



Consolidated Financial Statements
December 31, 2018 and 2017
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 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, 2018 and 2017 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 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 financial position of TPC, Inc. and Subsidiary as of December 31, 2018 and 2017, and the 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.

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 22 through 29 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.

Eide Sallee LLP

Sioux Falls, South Dakota
April 9, 2019

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	2018	2017
Assets		
Current Assets		
Cash and cash equivalents	\$ 4,771,949	\$ 5,456,118
Accounts receivable		
Telecommunications, net of allowances	140,439	168,050
Other	717,211	1,069,105
Prepaid income taxes	331,080	302,924
Materials and supplies	622,819	604,080
Prepayments	319,573	405,201
Total current assets	<u>6,903,071</u>	<u>8,005,478</u>
Noncurrent Assets		
Equity investments	5,876,917	5,429,254
Other investments	951,764	979,723
Total noncurrent assets	<u>6,828,681</u>	<u>6,408,977</u>
Telecommunications Plant		
In service	150,286,719	144,998,775
Nonregulated plant	4,945,230	4,752,630
	<u>155,231,949</u>	<u>149,751,405</u>
Less accumulated depreciation	97,991,722	96,340,134
Net telecommunications plant	<u>57,240,227</u>	<u>53,411,271</u>
Total assets	<u>\$ 70,971,979</u>	<u>\$ 67,825,726</u>

See Notes to Consolidated Financial Statements

TPC, Inc. and Subsidiary
Consolidated Balance Sheets
December 31, 2018 and 2017

	2018	2017
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable	\$ 1,472,474	\$ 1,295,371
Current maturities of long-term debt	1,400,000	-
Advance billing and customer deposits	56,669	60,417
Accrued taxes - other	114,563	112,038
Other current liabilities	352,842	249,151
Total current liabilities	3,396,548	1,716,977
Long-Term Debt, Less Current Maturities and Unamortized Debt Issuance Costs	6,936,263	8,328,374
Deferred Income Taxes	8,595,558	7,626,263
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	42,843,610	40,954,112
Total stockholders' equity	52,043,610	50,154,112
Total liabilities and stockholders' equity	\$ 70,971,979	\$ 67,825,726

TPC, Inc. and Subsidiary
Consolidated Statements of Income
Years Ended December 31, 2018 and 2017

	2018	2017
Operating Revenues		
Local network access	\$ 4,532,177	\$ 4,418,550
Network access services	11,421,011	10,974,139
Miscellaneous revenue	457,661	444,917
Leasing, sales, and installation	649,321	622,311
Internet revenue	3,870,632	3,863,358
Video revenue	3,425,465	3,183,245
Wireless revenue	32,136	41,683
Uncollectible revenue	(48,000)	(42,000)
	<u>24,340,403</u>	<u>23,506,203</u>
Operating Expenses		
Plant specific operations	4,475,832	4,537,720
Plant nonspecific operations	1,972,056	2,136,446
Cable television programming	2,526,520	2,295,990
Depreciation	6,706,232	6,491,019
Customer operations	1,672,737	1,588,027
Corporate operations	1,989,039	2,121,196
Operating taxes - other	151,883	127,117
Cost of sales and installations	691,912	684,154
Internet expenses	411,983	477,447
Video expenses	477,304	440,177
Wireless expenses	28,699	32,848
	<u>21,104,197</u>	<u>20,932,141</u>
Net Operating Income	<u>3,236,206</u>	<u>2,574,062</u>
Nonoperating Income (Expense)		
Interest and dividend income	56,682	28,586
Allowance for funds used during construction	57,902	42,155
Other nonoperating expense	(53,407)	(27,108)
Earnings from equity investments	927,045	940,647
	<u>988,222</u>	<u>984,280</u>
Net Income Before Interest Expense and Income Taxes	<u>4,224,428</u>	<u>3,558,342</u>
Interest Expense, Net of Patronage Allocations from Lender	393,791	358,248
Net Income Before Income Taxes	<u>3,830,637</u>	<u>3,200,094</u>
Income Tax Expense (Benefit)	941,139	(2,781,750)
Net Income	<u>\$ 2,889,498</u>	<u>\$ 5,981,844</u>

TPC, Inc. and Subsidiary
Consolidated Statements of Stockholders' Equity
Years Ended December 31, 2018 and 2017

	Common Stock	Retained Earnings	Total
Balance, January 1, 2017	\$ 9,200,000	\$ 35,972,268	\$ 45,172,268
Dividends paid	-	(1,000,000)	(1,000,000)
Net income	-	5,981,844	5,981,844
Balance, December 31, 2017	9,200,000	40,954,112	50,154,112
Dividends paid	-	(1,000,000)	(1,000,000)
Net income	-	2,889,498	2,889,498
Balance, December 31, 2018	\$ 9,200,000	\$ 42,843,610	\$ 52,043,610

TPC, Inc. and Subsidiary
Consolidated Statements of Cash Flows
Years Ended December 31, 2018 and 2017

