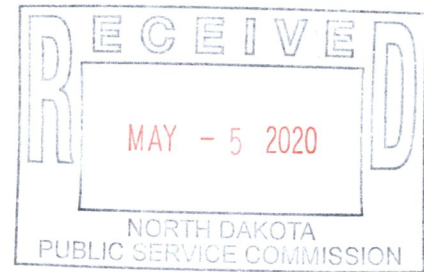




May 1, 2020

North Dakota Public Service Commission
Darrell Nitschke
600 E Boulevard Ave, Dept 408
Bismarck, ND 58505-0480



Enclosed is a copy of TPC, INC and Subsidiary Audited Financial Statements for 2019 for your records.
Please let us know if you have any questions.

Sincerely,

A handwritten signature in black ink that reads "Sandy Nordrum".

Sandy Nordrum
Accounting Manager
NDTC

Enclosure



Consolidated Financial Statements
December 31, 2019 and 2018

TPC, Inc. and Subsidiary

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CPAs & BUSINESS ADVISORS

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, 2019 and 2018 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, 2019 and 2018, 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 25 through 34 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 Bailly LLP

Sioux Falls, South Dakota
April 8, 2020

TPC, Inc. and Subsidiary
Consolidated Balance Sheets
December 31, 2019 and 2018

	2019	2018
Assets		
Current Assets		
Cash and cash equivalents	\$ 12,825,865	\$ 4,771,949
Accounts receivable		
Telecommunications, net of allowances	129,655	140,439
Other	1,660,646	717,211
Prepaid income taxes	-	331,080
Materials and supplies	527,896	622,819
Prepayments	553,154	319,573
	15,697,216	6,903,071
Total current assets		
Noncurrent Assets		
Investments in limited liability companies	6,186,530	5,876,917
Other investments	962,951	951,764
	7,149,481	6,828,681
Total noncurrent assets		
Telecommunications Plant		
In service	149,928,546	150,286,719
Nonregulated plant	5,116,864	4,945,230
Under construction	128,211	-
	155,173,621	155,231,949
Less accumulated depreciation	100,667,046	97,991,722
	54,506,575	57,240,227
Net telecommunications plant		
Total assets	\$ 77,353,272	\$ 70,971,979

TPC, Inc. and Subsidiary
Consolidated Statements of Income
Years Ended December 31, 2019 and 2018

	2019	2018
Operating Revenues		
Local network access	\$ 4,273,853	\$ 4,532,177
Network access services	18,962,383	11,421,011
Miscellaneous revenue	458,554	457,661
Leasing, sales, and installation	678,418	649,321
Internet revenue	4,150,005	3,870,632
Video revenue	3,613,380	3,425,465
Wireless revenue	27,723	32,136
Uncollectible revenue	(252,976)	(48,000)
	31,911,340	24,340,403
Operating Expenses		
Plant specific operations	4,464,062	4,475,832
Plant nonspecific operations	1,566,280	1,972,056
Cable television programming	2,618,095	2,526,520
Depreciation	7,245,573	6,706,232
Customer operations	1,628,088	1,672,737
Corporate operations	2,019,303	1,989,039
Operating taxes - other	117,595	151,883
Cost of sales and installations	738,621	691,912
Internet expenses	401,835	411,983
Video expenses	528,356	477,304
Wireless expenses	25,618	28,699
	21,353,426	21,104,197
Net Operating Income	10,557,914	3,236,206
Nonoperating Income (Expense)		
Interest and dividend income	108,861	56,682
Allowance for funds used during construction	20,519	57,902
Other nonoperating expense	(57,068)	(53,407)
Earnings from investments in limited liability companies	966,968	927,045
	1,039,280	988,222
Net Income Before Interest Expense and Income Taxes	11,597,194	4,224,428
Interest Expense, Net of Patronage Allocations from Lender	352,435	393,791
Net Income Before Income Taxes	11,244,759	3,830,637
Income Tax Expense	2,781,412	941,139
Net Income	\$ 8,463,347	\$ 2,889,498

TPC, Inc. and Subsidiary
Consolidated Statements of Stockholders' Equity
Years Ended December 31, 2019 and 2018

	Common Stock	Retained Earnings	Total
Balance, January 1, 2018	\$ 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
Dividends paid	-	(1,000,000)	(1,000,000)
Net income	-	8,463,347	8,463,347
Balance, December 31, 2019	<u>\$ 9,200,000</u>	<u>\$ 50,306,957</u>	<u>\$ 59,506,957</u>

