Camden Telephone and Telegraph Company, Inc.



Independent Auditor's Report and Financial Statements

December 31, 2022 and 2021

Camden Telephone and Telegraph Company, Inc.

December 31, 2022 and 2021

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Independent Auditor's Report

Board of Directors
Camden Telephone and Telegraph Company, Inc.
St. Marys, Georgia

Opinion

We have audited the financial statements of Camden Telephone and Telegraph Company, Inc., which comprise the balance sheets as of December 31, 2022 and 2021, and the related statements of income and comprehensive income, stockholder's equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Camden Telephone and Telegraph Company, Inc. as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of Camden Telephone and Telegraph Company, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Camden Telephone and Telegraph Company, Inc.'s ability to continue as a going concern within one year after the date that these financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 Camden Telephone and Telegraph Company, Inc.'s internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Camden Telephone and Telegraph Company, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

FORVIS, LLP

FORVIS, LLP

Madison, Wisconsin
April 25, 2023

Camden Telephone and Telegraph Company, Inc.
Balance Sheets
December 31, 2022 and 2021

Assets

	2022	2021
Current Assets		
Cash and cash equivalents	$ 3,263,906	$ 2,562,579
Accounts receivable		
Due from customers		
less allowance of $193,662 and $200,349, respectively	1,403,383	1,463,674
Due from affiliates	1,148,727	1,229,170
Other	882,173	913,294
Contract assets	48,951	34,032
Materials and supplies	876,931	587,510
Prepaid income taxes	25,246	219,917
Other current assets	12,105	11,529
	7,661,422	7,021,705
Other Noncurrent Assets		
Contract assets	32,531	3,839
Other noncurrent assets	135,864	726,719
	168,395	730,558
Property, Plant and Equipment		
Communications plant in service	137,562,092	134,268,740
Less accumulated depreciation	101,718,701	98,866,282
	35,843,391	35,402,458
Plant under construction	2,596,977	721,338
	38,440,368	36,123,796
Total assets	$ 46,270,185	$ 43,876,059

Camden Telephone and Telegraph Company, Inc.

Balance Sheets, continued

December 31, 2022 and 2021

Liabilities and Stockholder's Equity

	2022	2021
Current Liabilities		
Accounts payable		
Due to affiliates	$ 2,052,222	$ 1,450,983
Advanced billings and customer deposits	979,321	997,751
Other	629,306	318,583
Accrued taxes	283,702	293,660
Accrued compensation	76,923	90,994
Other	453,990	644,479
	4,475,464	3,796,450
Other Noncurrent Liabilities and Deferred Credits		
Regulatory liability	-	452,007
Deferred income taxes	8,534,925	8,316,742
Other noncurrent liabilities	-	67,578
	8,534,925	8,836,327
Stockholder's Equity		
Common stock, no par value; 1,000 shares authorized;		
760 shares issued and outstanding	95,000	95,000
Additional paid-in capital	28,925,389	28,925,389
Accumulated other comprehensive income:		
Employee retirement benefits	27,175	349,704
Retained earnings	4,212,232	1,873,189
	33,259,796	31,243,282
Total liabilities and stockholder's equity	$ 46,270,185	$ 43,876,059

Camden Telephone and Telegraph Company, Inc.

Statements of Income and Comprehensive Income

Years Ended December 31, 2022 and 2021

	2022	2021
Operating Revenues		
Local network services	$ 2,189,038	$ 2,304,661
Network access services	8,254,019	8,657,955
Nonregulated revenues	17,042,347	15,880,952
Miscellaneous revenue	941,382	950,927
Uncollectible, net of recoveries	(370,801)	17,415
	28,055,985	27,811,910
Operating Expenses		
Plant specific operations	2,181,797	1,753,971
Plant nonspecific operations	1,301,667	1,987,772
Cost of nonregulated services	11,216,422	10,856,946
Depreciation and amortization	4,114,018	5,461,085
Customer operations	996,574	1,106,529
Corporate operations	1,252,314	1,208,945
Other taxes	195,951	185,843
Losses from disposition of property	75,441	35,020
	21,334,184	22,596,111
Operating Income	6,721,801	5,215,799
Other Income (Expense)		
Interest and dividend income	3,486	2,217
Other nonoperating income (expense)	13,553	(29,594)
	17,039	(27,377)
Income Before Income Taxes	6,738,840	5,188,422
Income Tax Expense	1,342,797	869,380
Net Income	5,396,043	4,319,042
Other Comprehensive Income		
Other defined benefit plan (net of tax of $111,795 and ($18,683)	(322,529)	53,900
Total Comprehensive Income	$ 5,073,514	$ 4,372,942