	2018	2017
Operating Activities		
Net income	\$ 2,889,498	\$ 5,981,844
Adjustments to reconcile net income to net cash from operating activities		
Depreciation		
Telecommunications plant	6,328,444	6,039,352
Nonregulated plant	377,788	451,667
Interest expense attributable to amortization and write-off of debt issuance costs	15,959	83,312
Earnings from equity investments	(927,045)	(940,647)
Distributions from equity investments	479,382	691,040
Noncash capital credit allocations	(109,101)	(116,931)
Proceeds from CoBank patronage and equity retirements	137,060	130,928
Deferred income taxes	969,295	(3,051,356)
Change in current assets and liabilities		
Accounts receivable	379,505	182,870
Prepaid income taxes	(28,156)	(277,893)
Materials and supplies	(18,739)	70,897
Prepayments	85,628	(106,690)
Accounts payable	222,123	457,322
Advance billing and deposits	(3,748)	(117)
Accrued taxes - other	2,525	2,311
Other current liabilities	103,691	70,584
Net Cash from Operating Activities	10,904,109	9,668,493
Investing Activities		
Net plant additions and replacements	(10,580,208)	(9,480,059)
Financing Activities		
Principal payments on long-term debt	-	(2,200,000)
Advances on long-term debt	-	180,118
Payments of debt issuance costs	(8,070)	(102,971)
Dividends paid	(1,000,000)	(1,000,000)
Net Cash used for Financing Activities	(1,008,070)	(3,122,853)
Net Change in Cash and Cash Equivalents	(684,169)	(2,934,419)
Cash and Cash Equivalents, Beginning of Year	5,456,118	8,390,537
Cash and Cash Equivalents, End of Year	\$ 4,771,949	\$ 5,456,118

TPC, Inc. and Subsidiary
Consolidated Statements of Cash Flows
Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Supplementary Disclosures of Cash Flow Information		
Cash payments for interest	<u>\$ 454,237</u>	<u>\$ 361,677</u>
Cash payments for income taxes, net	<u>\$ -</u>	<u>\$ 547,500</u>
Supplemental Disclosure of Noncash Investing and Financing Activities		
Refinance of long-term debt	<u>\$ -</u>	<u>\$ 8,250,000</u>
Plant additions funded with accounts payable at year-end	<u>\$ 426,994</u>	<u>\$ 472,014</u>

Note 1 - Summary of Significant Accounting Policies

Nature of Operations

North Dakota Telephone Company (the Company) is a wholly-owned subsidiary of TPC, Inc. TPC, Inc. is a holding company created to hold the investment in North Dakota Telephone Company. The Company's 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 accounts and transactions have been eliminated. The operations of the subsidiary are consolidated with the operations of TPC, Inc.

Cash and Cash Equivalents

For purposes of reporting cash flows, the Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash and cash equivalents.

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, 2018 and 2017.

Materials and Supplies

Materials and supplies are stated at the lower of average cost or market except for inventory held for resale, which is stated at the lower of average cost or net realizable value.

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.

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. Contributions in aid to construction are credited to the applicable plant accounts. 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.

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.

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 for the years ended December 31, 2018 and 2017.

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 consolidated balance sheet. Amortization of debt issuance costs is recorded in interest expense in the accompanying consolidated statements of income.

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.

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.

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.

The Company evaluates its tax positions that have been taken or are expected to be taken on income tax returns to determine if an accrual is necessary for uncertain tax positions. As of December 31, 2018 and 2017, the unrecognized tax benefits accrual was zero. The Company will recognize future accrued interest and penalties related to unrecognized tax benefits in income tax expense if incurred.

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.

Subsequent Events

The Company has evaluated subsequent events through April 9, 2019, the date which the consolidated financial statements were available to be issued.

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. The Company records receivables for sales and service revenues as billed on a monthly basis to the customers and interexchange carriers.

Interstate access revenues also include settlements based on the Company's participation in the revenue pools administered by the National Exchange Carriers Association (NECA). These revenues are determined annually by separation and interstate access cost studies. Revenues for the current year are based on estimates prior to the submission of the cost study reporting actual results of operations. The studies are subject to a 24-month pool adjustment period and final review and acceptance by the pool administrators. Management does not anticipate significant adjustments to recorded revenues for the years ended December 31, 2018 and 2017.

Federal Universal Service support is intended to compensate the Company for the high cost of providing rural telephone service. Federal Universal Service support revenues includes funds received for the high cost loop support, Connect America Fund Broadband Loop Support (CAF BLS), local switching support, and other miscellaneous programs. These support revenues are based on the relative level of operating expense and plant investment.

In 2018 and 2017, the Company received approximately 24% and 19%, respectively, of its operating revenues from assistance provided by the Federal Universal Service Fund.

In 2012, 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 addition, the Company is evaluating the limited information and potential benefits of the FCC's revisions to the A-CAM program and Legacy funding mechanisms. The proposed model includes new offers of model-based A-CAM support to rural rate of return carriers that were not previously eligible.

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, 2018 and 2017, the bank balances exceeded this limit.

