

# ***ANNUAL REPORT***

OF

CAMBRIDGE TELEPHONE COMPANY, INC.

**NAME**

PO Box 88, Cambridge, ID 83610

**ADDRESS**

TO THE

**IDAHO PUBLIC**

**UTILITIES COMMISSION**

FOR THE

YEAR ENDED December 31, 2004

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See Accountant's Compilation Report



## ACCOUNTANT'S COMPILATION REPORT

The Board of Directors  
Cambridge Telephone Company, Inc.  
PO Box 88  
Cambridge, Idaho 83610

We have compiled the accompanying balance sheets of Cambridge Telephone Company, Inc. as of December 31, 2004 and 2003, and the related income and retained earnings statement for the year ended December 31, 2004, included in the accompanying prescribed form, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. We have also compiled the supplementary information, except for pages 1, 2, 18, 19, and 20.

Our compilation was limited to presenting in the form prescribed by the Idaho Public Utilities Commission information that is the representation of management. We have not audited or reviewed the financial statements referred to above and, accordingly, do not express an opinion or any other form of assurance on them.

These financial statements and the supplementary information are presented in accordance with the requirements of the Idaho Public Utilities Commission, which differ from generally accepted accounting principles. Accordingly, the financial statements and supplementary information are not designed for those who are not informed about such differences.

The information contained on pages 1, 2, 18, 19, and 20 has not been audited, reviewed, or compiled by us, and, accordingly, we assume no responsibility for that information.

Colorado Springs, CO  
April 29, 2005

A handwritten signature in cursive script that reads 'Kiesling Associates LLP'.

**ANNUAL REPORT OF SMALL TELEPHONE COMPANIES TO  
THE IDAHO PUBLIC UTILITIES COMMISSION  
FOR THE YEAR ENDING DECEMBER 31, 2004**

**COMPANY INFORMATION**

Exact name of utility: Cambridge Telephone Company, Inc.

Address of principal office: P.O. Box 69, Cambridge, ID 83610

Telephone Number (Area Code 208) 257-3314

Cities or towns served: Cambridge, Council, Indian Valley, Cuprum, Lowman

Name and title of officer having custody of the general corporate books of account: \_\_\_\_\_

Richard Wiggins, General Manager/President

Address of office where corporate books are kept and phone number: \_\_\_\_\_

P.O. Box 88, 130 Superior Street, Cambridge, ID 83610, (208) 257-3314

Organized under the laws of the State of: Idaho

Date of organization: 1966

Form of organization (proprietorship, association, corporation): Corporation

If a Subchapter S Corporation, please specify: N/A

Name and address of controlling company, if any: N/A

Names of affiliated companies. Give address and description of business: CTC Construction, Inc.,

P.O. Box 88, Cambridge, ID 83610-Construction Services; CTC Telecom, Inc., P.O. Box 69, Cambridge, ID 83610-Telecommunications, Internet and Wireless (CLEC)

**OFFICERS**

Report below the title, name and office address of each general officer of the utility at the end of the year. If there were any changes during the year, show the name, title, and address of the previous officer and the date of change.

<b>Title</b>	<b>Name</b>	<b>Address</b>
President	Richard Wiggins	P.O. Box 88, Cambridge, ID 83610
Vice President	Kermit Wiggins	P.O. Box 88, Cambridge, ID 83610
Secretary/Treasurer	Joana Wiggins	P.O. Box 88, Cambridge, ID 83610

**DIRECTORS**

List the name of each person who was a member of the Board of Directors at any given time during the year: (Fees related to meetings only.)

<b>Name and Address</b>	<b>Term Expired or Current Term Will Expire</b>	<b>Meetings Attended This year</b>	<b>Fees Paid During Year</b>
<u>Kermit Wiggins</u> <u>P.O. Box 88, Cambridge, ID 83610</u>	<u>Indefinite</u>	<u>1</u>	
<u>Richard Wiggins</u> <u>P.O. Box 88, Cambridge, ID 83610</u>	<u>Indefinite</u>	<u>1</u>	
<u>Joana Wiggins</u> <u>P.O. Box 88, Cambridge, ID 83610</u>	<u>Indefinite</u>	<u>1</u>	
_____	_____		

Name of Chairman of the Board: Kermit Wiggins  
 Name of Secretary (or Clerk) of Board: Joana Wiggins  
 Number of Meetings of the Board during the year: 1

**MANAGERS**

List the name of each person who performed management duties for the Company during the year, and the total wages and bonuses paid to those persons: (Do not include Director fees in these amounts.)

<b>Name</b>	<b>Title</b>	<b>Wages and Bonuses Paid</b>
<u>Richard Wiggins</u>	<u>President</u>	<u>120,000</u>
<u>Kermit Wiggins</u>	<u>Vice President</u>	<u>5,285</u>
<u>Joana Wiggins</u>	<u>Secretary/Treasurer</u>	<u>-</u>
<u>Jerry Piper</u>	<u>Assistant Manager</u>	<u>61,643</u>
_____	_____	
_____	_____	
_____	_____	
_____	_____	

## NOTES TO THE FINANCIAL STATEMENTS

Please provide important information such as changes in accounting or depreciation practices, extensions or additions to the system; disposal of any substantial portion of the property of the utility; reorganization, mergers, or consolidations with other companies; leases executed; other contracts or agreements entered into; changes made in articles of incorporation or amendments; the occurrence of contingency losses or gains.

1 In 1998, CTC Telecom, Inc. (CTC), a wholly-owned subsidiary of Cambridge Telephone Company, was incorporated, with an initial investment of \$100,000. CTC operates as a Competitive Local Exchange Carrier in the state of Idaho. Additional capital investments of \$900,000 have been made through December 31, 2004.

In April, 1999, CTC secured a loan from CoBank, ACB in the amount of \$1,700,000, of which \$1,699,760 was advanced as of December 31, 2004. The loan is secured by a Leasehold Deed of Trust and Security Agreement covering all real and personal property. In addition, the loan is secured by Personal Guarantee of Payment Agreements by certain shareholders of Cambridge Telephone Company, and Pledge Agreements for stock of Cambridge Telephone Company owned by certain shareholders.

An additional loan from CoBank, ACB of \$800,000 was arranged for in 2001, of which \$799,000 was advanced as of December 31, 2004.