TPC, Inc. and Subsidiary
Consolidated Statements of Cash Flows
Years Ended December 31, 2019 and 2018

	2019	2018
Operating Activities		
Net income	\$ 8,463,347	\$ 2,889,498
Adjustments to reconcile net income to net cash from operating activities		
Depreciation		
Telecommunications plant	6,876,927	6,328,444
Nonregulated plant	368,646	377,788
Interest expense attributable to amortization and write-off of debt issuance costs	15,863	15,959
Earnings from investments in limited liability companies	(966,968)	(927,045)
Distributions from investments in limited liability companies	695,419	479,382
Noncash capital credit allocations	(115,862)	(109,101)
Proceeds from CoBank patronage and equity retirements	104,675	137,060
Deferred income taxes	943,781	969,295
Change in current assets and liabilities		
Accounts receivable	(932,651)	379,505
Prepaid income taxes	331,080	(28,156)
Materials and supplies	94,923	(18,739)
Prepayments	(233,581)	85,628
Accounts payable	(245,767)	222,123
Advance billing and deposits	(4,910)	(3,748)
Accrued taxes - other	72,112	2,525
Other current liabilities	(119,773)	103,691
Net Cash from Operating Activities	15,347,261	10,904,109
Investing Activities		
Net plant additions and replacements	(4,855,281)	(10,580,208)
Contributions to investments in limited liability companies	(38,064)	-
Net Cash used for Investing Activities	(4,893,345)	(10,580,208)
Financing Activities		
Principal payments on long-term debt	(1,400,000)	(8,070)
Dividends paid	(1,000,000)	(1,000,000)
Net Cash used for Financing Activities	(2,400,000)	(1,008,070)
Net Change in Cash and Cash Equivalents	8,053,916	(684,169)
Cash and Cash Equivalents, Beginning of Year	4,771,949	5,456,118
Cash and Cash Equivalents, End of Year	\$ 12,825,865	\$ 4,771,949

TPC, Inc. and Subsidiary
Consolidated Statements of Cash Flows
Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Supplementary Disclosures of Cash Flow Information		
Cash payments for interest	\$ 444,077	\$ 454,237
Plant additions funded with accounts payable at year-end	\$ 83,634	\$ 426,994

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, 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.

General

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 under the Alternative Connect America Cost Model II (ACAM II).

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.

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.

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

The Company's revenue contracts provide it with the unconditional right to consideration upon delivery of services to its customers; therefore, a receivable is recognized in the period the Company provides various services to its customers. The unconditional right to consideration is represented by contract receivables which are presented on the consolidated balance sheets as accounts receivable.

Accounts receivable are uncollateralized customer obligations due under terms established by the Board of Directors. Past due balances are subject to disconnection of service. The carrying amount of accounts receivable is reduced by an amount that reflects management's best estimate of amounts that will not be collected. Management individually reviews all notes receivable and accounts receivable balances that exceed 90 days from invoice date and based on an assessment of current creditworthiness, estimates the portion, if any, of the balance that will not be collected. The allowance for doubtful accounts was approximately \$15,000 as of December 31, 2019 and 2018.

Payments of trade receivables are allocated to the specific invoices identified on the customer's remittance advice or, if unspecified, are applied to the earliest unpaid invoices. Payments of notes receivable are allocated first to accrued and unpaid interest with the remainder to the outstanding principal balance. The carrying amount of trade receivables is reduced by a valuation allowance that reflects management's best estimate of the amounts that will not be collected.

The beginning and ending balances for accounts receivable and unbilled revenues, net of allowances for doubtful accounts and any contract liabilities were as follows for the years ended December 31, 2019 and 2018:

	December 31, 2019	December 31, 2018	January 1, 2018
Accounts receivable			
Billed	\$ 646,025	\$ 773,037	\$ 957,563
Unbilled	73,459	79,632	92,123
Total accounts receivable	\$ 719,484	\$ 852,669	\$ 1,049,686
Contract liabilities			
Advance billing and customer deposits	\$ 51,759	\$ 56,669	\$ 60,417

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 in Limited Liability Companies

Investments in limited liability companies are accounted for using the equity method of accounting. Under the equity method, the Company records its proportionate share of earnings and losses of this entity. Distributions from these investments reduce their carrying value.

Other Investments

The Company has investments in affiliated companies and other investments which the Company has accounted for as equity securities. Investments in equity securities with readily determinable fair values are measured at fair value in the balance sheets. Investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) is included in net income. Investments in equity securities without readily determinable fair values are measured at cost minus impairment (if any) and adjusted for any observable price changes in orderly transactions of identical securities or similar securities of the same issuer. Investments in equity securities without readily determinable fair values are considered annually for indicators of impairment. The Company has not identified any impairments and there has not been observable price changes during the years ended December 31, 2019 and 2018.