Note 3 - Other Investments

	2018	2017
CoBank		
Subordinated capital stock	\$ 341,535	\$ 383,229
Patronage capital allocations	84,304	91,624
	425,839	474,853
Patronage capital credit investments		
National Information Solutions Cooperative (NISC)	306,300	286,159
National Rural Telecommunications Cooperative (NRTC)	179,939	179,939
Other patronage capital credit investments	39,686	38,772
	525,925	504,870
Total other investments	\$ 951,764	\$ 979,723

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 consolidated 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 losses. The following represents the capital contributions, capital distributions, earnings, and losses on the investments recorded under the equity method for the years ending December 31, 2018 and 2017:

	2017	Capital Contributions (Distributions)	Current Earnings (Loss)	2018
NDLD	\$ 126,058	\$ (100,000)	\$ 63,199	\$ 89,257
DCN	4,559,903	(379,382)	921,716	5,102,237
NPUC	649,466	-	(60,111)	589,355
DVN	93,827	-	2,241	96,068
	<u>\$ 5,429,254</u>	<u>\$ (479,382)</u>	<u>\$ 927,045</u>	<u>\$ 5,876,917</u>
	2016	Capital Contributions (Distributions)	Current Earnings (Loss)	2017
NDLD	\$ 117,630	\$ (50,000)	\$ 58,428	\$ 126,058
DCN	4,304,383	(516,040)	771,560	4,559,903
NPUC	578,502	-	70,964	649,466
DVN	179,132	(125,000)	39,695	93,827
	<u>\$ 5,179,647</u>	<u>\$ (691,040)</u>	<u>\$ 940,647</u>	<u>\$ 5,429,254</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, 2018 and 2017, were approximately \$46,000 and \$50,000, 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 \$90,000 and \$80,000 for the years ended December 31, 2018 and 2017, respectively. The Company also agrees to lease circuit equipment on a short-term basis to and from Dakota Carrier Network. Under this agreement, the Company received approximately \$1,375,000 and \$1,389,000 for the years ended December 31, 2018 and 2017, respectively, and paid approximately \$305,000 for the years ended December 31, 2018 and 2017.

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 \$12,000 and \$42,000 to Dakota Video Network LLC for the years ended December 31, 2018 and 2017, respectively.

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 \$1,016,000 and \$565,000 to North Plains Utility Contracting LLC for the years ended December 31, 2018 and 2017, 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, 2018 and 2017.

The Company has accounts receivable balances arising from the various affiliated transactions at December 31, 2018 and 2017, totaling approximately \$1,400 and \$126,000, respectively. The Company has accounts payable balances arising from the various affiliated transactions at December 31, 2018 and 2017, totaling approximately \$20,000 and \$40,000, respectively.

Summary financial information for the Company's equity investees for the year ended December 31, 2018, is as follows:

	North Dakota Long Distance LLC (Unaudited)	Dakota Carrier Network LLC (Audited)	North Plains Utility Contracting LLC (Unaudited)	Dakota Video Network LLC (Unaudited)
Revenues	\$ 4,035,283	\$ 49,936,899	\$ 2,030,463	\$ 77,176
Expenses	3,403,289	37,245,085	2,270,908	70,452
Net Income	631,994	12,691,814	(240,445)	6,724
Assets	\$ 1,885,320	\$ 72,257,898	\$ 2,428,244	\$ 292,107
Liabilities	305,674	2,001,293	38,091	3,900
Equity	1,579,646	70,256,605	2,390,153	288,207

Summary financial information for the Company's equity investees for the year ended December 31, 2017, is as follows:

	North Dakota Long Distance LLC (Unaudited)	Dakota Carrier Network LLC (Audited)	North Plains Utility Contracting LLC (Unaudited)	Dakota Video Network LLC (Unaudited)
Revenues	\$ 4,298,090	\$ 46,977,037	\$ 2,394,898	\$ 179,848
Expenses	3,713,845	36,529,111	2,363,138	60,759
Net Income	584,245	10,447,926	31,760	119,089
Assets	\$ 2,309,176	\$ 64,942,261	\$ 2,674,620	\$ 285,483
Liabilities	361,524	2,153,507	44,022	4,000
Equity	1,947,652	62,788,754	2,630,598	281,483

Note 5 - Nonregulated Plant

The investments in nonregulated plant at December 31, 2018 and 2017 are as follows:

	2018	2017
Leased telecommunications equipment (5 - 7 year estimated life)	\$ 415,191	\$ 412,341
Internet equipment (5 year estimated life)	882,881	909,435
Video equipment (7 year estimated life)	3,615,231	3,426,936
Under construction	31,927	3,918
Nonregulated plant	4,945,230	4,752,630
Less accumulated depreciation	3,878,393	3,565,178
Nonregulated plant, net	<u>\$ 1,066,837</u>	<u>\$ 1,187,452</u>

