Service Fund (USF) reform and announced the issuance of a Further Notice of Proposed Rulemaking on long-term USF reform and transition toward a National Broadband Plan.

In March 2016, the FCC released an Order and Further Notice of Proposed Rulemaking (FNPRM) that reforms the High Cost USF Program supporting rate-of-return carriers. The following changes have been implemented to modernize the program: 1) Annual Rate of Return Reduction from 11.25% to 9.75% (25 basis point reduction per year) beginning July 1, 2016; 2) Provides support for stand-alone broadband; 3) Requires broadband deployment based on the number of locations lacking service and the cost of providing service; 4) Requires allowances for capital investments and limits on operational expenses; and 5) Phases out support for areas served by a qualifying competitor.

The FNPRM also created two paths to a Connect America Fund for rate of return carriers. The Connect America Fund Broadband Loop Support replaces the existing Interstate Common Line Support (ICLS) mechanism to support stand-alone broadband. Rate-of-return carriers also have the option to select the A-CAM support model which would result in a fixed amount of support for ten years. The Company did not select the A-CAM support model.

In 2016 and 2015, the Company received approximately 36% and 33%, respectively, of its operating revenues from access revenues and assistance provided by the Federal Universal Service Fund.

The Company maintains its cash accounts in several commercial banks located in North Dakota. The accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At times during the years ended December 31, 2016 and 2015, the bank balances exceeded this limit.

Note 3 - Other Investments

	2016	2015
CoBank		
Subordinated capital stock	\$ 419,102	\$ 469,001
Patronage capital allocations	93,846	91,855
	512,948	560,856
Patronage capital credit allocations		
National Information Solutions Cooperative (NISC)	276,787	269,317
National Rural Telecommunications Cooperative (NRTC)	167,158	159,188
Other patronage capital credit allocations	36,826	34,701
	\$ 993,719	\$ 1,024,062

In connection with the loans from CoBank, the Company is required to purchase subordinated capital certificates. The certificates are non-interest bearing and are refunded to the Company as the debt is paid down. The patronage allocations reflect the Company's allocable share of net margins of CoBank. Patronage allocations from CoBank are netted against the interest expense in the statements of income.

Note 4 - Equity Investments

The Company accounts for the following investments on the equity method.

North Dakota Long Distance LLC (NDLD)	10% Ownership
Dakota Carrier Network LLC (DCN)	7.262% Ownership
North Plains Utility Contracting LLC (NPUC)	25% Ownership
Dakota Video Network (DVN)	33.33% Ownership

Under the equity method, the investment is initially recorded at cost, then reduced by the dividends and increased or decreased by the investor's proportionate share of the investee's net earnings or loss.

	2015	Capital Contributions (Distributions)	Current Earnings (Loss)	2016
NDLD	\$ 155,011	\$ (100,000)	\$ 62,619	\$ 117,630
DCN	3,895,617	(399,849)	808,615	4,304,383
NPUC	617,848	-	(39,346)	578,502
DVN	147,259	-	31,873	179,132
	<u>\$ 4,815,735</u>	<u>\$ (499,849)</u>	<u>\$ 863,761</u>	<u>\$ 5,179,647</u>

	2014	Capital Contributions (Distributions)	Current Earnings (Loss)	2015
NDLD	\$ 157,469	\$ (60,000)	\$ 57,542	\$ 155,011
DCN	3,790,068	(681,226)	786,775	3,895,617
NPUC	500,228	-	117,620	617,848
DVN	167,888	-	(20,629)	147,259
	<u>\$ 4,615,653</u>	<u>\$ (741,226)</u>	<u>\$ 941,308</u>	<u>\$ 4,815,735</u>

The Company provides North Dakota Long Distance LLC certain management, customer service, billing and collection, and other services on a contractual basis. Payments under these contracts for the years ended December 31, 2016 and 2015, were approximately \$53,000 and \$65,000, respectively.

The Company agrees to lease certain bay and fiber optic cable facilities to Dakota Carrier Network. Under this agreement, the Company received revenues of approximately \$81,000 for the years ended December 31, 2016 and 2015. The Company also agrees to leases circuit equipment on a short-term basis to and from Dakota Carrier Network. Under this agreement, the Company received approximately \$1,329,000 and \$1,273,000 for the years ended December 31, 2016 and 2015, respectively, and paid approximately \$283,000 and \$262,000 for the years ended December 31, 2016 and 2015, respectively.

The Company purchases licenses and television programming services from Dakota Video Network LLC. These purchases are considered to be priced at fair market value. No intercompany profits have been eliminated in recording the equity earnings of Dakota Video Network LLC. The Company made payments of approximately \$40,000 to Dakota Video Network LLC for the years ended December 31, 2016 and 2015.