2 Cambridge Telephone Company (Pledgor) is a member of Syringa Networks, LLC, an Idaho Limited Liability Company. In 2002, as security for an extension of credit by Rural Telephone Finance Cooperative, a South Dakota cooperative association (Lender) to Syringa Networks, LLC (Borrower), in the principal amount of up to \$30,000,000, Pledgor executed and delivered to lender a Pledge and Security Agreement and a Guarantee Agreement. Under these agreements, Pledgor has pledged and granted a security interest in its 7% interest in Borrower as collateral for Borrower obligations under its loan agreement with Lender, and has agreed to guarantee up to \$2,100,000 of Borrower's principal payment obligations under the loan agreement. Pledgor's investment in Borrower as of December 31, 2004 was \$557,500.

3 In 2003, the Company received approval from the Rural Utilities Service (RUS) for new loans from RUS and the Rural Telephone Bank (RTB) in the total amount of \$17,143,950. The loans were approved by the Idaho Public Utilities Commission by Order No. 29399 dated December 10, 2003. The loans were finalized in 2004, and notes dated April 4, 2004 in the total amount of \$17,143,950 were issued. Funds totaling \$3,162,255 were advanced under these loans in 2004. From these advances, \$2,437,712 was used to refinance the balance of the loan from CoBank, ACB.

**BALANCE SHEET**  
**Assets and Other Debits**

Title of Account	Balance Beginning of Year	Balance at End of Year	Increase or (Decrease)
<b>Current Assets</b>			
1120 Cash and Equivalents			
1130 Cash	73848	29,815	(44,033)
1140 Special Cash Deposits		216,947	216,947
1150 Working Cash Advances			-
1160 Temporary Investments			-
1180 Telecommunications Accts. Receivable	176,168	167,412	(8,756)
1181 Accts. Rec. Allow. -Telecommunications			-
1190 Other Accounts Receivable	1,148,737	1,144,795	(3,942)
1191 Accounts Receivable Allow. - Other			-
1200 Notes Receivable	197,529	89,317	(108,212)
1201 Notes Receivable Allowance			-
1210 Interest & Dividends Receivable	7,818	6,970	(848)
1220 Material and Supplies	101,231	79,690	(21,541)
1280 Prepayments			-
1290 Prepaid Rents			-
1300 Prepaid Taxes	86,178	78,641	(7,537)
1310 Prepaid Insurance	1,092	4,857	3,765
1320 Prepaid Directory Expenses			-
1330 Other Prepayments			-
1350 Other Current Assets			-
<b>Noncurrent Assets</b>			
1401 Investment in Affiliated Companies	12,389	(2,892)	(15,281)
1402 Investment in Nonaffiliated Companies	1,212,158	1,395,324	183,166
1406 Nonregulated Investments		222,757	222,757
1407 Unamortized Debt Issuance Expense	6,849	6,698	(151)
1408 Sinking Funds			-
1410 Other Noncurrent Assets	88,807	72,296	(16,511)
1438 Deferred Maintenance & Retirements			-
1439 Deferred Charges	1,470	1,470	-
1500 Other Jurisdiction Assets - Net			-
<b>Property, Plant and Equipment</b>			
2001 Telecommunications Plants in Service	13,405,448	14,181,854	776,406
2002 Prop. Held for Future Telecom. Use			-
2003 Telecom. Plant under Constr. - Short Term	322,479	548,626	226,147
2004 Telecom. Plant under Constr. - Long Term	-		-
2005 Telecom. Plant Adjustment			-
2006 Nonoperating Plant			-
2007 Goodwill	1,691,657	1,691,657	-
<b>Depreciation and Amortization Accounts</b>			
3100 Accumulated Depreciated	(9,210,965)	(9,799,019)	(588,054)
3200 Accum. Depre. - Held for Future Use			-
3300 Accumulated Depreciation - Nonoperating			-
3400 Accumulated Amortization - Tangible			-
3410 Accum. Amort. - Capitalized Leases			-
3420 Accum. Amort. - Leasehold Improvements			-
3500 Accumulated Amortization - Intangible			-
3600 Accumulated Amortization - Other			-
<b>TOTAL ASSETS</b>	<b>9,322,893</b>	<b>10,137,215</b>	<b>814,322</b>

**BALANCE SHEET**  
**Liabilities & Stockholders' Equity**

Title of Account	Balance Beginning of Year	Balance at End of Year	Increase or (Decrease)
<b>Current Liabilities</b>			
4010 Accounts Payable	497,856	672,650	174,794
4020 Notes Payable	206,273	296,349	90,076
4030 Advance Billings and Payments	92,504	92,500	(4)
4040 Customer Deposits	5,645	4,794	(851)
4050 Current Maturities - Long -Term Debt	533,876	200,100	(333,776)
4060 Current Maturities - Capital leases			-
4070 Income Taxes - Accrued	-		-
4080 Other Taxes - Accrued	31,631	27,736	(3,895)
4100 Net Current Defer. Oper. Income Taxes	(39,762)	(56,600)	(16,838)
4110 Net Current Defer. Nonoper. Income Taxes			-
4120 Other Accrued Liabilities	93,492	91,215	(2,277)
4130 Other Current Liabilities			-
<b>Long-Term Debt</b>			
4210 Funded Debt	4,532,214	5,319,732	787,518
4220 Premium on Long-Term Debt			-
4230 Discount on Long-Term Debt			-
4240 Reacquired Debt			-
4250 Obligations Under Capital Leases			-
4260 Advances from Affiliated Companies			-
4270 Other Long-Term Debt			-
<b>Other Liabilities &amp; Deferred Credits</b>			
4310 Other Long-Term Liabilities			-
4320 Unamort. Oper. Invest. Tax Credits - Net	186,986	186,978	(8)
4330 Unamort. Nonoper. Invest. Tax Credits - Net			-
4340 Net Noncurrent Defer. Oper. Income Taxes	14,907	15,785	878
4350 Net Noncur. Defer. Nonoper. Income Taxes	134,836	146,740	11,904
4360 Other Deferred Credits	141,584	146,077	4,493
4370 Other Juris. Liab. & Def. Credits - Net			-
<b>Stockholders' Equity</b>			
4510 Capital Stock	30,000	30,000	-
4520 Additional Paid-In Capital			-
4530 Treasury Stock	(12,511)	(12,511)	-
4540 Other Capital			-
4550 Retained Earnings	2,873,362	2,975,670	102,308
<b>TOTAL LIAB. &amp; OTHER CREDITS</b>	<b>9,322,893</b>	<b>10,137,215</b>	<b>814,322</b>