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, 2019 and 2018.

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

The Company accounts for customer revenues under Accounting Standards Codification (ASC) 606, *Revenue from Contracts with Customers*. The Company earns revenues from multiple sources. The Company's contracts with customers do not include a significant financing component.

The following summarizes the revenue generated from contracts with customers and revenues outside the scope of ASC 606 for the years ended December 31, 2019 and 2018:

	2019	2018
End user revenues	\$ 11,953,447	\$ 11,977,639
Carrier access and special access billing	8,971,513	8,514,638
Facilities contract revenues	1,591,358	1,375,185
Other contracted revenues	800,833	770,872
Revenue from contracts with customers	23,317,151	22,638,334
Other revenues		
Lease revenues (outside scope of ASC 606)	336,140	336,110
Federal support revenues (outside scope of ASC 606)	8,258,049	1,365,959
Total revenues	\$ 31,911,340	\$ 24,340,403

End User Revenues

End user revenues include revenues from residential and business customers for local telephone, internet, and television services. End user revenues also includes subscriber line charges billed to customers. The Company's performance obligation for these services is the promise to provide goods and services to customers. The Company bills customers in advance and recognizes revenues over the period of time in which the customer simultaneously receives and consumes the services. The Company bills on the 1st of each month for that month's services; therefore, there are no unbilled or deferred revenues. End user goods and services are considered to be distinct as the customer can benefit from the goods and services either on their own or together with other resources that are readily available to the customer. The Company's promise to provide a good or service to the customer is separately identifiable from other promises in the contract. End user services are billed to customers based on the published rates and are often bundled together at a discounted rate. If goods and services are bundled together, the transaction price is allocated to the respective goods and services based on the rates at which each good or service is sold under standalone service rates. Discounts are not allocated to revenues established by federal or state tariffed rates.

Long-distance revenues are billed in arrears as they are based on usage during the month. The customer simultaneously receives and consumes the benefits of service during the month, thus revenue is recognized over time. As such, each month the Company estimates usage and recognizes the related revenue for any usage during the month which has not been billed.

Carrier Access and Special Access Billing Revenues

Carrier access billing revenues are received from charges established to compensate the Company for the origination, transport and termination of calls of long distance, wireless and other interexchange carriers. Carrier access revenues are billed at tariffed access rates for both interstate and intrastate calls and are recognized into revenue monthly based on the period the access was provided.

Special access billing relates to billings for dedicated voice and data service connections to customers. Special access revenues are billed to customers in advance of the month of service and are recognized over the period of time in which the customer simultaneously receives and consumes the services.

Facilities Contract Revenues

Facilities contract revenues result from the Company sharing facilities for use in a fiber ring in the State of North Dakota. The Company's performance obligation under the contracts is to provide access to its fiber network which is connected to the fiber ring. The Company recognizes revenue monthly, as the ring users simultaneously receive and consume the benefits of the fiber ring network. The Company also receives revenue from a related party for use of their networks through an agreed upon revenue sharing model.

Other Contracted Revenue

Other contracted revenue includes directory and other miscellaneous revenues contracted monthly or annually and recognized over the term of the individual contracts.

Lease Revenues

Lease revenues from providing access to the Company's fiber and other assets. Lease revenues are not included within the scope of ASC 606 and accounted for under the accounting standards applicable to them. Generally, lease revenues are recognized on a month-to-month basis.

Federal Support Revenues

The Company's network access revenues include settlements based on its participation in federal revenue pooling arrangements which are designed to promote widely available, quality telephone service at affordable prices in rural areas. Federal pooling revenues are not included within the scope of ASC 606. The revenue pools are administered by the National Exchange Carriers Association (NECA).

In 2011, the FCC approved an Order on Inter-carrier 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 2016 order focused on the rate-of-return carriers and included specific changes to existing funding mechanisms as well as a new funding mechanism and provided rural communications providers with greater certainty about future support. The order included specific changes to existing funding mechanisms as well as a new funding mechanism and provided rural communications providers with greater certainty about future support. One of the major changes introduced by the 2016 Order is the creation of the A-CAM, a new CAF support mechanism for rate-of-return carriers. Rate-of-return carriers had the option to select the A-CAM option or continue relying on the legacy support mechanism as modified and renamed CAF-BLS. The Company did not select the initial A-CAM model and continued to receive support payments through modified legacy rate-of-return support mechanisms for USF, High Cost Loop and Interstate Common Line Support.

