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ANNUAL REPORT

IDAHO PUBLIC
UTILITIES COMMISSION

OF

CAM-T

Cambridge Telephone Company, Inc.

NAME

P.O. Box 88, Cambridge, ID 83610

ADDRESS

TO THE

IDAHO PUBLIC

UTILITIES COMMISSION

FOR THE

YEAR ENDED

December 31, 2005



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, 2005 and 2004, and the related income and retained earnings statement for the year ended December 31, 2005, 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.

Kiesling Associates LLP

Colorado Springs, CO
April 13, 2006

**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.

Title	Name	Address
President	Richard Wiggins	P.O. Box 88, Cambridge, ID 83610
Vice President	Kermit Wiggins	P.O. Box 88, Cambridge, ID 83610
Secretary/Treasurer	Kristie Kanady	P.O. Box 353, 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.)

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

Name of Chairman of the Board: Kermit Wiggins
 Name of Secretary (or Clerk) of Board: Kristie Kanady
 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.)

Name	Title	Wages and Bonuses Paid
Richard Wiggins	President	136,655
Kermit Wiggins	Vice President	561
Kristie Kanady	Secretary/Treasurer	44,462
Jerry Piper	Assistant Manager	60,390

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, 2005.

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, 2005. 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, 2005.

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, 2005 was \$658,389. (See Note 4)

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 \$4,908,120 were advanced under these loans through December 31, 2005. From these advances, \$2,437,712 was used in 2004 to refinance the balance of the loan from CoBank, ACB.

4 In 2005, in accordance with Emerging Issues Task Force Issue 03-16, Cambridge Telephone Company (Company) began accounting for its 7.29% ownership in Syringa Networks, LLC (Syringa) under the equity method of accounting. Previously, the Company had used the cost method of accounting for Syringa. This change resulted in a retroactive recognition of cumulative equity loss in Syringa of \$11,494 through December 31, 2004, and equity income for the year ended December 31, 2005 of \$54,796

BALANCE SHEET
Assets and Other Debits

Title of Account	Balance Beginning of Year	Balance at End of Year
Current Assets		
1120 Cash and Equivalents		
1130 Cash	29,815	5,268
1140 Special Cash Deposits	216,947	24,269
1150 Working Cash Advances		
1160 Temporary Investments		
1180 Telecommunications Accts. Receivable	167,412	196,661
1181 Accts. Rec. Allow. -Telecommunications		
1190 Other Accounts Receivable	1,144,795	1,382,267
1191 Accounts Receivable Allow. - Other		
1200 Notes Receivable	89,317	84,713
1201 Notes Receivable Allowance		
1210 Interest & Dividends Receivable	6,970	6,406
1220 Material and Supplies	79,690	143,177
1280 Prepayments		
1290 Prepaid Rents		
1300 Prepaid Taxes	78,641	78,661
1310 Prepaid Insurance	4,857	1,181
1320 Prepaid Directory Expenses		
1330 Other Prepayments		4,919
1350 Other Current Assets		
Noncurrent Assets		
1401 Investment in Affiliated Companies	(2,892)	(87,006)
1402 Investment in Nonaffiliated Companies	1,395,324	1,583,883
1406 Nonregulated Investments	222,757	209,992
1407 Unamortized Debt Issuance Expense	6,698	6,546
1408 Sinking Funds		
1410 Other Noncurrent Assets	72,296	82,583
1438 Deferred Maintenance & Retirements		
1439 Deferred Charges	1,470	1,470
1500 Other Jurisdiction Assets - Net		
Property, Plant and Equipment		
2001 Telecommunications Plants in Service	14,181,854	16,022,890
2002 Prop. Held for Future Telecom. Use		
2003 Telecom. Plant under Constr. - Short Term	548,626	359,301
2004 Telecom. Plant under Constr. - Long Term	-	
2005 Telecom. Plant Adjustment		
2006 Nonoperating Plant		
2007 Goodwill	1,691,657	1,691,657
Depreciation and Amortization Accounts		
3100 Accumulated Depreciated	(9,799,019)	(10,243,278)
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		
TOTAL ASSETS	10,137,215	11,555,560