Camden Telephone and Telegraph Company, Inc.

Statements of Stockholder's Equity

Years Ended December 31, 2022 and 2021

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Equity
Balance, January 1, 2021	760	$ 95,000	$ 28,925,389	$ 2,681,147	$ 295,804	$ 31,997,340
Net income	-	-	-	4,319,042	-	4,319,042
Defined benefit pension, net of income taxes of ($18,683)	-	-	-	-	53,900	53,900
Dividends paid; 2021 - $6,746 per share	-	-	-	(5,127,000)	-	(5,127,000)
Balance, December 31, 2021	760	95,000	28,925,389	1,873,189	349,704	31,243,282
Net income	-	-	-	5,396,043	-	5,396,043
Defined benefit pension, net of income taxes of $111,795	-	-	-	-	(322,529)	(322,529)
Dividends paid; 2022 - $4,022 per share	-	-	-	(3,057,000)	-	(3,057,000)
Balance, December 31, 2022	$ 760	$ 95,000	$ 28,925,389	$ 4,212,232	$ 27,175	$ 33,259,796

Camden Telephone and Telegraph Company, Inc.

Statements of Cash Flows

Years Ended December 31, 2022 and 2021

	2022	2021
Operating Activities		
Net Income	$ 5,396,043	$ 4,319,042
Items not requiring (providing) cash:		
Depreciation and amortization	4,114,018	5,461,085
Deferred income taxes	(122,029)	(106,973)
Loss on disposal of assets	75,441	35,020
Changes in		
Accounts receivable	410,192	1,138,004
Contract assets	(43,611)	125,110
Materials and supplies	(289,421)	53,856
Prepaid income taxes	194,671	20,385
Other assets	155,955	(20,638)
Accounts payable	522,877	(367,893)
Advanced billings and customer deposits	(18,430)	36,550
Contract liabilities	-	(83)
Accrued taxes	(9,958)	(4,902)
Accrued compensation	(14,071)	26,725
Other liabilities	(258,067)	69,509
Net cash provided by operating activities	10,113,610	10,784,797
Investing Activities		
Capital expenditures	(6,355,283)	(5,634,240)
Net cash used in investing activities	(6,355,283)	(5,634,240)
Financing Activities		
Dividends paid	(3,057,000)	(5,127,000)
Net cash used by financing activities	(3,057,000)	(5,127,000)
Increase in Cash and Cash Equivalents	701,327	23,557
Cash and Cash Equivalents, Beginning of Year	2,562,579	2,539,022
Cash and Cash Equivalents, End of Year	$ 3,263,906	$ 2,562,579
Supplemental Cash Flows Information		
Noncash investing and financing transactions:		
Plant in accounts payable	$ 291,965	$ 71,723
Intercompany transfer of property and equipment		
Property and equipment	$ 69,494	$ 63,143
Change in accounts payable	$ 168,843	$ 18,354
Change in accounts receivable	$ (238,337)	$ (81,497)

Camden Telephone and Telegraph Company, Inc.

Notes to Financial Statements

December 31, 2022 and 2021

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations and Basis of Presentation

Camden Telephone and Telegraph Company, Inc. (herein referred to as "the Company") is a wholly owned subsidiary of TDS Telecommunications LLC (TDS Telecom). TDS Telecom is a wholly owned subsidiary of Telephone and Data Systems, Inc. (TDS). The Company is a provider of local telephone service and access to long-distance service through its local exchange network. The principal market for these telecommunications services are local residential and business customers residing in the exchanges the Company serves, which are located in the state of Georgia.