During 2019, an alternative A-CAM II support option was offered to companies receiving legacy rate-of-return support. The Company accepted the FCC offer to begin receiving A-CAM support in place of the legacy rate-of-return support, effective retroactively to January 1, 2019. The Company will receive equal annual payments over 10 years as a replacement of the legacy-based support. The Company is required to meet certain broadband deployment targets and will incur penalties and repayment of support if the required commitments are not met.

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. 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, 2019 and 2018, 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.

New Accounting Pronouncements – *Revenue from Contracts with Customers*, ASU 2014-09

In 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2014-09 (ASU 2014-09), *Revenues from Contracts with Customers (Topic 606)*. The guidance provides a principles-based approach for determining revenue recognition and supersedes all prior guidance. The core principle of ASU 2014-09 is that an entity will recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (payment) to which the entity expects to be entitled in exchange for those goods or services. Additionally, the guidance ASU 2014-09 provides additional disclosures related to revenue.

The Company elected to apply the new guidance on a modified retrospective basis on January 1, 2019. The Company did not identify any significant differences in the timing or amount of revenues recorded. As such, implementation did not have a significant impact on the financial position, results of operations, or cash flows of the Company and there was no cumulative adoption adjustment needed for the effect of the change in accounting principle.

New Accounting Pronouncements – *Recognition and Measurement of Financial Assets and Financial Liabilities*, ASU 2016-01

As of January 1, 2019, the Company adopted the provisions of Accounting Standards Update (ASU) 2016-01, *Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*. This Update which affects current U.S. GAAP primarily as it relates to the accounting for equity investments, financial liabilities under the fair value option, and the presentation and disclosure requirements for financial instruments. The standard had no material impact on the amounts recorded in the Company's consolidated financial statements and eliminated certain fair value disclosures for financial instruments.

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 receives a significant portion of revenues from pools administered by the National Exchange Carriers Association (NECA). Revenues from Alternative Connect America Cost Model funding and other support received through the NECA amounted to approximately 32% and 24% of the Company's total revenues for the year ended December 31, 2019 and 2018, respectively.

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, 2019 and 2018, the bank balances exceeded this limit.

Note 3 - Other Investments

	2019	2018
CoBank		
Subordinated capital stock	\$ 342,785	\$ 341,535
Patronage capital allocations	80,447	84,304
	423,232	425,839
Patronage capital credit investments		
National Information Solutions Cooperative (NISC)	318,582	306,300
National Rural Telecommunications Cooperative (NRTC)	179,939	179,939
Other patronage capital credit investments	41,198	39,686
	539,719	525,925
Total other investments	\$ 962,951	\$ 951,764

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 - Investments in Limited Liability Companies

The Company accounts for the following investments in limited liability companies 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
BDCIH Wireless LLC (BDCIH)	7.26% 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, 2019 and 2018:

	2018	Capital Contributions (Distributions)	Current Earnings (Loss)	2019
NDLD	\$ 89,257	\$ (75,000)	\$ 57,528	\$ 71,785
DCN	5,102,237	(620,419)	910,336	5,392,154
NPUC	589,355	-	(4,295)	585,060
DVN	96,068	-	3,399	99,467
BDCIH	-	38,064	-	38,064
	<u>\$ 5,876,917</u>	<u>\$ (657,355)</u>	<u>\$ 966,968</u>	<u>\$ 6,186,530</u>

	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>

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, 2019 and 2018, were approximately \$43,000 and \$46,000, respectively.

The Company agrees to provide certain bay and fiber optic cable facilities to Dakota Carrier Network, LLC. Under this agreement, the Company received revenues of approximately \$90,000 for the years ended December 31, 2019 and 2018. The Company also agrees to lease circuit equipment on a short-term basis to and from Dakota Carrier Network, LLC. Under this agreement, the Company received approximately \$1,591,000 and \$1,375,000 for the years ended December 31, 2019 and 2018, respectively, and paid approximately \$308,000 and \$305,000 for the years ended December 31, 2019 and 2018, 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 \$12,000 to Dakota Video Network LLC for the years ended December 31, 2019 and 2018.

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 \$719,000 and \$1,016,000 to North Plains Utility Contracting LLC for the years ended December 31, 2019 and 2018, 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, 2019 and 2018.

The Company has accounts receivable balances arising from the various affiliated transactions at December 31, 2019 and 2018, totaling approximately \$800 and \$1,400, respectively. The Company has accounts payable balances arising from the various affiliated transactions at December 31, 2019 and 2018, totaling approximately \$23,000 and \$20,000, respectively.