**ANALYSIS OF TELECOMMUNICATIONS PLANT IN SERVICE**

**TOTAL Company Basis**

**Analysis of Telecommunications Plant in Service**

	Balance Beginning of Year	Additions During year	Plant Retired or Sold	Transfers and Adjustments	Balance End of Year
2111 Land	82,715				82,715
2112 Motor Vehicles	358,833	231,088			589,921
2113 Aircraft	-				-
2114 Special Purpose Vehicles	-				-
2115 Garage Work Equipment	457,154	63,699			520,853
2116 Other Work Equipment	1,799,225	3,521			1,802,746
2121 Buildings	4,395				4,395
2122 Furniture	34,866				34,866
2123 Office Equipment	102,555	15,725	(8,068)	6,417	116,629
2124 General Purpose Computers	-				-
2211 Analog Electronic Switching	1,330,214	11,044			1,341,258
2212 Digital Electronic Switching	-				-
2215 Electro-Mechanical Switching	-				-
2220 Operator Systems	-				-
2231 Radio Systems	1,507,956				1,507,956
2232 Circuit Equipment	1,371,810	76,051	(135,211)		1,312,650
2311 Station Apparatus	-				-
2321 Customer Premises Wiring	-				-
2341 Large Private Branch Exchanges	-				-
2351 Public Telephone Terminal Equipment	2,760				2,760
2362 Other Terminal Equipment	-				-
2411 Poles	21,888				21,888
2421 Aerial Cable	18,681				18,681
2422 Underground Cable	39,699				39,699
2423 Buried Cable	6,147,443	528,975	(16,835)		6,659,583
2424 Submarine Cable	-				-
2426 Intrabuilding Network Cable	11,394				11,394
2431 Aerial Wire	-				-
2441 Conduit Systems	113,860				113,860
2681 Capital Leases	-				-
2682 Leasehold Improvements	-				-
2690 Intangibles	-				-
<b>TOTAL PLANT ACCOUNTS</b>	<b>13,405,448</b>	<b>930,103</b>	<b>(160,114)</b>	<b>6,417</b>	<b>14,181,854</b>



**ANALYSIS OF TELECOMMUNICATIONS PLANT ACCOUNTS**  
**IDAHO Operations Only**

	Balance Beginning of Year	Additions During Year	Plant Retired or Sold	Transfers and Adjustments	Balance End of Year
<b>Analysis of Telecommunications Plant in Service</b>					
2111 Land		SAME AS TOTAL COMPANY			
2112 Motor Vehicles					
2113 Aircraft					
2114 Special Purpose Vehicles					
2115 Garage Work Equipment					
2116 Other Work Equipment					
2121 Buildings					
2122 Furniture					
2123 Office Equipment					
2124 General Purpose Computers					
2211 Analog Electronic Switching					
2212 Digital Electronic Switching					
2215 Electro-Mechanical Switching					
2220 Operator Systems					
2231 Radio Systems					
2232 Circuit Equipment					
2311 Station Apparatus					
2321 Customer Premises Wiring					
2341 Large Private Branch Exchanges					
2351 Public Telephone Terminal Equipment					
2362 Other Terminal Equipment					
2411 Poles					
2421 Aerial Cable					
2422 Underground Cable					
2423 Buried Cable					
2424 Submarine Cable					
2426 Intrabuilding Network Cable					
2431 Aerial Wire					
2441 Conduit Systems					
2681 Capital Leases					
2682 Leasehold Improvements					
2690 Intangibles					
<b>TOTAL PLANT ACCOUNTS</b>					

**ANALYSIS OF ENTRIES IN ACCUMULATED DEPRECIATION**  
Account 3100

	TOTAL Company Basis			Credits During Year	Retirements and Adjustments	Balance End of Year
	Balance Beginning of Year	Depreciation Rate*				
<b>Analysis of Entries in Accumulated Depreciation</b>						
2112 Motor Vehicles	232,222	20.00%		65,906		298,128
2113 Aircraft	-					-
2114 Special Purpose Vehicles	-					-
2115 Garage Work Equipment	-					-
2116 Other Work Equipment	225,724	12.50%		33,002		258,726
2121 Buildings	804,057	3.00%		53,895		857,952
2122 Furniture	4,395					4,395
2123 Office Equipment	34,291	20.00%		575		34,866
2124 General Purpose Computers	86,099	20.00%		20,975	(1,651)	105,423
2211 Analog Electronic Switching	-					-
2212 Digital Electronic Switching	1,017,906	12.00%		159,976		1,177,882
2215 Electro-Mechanical Switching	-					-
2220 Operator Systems	-					-
2231 Radio Systems	1,507,955	20.00%				1,507,955
2232 Circuit Equipment	995,182	10.00%		45,638	(135,211)	905,609
2311 Station Apparatus	-					-
2321 Customer Premises Wiring	-					-
2341 Large Private Branch Exchanges	-					-
2351 Public Telephone Terminal Equipment	2,760	25.00%				2,760
2362 Other Terminal Equipment	-					-
2411 Poles	19,328	6.50%		1,423		20,751
2421 Aerial Cable	5,547	6.50%		1,214		6,761
2422 Underground Cable	31,007	6.50%		2,581		33,588
2423 Buried Cable	4,197,804	6.50%		349,165	(16,835)	4,530,134
2424 Submarine Cable	-					-
2426 Intrabuilding Network Cable	11,394	6.50%				11,394
2431 Aerial Wire	-					-
2441 Conduit Systems	35,294	6.00%		7,401		42,695
<b>TOTAL</b>	<b>9,210,965</b>			<b>741,751</b>	<b>(153,697)</b>	<b>9,799,019</b>

\*Please list individual depreciation rate for each account.