The accounting policies of the Company conform to accounting principles generally accepted in the United States of America. Telephone operations reflect practices appropriate to the telephone industry. The accounting records of the telephone company are maintained in accordance with the Uniform System of Accounts for Telephone Companies prescribed by the Federal Communications Commission (FCC) as modified by the state regulatory authority.

Use of Estimates

The preparation of the 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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

All highly liquid investments with a maturity of three months or less at the time of purchase are considered cash equivalents. The carrying amount approximates fair value because of the short maturity of these instruments. At December 31, 2022 and 2021, cash equivalents consisted primarily of money market accounts.

At December 31, 2022, the Company's cash accounts exceeded federally insured limits by approximately $3,264,000.

Accounts Receivable

Accounts receivable are stated at the amount of consideration from customers of which the Company has an unconditional right to receive plus any accrued and unpaid interest. The Company provides an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions.

Contract Assets

Contract assets primarily relate to the Company's rights to consideration for work completed but not billed at the reporting date. Contract assets are transferred to receivables when the rights become unconditional.

Materials and Supplies

Materials and supplies are stated at the lower of cost or net realizable value and are determined using the average cost method. Materials and supplies consist primarily of items used to maintain and expand the Company's network.

Property, Plant and Equipment

Property, plant and equipment is capitalized at original cost including the capitalized cost of salaries and wages, materials, certain payroll taxes, employee benefits and interest incurred during the construction period.

The Company provides for depreciation for financial reporting purposes on the straight-line method by the application of rates based on the estimated service lives of the various classes of depreciable property as approved by the state regulatory authority. These estimates are subject to change in the near term.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

General Support Assets	5-40 years
Central Office Switching	5-10 years
Software	5-10 years
Central Office Transmission	5-10 years
Outside Plant	12-20 years
Internet and Video Equipment	2-10 years

Renewals and betterments of units of telephone property are charged to telephone plant in service. When telephone plant is retired, its cost is removed from the asset account and charged against accumulated depreciation less any salvage realized. No gains or losses are recognized in connection with routine retirements of depreciable telephone property. Repairs and renewals of minor items of telephone property are included in plant specific operations expense.

Repairs of nonregulated assets included in telecommunications plant in service, as well as renewals of minor items, are charged to plant specific operations expense. A gain or loss is recognized when nonregulated assets are sold or retired.

Software

The Company capitalizes software costs (including right-to-use fees) associated with externally acquired software for internal use. Project costs associated with internally developed software are segregated into three project stages: preliminary project stage, application development stage and post-implementation stage. Costs associated with both the preliminary project stage and the post-implementation stage are expensed as incurred. Costs associated with the application development stage are capitalized. Software maintenance and training costs are expensed as incurred. Capitalized software is generally amortized on a straight-line basis over its useful life.

Long-Lived Asset Impairment

The Company evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset are less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the years ended December 31, 2022 and 2021.

Contract Liabilities

Contract liabilities represent the Company's obligation to transfer goods or services to a customer when consideration has already been received from the customer.

Taxes Collected from Customers and Remitted to Governmental Authorities

Taxes collected from customers and remitted to governmental authorities are presented in the accompanying balance sheets on a net basis, and in the accompanying statements of income and comprehensive income on a gross basis.

Income Taxes

For federal income taxes, the Company is included in the TDS federal income tax return. For state income taxes, the Company files a separate tax return. For financial reporting purposes, income taxes are presented as if the Company were a separate taxpayer.

Income taxes are accounted for using a liability method and provide for the tax effects of transactions reported in the financial statements including both taxes currently due and deferred. Deferred taxes are adjusted to reflect deferred tax consequences at current enacted tax rates. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred taxes arise from plant and equipment. The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible, when the assets and liabilities are recovered or settled.