Summary financial information for the Company's equity investees for the year ended December 31, 2019, 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)	BDCIH Wireless LLC (Unaudited)
Revenues	\$ 3,686,785	\$ 52,848,458	\$ 1,968,290	\$ 76,276	\$ -
Expenses	3,111,469	40,788,457	1,985,470	66,079	-
Net Income	575,316	12,060,001	(17,180)	10,197	-
Assets	\$ 1,681,315	\$ 78,491,481	\$ 2,400,246	\$ 302,304	\$ 616,568
Liabilities	276,353	7,024,554	27,274	3,900	104,896
Equity	1,404,962	71,466,927	2,372,972	298,404	511,672

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)	BDCIH Wireless 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	-

Note 5 - Nonregulated Plant

The investments in nonregulated plant at December 31, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Leased telecommunications equipment (5 - 7 year estimated life)	\$ 418,415	\$ 415,191
Internet equipment (5 year estimated life)	824,264	882,881
Video equipment (7 year estimated life)	3,870,041	3,615,231
Under construction	4,144	31,927
Nonregulated plant	<u>5,116,864</u>	<u>4,945,230</u>
Less accumulated depreciation	<u>4,146,244</u>	<u>3,878,393</u>
 Nonregulated plant, net	 <u>\$ 970,620</u>	 <u>\$ 1,066,837</u>

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

	<u>2019</u>	<u>2018</u>
Revenues		
Revenue - leasing, sales, and installation	\$ 678,418	\$ 649,321
Internet revenue	4,150,005	3,870,632
Video revenue	3,613,380	3,425,465
Wireless revenue	27,723	32,136
	<u>8,469,526</u>	<u>7,977,554</u>
 Expenses		
Cost of sales, installations, and repairs	738,621	691,912
Internet expenses	401,835	411,983
Video expenses	3,146,451	3,003,824
Wireless expenses	25,618	28,699
Depreciation	368,646	377,788
	<u>4,681,171</u>	<u>4,514,206</u>
 Nonregulated net income	 <u>\$ 3,788,355</u>	 <u>\$ 3,463,348</u>

Note 6 - Telecommunications Plant

	2019		2018	
	Plant	Depreciation Rates	Plant	Depreciation Rates
Land and support assets	\$ 12,975,289	2.71 - 20.96%	\$ 12,916,030	2.71 - 20.96%
Central office switching equipment	44,850,576	5.00 - 20.00%	45,184,256	5.00 - 20.00%
Information origination and termination	37,371	14.32%	37,371	14.32%
Cable and wire facilities	92,065,310	2.51 - 5.3%	92,149,062	2.51 - 5.3%
Total in service	<u>149,928,546</u>		<u>150,286,719</u>	
Nonregulated plant	5,116,864		4,945,230	
Under construction	<u>128,211</u>		<u>-</u>	
Total telecommunications plant	<u>\$ 155,173,621</u>		<u>\$ 155,231,949</u>	

Note 7 - Long-Term Debt

	2019	2018
CoBank term loan with variable interest rate, 4.54% at December 31, 2019 (effective interest rate of 5.83%), due in quarterly installments from June 2019 through December 2022	7,030,118	8,430,118
Unamortized debt issuance costs	<u>(77,992)</u>	<u>(93,855)</u>
Long-term debt, net of unamortized debt issuance costs	6,952,126	8,336,263
Less current maturities	<u>(2,400,000)</u>	<u>(1,400,000)</u>
Total long-term debt, net of current maturities	<u>\$ 4,552,126</u>	<u>\$ 6,936,263</u>

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, 2019 and 2018.

The Company has no unadvanced loan funds from CoBank at December 31, 2019.

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

<u>Years Ended December 31,</u>	
2020	\$ 2,400,000
2021	2,400,000
2022	2,230,118
Unamortized debt issuance costs	<u>(77,992)</u>
	<u>\$ 6,952,126</u>

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 2019 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 \$3,362,240 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:

	<u>2019</u>	<u>2018</u>
Accelerated depreciation and amortization	\$ (9,183,849)	\$ (9,154,867)
Timing differences from equity investments	(416,651)	(413,300)
Net operating loss carryforward	-	881,815
Other	61,161	90,794
	<u>61,161</u>	<u>90,794</u>
Total deferred income tax liability	<u>\$ (9,539,339)</u>	<u>\$ (8,595,558)</u>