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

	2018	2017
Revenues		
Revenue - leasing, sales, and installation	\$ 649,321	\$ 622,311
Internet revenue	3,870,632	3,863,358
Video revenue	3,425,465	3,183,245
Wireless revenue	32,136	41,683
	7,977,554	7,710,597
Expenses		
Cost of sales, installations, and repairs	691,912	684,154
Internet expenses	411,983	477,447
Video expenses	3,003,824	2,736,167
Wireless expenses	28,699	32,848
Depreciation	377,788	451,667
	4,514,206	4,382,283
Nonregulated net income	\$ 3,463,348	\$ 3,328,314

Note 6 - Telecommunications Plant

	2018		2017	
	Plant	Depreciation Rates	Plant	Depreciation Rates
Land and support assets	\$ 12,916,030	2.71 - 20.96%	\$ 12,914,596	2.71 - 20.96%
Central office switching equipment	45,184,256	5.00 - 20.00%	45,512,995	5.00 - 20.00%
Information origination and termination	37,371	14.32%	37,371	14.32%
Cable and wire facilities	92,149,062	2.51 - 5.3%	86,533,813	2.51 - 5.3%
Total in service	150,286,719		144,998,775	
Nonregulated plant	4,945,230		4,752,630	
Total telecommunications plant	\$ 155,231,949		\$ 149,751,405	

Note 7 - Long-Term Debt

	2018	2017
CoBank term loan with variable interest rate, 5.26% at December 31, 2018 (effective interest rate of 4.97%), due in quarterly installments from June 2019 through December 2022	\$ 8,430,118	\$ 8,430,118
Unamortized debt issuance costs	(93,855)	(101,744)
Long-term debt, net of unamortized debt issuance costs	8,336,263	8,328,374
Less current maturities	(1,400,000)	-
Total long-term debt, net of current maturities	\$ 6,936,263	\$ 8,328,374

Substantially all assets of the Company are pledged as collateral on the note 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, 2018 and 2017.

The Company has unadvanced loan funds of \$10,569,882 from CoBank at December 31, 2018.

It is estimated that principal repayments on the above debt will be as follows:

Years Ended December 31,

2019	\$ 1,400,000
2020	2,400,000
2021	2,400,000
2022	2,230,118

Note 8 - Income Tax Expense/Deferred Income Taxes

TPC, Inc. and North Dakota Telephone Company are C-Corporations required to pay federal and state income taxes. The operations of the subsidiary are included in the consolidated federal and state income tax returns filed by the parent company and the affiliate owned by the parent company. Current taxes are allocated based on taxable income (loss) and deferred taxes are allocated on a stand-alone basis.

Any net operating losses incurred and not utilized on a consolidated basis are either carried back to offset prior taxable income or carried forward to offset future taxable income, depending on the taxing jurisdiction. Federal net operating losses incurred through 2018 may be carried forward indefinitely to offset future taxable income. The state of North Dakota provides for net operating losses to be carried forward for a period not exceeding five years. At December 31, 2018, the consolidated companies have a \$3,576,232 federal net operating loss carryover.

The companies follow the asset and liability method for accounting for income taxes. The objective of the asset and liability method is to establish deferred tax assets and liabilities for the temporary difference between the financial reporting basis and the tax basis of the companies' assets and liabilities at enacted tax rates expected to be in effect when such amounts are realized or settled. Deferred income taxes result from transactions which enter into the determination of taxable income in different periods than recorded for financial reporting purposes. The companies' principal sources of deferred federal and state income taxes are due to differences in depreciation on assets for tax purposes and differences in the basis of partnership investments resulting from accelerated depreciation deducted by the partnership for tax purposes.

The components of the deferred income tax assets (liabilities) recognized in the consolidated balance sheets consist of the following:

	2018	2017
Deferred income taxes		
Accelerated depreciation and amortization	\$ (9,154,867)	\$ (7,377,030)
Timing differences from equity investments	(413,300)	(314,591)
Net operating loss carryforward	881,815	-
Other	90,794	65,358
Total deferred income tax liability - long-term	\$ (8,595,558)	\$ (7,626,263)

The income tax expense (benefit) is reflected in the consolidated statements of income as follows:

	2018	2017
Operating taxes - federal income	\$ 578,409	\$ 714,961
Operating taxes - federal statutory rate adjustment	-	(3,787,511)
Operating taxes - state income	124,059	97,691
Total operating	702,468	(2,974,859)
Nonoperating taxes - federal income	196,380	314,296
Nonoperating taxes - federal statutory rate adjustment	-	(162,961)
Nonoperating taxes - state income	42,291	41,774
Total nonoperating	238,671	193,109
Total income tax expense (benefit)	\$ 941,139	\$ (2,781,750)

Income tax (benefit) expense consists of the following:

	2018	2017
Federal income tax computed at statutory rates	\$ (152,215)	\$ 240,339
State income tax computed at statutory rates	124,059	29,267
Federal statutory rate adjustment	-	(3,950,472)
Deferred income tax credits - accelerated depreciation	1,777,837	885,487
Deferred income tax credits - net operating loss carryforward	(881,815)	-
Deferred income tax credits - other	73,273	13,629
Total income tax expense (benefit)	\$ 941,139	\$ (2,781,750)

The Federal Tax Cuts and Jobs Act of 2017, enacted on December 22, 2017, revises the U.S. corporate income tax by lowering the corporate income tax rate from a top marginal rate of 35 percent to a flat rate of 21 percent. The Tax Act is effective January 1, 2018. The reduction in corporate income tax rate decreased the Company's net deferred tax liability as of December 22, 2017 by \$3,950,472 resulting from re-measuring the Company's net deferred tax liability at the newly enacted corporate income tax rate of 21 percent versus the 34 percent rate used to determine deferred taxes prior to the rate change.