Tax positions are recognized if it is more likely than not, based on the technical merits, the tax position will be realized or sustained upon examination. The term "more likely than not" means a likelihood of more than 50%; the terms examined and upon examination also include resolution of the related appeals or litigation processes, if any. A tax position that meets the more-likely-than-not recognition threshold is initially and subsequently measured as the largest amount of tax benefit that has a greater than 50% likelihood of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. The determination of whether or not a tax position has met the more-likely-than-not recognition threshold considers the facts, circumstances and information available at the reporting date and is subject to management's judgment.

Revenue Recognition

Network access services are derived from charges for access to the Company's local exchange network. A portion of the Company's interstate access revenues is based on the Alternative Connect America Model (A-CAM) support funding which is regulated by the FCC. See *Note 11* for additional information about the Company's support funding.

Revenue is recognized when control of the promised goods or services is transferred to the Company's customers, in an amount that reflects the consideration that it expects to be entitled to in exchange for those goods or services. The amount and timing of revenue recognition varies based on the nature of the goods or services provided and the terms and conditions of the customer contract. See *Note 2* for additional information about the Company's revenue.

Advertising Costs

Advertising costs are expensed as incurred.

Comprehensive Income

Comprehensive income consists of net income and other comprehensive income, net of applicable income taxes. Other comprehensive income includes changes in the funded status of defined benefit retirement plans.

Note 2: Revenue

Performance Obligations

Revenue is measured as the amount of consideration the Company expects to receive in exchange for transferring distinct goods or providing services to customers. The Company's revenue consists substantially of communications services and ancillary equipment offered to customers.

Local and nonregulated services

The Company offers voice including calling features, video, long distance, and internet services on a standalone basis or in bundled service packages. Each service is considered distinct and therefore are accounted for as separate performance obligations. Voice, video, long distance, and internet service revenue is recognized over time as the customer simultaneously receives and consumes the benefits provided by the Company as the Company performs. Customary terms require payment within 30 days from the bill date. Billing is completed at the beginning of the month of service.

Network access

The Company recognizes network access revenues when performance obligations under the terms of contracts with its customers are satisfied, which occurs when the customer transfers voice and data traffic over the Company's network. Revenue is recognized over time as the customer simultaneously receives and consumes the benefits provided by the Company as the Company performs. Customary terms are governed by interstate and intrastate tariffs and require payment within 30 days from the bill date that is in arrears from the performance of the service.

Miscellaneous services

The Company sells ancillary communications equipment directly to end user customers. Direct sales to end user customers include products and may include related services such as installation and home network management services. These products are distinct from the delivered communications services within the context of the contract, and therefore revenue is recognized for products, installation and management on a discrete basis. Revenue is recognized when the equipment is made available and the Company has an enforceable right to payment.

Government support revenues

Government support revenues consist of assistance from the Federal Universal Service Fund as described in Regulatory Matters, *Note 11*. Government support revenue is not considered a contract with a customer and is outside the scope of Topic 606, however, the Company has elected to account for government support revenues by analogy to Topic 606.

Disaggregation of Revenue

The following table presents the Company's revenues disaggregated by the timing of such revenue recognized during the year ended December 31, 2022 and 2021:

	2022	2021
Timing of revenue and recognition		
At a point in time	$ 443,163	$ 483,379
Over a period of time	20,722,568	19,883,241
Total	$ 21,165,731	$ 20,366,620

The amounts do not include revenue outside the scope of Topic 606; therefore, revenue line items in this table will not agree to amounts presented in the statements of income and comprehensive income.

The Company has determined that the nature, amount, timing and uncertainty of revenue and cash flows are not materially affected by any factors such as geography of service location, customer type, or service line.

Contract Balances

The following table provides information about the Company's receivables, contract assets and contract liabilities from contracts with customers:

	2022	2021
Accounts receivable, beginning of year	$ 1,601,720	$ 1,541,139
Accounts receivable, end of year	1,534,172	1,601,720
Contract assets, beginning of year	$ 37,871	$ 162,981
Contract assets, end of year	81,482	37,871
Contract liabilities, beginning of year	$ 997,751	$ 961,284
Contract liabilities, end of year	979,321	997,751

Significant Judgments

For contracts where access is made available over time, the Company recognizes revenue over the contract period for which the customer has subscribed to service. The Company measures a contract's progress based on days expired over the total contract period, a so-called output method.