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

	<u>2019</u>	<u>2018</u>
Operating taxes - federal income	\$ 2,072,283	\$ 578,409
Operating taxes - state income	444,468	124,059
Total operating	<u>2,516,751</u>	<u>702,468</u>
Nonoperating taxes - federal income	217,777	196,380
Nonoperating taxes - state income	46,884	42,291
Total nonoperating	<u>264,661</u>	<u>238,671</u>
Total income tax expense	<u>\$ 2,781,412</u>	<u>\$ 941,139</u>

Income tax expense consists of the following:

	<u>2019</u>	<u>2018</u>
Federal income tax computed at statutory rates	\$ 1,519,545	\$ (152,215)
State income tax computed at statutory rates	318,086	124,059
Deferred income tax credits - accelerated depreciation	28,982	1,777,837
Deferred income tax credits - net operating loss carryforward	881,815	(881,815)
Deferred income tax credits - other	32,984	73,273
	<u>32,984</u>	<u>73,273</u>
Total income tax expense	<u>\$ 2,781,412</u>	<u>\$ 941,139</u>

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 2019 and 2018 represented less than 5 percent of the total contributions made to the plan by all participating employers. During 2019 and 2018, 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 6.07-6.38%, respectively for 2019 and 2018 of eligible employee compensation. The current contribution surcharge is effective through December 31, 2019. The Company's total contributions to the plan for the years ended December 31, 2019 and 2018 were approximately \$789,000 and \$814,000, respectively.

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, 2019 and 2018 based on the PPA funding target and PPA actuarial value of assets on those dates.

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. During 2016, NTCA announced changes to the RS Plan that included 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.

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, 2019 and 2018. The Company made annual contributions of approximately \$175,000 and \$182,000 in 2019 and 2018, respectively.

Note 10 - Common Stock

	2019	2018
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.

Note 12 - Subsequent Events

Subsequent to year-end, the Company has been impacted by the effects of the world-wide coronavirus pandemic. The Company is closely monitoring its operations, liquidity, and capital resources and is actively working to minimize the current and future impact of this unprecedented situation. As of the date of issuance of these financial statements, the Company management does not expect the pandemic to have a significant impact on operations, liquidity, or capital resources.



Supplemental Information
December 31, 2019 and 2018
TPC, Inc. and Subsidiary

TPC, Inc. and Subsidiary
Consolidating Balance Sheets
December 31, 2019

	<u>TPC, Inc.</u>	<u>North Dakota Telephone Company</u>	<u>Eliminations</u>	<u>Consolidated</u>
Assets				
Current Assets				
Cash and cash equivalents	\$ 452,422	\$ 12,373,443	\$ -	\$ 12,825,865
Accounts receivable				
Telecommunications, net	-	129,655	-	129,655
Other	3,957,093	1,660,935	(3,957,382)	1,660,646
Materials and supplies	-	527,896	-	527,896
Prepayments	-	553,154	-	553,154
Total current assets	<u>4,409,515</u>	<u>15,245,083</u>	<u>(3,957,382)</u>	<u>15,697,216</u>
Noncurrent Assets				
Investment in subsidiary	55,061,496	-	(55,061,496)	-
Investment in limited liability companies	-	6,186,530	-	6,186,530
Other investments	36,235	926,716	-	962,951
Total noncurrent assets	<u>55,097,731</u>	<u>7,113,246</u>	<u>(55,061,496)</u>	<u>7,149,481</u>
Telecommunications Plant				
In service	-	149,928,546	-	149,928,546
Nonregulated plant	-	5,116,864	-	5,116,864
Under construction	-	128,211	-	128,211
Total investment in plant	-	155,173,621	-	155,173,621
Less accumulated depreciation	-	100,667,046	-	100,667,046
Net telecommunications plant	<u>-</u>	<u>54,506,575</u>	<u>-</u>	<u>54,506,575</u>
 Total assets	 <u>\$ 59,507,246</u>	 <u>\$ 76,864,904</u>	 <u>\$ (59,018,878)</u>	 <u>\$ 77,353,272</u>