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 2018 and 2017 represented less than 5 percent of the total contributions made to the plan by all participating employers. During 2018 and 2017, the Company made contributions to the plan based on 10.60% of eligible employee compensation plus a contribution surcharge of between 6.07%-6.38% and 3.00%-3.15%, respectively for 2018 and 2017 of eligible employee compensation. The current contribution surcharge is effective through December 31, 2018. The Company's total contributions to the plan for the years ended December 31, 2018 and 2017 were approximately \$814,000 and \$715,000, 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. In total, the RS Plan was over 80 percent funded on January 1, 2018 and 2017 based on the PPA funding target and PPA actuarial value of assets on those dates.

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, 2018 and 2017. The Company made annual contributions of approximately \$182,000 and \$192,000 in 2018 and 2017, respectively.

Note 10 - Common Stock

	2018	2017
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
Total common stock	\$ 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 consolidated financial position of the Company.



Supplemental Information
December 31, 2018 and 2017
TPC, Inc. and Subsidiary

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	TPC, Inc.	North Dakota Telephone Company	Eliminations	Consolidated
Assets				
Current Assets				
Cash and cash equivalents	\$ 420,926	\$ 4,351,023	\$ -	\$ 4,771,949
Accounts receivable				
Telecommunications, net	-	140,439	-	140,439
Other	3,956,279	717,993	(3,957,061)	717,211
Prepaid income taxes	-	331,080	-	331,080
Materials and supplies	-	622,819	-	622,819
Prepayments	-	319,573	-	319,573
Total current assets	<u>4,377,205</u>	<u>6,482,927</u>	<u>(3,957,061)</u>	<u>6,903,071</u>
Noncurrent Assets				
Investment in subsidiary	47,595,321	-	(47,595,321)	-
Equity investments	-	5,876,917	-	5,876,917
Other investments	71,866	879,898	-	951,764
Total noncurrent assets	<u>47,667,187</u>	<u>6,756,815</u>	<u>(47,595,321)</u>	<u>6,828,681</u>
Telecommunications Plant				
In service	-	150,286,719	-	150,286,719
Nonregulated plant	-	4,945,230	-	4,945,230
Total investment in plant	-	<u>155,231,949</u>	-	<u>155,231,949</u>
Less accumulated depreciation	-	97,991,722	-	97,991,722
Net telecommunications plant	-	<u>57,240,227</u>	-	<u>57,240,227</u>
 Total assets	 <u>\$ 52,044,392</u>	 <u>\$ 70,479,969</u>	 <u>\$ (51,552,382)</u>	 <u>\$ 70,971,979</u>

TPC, Inc. and Subsidiary
Consolidating Balance Sheets
December 31, 2018

	<u>TPC, Inc.</u>	<u>North Dakota Telephone Company</u>	<u>Eliminations</u>	<u>Consolidated</u>
Liabilities and Stockholders' Equity				
Current Liabilities				
Accounts payable	\$ 782	\$ 5,428,753	\$ (3,957,061)	\$ 1,472,474
Current maturities of long-term debt	-	1,400,000	-	1,400,000
Advance billing and customer deposits	-	56,669	-	56,669
Accrued taxes - other	-	114,563	-	114,563
Other current liabilities	-	352,842	-	352,842
Total current liabilities	<u>782</u>	<u>7,352,827</u>	<u>(3,957,061)</u>	<u>3,396,548</u>
Long-Term Debt, Less Current Maturities and Unamortized Debt Issuance Costs				
	-	6,936,263	-	6,936,263
Deferred Income Taxes				
	-	8,595,558	-	8,595,558
Stockholders' Equity				
Common stock	9,200,000	807,950	(807,950)	9,200,000
Other equities	-	32,587,659	(32,587,659)	-
Retained earnings	42,843,610	14,199,712	(14,199,712)	42,843,610
Total stockholders' equity	<u>52,043,610</u>	<u>47,595,321</u>	<u>(47,595,321)</u>	<u>52,043,610</u>
Total liabilities and stockholders' equity				
	<u>\$ 52,044,392</u>	<u>\$ 70,479,969</u>	<u>\$ (51,552,382)</u>	<u>\$ 70,971,979</u>

