Nelson-Ball Ground Telephone Company

Independent Auditor's Report and Financial Statements

December 31, 2023 and 2022

Nelson-Ball Ground Telephone Company
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December 31, 2023 and 2022

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Independent Auditor's Report

Board of Directors
Nelson-Ball Ground Telephone Company
Nelson, Georgia

Opinion

We have audited the financial statements of Nelson-Ball Ground Telephone Company, which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of income and comprehensive income, retained earnings, 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 Nelson-Ball Ground Telephone Company as of December 31, 2023 and 2022, 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 Nelson-Ball Ground Telephone Company 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 Nelson-Ball Ground Telephone Company'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 Nelson-Ball Ground Telephone Company'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 Nelson-Ball Ground Telephone Company'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

Madison, Wisconsin
April 22, 2024

Nelson-Ball Ground Telephone Company
Balance Sheets
December 31, 2023 and 2022

ASSETS

	2023	2022
Current Assets		
Cash and cash equivalents	$ 461,084	$ 459,157
Accounts receivable		
Due from customers		
less allowance of $43,853 and $22,575 respectively	476,787	462,896
Due from affiliates	354,531	635,072
Other	397,426	417,126
Materials, supplies and inventory	161,733	260,218
Contract assets	1,574	142
Prepaid income taxes	19,537	20,787
	1,872,672	2,255,398
Other Noncurrent Assets	228,674	160,640
Property, Plant and Equipment		
Communications plant in service	42,604,485	40,603,756
Less accumulated depreciation	34,001,134	35,326,888
	8,603,351	5,276,868
Plant under construction	620,298	2,602,014
	9,223,649	7,878,882
Total assets	$ 11,324,995	$ 10,294,920

Nelson-Ball Ground Telephone Company
Balance Sheets, continued
December 31, 2023 and 2022

LIABILITIES AND STOCKHOLDERS' EQUITY

	2023	2022
Current Liabilities		
Accounts payable		
Due to affiliates	$ 427,115	$ 1,080,428
Advanced billings and customer deposits	297,623	268,878
Other	678,177	1,925,382
Accrued compensation	12,553	11,306
Accrued taxes	21,575	37,708
Other	388,515	367,229
	1,825,558	3,690,931
Other Noncurrent Liabilities and Deferred Credits		
Deferred income taxes	1,744,418	1,155,757
	1,744,418	1,155,757
Stockholders' Equity		
Common stock, par value $1 per share: 10,000 shares authorized, 1,000 shares issued and outstanding	1,000	1,000
Additional paid-in capital	3,629,593	1,529,593
Accumulated other comprehensive income:		
Employee retirement benefits	78,628	38,003
Retained earnings	4,045,798	3,879,636
	7,755,019	5,448,232
Total liabilities and stockholder's equity	$ 11,324,995	$ 10,294,920

Nelson-Ball Ground Telephone Company
Statements of Income and Comprehensive Income
December 31, 2023 and 2022

	2023	2022
Operating Revenues		
Local network services	$ 1,030,460	$ 999,533
Network access services	2,547,967	2,728,280
Nonregulated revenues	3,225,627	3,034,779
Miscellaneous revenue	211,207	209,773
Uncollectible, net of recoveries	(91,535)	(29,184)
	6,923,726	6,943,181
Operating Expenses		
Plant specific operations	1,485,009	1,349,674
Plant nonspecific operations	771,476	742,927
Cost of nonregulated services	2,009,851	1,767,695
Depreciation and amortization	1,021,242	946,215
Customer operations	419,735	400,273
Corporate operations	985,365	974,617
Other taxes	27,189	45,283
	6,719,867	6,226,684
Operating Income	203,859	716,497
Other Income (Expense)		
Interest and dividend income	-	30
Other nonoperating deductions	18,447	(24,222)
	18,447	(24,192)
Income Before Income Taxes	222,306	692,305
Income Tax Expense	56,144	176,563
Net Income	166,162	515,742
Other Comprehensive Income		
Other defined benefit plan (net of tax of $(13,970) and $(56,593))	40,625	163,272
Total Comprehensive Income	$ 206,787	$ 679,014

Nelson-Ball Ground Telephone Company
Statements of Retained Earnings
December 31, 2023 and 2022