TPC, Inc. and Subsidiary
Consolidating Balance Sheets
December 31, 2019

	<u>TPC, Inc.</u>	<u>North Dakota Telephone Company</u>	<u>Eliminations</u>	<u>Consolidated</u>
Liabilities and Stockholders' Equity				
Current Liabilities				
Accounts payable	\$ 289	\$ 4,840,440	\$ (3,957,382)	\$ 883,347
Current maturities of long-term debt	-	2,400,000	-	2,400,000
Advance billing and customer deposits	-	51,759	-	51,759
Accrued taxes - other	-	186,675	-	186,675
Other current liabilities	-	233,069	-	233,069
Total current liabilities	<u>289</u>	<u>7,711,943</u>	<u>(3,957,382)</u>	<u>3,754,850</u>
Long-Term Debt, Less Current Maturities and Unamortized Debt Issuance Costs				
	<u>-</u>	<u>4,552,126</u>	<u>-</u>	<u>4,552,126</u>
Deferred Income Taxes				
	<u>-</u>	<u>9,539,339</u>	<u>-</u>	<u>9,539,339</u>
Stockholders' Equity				
Common stock	9,200,000	807,950	(807,950)	9,200,000
Other equities	-	32,587,659	(32,587,659)	-
Retained earnings	50,306,957	21,665,887	(21,665,887)	50,306,957
Total stockholders' equity	<u>59,506,957</u>	<u>55,061,496</u>	<u>(55,061,496)</u>	<u>59,506,957</u>
Total liabilities and stockholders' equity				
	<u>\$ 59,507,246</u>	<u>\$ 76,864,904</u>	<u>\$ (59,018,878)</u>	<u>\$ 77,353,272</u>

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

	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	4,377,205	6,482,927	(3,957,061)	6,903,071
Noncurrent Assets				
Investment in subsidiary	47,595,321	-	(47,595,321)	-
Investment in limited liability companies	-	5,876,917	-	5,876,917
Other investments	71,866	879,898	-	951,764
Total noncurrent assets	47,667,187	6,756,815	(47,595,321)	6,828,681
Telecommunications Plant				
In service	-	150,286,719	-	150,286,719
Nonregulated plant	-	4,945,230	-	4,945,230
Total investment in plant	-	155,231,949	-	155,231,949
Less accumulated depreciation	-	97,991,722	-	97,991,722
Net telecommunications plant	-	57,240,227	-	57,240,227
 Total assets	 \$ 52,044,392	 \$ 70,479,969	 \$ (51,552,382)	 \$ 70,971,979

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

	TPC, Inc.	North Dakota Telephone Company	Eliminations	Consolidated
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	782	7,352,827	(3,957,061)	3,396,548
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	52,043,610	47,595,321	(47,595,321)	52,043,610
Total liabilities and stockholders' equity	\$ 52,044,392	\$ 70,479,969	\$ (51,552,382)	\$ 70,971,979

TPC, Inc. and Subsidiary
Consolidating Statements of Income
Year Ended December 31, 2019

	TPC, Inc.	North Dakota Telephone Company	Eliminations	Consolidated
Operating Revenues				
Local network access	\$ -	\$ 4,273,853	\$ -	\$ 4,273,853
Network access services	-	18,962,383	-	18,962,383
Miscellaneous revenue	-	458,554	-	458,554
Leasing, sales, and installation	-	678,418	-	678,418
Internet revenue	-	4,150,005	-	4,150,005
Video revenue	-	3,613,380	-	3,613,380
Wireless revenue	-	27,723	-	27,723
Uncollectible revenue	-	(252,976)	-	(252,976)
Total operating revenues	<u>-</u>	<u>31,911,340</u>	<u>-</u>	<u>31,911,340</u>
Operating Expenses				
Plant specific operations	-	4,464,062	-	4,464,062
Plant nonspecific operations	-	1,566,280	-	1,566,280
Cable television programming	-	2,618,095	-	2,618,095
Depreciation	-	7,245,573	-	7,245,573
Customer operations	-	1,628,088	-	1,628,088
Corporate operations	3,642	2,015,661	-	2,019,303
Operating taxes - other	-	117,595	-	117,595
Cost of sales and installations	-	738,621	-	738,621
Other internet expenses	-	401,835	-	401,835
Other video expenses	-	528,356	-	528,356
Other wireless expenses	-	25,618	-	25,618
Total operating expenses	<u>3,642</u>	<u>21,349,784</u>	<u>-</u>	<u>21,353,426</u>
Net Operating (Loss) Income	<u>(3,642)</u>	<u>10,561,556</u>	<u>-</u>	<u>10,557,914</u>
Nonoperating Income (Expense)				
Interest and dividend income	-	108,861	-	108,861
Allowance for funds used during construction	-	20,519	-	20,519
Subsidiary earnings	8,466,175	-	(8,466,175)	-
Nonoperating expense	-	(57,068)	-	(57,068)
Earnings from investments in limited liability companies	-	966,968	-	966,968
Nonoperating income, net	<u>8,466,175</u>	<u>1,039,280</u>	<u>(8,466,175)</u>	<u>1,039,280</u>
Net Income Before Interest Expense and Income Taxes	8,462,533	11,600,836	(8,466,175)	11,597,194
Interest Expense	<u>-</u>	<u>352,435</u>	<u>-</u>	<u>352,435</u>
Net Income Before Income Taxes	8,462,533	11,248,401	(8,466,175)	11,244,759
Income Tax (Benefit) Expense	<u>(814)</u>	<u>2,782,226</u>	<u>-</u>	<u>2,781,412</u>
Net Income	<u>\$ 8,463,347</u>	<u>\$ 8,466,175</u>	<u>\$ (8,466,175)</u>	<u>\$ 8,463,347</u>