Accounting Policies and Practical Expedients Elected

Accounting Policies

For sales and other similar taxes collected from customers on behalf of third parties, the Company is applying an accounting policy election, which permits an entity to exclude from revenue (transaction price) any amounts collected from customers on behalf of governmental authorities, such as sales taxes, use tax, and other similar taxes collected concurrent with revenue-producing activities. Therefore, the Company presents revenue net of sales taxes and similar revenue-based taxes.

Practical Expedients

For significant financing components, the Company elected a practical expedient, which allows an entity to recognize the promised amount of consideration without adjusting for the time value of money if the contract has a duration of one year or less, or if the reason the contract extended beyond one year is because the timing of delivery of the product is at the customer's discretion. As the Company's contracts are typically less than one year in length and do not have significant financing components, we have not presented revenue on a present value basis.

For sales and other similar taxes collected from customers on behalf of third parties, the Company elected a practical expedient, which permits entities to exclude from the transaction price all sales taxes that are assessed by a governmental authority and that are "imposed on, and concurrent with a specific revenue-producing transaction and collected by the entity from a customer."

For measuring progress for revenue recognized over time, the Company elected to use the right to invoice practical expedient. This practical expedient allows an entity to recognize revenue in the amount of consideration to which the entity has the right to invoice when the amount that the entity has the right to invoice corresponds directly to the value transferred to the customer. That is, the invoice practical expedient cannot be applied in all circumstances because the right to invoice a certain amount does not always correspond to the progress toward satisfying the performance obligation. Therefore, an entity should demonstrate its ability to apply the invoice practical expedient to performance obligations satisfied over time.

Note 3: Property, Plant and Equipment

Property, plant and equipment includes the following:

	2022	2021
Communications plant in service:		
General Support Assets	$ 5,622,868	$ 4,966,416
Central Office Switching	929,723	929,723
Software	5,567,851	5,567,851
Central Office Transmission	33,794,005	33,901,741
Outside Plant	85,676,006	83,553,370
Internet and Video Equipment	5,971,639	5,349,639
Total property, plant and equipment	$137,562,092	$134,268,740

Depreciation on depreciable property resulted in composite rates of 3.14% and 4.27% for 2021 and 2020, respectively.

Depreciation was $4,050,072 and $5,324,714 for the years ending December 31, 2022 and 2021, respectively. Amortization of software was $63,946 and $136,371 for the years ending December 31, 2022 and 2021, respectively.

Note 4: Income Taxes

Income taxes reflected in the statement of income and comprehensive income consist of the following:

	2022	2021
Federal income taxes:		
Current tax expense	$ 1,186,955	$ 776,068
Deferred tax benefit	(177,165)	(136,273)
State income taxes:		
Current tax expense	277,871	200,285
Deferred tax expense	55,136	29,300
Income tax expense	$ 1,342,797	$ 869,380

Deferred federal and state tax liabilities and assets reflected in the balance sheets are summarized as follows:

	2022	2021
Deferred tax liabilities		
Federal	$ 7,420,513	$ 7,237,286
State	1,208,695	1,181,405
Total deferred tax liabilities	8,629,208	8,418,691
Deferred tax assets		
Federal	81,747	87,627
State	12,536	14,322
Total deferred tax assets	94,283	101,949
Net deferred tax liability	$ 8,534,925	$ 8,316,742

A valuation allowance is required to reduce the deferred tax assets reported if, based on the weight of the evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized. After consideration of the evidence, both positive and negative, management determined that no valuation allowance was required at December 31, 2022 and 2021 to reduce the deferred tax assets to the amount that will more likely than not be realized.

The tax provision differs from the expense that would result from applying the federal statutory rates to income before income taxes because of the effects of the amortization of the regulatory liabilities and state income taxes.