	2023	2022
Balance, Beginning of Year	$ 3,879,636	$ 3,363,894
Net income	166,162	515,742
Balance, End of Year	$ 4,045,798	$ 3,879,636

Nelson-Ball Ground Telephone Company
Statements of Cash Flows
December 31, 2023 and 2022

	2023	2022
Operating Activities		
Net income	$ 166,162	$ 515,742
Items not requiring (providing) cash:		
Depreciation and amortization	1,021,242	946,215
Deferred income taxes	574,691	648,179
Loss on disposal of assets	52,692	16,845
Changes in		
Accounts receivable	424,821	(387,938)
Materials and supplies	98,485	(134,985)
Prepaid income taxes	1,250	(10,286)
Other assets	(69,466)	(160,261)
Accounts payable	(630,957)	336,165
Accrued taxes	1,247	17,019
Accrued compensation	(16,133)	683
Advanced billings and customer deposits	28,745	3,270
Other liabilities	75,881	(380,671)
Net cash provided by operating activities	1,728,660	1,409,977
Investing Activities		
Capital expenditures	(3,826,733)	(3,696,853)
Net cash used in investing activities	(3,826,733)	(3,696,853)
Financing Activities		
Capital contribution	2,100,000	1,500,000
Net cash provided by financing activities	2,100,000	1,500,000
Increase (Decrease) in Cash and Cash Equivalents	1,927	(786,876)
Cash and Cash Equivalents, Beginning of Year	459,157	1,246,033
Cash and Cash Equivalents, End of Year	$ 461,084	$ 459,157
Supplemental Cash Flows Information		
Noncash investing and financing transactions:		
Plant in accounts payable	$ 40,491	$ 1,434,537
Intercompany transfer of property and equipment		
Property and Equipment	$ 13,986	$ 6,907

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

Nature of Operations and Basis of Presentation

Nelson-Ball Ground Telephone Company (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, 2023 and 2022, cash equivalents consisted primarily of money market accounts.

At December 31, 2023, the Company's cash accounts exceeded federally insured limits by approximately $461,000.

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 credit losses, which is based upon 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, Supplies and Inventory

Materials, supplies and inventory 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. Inventories consist primarily of equipment held for sale to customers. Inventories were $30,178 and $43,203 for the years ending December 31, 2023 and 2022, respectively.

Property, Plant and Equipment

Property, plant and equipment acquisitions are stated at cost, less accumulated depreciation and amortization. Original cost includes 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, 2023 and 2022.

Asset Retirement Obligations

Accounting principles generally accepted in the United States of America require that an asset retirement obligation (ARO) associated with the retirement of a tangible long-lived asset be recognized as a liability in the period in which it is incurred or becomes determinable (as defined by the standard) even when the timing and/or method of settlement may be conditional on a future event.

When the liability is initially recorded, the entity capitalizes the cost of the asset retirement obligation by increasing the carrying amount of the related long-lived asset. Over time, the liability is accreted to its present value each period, and the capitalized cost is depreciated over the useful life of the related asset.

The Company has determined it does not have a material legal obligation to remove long-lived assets, and accordingly, there have been no liabilities recorded for the years ended December 31, 2023 and 2022.

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 10* 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.

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 consolidated 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 and the defined benefit plan. 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.

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.

Revisions

Certain immaterial revisions have been made to the 2022 financial statements disclosures in *Note 2*, Revenue from Contracts with Customers, to correct the amounts of disaggregated revenues from customers. These revisions did not have an impact on any financial statement line items.

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, long distance, video, 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, long distance, video, 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 10*. 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 years ended December 31, 2023 and 2022:

	2023	2022
Timing of revenue and recognition		
At a point in time	$ 179,520	$ 175,948
Over a period of time	4,815,261	4,600,322
Total	$ 4,994,781	$ 4,776,270

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:

	2023	2022
Accounts receivable, beginning of year	$ 499,130	$ 571,996
Accounts receivable, end of year	520,887	499,130
Contract assets, beginning of year	$ 142	$ 521
Contract assets, end of year	2,852	142
Contract liabilities, beginning of year	$ 268,878	$ 265,608
Contract liabilities, end of year	297,623	268,878

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:

	2023	2022
Communications plant in service:		
General Support Assets	$ 2,123,926	$ 1,873,208
Central Office Switching	1,606,613	3,747,628
Software	1,825,937	1,839,859
Central Office Transmission	9,681,293	8,947,220
Outside Plant	26,727,403	23,730,883
Internet and Video Equipment	639,313	464,958
Total property, plant and equipment	$ 42,604,485	$ 40,603,756

Depreciation on depreciable property resulted in composite rates of 2.58% and 2.49% for 2023 and 2022, respectively.