The Company purchases utility construction services from North Plains Utility Contracting LLC. These services are considered to be priced at fair market value. No intercompany profits have been eliminated in recording the equity earnings of North Plains Utility Contracting LLC. The Company made payments of approximately \$635,000 and \$913,000 to North Plains Utility Contracting LLC for the years ended December 31, 2016 and 2015, respectively. The Company also rents storage space to North Plains Utility Contracting LLC. Rents received from North Plains Utility Contracting LLC amounted to \$24,000 for the years ended December 31, 2016 and 2015.

The Company has accounts receivable balances arising from the various affiliated transactions at December 31, 2016 and 2015, totaling approximately \$800 and \$60,600, respectively. The Company has accounts payable balances arising from the various affiliated transactions at December 31, 2016 and 2015, totaling approximately \$3,000 and \$8,000, respectively.

Summary financial information for the Company's equity investees for the year ended December 31, 2016, is as follows:

	North Dakota Long Distance LLC	Dakota Carrier Network LLC	North Plains Utility Contracting LLC	Dakota Video Network LLC
Revenues	\$ 4,864,558	\$ 46,672,955	\$ 2,297,327	\$ 183,017
Expenses	4,238,686	35,741,120	2,198,712	87,399
Net Income	625,872	10,931,835	98,615	95,618
Assets	\$ 2,296,777	\$ 61,169,937	\$ 2,635,615	\$ 541,394
Liabilities	433,369	1,723,416	36,778	4,000
Equity	1,863,408	59,446,521	2,598,837	537,394

Summary financial information for the Company's equity investees for the year ended December 31, 2015, is as follows:

	North Dakota Long Distance LLC	Dakota Carrier Network LLC	North Plains Utility Contracting LLC	Dakota Video Network LLC
Revenues	\$ 5,619,856	\$ 44,545,254	\$ 2,976,999	\$ 163,959
Expenses	5,044,436	33,533,703	2,506,520	225,845
Net Income	575,420	11,011,551	470,479	(61,886)
Assets	\$ 3,403,388	\$ 55,978,724	\$ 2,550,233	\$ 445,776
Liabilities	1,165,852	1,958,262	50,011	4,000
Equity	2,237,536	54,020,462	2,500,222	441,776

Note 5 - Nonregulated Investments

The investments in nonregulated plant at December 31, 2016 and 2015 are as follows:

	2016	2015
Leased telecommunications equipment (5 - 7 year estimated life)	\$ 410,405	\$ 411,148
Internet equipment (5 year estimated life)	917,473	923,325
Video equipment (7 year estimated life)	3,800,028	3,648,226
Under construction	20,679	25,828
Nonregulated plant	5,148,585	5,008,527
Less accumulated depreciation	3,825,126	3,471,988
Nonregulated plant, net	\$ 1,323,459	\$ 1,536,539

The revenues and expenses associated with nonregulated telecommunications equipment are as follows:

	2016	2015
Revenues		
Revenue - leasing, sales, and installation	\$ 676,588	\$ 785,768
Internet revenue	3,854,858	3,786,115
Video revenue	2,959,615	2,897,639
Wireless revenue	50,644	59,794
	7,541,705	7,529,316
Expenses		
Cost of sales, installations, and repairs	709,349	695,541
Internet expenses	556,551	566,868
Video expenses	2,529,316	2,580,352
Wireless expenses	36,374	43,474
Depreciation	523,250	531,409
	4,354,840	4,417,644
Nonregulated net income	\$ 3,186,865	\$ 3,111,672

Note 6 - Telecommunications Plant

	2016		2015	
	Plant	Depreciation Rates	Plant	Depreciation Rates
Land and support assets	\$ 13,077,634	2.71 - 20.96%	\$ 13,116,416	2.71 - 20.96%
Central office switching equipment	45,786,044	5.00 - 20.00%	44,920,354	5.00 - 20.00%
Information origination and termination	37,371	14.32%	37,371	14.32%
Cable and wire facilities	81,891,374	2.51 - 5.3%	78,718,067	2.51 - 5.3%
Total in service	<u>140,792,423</u>		<u>136,792,208</u>	
Nonregulated plant	5,148,585		5,008,527	
Under construction	<u>11,040</u>		<u>61,537</u>	
	<u>\$ 145,952,048</u>		<u>\$ 141,862,272</u>	

Note 7 - Long-Term Debt

	2016	2015
CoBank term loan with variable interest rate, 3.52% at December 31, 2016 (effective interest rate of 3.22%), due in varying quarterly installments through June 30, 2021	\$ 10,450,000	\$ 8,704,349
Unamortized debt issuance costs	(82,086)	(100,249)
Long-term debt, net of unamortized debt issuance costs	<u>10,367,914</u>	<u>8,604,100</u>
Less current maturities	<u>(2,200,000)</u>	<u>(1,100,000)</u>
Total long-term debt, net of current maturities	<u>\$ 8,167,914</u>	<u>\$ 7,504,100</u>

Substantially all assets of the Company are pledged as collateral on the notes executed with CoBank. The mortgage covenants require the Company to meet certain financial ratios, minimum net worth levels and minimum cash flow requirements. Management believes that the Company was in compliance with all mortgage covenants at December 31, 2016 and 2015.