**ANALYSIS OF ENTRIES IN ACCUMULATED DEPRECIATION**  
Account 3100

**IDAHO Operations Only**

**Analysis of Entries in Accumulated Depreciation**

	Balance Beginning of Year	Depreciation Rate*	Credits During Year	Retirements and Adjustments	Balance End of Year
2112 Motor Vehicles		SAME AS TOTAL COMPANY			
2113 Aircraft					
2114 Special Purpose Vehicles					
2115 Garage Work Equipment					
2116 Other Work Equipment					
2121 Buildings					
2122 Furniture					
2123 Office Equipment					
2124 General Purpose Computers					
2211 Analog Electronic Switching					
2212 Digital Electronic Switching					
2215 Electro-Mechanical Switching					
2220 Operator Systems					
2231 Radio Systems					
2232 Circuit Equipment					
2311 Station Apparatus					
2321 Customer Premises Wiring					
2341 Large Private Branch Exchanges					
2351 Public Telephone Terminal Equipment					
2362 Other Terminal Equipment					
2411 Poles					
2421 Aerial Cable					
2422 Underground Cable					
2423 Buried Cable					
2424 Submarine Cable					
2426 Intrabuilding Network Cable					
2431 Aerial Wire					
2441 Conduit Systems					
<b>TOTAL</b>					

\*Please list individual depreciation rate for each account.

## INVESTMENTS

Report below the investments in Accounts 1401, 1402 and 1406. Identify each investment as to the account in which included. Minor amounts in Account 1406 may be grouped by classes.

<u>Description</u>	<u>Date Acquired</u>	<u>Book Cost of Investments Disposed of This year</u>	<u>Book Cost of Investments Held at End of Year</u>
CTC Telecom, Inc.	1998		(2,892)
Cash value life insurance			407,691
Coins			34,497
Land	Various		224,975
Syringa Networks, LLC	2000-2004		557,500
CoBank equity	1999-2004		170,661
Buried cable-leased to Syringa Networks, LLC			222,757
<b>Totals</b>		-	1,615,189

## RECEIVABLES

Itemize amounts show in Accounts 1180, 1190 and 1200. For notes receivable list each note separately and include the maturity date and interest rate. Minor amounts in Account 1210 may be combined.

<u>Name of Company</u>	<u>Amount at End of Year</u>	
	<u>Notes Receivable</u>	<u>Accounts Receivable</u>
Due from customers		167,412
Interexchange carriers		177,405
CTC Telecom, Inc.		593,440
CTC Construction		303,394
CoBank - patronage		7,010
Various - proceeds, sale of broadband credits		62,321
Other		1,225
R. & B. Crocket, 8.0%, due 2018	89,317	
<b>Totals</b>	89,317	1,312,207

**NOTES PAYABLE**

For Notes Payable, list each note separately and include the maturity date and interest rate.

<u>Name of Creditor</u>	<u>Date of Note</u>	<u>Interest Rate</u>	<u>Due Date</u>	<u>Face Amount</u>
Wells Fargo	5/17/2004	6.25%	5/17/2005	296,349
<b>Totals</b>				296,349

**ACCOUNTS PAYABLE**

Report below all Accounts Payable amounting to more than \$100.00

<u>Name of Creditor</u>	<u>Amount</u>
NECA	113,300
Interexchange carriers	55,188
Carlix - construction contract	274,449
Idaho Optic Transport Association	175,880
Lite Communications	9,141
Moss Adams LLP	6,398
Various other vendors	17,676
Taxes, 911 billing	20,618
<b>Totals</b>	672,650

See Accountant's Compilation Report

**LONG - TERM DEBT**

**Accounts 4210, 4240, 4250, 4260, 4270 and 4310**

List the required data for each obligation included in these accounts, grouping them by account number and showing totals for each account. If any obligations mature serially or otherwise at various dates, give particulars in a note.

<u>Class &amp; Series of Obligation</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Fact Amount Authorized</u>	<u>Outstanding Year-End</u>	<u>Premium/ Discount Year Amortized Total</u>	<u>Interest for year Rate</u>	<u>Amount</u>
RUS Notes	1977	2012	975,000	360,487		5.00	Detail
RUS Notes	various	various	2,932,000	1,197,017		2.00	Not
RUS Notes	1985	2050	931,000	688,089		5.00	Available
RUS Notes	2004	various	13,596,000	3,162,255		various	
RTB Note	2004	2019	3,547,950	-		-	
CoBank	1996	2011	4,776,000	-		variable	
CoBank	1998	2007	300,000	-		variable	
Ford Motor Credit	2004	2008	27,450	27,450		7.10	
Case Credit	2001	2006	18,899	9,452		7.81	
Ford Motor Credit	2003	2008	17,366	12,948		5.581	
Wells Fargo	2004	2009	67,886	62,134		7.15	
Less current maturities				(200,100)			
<b>Total</b>				<b>5,319,732</b>			<b>200,616</b>