	TPC, Inc.	North Dakota Telephone Company	Eliminations	Consolidated
Assets				
Current Assets				
Cash and cash equivalents	\$ 376,548	\$ 5,079,570	\$ -	\$ 5,456,118
Accounts receivable:				
Telecommunications, net	-	168,050	-	168,050
Other	3,955,483	1,067,458	(3,953,836)	1,069,105
Prepaid income taxes	-	302,924	-	302,924
Materials and supplies	-	604,080	-	604,080
Prepayments	-	405,201	-	405,201
Total current assets	<u>4,332,031</u>	<u>7,627,283</u>	<u>(3,953,836)</u>	<u>8,005,478</u>
Noncurrent Assets				
Investment in subsidiary	45,703,155	-	(45,703,155)	-
Equity investments	-	5,429,254	-	5,429,254
Other investments	119,427	860,296	-	979,723
Total noncurrent assets	<u>45,822,582</u>	<u>6,289,550</u>	<u>(45,703,155)</u>	<u>6,408,977</u>
Telecommunications Plant				
In service	-	144,998,775	-	144,998,775
Nonregulated plant	-	4,752,630	-	4,752,630
Total investment in plant	-	<u>149,751,405</u>	-	<u>149,751,405</u>
Less accumulated depreciation	-	96,340,134	-	96,340,134
Net telecommunications plant	-	<u>53,411,271</u>	-	<u>53,411,271</u>
 Total assets	 <u>\$ 50,154,613</u>	 <u>\$ 67,328,104</u>	 <u>\$ (49,656,991)</u>	 <u>\$ 67,825,726</u>

TPC, Inc. and Subsidiary
Consolidating Balance Sheets
December 31, 2017

	TPC, Inc.	North Dakota Telephone Company	Eliminations	Consolidated
Liabilities and Stockholders' Equity				
Current Liabilities				
Accounts payable	\$ 501	\$ 5,248,706	\$ (3,953,836)	\$ 1,295,371
Advance billing and customer deposits	-	60,417	-	60,417
Accrued taxes - other	-	112,038	-	112,038
Other current liabilities	-	249,151	-	249,151
Total current liabilities	501	5,670,312	(3,953,836)	1,716,977
Long-Term Debt, Less Current Maturities and Unamortized Debt Issuance Costs	-	8,328,374	-	8,328,374
Deferred Income Taxes	-	7,626,263	-	7,626,263
Stockholders' Equity				
Common stock	9,200,000	807,950	(807,950)	9,200,000
Other equities	-	32,587,659	(32,587,659)	-
Retained earnings	40,954,112	12,307,546	(12,307,546)	40,954,112
Total stockholders' equity	50,154,112	45,703,155	(45,703,155)	50,154,112
Total liabilities and stockholders' equity	\$ 50,154,613	\$ 67,328,104	\$ (49,656,991)	\$ 67,825,726

TPC, Inc. and Subsidiary
Consolidating Statements of Income
Year Ended December 31, 2018

	TPC, Inc.	North Dakota Telephone Company	Eliminations	Consolidated
Operating Revenues				
Local network access	\$ -	\$ 4,532,177	\$ -	\$ 4,532,177
Network access services	-	11,421,011	-	11,421,011
Miscellaneous revenue	-	457,661	-	457,661
Leasing, sales, and installation	-	649,321	-	649,321
Internet revenue	-	3,870,632	-	3,870,632
Video revenue	-	3,425,465	-	3,425,465
Wireless revenue	-	32,136	-	32,136
Uncollectible revenue	-	(48,000)	-	(48,000)
Total operating revenues	<u>-</u>	<u>24,340,403</u>	<u>-</u>	<u>24,340,403</u>
Operating Expenses				
Plant specific operations	-	4,475,832	-	4,475,832
Plant nonspecific operations	-	1,972,056	-	1,972,056
Cable television programming	-	2,526,520	-	2,526,520
Depreciation	-	6,706,232	-	6,706,232
Customer operations	-	1,672,737	-	1,672,737
Corporate operations	3,464	1,985,575	-	1,989,039
Operating taxes - other	-	151,883	-	151,883
Cost of sales and installations	-	691,912	-	691,912
Other internet expenses	-	411,983	-	411,983
Other video expenses	-	477,304	-	477,304
Other wireless expenses	-	28,699	-	28,699
Total operating expenses	<u>3,464</u>	<u>21,100,733</u>	<u>-</u>	<u>21,104,197</u>
Net Operating (Loss) Income	<u>(3,464)</u>	<u>3,239,670</u>	<u>-</u>	<u>3,236,206</u>
Nonoperating Income (Expense)				
Interest and dividend income	-	56,682	-	56,682
Allowance for funds used during construction	-	57,902	-	57,902
Subsidiary earnings	2,892,166	-	(2,892,166)	-
Nonoperating expense	-	(53,407)	-	(53,407)
Earnings from equity investments	-	927,045	-	927,045
Nonoperating income, net	<u>2,892,166</u>	<u>988,222</u>	<u>(2,892,166)</u>	<u>988,222</u>
Net Income Before Interest Expense and Income Taxes	2,888,702	4,227,892	(2,892,166)	4,224,428
Interest Expense	<u>-</u>	<u>393,791</u>	<u>-</u>	<u>393,791</u>
Net Income Before Income Taxes	2,888,702	3,834,101	(2,892,166)	3,830,637
Income Tax (Benefit) Expense	<u>(796)</u>	<u>941,935</u>	<u>-</u>	<u>941,139</u>
Net Income	<u>\$ 2,889,498</u>	<u>\$ 2,892,166</u>	<u>\$ (2,892,166)</u>	<u>\$ 2,889,498</u>