In accordance with ASC 980, the Company established a regulatory liability of $2,079,243 at December 31, 2018. The regulatory liability represents the excess deferred taxes on depreciable assets resulting from the reductions in the statutory federal income tax rate under Tax Cuts and Jobs Act. The regulatory liability is being amortized over the lives of the related depreciable assets. The balance at December 31, 2022 and 2021 is $0 and $452,007, respectively.

The Company has evaluated its income tax positions and has determined that there are no uncertain income tax positions that need to be recorded or reported in the financial statements at December 31, 2022 and 2021.

The Company's state and federal income tax returns for years 2019 to present remain subject to examination.

Prepaid income taxes of $25,246 and $219,917 appearing on the balance sheet at December 31, 2022 and 2021, respectively, reflect overpayments of estimated state taxes.

Accounts payable due to affiliates includes federal income taxes due to parent of $46,794 at December 31, 2022. Accounts receivable due from affiliates includes federal income taxes due from parent of $170,416 at December 31, 2021.

Transfers related to federal income tax payments totaled $1,140,161 and $964,474 in 2022 and 2021, respectively. Transfers related to state income taxes totaled $103,200 and $179,900 for the years 2022 and 2021.

Note 5: Employee Benefit Plans

The Company is a member of the TDS Employees' Pension Trust I. This qualified, noncontributory defined contribution pension plan covers substantially all Company employees. Under this plan, pension benefits and costs are calculated separately for each participant and are funded currently. Pension expense for the plan was $834 and $7,660 in 2022 and 2021, respectively.

The Company participates in two defined benefit postretirement plans of TDS. One plan provides medical benefits and the other provides life insurance benefits. Under the plans, postretirement benefits and costs are calculated for the plans and allocated to each participant. Amounts allocated to the Company and charged to postretirement expense (benefit) were $155,531 and $(21,587) in 2022 and 2021, respectively. The Company had no cash contributions to the plans in 2022 or 2021. At December 31, 2022 and 2021, the Company's asset for postretirement benefit was $83,570 and $239,101, respectively. The asset is included in other noncurrent assets.

At December 31, 2022 and 2021 the Company recorded an additional asset (liability) for its share of the funded status of the postretirement benefits in the amount of $(434,324) and $72,583, respectively. The corresponding offset (net of its tax effect) was an increase (decrease) to accumulated other comprehensive income in stockholder's equity in the amount of $(322,529) and $53,900 at December 31, 2022 and 2021, respectively.

The Company has an unfunded post-employment retirement liability of $0 and $67,578 for the years ended December 31, 2022 and 2021.

Note 6: Leases

Accounting Policies

The Company determines if an arrangement is a lease or contains a lease at inception. Leases result in the recognition of ROU assets and lease liabilities on the balance sheets. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. The Company determines lease classification as operating or finance at the lease commencement date. If, at the commencement date, the Company is the lessee in a lease with a lease term of 12 months or less and does not include an option to purchase the underlying asset that they are reasonably certain to exercise, the Company is permitted to not recognize the lease.

The Company accounts for the lease and nonlease components separately. The Company does not consider payments for nonlease components to be lease payments. The nonlease payments are not recorded as lease expense.

At lease inception, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. The Company uses the implicit rate when readily determinable. As most of the leases do not provide an implicit rate, the Company uses its incremental borrowing rate based on the information available at the commencement date to determine the present value of lease payments. Incremental borrowing rates used to determine the present value of lease payments were derived by reference to observable unsecured rates available from Bloomberg bond index from one credit rating family above the Company's actual credit rating as a proxy for a secured loan rate.

Nature of Leases

The Company has the following lease arrangements:

Lessee Agreements

The Company had no material lessee agreements at December 31, 2022.

Lessor Agreements

The Company's most significant leases are for real property and fiber. The Company's lessor leases are classified as operating leases. Lease income included in the statements of income and comprehensive income was $119,639 and $20,978 for the years ended December 31, 2022 and 2021, respectively. The Company's lessor agreements contain various renewal terms and provide for termination of the agreements contingent on certain conditions.