It is estimated that principal repayments on the above debt for the next five years will be as follows:

Years Ended December 31,

2017	\$ 2,200,000
2018	2,750,000
2019	2,200,000
2020	2,200,000
2021	1,100,000

The Company has a revolving credit agreement which expires August 19, 2021. Available financing under the revolving line-of-credit was \$1,000,000 at December 31, 2016. Repayment terms for the revolving line-of-credit included planned monthly reductions to the maximum financing available under this line of credit. At December 31, 2016 and 2015, the Company had no borrowing under the revolving line-of-credit.

Note 8 - Income Tax Expense/Accumulated Deferred Taxes

The provision for income tax is reflected in the consolidated statements of income as follows:

	2016	2015
Operating taxes - federal income	\$ 975,942	\$ 761,712
Operating taxes - state income	128,000	105,384
Total operating	1,103,942	867,096
Nonoperating taxes - federal income	279,023	299,743
Nonoperating taxes - state income	36,865	41,476
Total nonoperating	315,888	341,219
Total provision for income taxes	\$ 1,419,830	\$ 1,208,315

Income tax expense consists of the following:

	2016	2015
Federal income tax computed at statutory rates	\$ 732,188	\$ 928,041
State income tax computed at statutory rates	95,086	117,702
Deferred income tax credits (charges) - accelerated depreciation	646,332	381,213
Deferred income tax credits (charges) - other	(53,776)	(218,641)
Total provision for income taxes	\$ 1,419,830	\$ 1,208,315

The effects of various timing differences are shown as net deferred income taxes. The Company also has deferred tax credits and charges from the use of different tax and book methods of depreciation, accounting for bad debts, work opportunity tax credit carryforwards, loss carryforwards, and equity investments.

Long-term deferred income tax liabilities consist of the following:

	2016	2015
Deferred income taxes		
Accumulated deferred income tax credits		
Accelerated depreciation and amortization	\$ (10,312,911)	\$ (9,666,579)
Timing differences from equity investments	(364,708)	(418,484)
Total deferred income tax liability - long-term	\$ (10,677,619)	\$ (10,085,063)

Note 9 - Pension and Retirement Plans

Pension Plan

The Company has a contributory defined benefit pension plan covering substantially all employees. The National Telephone Cooperative Association (NTCA) Retirement Security Plan (RS Plan) is a defined benefit pension plan qualified under Section 401 and tax-exempt under Section 501(a) of the Internal Revenue Code. It is a multiemployer plan under the accounting standards. The plan sponsor's Employer Identification Number is 52-0741336 and the Plan Number is 333.

A unique characteristic of a multiemployer plan compared to a single employer plan is that all plan assets are available to pay benefits of any plan participant. Separate asset accounts are not maintained for participating employers. This means that assets contributed by one employer may be used to provide benefits to employees of other participating employers.

The Company's contributions to the RS Plan in 2016 and 2015 represented less than 5 percent of the total contributions made to the plan by all participating employers. During 2016 and 2015, the Company made quarterly contributions to the plan based on 9.10% of eligible employee compensation plus a contribution surcharge of between 3.00%-3.15% for 2016 and 2.79% for 2015 of eligible employee compensation. The current contribution surcharge is effective through December 31, 2017. The Company's total contributions to the plan were approximately \$633,000 in 2016 and \$613,000 in 2015, respectively.

During 2016, NTCA announced changes to the RS Plan that include a 19% increase in basic contribution rates effective January 1, 2017 due to the repricing of the program by the program actuary to reflect increased longevity of participants and continued low interest rates. In addition, the contribution surcharge will increase from 25% to 50% of the members elected contribution rate percentage effective January 1, 2018. Participating member companies were offered a prefunding option to cover the future increases. Companies that elect the prefunding option and make the required prepayment will be exempt from PBGC variable rate premiums through 2029 and will receive a credit for future surcharges until such time the notional account established through the prepayment is used up. The Company did not choose to participate in the prepayment option.