Depreciation was $1,020,868 and $924,619 for the years ending December 31, 2023 and 2022, respectively. Amortization of software was $374 and $21,596 for the years ending December 31, 2023 and 2022, respectively.

Note 4: Income Taxes

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

	2023	2022
Federal income taxes:		
Current tax expense (benefit)	$ (518,547)	$ (477,130)
Deferred tax expense	562,830	614,260
State income taxes:		
Current tax expense	-	5,514
Deferred tax expense (benefit)	11,861	33,919
Income tax expense	$ 56,144	$ 176,563

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

	2023	2022
Deferred tax liabilities		
Federal	$ 1,687,467	$ 1,120,370
State	68,288	94,982
Total deferred tax liabilities	1,755,755	1,215,352
Deferred tax assets		
Federal	8,731	15,263
State	2,606	44,332
Total deferred tax assets	11,337	59,595
Net deferred tax liability	$ 1,744,418	$ 1,155,757

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, 2023 and 2022 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 state income taxes.

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, 2023 and 2022.

The Company's state and federal income tax returns for years 2020 to present remain subject to examination.

Accounts receivable due from affiliates includes federal income taxes due from the parent of $186,701 and $283,839 at December 31, 2023 and 2022, respectively.

Transfers related to federal income taxes totaled $618,685 and $191,291 in 2023 and 2022, respectively

Prepaid income taxes of $19,537 and $20,787 appearing on the balance sheet at December 31, 2023 and 2022, respectively, reflect overpayments of estimated state taxes.

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 $1,473 and $1,542 in 2023 and 2022, 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 benefits expense (benefit) were $(11,261) and $(457,897) in 2023 and 2022, respectively. The Company did not make any cash contributions to the plan 2023 and 2022, respectively. At December 31, 2023 and 2022, the Company's liability (asset) for postretirement benefit was $(118,126) and $(106,865), respectively. These amounts are included in other noncurrent assets at December 31, 2023 and 2022.

At December 31, 2023 and 2022 the Company recorded an additional asset (liability) for its share of the funded status of the postretirement benefits in the amount of $54,595 and $219,865 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 $40,625 and $163,272 at December 31, 2023 and 2022, respectively.

Note 6: 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 $3,723,114 and $3,495,088 in 2023 and 2022.

The Company participates in a cash management account with other affiliates. As of December 31, 2023 and 2022 the Company has a balance of $461,084 and $459,157 respectively, in such accounts, classified as cash and cash equivalents on the accompanying balance sheets.

During 2023 and 2022, respectively, the Company's parent, TDS Telecom, contributed $2,100,000 and $1,500,000 in additional paid-in capital.

The Company purchases certain materials and supplies from an affiliate under common ownership. These purchases were $118,946 in 2023.

Note 7: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Credit Risks

The Company grants credit to customers, all of whom are located in the franchised service area, and telecommunications intrastate and interstate long distance carriers.

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 8: 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 9: 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 10: Regulatory Matters

The Company received 37% and 39% of its 2023 and 2022, respectively, from access revenues and assistance provided by the State Universal Access Fund (UAF) 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 $3,920,521 over a 12-year period effective January 2017. For the years ended December 31, 2023 and 2022, the Company received $293,973 and $337,622, respectively, in A-CAM funds, which is included in network access services.

On July 24, 2023, the FCC issued a Report and Order, Notice of Proposed Rulemaking, and Notice of Inquiry for the Enhanced Alternative Connect America Cost Model (E-ACAM). The order expands buildout obligations related to locations served and speed available. E-ACAM would extend model-based support for 15 years beginning January 2024 and ending December 2038. The Company elected to accept the E-ACAM offered by the FCC. Effective January 1, 2024, the Company will receive $665,949 per year for six years and an average of $432,804 for the following nine years. The FCC could adjust amounts if fewer locations are deemed to exist than those shown on initial offer.

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.

Note 11: Subsequent Events

Subsequent events have been evaluated through April 22, 2024, which is the date the financial statements were available to be issued.