**INCOME & RETAINED EARNINGS STATEMENT**

Item	Total Company	Idaho Only
Total Operating Income (from page 15)	<u>3,325,806</u>	<u>Same as</u>
Total Operating Expenses (from page 17)	<u>2,794,379</u>	<u>total company</u>
7100 Other Operating Income and Expense	<u>                    </u>	<u>                    </u>
7210 Operating Investment Tax Credits-Net	<u>12,714</u>	<u>                    </u>
7220 Operating Federal Income Taxes	<u>153,688</u>	<u>                    </u>
7230 Operating State and Local Income Taxes	<u>16,180</u>	<u>                    </u>
7240 Operating Other Taxes	<u>54,127</u>	<u>                    </u>
7250 Provision for Deferred Operating Income Taxes-Net	<u>(71,739)</u>	<u>                    </u>
7200 Operating Taxes (Total)	<u>164,970</u>	<u>                    </u>
7310 Dividend Income	<u>17,526</u>	<u>                    </u>
7320 Interest Income	<u>6,302</u>	<u>                    </u>
7330 Income from Sinking and Other Funds	<u>                    </u>	<u>                    </u>
7340 Allowance for Funds Used During Construction	<u>13,901</u>	<u>                    </u>
7350 Gains/Losses from the Disposition of Certain Property	<u>                    </u>	<u>                    </u>
7360 Other Nonoperating Income	<u>(63,524)</u>	<u>                    </u>
7370 Special Charges	<u>(14,820)</u>	<u>                    </u>
7300 Nonoperating Income and Expense	<u>(40,615)</u>	<u>                    </u>
7410 Nonoperating Investment Tax Credits-Net	<u>                    </u>	<u>                    </u>
7420 Nonoperating Federal Income Taxes	<u>(55,404)</u>	<u>                    </u>
7430 Nonoperating State and Local Income Taxes	<u>(16,060)</u>	<u>                    </u>
7440 Nonoperating Other Taxes	<u>                    </u>	<u>                    </u>
7450 Provision for Deferred Nonoperating Income Taxes-Net	<u>76,654</u>	<u>                    </u>
7400 Nonoperating Taxes	<u>5,190</u>	<u>                    </u>
7510 Interest on Funded Debt	<u>200,616</u>	<u>                    </u>
7520 Interest Expense-Capital Leases	<u>                    </u>	<u>                    </u>
7530 Amortization of Debt Issuance Expense	<u>151</u>	<u>                    </u>
7540 Other Interest Deductions	<u>15,302</u>	<u>                    </u>
7500 Interest and Related Items	<u>216,069</u>	<u>                    </u>
7610 Extraordinary Income Credits	<u>                    </u>	<u>                    </u>
7620 Extraordinary Income Charges	<u>                    </u>	<u>                    </u>
7630 Current Income Tax Effect of Extraordinary Items-Net	<u>                    </u>	<u>                    </u>
7640 Provision for Deferred Income Tax Effect of Extraordinary Items-Net	<u>                    </u>	<u>                    </u>
7600 Extraordinary Items	<u>                    </u>	<u>                    </u>
7910 Income Effect of Jurisdictional Ratemaking Differences-Net	<u>                    </u>	<u>                    </u>
7990 Nonregulated Net Income	<u>(2,275)</u>	<u>                    </u>
<b>AMOUNT TRANSFERRED TO RETAINED EARNINGS</b>	<u><b>102,308</b></u>	<u>                    </u>



**OPERATING REVENUES**

Item	Total Company	Idaho Only
<b>Local Network Services Revenues</b>		
5001 Basic Area Revenue	683,058	Same as
5002 Optional Extended Area Revenue		total company
5003 Cellular Mobile Revenue		
5004 Other Mobile Services Revenue		
5010 Public Telephone Revenue		
5040 Local Private Line Revenue		
5050 Customer Premises Revenue		
5060 Other Local Exchange Revenue	76,817	
5069 Other Local Exchange Settlements	369,537	
<b>Network Access Services Revenues</b>		
5081 End User Revenue (SLC)	188,775	
5082 Switched Access Revenue (Interstate)	1,420,120	
5083 Special Access Revenue	57,864	
5084 State Access Revenue (Intrastate)	521,194	
Long Distance Network Services Revenues		
5100 Long Distance Message Revenue - All		
<b>Miscellaneous Revenues</b>		
5230 Directory Revenue	8,818	
5240 Rent Revenue	7,671	
5250 Corporate Operations Revenue		
5261 Special Billing Arrangements Revenue		
5262 Customer Operations Revenue		
5263 Plant Operations Revenue		
5264 Other Incidental Regulated Revenue	4,091	
5269 Other Revenue Settlements		
5270 Carrier Billing & Collection Revenue	5,515	
<b>Uncollectible Revenues</b>		
5301 Uncollectible Revenue - Telecommunications	17,654	
5302 Uncollectible Revenue - Other		
<b>TOTAL OPERATING REVENUES</b>	<b>3,325,806</b>	

Please identify the following revenues:

NECA USF \$ 369,144 . To what account were they booked?

5069.1

State USF \$ 167,404 . To what account were they booked?

5084.52

**OPERATING REVENUES**

Item	Total Company	Idaho Only
<b>Plant Specific Operations Expense</b>		
6110 Network Support Expenses		Same as
6112 Motor Vehicle Expense	6,664	total company
6113 Aircraft Expense		
6114 Special Purpose Vehicles Expense		
6115 Garage Work Equipment Expense		
6116 Other Work Equipment Expense	411	
6120 General Support Expenses		
6121 Land and Building Expenses	53,365	
6122 Furniture and Artworks Expense		
6123 Office Equipment Expense	1,378	
6124 General Purpose Computers Expense	90,090	
6210 Central Office Switching Expenses		
6211 Analog Electronic Expense		
6212 Digital Electronic Expense	176,304	
6215 Electro-Mechanical Expense		
6220 Operators System Expense		
6230 Central Office Transmission Expenses	527,640	
6231 Radio Systems Expense		
6232 Circuit Equipment Expense	80,297	
6310 Information Origination/Termination Expense		
6311 Station Apparatus Expense		
6341 Large Private Branch Exchange Expense		
6351 Public Telephone Terminal Equipment Expense		
6362 Other Terminal Equipment Expense		
6410 Cable and Wire Facilities Expenses		
6411 Pole Expense		
6421 Aerial Cable Expense		
6422 Underground Cable Expense		
6423 Buried Cable Expense	210,878	
6424 Submarine Cable Expense		
6425 Deep Sea Cable Expense		
6426 Intrabuilding Network Cable Expense		
6431 Aerial Wire Expense		
6441 Conduit Systems Expense		
<b>TOTAL PLANT SPECIFIC OPERATIONS EXPENSE</b>	<b>1,147,027</b>	

**OPERATING REVENUES**

Item	Total Company	Idaho Only
<b>Plant Nonspecific Operations Expense</b>		
6510 Other Property/Plant/Equipment Expenses		Same as
6511 Property Held for Future Telecomm. Use Expenses		total company
6512 Provisioning Expense		
6530 Network Operations Expense		
6531 Power Expense	15,336	
6532 Network Administration Expense	1,503	
6533 Testing Expense		
6534 Plant Operations Administration Expense		
6535 Engineering Expense	(470)	
6540 Access Expense	34,912	
6560 Depreciation and Amortization Expenses	762,715	
6561 Depreciation Expense-Telecom. Plant in Service		
6562 Depreciation Expense-Property Held for Future Use		
6563 Amortization Expense - Tangible		
6564 Amortization Expense - Intangible		
6565 Amortization Expense - Other		
<b>Total Plant Nonspecific Operations Expenses</b>	<b>813,996</b>	
<b>Customer Operations Expense</b>		
6610 Marketing		
6611 Product Management		
6612 Sales		
6613 Product Advertising	20,211	
6620 Services		
6621 Call Completion Services	470	
6622 Number Services	8,311	
6623 Customer Services	184,346	
<b>Total Customer Operations Expense</b>	<b>213,338</b>	
<b>Corporate Operations Expense</b>		
6710 Executive and Planning		
6711 Executive	264,966	
6712 Planning		
6720 General and Administrative		
6721 Accounting and Finance	193,474	
6722 External Relations	3,351	
6723 Human Resources		
6724 Information Management		
6725 Legal	24,034	
6726 Procurement		
6727 Research and Development		
6728 Other General and Administrative	134,193	
6790 Provision for Uncollectible Notes Receivable		
<b>Total Corporate Operations Expense</b>	<b>620,018</b>	
<b>TOTAL OPERATING EXPENSES</b>	<b>2,794,379</b>	