In the RS Plan, a "zone status" determination is not required, and therefore not determined, under the Pension Protection Act (PPA) of 2006. In addition, the accumulated benefit obligations and plan assets are not determined or allocated separately by individual employer. The Program meets ERISA minimum funding requirements. The Funding Target Attainment Percentage valued as of January 1, 2015 is 98.35%. Section 104 of PPA delays the effective date of funding rules for certain multiple employer rural cooperative plans. As such, the Program will not be subject to the PPA funding rules until after December 31, 2016.

Because the provisions of the PPA do not apply to the RS Plan, funding improvement plans and surcharges are not applicable. Future contribution requirements are determined each year as part of the actuarial valuation of the plan and may change as a result of plan experience.

Defined Contribution Plan

Employees of the Company are also eligible for a 401(k) savings plan. The plan is offered through Alerus Financial. The Company made a contribution of up to 4% of employees' base wages for the years ended December 31, 2016 and 2015. The Company made annual contributions of approximately \$194,000 and \$197,000 in 2016 and 2015, respectively.

Note 10 - Common Stock

	2016	2015
Issued 3,726 shares of common stock to United Telephone Mutual Aid Corporation	\$ 3,726,000	\$ 3,726,000
Issued 3,726 shares of common stock to Polar Communications Mutual Aid Corporation	3,726,000	3,726,000
Issued 1,748 shares of common stock to Dakota Central Telecommunications Cooperative	1,748,000	1,748,000
	\$ 9,200,000	\$ 9,200,000

Note 11 - Contingencies

The Company is a defendant in legal proceedings arising in the normal course of its operations. While the outcome of these matters cannot be predicted with certainty, management believes the disposition of these proceedings will not have a significant impact on the financial position of the Company.

Note 12 - Change in Accounting Policy and the Resulting Restatement

As of January 1, 2016, the Company adopted the provisions of Accounting Standards Update (ASU) 2015-03, *Simplifying the Presentation of Debt Issuance Costs*. This update requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct reduction from the carrying amount of that debt liability. Adoption of this accounting standard update requires retroactive application by restating the financial statements of all prior periods presented.

Following is a summary of the effects of the change in accounting policy in the Company's December 31, 2015 consolidated financial statements.

Consolidated Balance Sheet

	As Previously Reported	Change in Accounting Principle	As Restated
As of December 31, 2015			
Debt issuance costs, net	\$ 100,249	\$ (100,249)	\$ -
Total noncurrent assets	5,940,046	(100,249)	5,839,797
Total assets	63,400,743	(100,249)	63,300,494
Long-term debt, less current maturities and unamortized debt issuance costs	7,604,349	(100,249)	7,504,100
Total liabilities and equities	63,400,743	(100,249)	63,300,494

Consolidated Statement of Operations

	As Previously Reported	Change in Accounting Principle	As Restated
Year ended December 31, 2015			
Amortization of debt issuance	\$ (18,870)	\$ 18,870	\$ -
Total nonoperating income (expense), net	904,205	18,870	923,075
Net income before interest expense and income taxes	3,442,876	18,870	3,461,746
Interest expense on long-term debt, net of patronage allocations from lender	(177,117)	(18,870)	(195,987)

Consolidated Statement of Cash Flows

	As Previously Reported	Change in Accounting Principle	As Restated
Year ended December 31, 2015			
Amortization of other intangibles	\$ 18,870	\$ (18,870)	\$ -
Interest expense attributable to the amortization of debt issuance costs	-	18,870	18,870

Note 13 - Subsequent Events

Subsequent to year end, the Company entered into an agreement for construction projects to be completed during 2017. The approximate amount of the commitments related to the construction agreement were \$5,060,000.

The Company has evaluated subsequent events through April 14, 2017, the date which the consolidated financial statements were available to be issued.



Supplemental Information
December 31, 2016 and 2015
TPC, Inc. and Subsidiary

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	TPC, Inc.	North Dakota Telephone Company	Eliminations	Consolidated
Assets				
Current Assets				
Cash and cash equivalents	\$ 319,879	\$ 8,070,658	\$ -	\$ 8,390,537
Accounts receivable				
Telecommunications, net	-	154,550	-	154,550
Other	3,954,443	1,263,852	(3,954,852)	1,263,443
Prepaid income taxes	-	25,031	-	25,031
Materials and supplies	-	674,977	-	674,977
Prepayments	-	298,511	-	298,511
Total current assets	<u>4,274,322</u>	<u>10,487,579</u>	<u>(3,954,852)</u>	<u>10,807,049</u>
Noncurrent Assets				
Investment in affiliate	40,719,291	-	(40,719,291)	-
Equity investments	-	5,179,647	-	5,179,647
Other investments	179,064	814,655	-	993,719
Total noncurrent assets	<u>40,898,355</u>	<u>5,994,302</u>	<u>(40,719,291)</u>	<u>6,173,366</u>
Telecommunications Plant				
In service	-	140,792,423	-	140,792,423
Nonregulated plant in service	-	5,148,585	-	5,148,585
Under construction	-	11,040	-	11,040
Total investment in plant	-	<u>145,952,048</u>	-	<u>145,952,048</u>
Less accumulated depreciation	-	<u>95,591,831</u>	-	<u>95,591,831</u>
Net telecommunications plant	<u>-</u>	<u>50,360,217</u>	<u>-</u>	<u>50,360,217</u>
 Total assets	 <u>\$ 45,172,677</u>	 <u>\$ 66,842,098</u>	 <u>\$ (44,674,143)</u>	 <u>\$ 67,340,632</u>