The maturities expected of lease payments to be received are as follows:

	Operating Leases
2022	$ 169,999
2023	171,006
2024	81,083
2025	-
Thereafter	-
Total lease payments	$ 422,088

The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Note 7: Related Parties

Services provided to the Company by TDS Telecom or any of its subsidiaries are charged to the Company primarily based on the Company's access lines relative to the total access lines of all affiliates receiving the benefit of the respective services. These services include centralized management, accounting, commercial, engineering and data processing services aggregating $8,134,083 and $7,930,294 in 2022 and 2021.

The Company's parent, TDS also operates a non-qualified stock-based compensation plan for a key management employee. The Company has determined that the accounting disclosures related to this plan are immaterial. There were no expenses related to the plan for the years ended December 31, 2022 and 2021.

The Company participates in a cash management account with other affiliates. As of December 31, 2022 and 2021 the Company has a balance of $3,263,906 and $2,562,579, respectively, in such accounts, classified as cash and cash equivalents on the accompanying balance sheets.

In 2022, the Company entered into a lessor agreement with a related party for fiber strands. Revenues of $90,960 were recognized in relation to this lease for the year ended December 31, 2022.

Note 8: Concentrations of Credit Risk

The Company grants credit to customers, all of whom are located in the franchised service area, and telecommunications intrastate and interstate long distance carriers and receives revenues from access charges and assistance provided by State and Federal Universal Service Funds.

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalents.

The Company maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant credit risk on cash and cash equivalents.

Note 9: Asset Retirement Obligation

While the Company has determined it has no material asset retirement obligations, it has included in its depreciation rates estimated net removal costs associated with outside plant assets in which estimated cost of removal exceeds gross salvage. These costs have been reflected in the calculation of depreciation expense, which results in greater periodic depreciation expense and the recognition in accumulated depreciation of future removal costs for existing assets. When the assets are actually retired and removal costs are expended, the net removal costs are recorded as a reduction to accumulated depreciation. The Company has determined the accumulated removal cost included in accumulated depreciation is not material to the financial statements.

Note 10: Regulatory Accounting

For its telephone operations, the Company follows generally accepted accounting principles for regulated enterprises. Accordingly, the Company defers certain cost and obligations and depreciates plant and equipment over lives approved by regulators. While the Company continues to believe the current regulatory and competitive environment supports this accounting treatment, should conditions change the Company would be required to write-off these deferred cost and obligations and evaluate the net carrying value of its plant and equipment for any impairment losses absent the future recovery currently permitted by the regulators.

Note 11: Regulatory Matters

The Company received 29% and 31% of its 2022 and 2021 revenues, respectively, from access revenues and assistance provided by the State Universal Access Fund (UAF) and Federal Universal Service Fund (USF). The manner in which access revenues and Universal Service funds are determined has been modified in several recent Federal Communications Commission (FCC) proceedings. Changes include modifications to rate-of-return support, including caps on the recovery of certain expenditures, and reductions in terminating access charges billed with eventual transition to a bill-and-keep framework for the exchange of traffic between carriers. These changes by the FCC created various support mechanisms which allowed eligible rate-of-return carriers to elect an Alternative Connect America Model (A-CAM II) option, continue with their existing or revised Alternative Connect America Model (A-CAM I) election or remain a legacy rate-of-return carrier.

The Company elected to accept the A-CAM I and revised A-CAM I support offers. The Company is eligible to receive funds of $20,193,921 over a 12-year period effective January 2017. For the years ended December 31, 2022 and 2021 the Company received $1,722,244 and $1,879,915, respectively, in A-CAM funds, which is included in network access services.

Whether a rate-of-return carrier chooses model-based support or remains on legacy mechanisms, it will be required to meet service obligations, adhere to reporting obligations, and retain records.

The Company has completed an analysis of eligible locations to meet the buildout requirements covered by the A-CAM order. The Company has determined it will meet buildout requirements; as such, no allowance has been established.

Note 12: Commitments

The Company has entered into purchase commitments totaling approximately $243,776 for property, plant and equipment to be placed in service in future years.

Note 13: Subsequent Events

Subsequent events have been evaluated through April 25, 2023, which is the date the financial statements were available to be issued.