**CENTRAL OFFICE DATA**  
as of December 31, 2004 (unless otherwise indicated)

Name of Central Office: Council  
Prefix (es): 253

Central Office Switch Type: DCO-RLS

**Check all that apply:**  
Stand Alone      **Check one:** Electronic X  
Host      Analog      Electro-Mechanical       
Remote X Other:     

**Access Line Capacity**  
Design: 1890 **Access Lines in Use**  
Customer Lines: 1025  
(Include Centrex, PAL, Semi-Pub.)

Installed/Equipped: 1710  
Public Telephone Lines 4  
Company Official Lines 10  
Company Test Lines 0

	Residence			Business			Total Residence & Business
	Multi- Line 1-Party	Single Line Multi- Party	Subtotal Residence	Multi- Line 1-Party	Single Line Multi- Party	Subtotal Business	
Beginning of Year		819	819		202	202	1021
New Connects		99	99		13	13	112
Disconnects		96	96		12	12	108
End of Year		822	822		203	203	1025

**Foreign Exchange:**  
Dial Tone from this C.O.: 3  
Dial Tone from another C.O.: 0

**Directory Listings:**  
Number of Customers with Nonpublished or Nonlisted: 210

**Custom Calling:**  
Number of customers with at least one feature: 380  
Total number of features subscribed to: 26

**CENTRAL OFFICE DATA**  
as of December 31, 2004 (unless otherwise indicated)

Name of Central Office: Indian Valley  
Prefix (es): 256

Central Office Switch Type: DCO-RLS

**Check all that apply:**  
Stand Alone      **Check one:**  
Host      Digital X Electronic X  
Remote X Analog      Electro-Mechanical       
Other:     

**Access Line Capacity**  
Design: 720 **Access Lines in Use**  
Customer Lines: 172  
(Include Centrex, PAL, Semi-Pub.)

Installed/Equipped: 360  
Public Telephone Lines 0  
Company Official Lines 7  
Company Test Lines 0

	Residence			Business			Total Residence & Business
	Multi- Line 1-Party	Single Line Multi- Party	Subtotal Residence	Multi- Line 1-Party	Single Line Multi- Party	Subtotal Business	
Beginning of Year		160	160		12	12	172
New Connects		15	15		1	1	16
Disconnects		15	15		1	1	16
End of Year		160	160		12	12	172

**Foreign Exchange:**  
Dial Tone from this C.O.: 0  
Dial Tone from another C.O.: 0

**Directory Listings:**  
Number of Customers with Nonpublished or Nonlisted: 28

**Custom Calling:**  
Number of customers with at least one feature: 47  
Total number of features subscribed to: 12

**CENTRAL OFFICE DATA**  
as of December 31, 2004 (unless otherwise indicated)

Name of Central Office: Cambridge  
Prefix (es): 257

Central Office Switch Type: DCO

**Check all that apply:**  
Stand Alone       
Host X  
Remote     

**Check one:**  
Electronic X  
Electro-Mechanical       
Other:     

**Access Line Capacity**  
Design: 1080

**Access Lines in Use**  
Customer Lines: 510  
(Include Centrex, PAL, Semi-Pub.)

Installed/Equipped: 810

Public Telephone Lines 8

Company Official Lines 35

Company Test Lines 0

	Residence			Business			Total Residence & Business
	Single Line	Multi- Line	Multi- Party	Single Line	Multi- Party	Subtotal Business	
Beginning of Year	410	47	410	103	4	103	513
New Connects	47	54	47	4	0	4	51
Disconnects	54	403	54	0	107	0	54
End of Year	403	403	403	107	107	107	510

**Foreign Exchange:**  
Dial Tone from this C.O.: 5  
Dial Tone from another C.O.: 0

**Directory Listings:**  
Number of Customers with Nonpublished or Nonlisted: 169

**Custom Calling:**  
Number of customers with at least one feature: 175  
Total number of features subscribed to: 28

**CENTRAL OFFICE DATA**  
as of December 31, 2004 (unless otherwise indicated)

Name of Central Office: Cuprum  
Prefix (es): 258

Central Office Switch Type: DCO-RLG

**Check all that apply:**  
Stand Alone       
Host       
Remote X

**Check one:**  
Digital X  
Analog     

**Check one:**  
Electronic X  
Electro-Mechanical       
Other:     

**Access Line Capacity**  
Design: 90

**Access Lines in Use**  
Customer Lines: 51  
(Include Centrex, PAL, Semi-Pub.)

Installed/Equipped: 90

Public Telephone Lines 1

Company Official Lines 1

Company Test Lines 0

**Classification of Customer Access**

	Residence			Business			Total Residence & Business
	Multi- Line 1-Party	Single Line 1-Party	Multi- Line 1-Party	Multi- Line 1-Party	Single Line Multi- Party	Subtotal Business	
Beginning of Year		47			1	1	48
New Connects		7			0	0	7
Disconnects		4			0	0	4
End of Year		50			1	1	51

**Foreign Exchange:**  
Dial Tone from this C.O.: 0  
Dial Tone from another C.O.: 0

**Directory Listings:**  
Number of Customers with Nonpublished or Nonlisted: 16

**Custom Calling:**  
Number of customers with at least one feature: 10  
Total number of features subscribed to: 7

**CENTRAL OFFICE DATA**  
as of December 31, 2003 (unless otherwise indicated)

Name of Central Office: Lowman  
Prefix (es): 259

Central Office Switch Type: DCO-RLS

**Check all that apply:**  
Stand Alone      **Check one:** Electronic X  
Host      Analog      Electro-Mechanical       
Remote X Other:     

**Access Line Capacity**  
Design: 1080 **Access Lines in Use**  
Customer Lines: 263  
(Include Centrex, PAL, Semi-Pub.)