TPC, Inc. and Subsidiary
Consolidated Balance Sheets with Supplementary Consolidating Information
December 31, 2016

	<u>TPC, Inc.</u>	<u>North Dakota Telephone Company</u>	<u>Eliminations</u>	<u>Consolidated</u>
Liabilities and Equities				
Current Liabilities				
Accounts payable	\$ 409	\$ 4,728,446	\$ (3,954,852)	\$ 774,003
Current maturities of long-term debt	-	2,200,000	-	2,200,000
Advance billing and customer deposits	-	60,534	-	60,534
Accrued taxes - other	-	109,727	-	109,727
Other current liabilities	-	178,567	-	178,567
Total current liabilities	<u>409</u>	<u>7,277,274</u>	<u>(3,954,852)</u>	<u>3,322,831</u>
Long-Term Debt, Less Current Maturities and Unamortized Debt Issuance Costs	<u>-</u>	<u>8,167,914</u>	<u>-</u>	<u>8,167,914</u>
Deferred Income Taxes	<u>-</u>	<u>10,677,619</u>	<u>-</u>	<u>10,677,619</u>
Equities				
Common stock	9,200,000	807,950	(807,950)	9,200,000
Other equities	-	32,587,659	(32,587,659)	-
Retained earnings	35,972,268	7,323,682	(7,323,682)	35,972,268
Total equities	<u>45,172,268</u>	<u>40,719,291</u>	<u>(40,719,291)</u>	<u>45,172,268</u>
Total liabilities and equities	<u>\$ 45,172,677</u>	<u>\$ 66,842,098</u>	<u>\$ (44,674,143)</u>	<u>\$ 67,340,632</u>

	<u>TPC, Inc.</u>	<u>North Dakota Telephone Company</u>	<u>Eliminations</u>	<u>Consolidated</u>
Assets				
Current Assets				
Cash and cash equivalents	\$ 250,563	\$ 5,942,535	\$ -	\$ 6,193,098
Accounts receivable:				
Telecommunications, net	-	144,319	-	144,319
Other	3,953,576	1,189,226	(3,953,779)	1,189,023
Prepaid income taxes	-	682,305	-	682,305
Materials and supplies	-	700,864	-	700,864
Prepayments	-	278,824	-	278,824
Total current assets	<u>4,204,139</u>	<u>8,938,073</u>	<u>(3,953,779)</u>	<u>9,188,433</u>
Noncurrent Assets				
Investment in affiliate	39,283,006	-	(39,283,006)	-
Equity investments	-	4,815,735	-	4,815,735
Other investments	250,723	773,339	-	1,024,062
Total noncurrent assets	<u>39,533,729</u>	<u>5,589,074</u>	<u>(39,283,006)</u>	<u>5,839,797</u>
Telecommunications Plant				
In service	-	136,792,208	-	136,792,208
Nonregulated plant in service	-	5,008,527	-	5,008,527
Under Construction	-	61,537	-	61,537
Total investment in plant	-	<u>141,862,272</u>	-	<u>141,862,272</u>
Less accumulated depreciation	-	93,590,008	-	93,590,008
Net telecommunications plant	<u>-</u>	<u>48,272,264</u>	<u>-</u>	<u>48,272,264</u>
 Total assets	 <u>\$ 43,737,868</u>	 <u>\$ 62,799,411</u>	 <u>\$ (43,236,785)</u>	 <u>\$ 63,300,494</u>

TPC, Inc. and Subsidiary
Consolidated Balance Sheets with Supplementary Consolidating Information
December 31, 2015