TPC, Inc. and Subsidiary
Consolidating Statements of Income
Year Ended December 31, 2017

	TPC, Inc.	North Dakota Telephone Company	Eliminations	Consolidated
Operating Revenues				
Local network access	\$ -	\$ 4,418,550	\$ -	\$ 4,418,550
Network access services	-	10,974,139	-	10,974,139
Miscellaneous revenue	-	444,917	-	444,917
Leasing, sales, and installation	-	622,311	-	622,311
Internet revenue	-	3,863,358	-	3,863,358
Video revenue	-	3,183,245	-	3,183,245
Wireless revenue	-	41,683	-	41,683
Uncollectible revenue	-	(42,000)	-	(42,000)
Total operating revenues	<u>-</u>	<u>23,506,203</u>	<u>-</u>	<u>23,506,203</u>
Operating Expenses				
Plant specific operations	-	4,537,720	-	4,537,720
Plant nonspecific operations	-	2,136,446	-	2,136,446
Cable television programming	-	2,295,990	-	2,295,990
Depreciation	-	6,491,019	-	6,491,019
Customer operations	-	1,588,027	-	1,588,027
Corporate operations	3,060	2,118,136	-	2,121,196
Operating taxes - other	-	127,117	-	127,117
Cost of sales and installations	-	684,154	-	684,154
Other internet expenses	-	477,447	-	477,447
Other video expenses	-	440,177	-	440,177
Other wireless expenses	-	32,848	-	32,848
Total operating expenses	<u>3,060</u>	<u>20,929,081</u>	<u>-</u>	<u>20,932,141</u>
Net Operating (Loss) Income	<u>(3,060)</u>	<u>2,577,122</u>	<u>-</u>	<u>2,574,062</u>
Nonoperating Income (Expense)				
Interest and dividend income	-	28,586	-	28,586
Allowance for funds used during construction	-	42,155	-	42,155
Subsidiary earnings	5,983,864	-	(5,983,864)	-
Nonoperating expense	-	(27,108)	-	(27,108)
Earnings from equity investments, net	-	940,647	-	940,647
Nonoperating income, net	<u>5,983,864</u>	<u>984,280</u>	<u>(5,983,864)</u>	<u>984,280</u>
Net Income Before Interest Expense and Income Taxes	5,980,804	3,561,402	(5,983,864)	3,558,342
Interest Expense	<u>-</u>	<u>358,248</u>	<u>-</u>	<u>358,248</u>
Net Income Before Income Taxes	5,980,804	3,203,154	(5,983,864)	3,200,094
Income Tax Benefit	<u>(1,040)</u>	<u>(2,780,710)</u>	<u>-</u>	<u>(2,781,750)</u>
Net Income	<u>\$ 5,981,844</u>	<u>\$ 5,983,864</u>	<u>\$ (5,983,864)</u>	<u>\$ 5,981,844</u>

TPC, Inc. and Subsidiary
Consolidating Statements of Cash Flows
Year Ended December 31, 2018

	TPC, Inc.	North Dakota Telephone Company	Eliminations	Consolidated
Operating Activities				
Net income	\$ 2,889,498	\$ 2,892,166	\$ (2,892,166)	\$ 2,889,498
Adjustments to reconcile net income to net cash from operating activities				
Subsidiary earnings	(2,892,166)	-	2,892,166	-
Depreciation				
Telecommunications plant	-	6,328,444	-	6,328,444
Nonregulated plant	-	377,788	-	377,788
Interest expense attributable to amortization of debt issuance costs	-	15,959	-	15,959
Earnings from equity investments	-	(927,045)	-	(927,045)
Distributions from equity investments	-	479,382	-	479,382
Noncash capital credit allocations	-	(109,101)	-	(109,101)
Proceeds from CoBank equity and patronage retirements	47,561	89,499	-	137,060
Deferred income taxes	-	969,295	-	969,295
	<u>44,893</u>	<u>10,116,387</u>	<u>-</u>	<u>10,161,280</u>
Change in current assets and liabilities				
Accounts receivable	(796)	377,076	3,225	379,505
Prepaid income taxes	-	(28,156)	-	(28,156)
Materials and supplies	-	(18,739)	-	(18,739)
Prepayments	-	85,628	-	85,628
Accounts payable	281	225,067	(3,225)	222,123
Advance billing and deposits	-	(3,748)	-	(3,748)
Accrued taxes - other	-	2,525	-	2,525
Other current liabilities	-	103,691	-	103,691
	<u>44,378</u>	<u>10,859,731</u>	<u>-</u>	<u>10,904,109</u>
Net Cash from Operating Activities				
Investing Activities				
Net plant additions and replacements	-	(10,580,208)	-	(10,580,208)
Financing Activities				
Payments of debt issuance costs	-	(8,070)	-	(8,070)
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>(1,008,070)</u>	<u>-</u>	<u>(1,008,070)</u>
Net Cash used for Financing Activities				
Net Change in Cash and Cash Equivalents	44,378	(728,547)	-	(684,169)
Cash and Cash Equivalents				
Beginning of year	<u>376,548</u>	<u>5,079,570</u>	<u>-</u>	<u>5,456,118</u>
End of year	<u>\$ 420,926</u>	<u>\$ 4,351,023</u>	<u>\$ -</u>	<u>\$ 4,771,949</u>