Installed/Equipped: 450  
Public Telephone Lines 3  
Company Official Lines 10  
Company Test Lines 0

	Residence			Business			Total Residence & Business
	Multi- Line 1-Party	Single Line Multi- Party	Subtotal Residence	Multi- Line 1-Party	Single Line Multi- Party	Subtotal Business	
Beginning of Year		210	210		39	39	249
New Connects		25	25		2	2	27
Disconnects		11	11		2	2	13
End of Year		224	224		39	39	263

**Foreign Exchange:**  
Dial Tone from this C.O.: 2  
Dial Tone from another C.O.: 0

**Directory Listings:**  
Number of Customers with Nonpublished or Nonlisted: 80

**Custom Calling:**  
Number of customers with at least one feature: 43  
Total number of features subscribed to: 20



NUMBER OF CALLS COMPLETED BY CUSTOMERS DURING (Year) 2004

Local Exchange	Average # of Customer Lines in Use	Local Calls		Toll Calls Originated (Total of all Carriers)			Avg./ Line
		Number (1000s)	Avg./ Line	Intrastate	Interstate	Total	
1 <u>253</u>	<u>1045</u>			<u>262,809</u>	<u>576,574</u>	<u>839,383</u>	<u>803</u>
2 <u>256</u>	<u>167</u>			<u>32,479</u>	<u>72,926</u>	<u>105,405</u>	<u>631</u>
3 <u>257</u>	<u>502</u>			<u>97,318</u>	<u>244,401</u>	<u>341,719</u>	<u>681</u>
4 <u>258</u>	<u>48</u>			<u>6,606</u>	<u>16,858</u>	<u>23,464</u>	<u>489</u>
5 <u>259</u>	<u>256</u>			<u>20,243</u>	<u>71,212</u>	<u>91,455</u>	<u>357</u>
6 _____							
7 _____							
8 _____							
9 _____							
10 _____							
11 _____							
12 _____							
13 _____							
14 _____							
15 _____							
16 _____							
17 _____							
18 _____							



## What if a Deposit is required?

If we require a deposit or deny you service, you may request a written explanation and will be given a chance to discuss that decision with us. If you pay a deposit, you have the right to a receipt. Interest will be paid from the date the deposit is taken and until refunded or applied. Deposits, with interest, will be refunded promptly when you maintain good credit for twelve consecutive months. If a deposit is required, you have two alternatives available. You can either pay the deposit in cash or present a guarantee from a third party.

The amount of the deposit shall not exceed two (2) months charges for basic local telephone service plus two (2) months estimated or average charges for long distance service.

## Guarantee in Lieu of Deposit

If you cannot pay the deposit, we will accept a guarantee from another customer who has twelve months of good credit. The third party must guarantee and is liable for an amount equal to the deposit that would otherwise be required. The guarantor is released from this obligation when you have established good credit.

## Complaint Procedure

You may, at any time, file a complaint and request a conference with us. After we receive a complaint, we will start an investigation immediately. The results will be given to you and you will be given the opportunity to discuss the results. If you are still dissatisfied, a complaint may be taken to the Idaho Public Utilities Commission for review. Service will not be turned off during any part of this complaint procedure IF ALL UNDISPUTED BILLS ARE PAID.

## Important Notice Concerning Purchase of Goods and Services by Telephone

You have important rights under the Idaho Telephone Solicitation Act. Under this Act, it is illegal for persons attempting to sell you goods or services by telephone (telephone solicitors):

- To intimidate or harass you in connection with the attempted sale.
- To refuse to hang up and free your telephone line immediately once you request them to do so.
- To misstate the price, quality, or availability of goods or services, or to fail to reveal all material terms relating to the sale of goods or services.
- To advertise, represent or imply that they have the endorsement of any government office or agency when they do not.

■ To advertise, represent or imply that they have a valid registration number with the Attorney General when they do not.

■ To use any unfair method of competition or unfair or deceptive practice.

Any person not yet 18 years old who purchases goods or services pursuant to a telephone solicitation may cancel the purchase within a reasonable time after the purchase is made. No parent or legal guardian having custody of a person not yet 18 years old is liable for the purchase of goods or services by a person not yet 18 years old pursuant to telephone solicitation.

When you agree to purchase goods or services over the telephone, you may have a right to reconsider and cancel your agreement for three business days after receiving a written confirmation of the sale.

A person whose rights are violated by telephone solicitors may have the right to declare a contract of purchase null and void or invoke other remedies under the Idaho Consumer Protection Act.

If you believe that a telephone solicitor has done any unlawful acts, you may contact the Attorney General's office for assistance and information at:

**1-800-432-3545 (toll free) or  
334-2424 (Boise area)**

## Idaho Telecommunications Relay Service

The Idaho Telecommunications Relay Service allows individuals with a speech and/or hearing disability and hearing individuals to communicate via the telephone. Calls may be initiated by either text telephone or voice customers. Twenty-four hours a day and seven days a week, the Idaho Telecommunications Relay Service is ready to provide you with efficient, confidential communications services. If you would like more information about the Idaho Telecommunications Relay Service, please call 1-800-368-6185 (Voice or TT), or as of October 1, 2001, by dialing 711.

**To Access the Relay Toll-Free Dial:**

**1-800-377-3529 (TT)**

**1-800-377-1363 (Voice)**

**711 (After October 1, 2001)**

## The Residential Service

This is a summary of the Idaho Public Utility Commission's rules and regulations regarding customer relations.

It is intended for your information only. We hope it will make you aware of your rights as a Cambridge Telephone Company customer and will better acquaint you with some of our operating procedures. This is only a summary. Should you need detailed information, the Cambridge Telephone Company office has a copy of the complete rules available for your use. Please contact us if you have questions.



See Accountant's Compilation Report

Cambridge

### CUSTOMER BILLING INFORMATION

The charge for monthly local telephone service is billed one month in advance. All charges for long distance, message units, installation and changes in service on file at the time the bill is printed will be shown on your current bill.