	<u>TPC, Inc.</u>	<u>North Dakota Telephone Company</u>	<u>Eliminations</u>	<u>Consolidated</u>
Liabilities and Equities				
Current Liabilities				
Accounts payable	\$ 203	\$ 4,566,001	\$ (3,953,779)	\$ 612,425
Current maturities of long-term debt	-	1,100,000	-	1,100,000
Advance billing and customer deposits	-	57,912	-	57,912
Accrued taxes - other	-	109,977	-	109,977
Other current liabilities	-	93,352	-	93,352
Total current liabilities	<u>203</u>	<u>5,927,242</u>	<u>(3,953,779)</u>	<u>1,973,666</u>
Long-Term Debt, Less Current Maturities and Unamortized Debt Issuance Costs	<u>-</u>	<u>7,504,100</u>	<u>-</u>	<u>7,504,100</u>
Deferred Income Taxes	<u>-</u>	<u>10,085,063</u>	<u>-</u>	<u>10,085,063</u>
Equities				
Common stock	9,200,000	807,950	(807,950)	9,200,000
Other equities	-	32,587,659	(32,587,659)	-
Retained earnings	34,537,665	5,887,397	(5,887,397)	34,537,665
Total equities	<u>43,737,665</u>	<u>39,283,006</u>	<u>(39,283,006)</u>	<u>43,737,665</u>
Total liabilities and equities	<u>\$ 43,737,868</u>	<u>\$ 62,799,411</u>	<u>\$ (43,236,785)</u>	<u>\$ 63,300,494</u>

TPC, Inc. and Subsidiary
Consolidated Statements of Income with Supplementary Consolidating Information
Year Ended December 31, 2016

	TPC, Inc.	North Dakota Telephone Company	Eliminations	Consolidated
Operating Revenues				
Local network access	\$ -	\$ 4,319,567	\$ -	\$ 4,319,567
Network access services	-	11,099,791	-	11,099,791
Miscellaneous revenue	-	478,903	-	478,903
Leasing, sales, and installation	-	676,588	-	676,588
Internet revenue	-	3,854,858	-	3,854,858
Video revenue	-	2,959,615	-	2,959,615
Wireless revenue	-	50,644	-	50,644
Uncollectible revenue	-	(43,000)	-	(43,000)
Total operating revenues	<u>-</u>	<u>23,396,966</u>	<u>-</u>	<u>23,396,966</u>
Operating Expenses				
Plant specific operations	-	4,621,171	-	4,621,171
Plant nonspecific operations	-	2,164,609	-	2,164,609
Cable television programming	-	2,144,971	-	2,144,971
Depreciation	-	5,755,734	-	5,755,734
Customer operations	-	1,568,578	-	1,568,578
Corporate operations	2,549	2,069,243	-	2,071,792
Operating taxes - other	-	128,720	-	128,720
Cost of sales and installations	-	709,349	-	709,349
Other internet expenses	-	556,551	-	556,551
Other video expenses	-	384,345	-	384,345
Other wireless expenses	-	36,374	-	36,374
Total operating expenses	<u>2,549</u>	<u>20,139,645</u>	<u>-</u>	<u>20,142,194</u>
Net Operating (Loss) Income	<u>(2,549)</u>	<u>3,257,321</u>	<u>-</u>	<u>3,254,772</u>
Nonoperating Income (Expense)				
Interest and dividend income	-	2,802	-	2,802
Allowance for funds used during construction	-	30,545	-	30,545
Subsidiary earnings	2,436,285	-	(2,436,285)	-
Nonoperating expense	-	(39,856)	-	(39,856)
Earnings from equity investments, net	-	863,761	-	863,761
Net nonoperating income	<u>2,436,285</u>	<u>857,252</u>	<u>(2,436,285)</u>	<u>857,252</u>
Net Income Before Interest Expense and Income Taxes	2,433,736	4,114,573	(2,436,285)	4,112,024
Interest Expense	<u>-</u>	<u>257,591</u>	<u>-</u>	<u>257,591</u>
Net Income Before Income Taxes	2,433,736	3,856,982	(2,436,285)	3,854,433
Income Tax (Benefit) Expense	<u>(867)</u>	<u>1,420,697</u>	<u>-</u>	<u>1,419,830</u>
Net Income	<u>\$ 2,434,603</u>	<u>\$ 2,436,285</u>	<u>\$ (2,436,285)</u>	<u>\$ 2,434,603</u>

TPC, Inc. and Subsidiary
Consolidated Statements of Income with Supplementary Consolidating Information
Year Ended December 31, 2015