TPC, Inc. and Subsidiary
Consolidating Statements of Cash Flows
Year Ended December 31, 2018

	TPC, Inc.	North Dakota Telephone Company	Eliminations	Consolidated
Supplementary Disclosures of Cash Flow Information				
Cash payments for interest	\$ -	\$ 454,237	\$ -	\$ 454,237
Noncash Investing and Financing Activities				
Plant additions funded with accounts payable at year end	\$ -	\$ 426,994	\$ -	\$ 426,994

TPC, Inc. and Subsidiary
Consolidating Statements of Cash Flows
Year Ended December 31, 2017

	TPC, Inc.	North Dakota Telephone Company	Eliminations	Consolidated
Operating Activities				
Net income	\$ 5,981,844	\$ 5,983,864	\$ (5,983,864)	\$ 5,981,844
Adjustments to reconcile net income to net cash from operating activities				
Subsidiary earnings	(5,983,864)	-	5,983,864	-
Depreciation				
Telecommunications plant	-	6,039,352	-	6,039,352
Nonregulated plant	-	451,667	-	451,667
Interest expense attributable to amortization of debt issuance costs	-	83,312	-	83,312
Earnings from equity investments	-	(940,647)	-	(940,647)
Distributions from equity investees	-	691,040	-	691,040
Noncash capital credit allocations	-	(116,931)	-	(116,931)
Proceeds from CoBank equity and patronage retirements	59,637	71,291	-	130,928
Deferred income taxes	-	(3,051,356)	-	(3,051,356)
	<u>57,617</u>	<u>9,211,592</u>	<u>-</u>	<u>9,269,209</u>
Change in current assets and liabilities				
Accounts receivable	(1,040)	182,894	1,016	182,870
Prepaid income taxes	-	(277,893)	-	(277,893)
Materials and supplies	-	70,897	-	70,897
Prepayments	-	(106,690)	-	(106,690)
Accounts payable	92	458,246	(1,016)	457,322
Advance billing and deposits	-	(117)	-	(117)
Accrued taxes - other	-	2,311	-	2,311
Other current liabilities	-	70,584	-	70,584
	<u>56,669</u>	<u>9,611,824</u>	<u>-</u>	<u>9,668,493</u>
Investing Activities				
Net plant additions and replacements	-	(9,480,059)	-	(9,480,059)
Financing Activities				
Principal payments on long-term debt	-	(2,200,000)	-	(2,200,000)
Advances on long-term debt	-	180,118	-	180,118
Payments of debt issuance costs	-	(102,971)	-	(102,971)
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>(3,122,853)</u>	<u>-</u>	<u>(3,122,853)</u>
Net Cash used for Financing Activities	<u>-</u>	<u>(3,122,853)</u>	<u>-</u>	<u>(3,122,853)</u>
Net Change in Cash and Cash Equivalents	56,669	(2,991,088)	-	(2,934,419)
Cash and Cash Equivalents				
Beginning of year	<u>319,879</u>	<u>8,070,658</u>	<u>-</u>	<u>8,390,537</u>
End of year	<u>\$ 376,548</u>	<u>\$ 5,079,570</u>	<u>\$ -</u>	<u>\$ 5,456,118</u>

TPC, Inc. and Subsidiary
Consolidating Statements of Cash Flows
Year Ended December 31, 2017

	<u>TPC, Inc.</u>	<u>North Dakota Telephone Company</u>	<u>Eliminations</u>	<u>Consolidated</u>
Supplementary Disclosures of Cash Flow Information				
Cash payments for interest	<u>\$ -</u>	<u>\$ 361,677</u>	<u>\$ -</u>	<u>\$ 361,677</u>
Cash payments for income taxes	<u>\$ -</u>	<u>\$ 547,500</u>	<u>\$ -</u>	<u>\$ 547,500</u>
Noncash Investing and Financing Activities				
Refinance of long-term debt	<u>\$ -</u>	<u>\$ 8,250,000</u>	<u>\$ -</u>	<u>\$ 8,250,000</u>
Plant additions funded with accounts payable at year end	<u>\$ -</u>	<u>\$ 472,014</u>	<u>\$ -</u>	<u>\$ 472,014</u>