### RULES FOR TERMINATION OF SERVICE

Cambridge Telephone Company must follow stringent guidelines before terminating basic local telephone service. Basic local service cannot be terminated for failure to pay long distance charges which may appear on Cambridge Telephone Company's monthly bill, if measures to prevent access to the other companies' services are available. Whether such measures are available depends upon the type of Cambridge Telephone Company equipment serving the customer.

Basic local telephone service cannot be terminated if you let us know that you dispute any charges on your telephone bill until the dispute is resolved, but you must continue to pay the undisputed parts of the bill. Telephone service can be disconnected with proper notification for one of the following reasons:

- Not paying undisputed delinquent charges or paying a delinquent bill with a check not honored by the bank.
- Failure to make a security deposit or failure to provide a deposit guarantee.
- Misrepresentation of identity to receive service.
- Failure to abide by the terms of a payment arrangement.
- Intentionally wasting or interfering with service through improper equipment or otherwise.
- Failure to apply for service with the telephone company.

### PROPER NOTIFICATION

Service cannot be disconnected without first notifying you in writing at least seven (7) days in advance. We must diligently try to notify you in person or by telephone 24 hours before disconnecting service. Only 24 hour notice will be given if you pay a bill with an insufficient funds check in order to avoid termination, or as the initial payment of a payment arrangement, or if you do not make an initial payment according to a payment arrangement.

### Restrictions on Terminations.

Your telephone service cannot be disconnected if:

- A past due balance is less than \$50.00 or for two (2) months service, whichever is smaller.
- You are being charged for another customer's bill (unless you have a legal obligation to pay the other customer's bill or you are being charged for any other class of service).
- You fail to pay for purchase of services such as the following:
  - Directory advertising.
  - Services not provided by Cambridge Telephone Company even though they may be billed with Cambridge Telephone Company services (e.g., 900 charges, operator charges from another company).
  - Equipment payments.
  - Inside wire maintenance.
  - Written guarantee for another customer.
  - Long distance charges by other companies, if we can block access to the other companies' services.

Your telephone service can be disconnected between the hours of 8:00 a.m. and 4:00 p.m., Monday through Thursday, and before noon on Friday. Service cannot be turned off after noon on Fridays, weekends, legally recognized Idaho holidays, or after noon any day before a legally recognized Idaho holiday.

### Termination Without Notification

Cambridge Telephone Company can terminate service without notification only under the five following conditions:

- A dangerous or hazardous condition exists.
- Service was obtained without authorization or knowledge of the telephone company.
- By order of any court, the Public Utilities Commission, or any other authorized public authority.
- If we have diligently tried to notify you but have been unsuccessful in our attempts to contact you.
- You have misrepresented your identity, have inadequate security with the company, and have an outstanding bill exceeding \$100.00.

### PAYMENT ARRANGEMENTS/ DISPUTED CHARGES PARTIAL PAYMENTS/ DISPUTED CHARGES

If you cannot pay the entire bill, payment arrangements can be made with us to pay part of the amount immediately and the remainder in installments. A payment schedule will be developed that is individually tailored to your need and ability to pay. If you cannot pay a bill in full, or if you dispute a portion of the charges, you may tell us how to apply your partial payment to charges for local service, long distance and other services. When you make partial payments without directing how they are to be applied, we automatically allocate your payments to the

outstanding charges (including those disputed by you if you have not notified us of the dispute). If you want to avoid disconnection of your local service, it is wise to direct that your partial payment first be applied to the charges for that service.

### UNAUTHORIZED CHANGE TO ANOTHER LONG DISTANCE CARRIER

The Federal Communications Commission has revised the existing rules related to authorization and verification for changes in preferred long distance providers. If you have been slammed (unauthorized change of your long distance carrier) you may be absolved from paying unpaid charges for 30 days after an unauthorized change. The FCC rules prohibit Cambridge Telephone Company from verifying carrier changes submitted by long distance carriers. If you do not currently have a preferred carrier freeze, you may choose this option to eliminate an unauthorized change of your long distance carrier. If you do have a preferred carrier freeze and want to change your carrier, you must call our office or give written notice to lift any preferred carrier freeze. If you have any questions about these new rules you may contact our business office.

### MEDICAL EMERGENCIES

You can delay termination of service for 30 days by obtaining a certificate from a doctor or public health official stating that a medical emergency exists or would be aggravated if your phone service were disconnected. A second extension may be granted if another certificate is presented. Payment arrangements must be made before the 30-day expiration date. The certificate must be signed by the person diagnosing the medical condition and must name the person affected.

### RULES FOR DEPOSIT

We may ask you to pay a deposit if a deposit is required. A deposit is required only if:

- You have not paid an undisputed bill with any telephone company for service received in the past four years.
- Your service was terminated for one of the following reasons:
  - Nonpayment of any undisputed delinquent bills.
  - Misrepresentation of your identity for the purpose of obtaining telephone service.
  - Failure to pay for damages caused by negligence.
  - Obtaining or using service without authorization.
  - You file bankruptcy.
  - You do not have verifiable previous telephone service and do not pass objective credit screen.
  - You provide materially false information on your application.
  - You request service at a residence where a former customer still resides and a balance is past due or still

CERTIFICATE

State of Idaho )  
 ) ss  
County of Washington )

WE, the undersigned RICHARD WIGGINS

and \_\_\_\_\_

of the CAMBRIDGE TELEPHONE COMPANY, INC. utility,

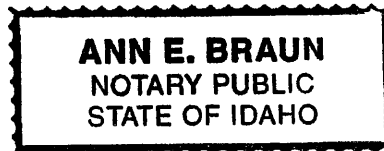
on our oath do severally say that the foregoing return has been prepared under our direction, from the original books, papers, and records of said utility; that we have carefully examined same, and declare the same to be a correct statement of the business affairs of said utility for the period covered by the return in respect to each and every matter and thing therein set forth, to the best of our knowledge, information and belief.

Richard Wiggins  
(Chief Officer)

Richard Wiggins  
(Officer in Charge of Accounts)

Subscribed and Sworn to Before Me this 28th day of April, (Year) 2005.

Ann E. Braun  
Notary Public



My Commission expires July 8, (Year) 2005.

Rev 3/02

gdk/excel/jnelson/anulrpts/telannualrpt