	TPC, Inc.	North Dakota Telephone Company	Eliminations	Consolidated
Operating Revenues				
Local network access	\$ -	\$ 4,326,037	\$ -	\$ 4,326,037
Network access services	-	10,349,170	-	10,349,170
Miscellaneous revenue	-	467,076	-	467,076
Leasing, sales, and installation	-	785,768	-	785,768
Internet revenue	-	3,786,115	-	3,786,115
Video revenue	-	2,897,639	-	2,897,639
Wireless revenue	-	59,794	-	59,794
Uncollectible revenue	-	(60,990)	-	(60,990)
Total operating revenues	<u>-</u>	<u>22,610,609</u>	<u>-</u>	<u>22,610,609</u>
Operating Expenses				
Plant specific operations	-	4,665,496	-	4,665,496
Plant nonspecific operations	-	2,203,850	-	2,203,850
Cable television programming	-	2,091,341	-	2,091,341
Depreciation	-	5,526,968	-	5,526,968
Customer operations	-	1,571,128	-	1,571,128
Corporate operations	3,045	2,088,816	-	2,091,861
Operating taxes - other	-	126,400	-	126,400
Cost of sales and installations	-	695,541	-	695,541
Other internet expenses	-	566,868	-	566,868
Other video expenses	-	489,011	-	489,011
Other wireless expenses	-	43,474	-	43,474
Total operating expenses	<u>3,045</u>	<u>20,068,893</u>	<u>-</u>	<u>20,071,938</u>
Net Operating (Loss) Income	<u>(3,045)</u>	<u>2,541,716</u>	<u>-</u>	<u>2,538,671</u>
Nonoperating Income (Expense)				
Interest and dividend income	-	2,230	-	2,230
Allowance for funds used during construction	-	20,005	-	20,005
Subsidiary earnings	2,059,317	-	(2,059,317)	-
Nonoperating expense	-	(40,468)	-	(40,468)
Earnings from equity investments, net	-	941,308	-	941,308
Net nonoperating income	<u>2,059,317</u>	<u>923,075</u>	<u>(2,059,317)</u>	<u>923,075</u>
Net Income Before Interest Expense and Income Taxes	2,056,272	3,464,791	(2,059,317)	3,461,746
Interest Expense	<u>-</u>	<u>195,987</u>	<u>-</u>	<u>195,987</u>
Net Income Before Income Taxes	2,056,272	3,268,804	(2,059,317)	3,265,759
Income Tax (Benefit) Expense	<u>(1,172)</u>	<u>1,209,487</u>	<u>-</u>	<u>1,208,315</u>
Net Income	<u>\$ 2,057,444</u>	<u>\$ 2,059,317</u>	<u>\$ (2,059,317)</u>	<u>\$ 2,057,444</u>

TPC, Inc. and Subsidiary
Consolidated Statements of Cash Flows with Supplementary Consolidating Information
Year Ended December 31, 2016

	TPC, Inc.	North Dakota Telephone Company	Eliminations	Consolidated
Operating Activities				
Net income	\$ 2,434,603	\$ 2,436,285	\$ (2,436,285)	\$ 2,434,603
Adjustments to reconcile net income to net cash from operating activities				
Subsidiary earnings	(2,436,285)	-	2,436,285	-
Depreciation				
Telecommunications plant	-	5,232,484	-	5,232,484
Nonregulated plant	-	523,250	-	523,250
Interest expense attributable to amortization of debt issuance costs	-	18,163	-	18,163
Earnings from equity investments	-	(863,761)	-	(863,761)
Distributions from equity investees	-	499,849	-	499,849
Noncash capital credit allocations	-	(106,598)	-	(106,598)
Proceeds from CoBank equity retirements and other patronage	71,659	65,282	-	136,941
Deferred income taxes	-	592,556	-	592,556
	<u>69,977</u>	<u>8,397,510</u>	<u>-</u>	<u>8,467,487</u>
Change in current assets and liabilities				
Accounts receivable	(867)	(84,857)	1,073	(84,651)
Prepaid income taxes	-	657,274	-	657,274
Prepayments	-	(19,687)	-	(19,687)
Accounts payable	206	(183,018)	(1,073)	(183,885)
Advance billing and deposits	-	2,622	-	2,622
Accrued taxes - other	-	(250)	-	(250)
Other current liabilities	-	85,215	-	85,215
	<u>69,316</u>	<u>8,854,809</u>	<u>-</u>	<u>8,924,125</u>
Net Cash from Operating Activities				
Investing Activities				
Telecommunications plant additions	-	(7,498,224)	-	(7,498,224)
Materials and supplies	-	25,887	-	25,887
	<u>-</u>	<u>25,887</u>	<u>-</u>	<u>25,887</u>
Net Cash used for Investing Activities	-	(7,472,337)	-	(7,472,337)
Financing Activities				
Principal payments on long-term debt	-	(550,000)	-	(550,000)
Advances on long-term debt	-	2,295,651	-	2,295,651
Dividends received	1,000,000	-	(1,000,000)	-
Dividends paid	(1,000,000)	(1,000,000)	1,000,000	(1,000,000)
	<u>-</u>	<u>745,651</u>	<u>-</u>	<u>745,651</u>
Net Cash from Financing Activities				
Net Change in Cash and Cash Equivalents	69,316	2,128,123	-	2,197,439
Cash and Cash Equivalents				
Beginning of year	<u>250,563</u>	<u>5,942,535</u>	<u>-</u>	<u>6,193,098</u>
End of year	<u>\$ 319,879</u>	<u>\$ 8,070,658</u>	<u>\$ -</u>	<u>\$ 8,390,537</u>