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 investments in limited liability companies	-	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 Cash Flows
Year Ended December 31, 2019

	TPC, Inc.	North Dakota Telephone Company	Eliminations	Consolidated
Operating Activities				
Net income	\$ 8,463,347	\$ 8,466,175	\$ (8,466,175)	\$ 8,463,347
Adjustments to reconcile net income to net cash from operating activities				
Subsidiary earnings	(8,466,175)	-	8,466,175	-
Depreciation				
Telecommunications plant	-	6,876,927	-	6,876,927
Nonregulated plant	-	368,646	-	368,646
Interest expense attributable to amortization of debt issuance cost:	-	15,863	-	15,863
Earnings from equity investments	-	(966,968)	-	(966,968)
Distributions from equity investments	-	695,419	-	695,419
Noncash capital credit allocations	-	(115,862)	-	(115,862)
Proceeds from CoBank equity and patronage retirements	35,631	69,044	-	104,675
Deferred income taxes	-	943,781	-	943,781
	<u>32,803</u>	<u>16,353,025</u>	<u>-</u>	<u>16,385,828</u>
Change in current assets and liabilities				
Accounts receivable	(814)	(932,158)	321	(932,651)
Prepaid income taxes	-	331,080	-	331,080
Materials and supplies	-	94,923	-	94,923
Prepayments	-	(233,581)	-	(233,581)
Accounts payable	(493)	(244,953)	(321)	(245,767)
Advance billing and deposits	-	(4,910)	-	(4,910)
Accrued taxes - other	-	72,112	-	72,112
Other current liabilities	-	(119,773)	-	(119,773)
	<u>31,496</u>	<u>15,315,765</u>	<u>-</u>	<u>15,347,261</u>
Net Cash from Operating Activities	<u>31,496</u>	<u>15,315,765</u>	<u>-</u>	<u>15,347,261</u>
Investing Activities				
Net plant additions and replacements	-	(4,855,281)	-	(4,855,281)
Contributions to investments in limited liability companies	-	(38,064)	-	(38,064)
	<u>-</u>	<u>(4,893,345)</u>	<u>-</u>	<u>(4,893,345)</u>
Net Cash used for Financing Activities	<u>-</u>	<u>(4,893,345)</u>	<u>-</u>	<u>(4,893,345)</u>
Financing Activities				
Principal payments on long-term debt	-	(1,400,000)	-	(1,400,000)
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>(2,400,000)</u>	<u>-</u>	<u>(2,400,000)</u>
Net Cash used for Financing Activities	<u>-</u>	<u>(2,400,000)</u>	<u>-</u>	<u>(2,400,000)</u>
Net Change in Cash and Cash Equivalents	<u>31,496</u>	<u>8,022,420</u>	<u>-</u>	<u>8,091,980</u>
Cash and Cash Equivalents				
Beginning of year	<u>420,926</u>	<u>4,351,023</u>	<u>-</u>	<u>4,771,949</u>
End of year	<u>\$ 452,422</u>	<u>\$ 12,373,443</u>	<u>\$ -</u>	<u>\$ 12,863,929</u>

TPC, Inc. and Subsidiary
Consolidating Statements of Cash Flows
Year Ended December 31, 2019

	<u>TPC, Inc.</u>	<u>Telephone Company</u>	<u>Eliminations</u>	<u>Consolidated</u>
Supplementary Disclosures of				
Cash Flow Information				
Cash payments for interest	\$ -	\$ 444,077	\$ -	\$ 444,077
Noncash Investing and Financing Activities				
Plant additions funded with accounts payable at year end	\$ -	\$ 83,634	\$ -	\$ 83,634

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 cost:	-	15,959	-	15,959
Earnings from equity investments	-	(927,045)	-	(927,045)
Distributions from equity investees	-	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				
Principal payments on long-term debt	-	(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