TPC, Inc. and Subsidiary
Consolidated Statements of Cash Flows with Supplementary Consolidating Information
Year Ended December 31, 2016

	TPC, Inc.	North Dakota Telephone Company	Eliminations	Consolidated
Supplementary Disclosures of Cash Flow Information				
Cash payments for interest	\$ -	\$ 323,479	\$ -	\$ 323,479
Cash payments for income taxes	\$ -	\$ 170,000	\$ -	\$ 170,000
Noncash Investing and Financing Activities				
Plant additions funded with accounts payable at year end	\$ -	\$ 410,000	\$ -	\$ 410,000

TPC, Inc. and Subsidiary
Consolidated Statements of Cash Flows with Supplementary Consolidating Information
Year Ended December 31, 2015

	TPC, Inc.	North Dakota Telephone Company	Eliminations	Consolidated
Operating Activities				
Net income	\$ 2,057,444	\$ 2,059,317	\$ (2,059,317)	\$ 2,057,444
Adjustments to reconcile net income to net cash from operating activities				
Subsidiary earnings	(2,059,317)	-	2,059,317	-
Depreciation				
Telecommunications plant	-	4,995,559	-	4,995,559
Nonregulated plant	-	531,409	-	531,409
Interest expense attributable to amortization of debt issuance costs	-	18,870	-	18,870
Earnings from equity investments	-	(941,308)	-	(941,308)
Distributions from equity investees	-	741,226	-	741,226
Noncash capital credit allocations	-	(137,689)	-	(137,689)
Proceeds from CoBank equity retirements and other patronage	83,815	50,365	-	134,180
Deferred income taxes	-	162,572	-	162,572
	<u>81,942</u>	<u>7,480,321</u>	<u>-</u>	<u>7,562,263</u>
Change in current assets and liabilities				
Accounts receivable	(1,172)	(252,772)	1,194	(252,750)
Prepaid income taxes	-	961,613	-	961,613
Prepayments	-	63,636	-	63,636
Accounts payable	22	(144,252)	(1,194)	(145,424)
Advance billing and deposits	-	(2,323)	-	(2,323)
Taxes accrued - other	-	(59)	-	(59)
Accrued income taxes	-	(1,870)	-	(1,870)
Other current liabilities	-	600	-	600
	<u>80,792</u>	<u>8,104,894</u>	<u>-</u>	<u>8,185,686</u>
Net Cash from Operating Activities				
Investing Activities				
Telecommunications plant additions	-	(5,465,874)	-	(5,465,874)
Materials and supplies	-	(59,245)	-	(59,245)
	<u>-</u>	<u>(5,525,119)</u>	<u>-</u>	<u>(5,525,119)</u>
Net Cash used for Investing Activities				
Financing Activities				
Payments of debt issuance costs	-	(14,848)	-	(14,848)
Dividends received	1,000,000	-	(1,000,000)	-
Dividends paid	(1,000,000)	(1,000,000)	1,000,000	(1,000,000)
	<u>-</u>	<u>(1,014,848)</u>	<u>-</u>	<u>(1,014,848)</u>
Net Cash used for Financing Activities				
Net Change in Cash and Cash Equivalents	80,792	1,564,927	-	1,645,719
Cash and Cash Equivalents				
Beginning of year	169,771	4,377,608	-	4,547,379
End of year	<u>\$ 250,563</u>	<u>\$ 5,942,535</u>	<u>\$ -</u>	<u>\$ 6,193,098</u>

TPC, Inc. and Subsidiary
Consolidated Statements of Cash Flows with Supplementary Consolidating Information
Year Ended December 31, 2015

	TPC, Inc.	North Dakota Telephone Company	Eliminations	Consolidated
Supplementary Disclosures of Cash Flow Information				
Cash payments for interest	\$ -	\$ 281,865	\$ -	\$ 281,865
Cash payments for income taxes	\$ -	\$ 1,286,000	\$ -	\$ 1,286,000
Noncash Investing and Financing Activities				
Plant additions funded with accounts payable at year end	\$ -	\$ 64,537	\$ -	\$ 64,537