BALANCE SHEET
Liabilities & Stockholders' Equity

Title of Account	Balance Beginning of Year	Balance at End of Year	Increase or (Decrease)
Current Liabilities			
4010 Accounts Payable	672,650	602,236	(70,414)
4020 Notes Payable	296,349	281,349	(15,000)
4030 Advance Billings and Payments	92,500	93,469	969
4040 Customer Deposits	4,794	4,830	36
4050 Current Maturities - Long -Term Debt	200,100	370,800	170,700
4060 Current Maturities - Capital leases			-
4070 Income Taxes - Accrued	-		-
4080 Other Taxes - Accrued	27,736	25,156	(2,580)
4100 Net Current Defer. Oper. Income Taxes	(56,600)	(56,907)	(307)
4110 Net Current Defer. Nonoper. Income Taxes			-
4120 Other Accrued Liabilities	91,215	97,731	6,516
4130 Other Current Liabilities			-
Long-Term Debt			
4210 Funded Debt	5,319,732	6,694,460	1,374,728
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			-
Other Liabilities & Deferred Credits			
4310 Other Long-Term Liabilities			-
4320 Unamort. Oper. Invest. Tax Credits - Net	186,978	186,978	-
4330 Unamort. Nonoper. Invest. Tax Credits - Net			-
4340 Net Noncurrent Defer. Oper. Income Taxes	15,785	(11,603)	(27,388)
4350 Net Noncur. Defer. Nonoper. Income Taxes	146,740	154,251	7,511
4360 Other Deferred Credits	146,077	136,023	(10,054)
4370 Other Juris. Liab. & Def. Credits - Net			-
Stockholders' Equity			
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	2,975,670	2,959,298	(16,372)
TOTAL LIAB. & OTHER CREDITS	10,137,215	11,555,560	1,418,345

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	19,587			102,302
2112 Motor Vehicles	589,921	3,253		(55,551)	537,623
2113 Aircraft	-				-
2114 Special Purpose Vehicles	-				-
2115 Garage Work Equipment	-				-
2116 Other Work Equipment	520,853	94,541	(22,883)	(539)	591,972
2121 Buildings	1,802,746	21,474			1,824,220
2122 Furniture	4,395				4,395
2123 Office Equipment	34,866				34,866
2124 General Purpose Computers	116,629	7,963	(7,533)	7,702	124,761
2211 Analog Electronic Switching	-				-
2212 Digital Electronic Switching	1,341,258	1,155,568	(298,495)	(12,023)	2,186,308
2215 Electro-Mechanical Switching	-				-
2220 Operator Systems	-				-
2231 Radio Systems	1,507,956		(10,000)	11,119	1,509,075
2232 Circuit Equipment	1,312,650	429,309	(55,851)	(17,273)	1,668,835
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		(2,037)		37,662
2423 Buried Cable	6,659,583	655,326	(59,905)		7,255,004
2424 Submarine Cable	-				-
2426 Intrabuilding Network Cable	11,394	7,359	(11,394)		7,359
2431 Aerial Wire	-				-
2441 Conduit Systems	113,860				113,860
2681 Capital Leases	-				-
2682 Leasehold Improvements	-				-
2690 Intangibles	-				-
TOTAL PLANT ACCOUNTS	14,181,854	2,394,380	(486,779)	(66,565)	16,022,890

ANALYSIS OF TELECOMMUNICATIONS PLANT ACCOUNTS
IDAHO Operations Only

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		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					
TOTAL PLANT ACCOUNTS					

ANALYSIS OF ENTRIES IN ACCUMULATED DEPRECIATION
Account 3100

	TOTAL Company Basis				
	Balance Beginning of Year	Depreciation Rate*	Credits During Year	Retirements and Adjustments	Balance End of Year
Analysis of Entries in Accumulated Depreciation					
2112 Motor Vehicles	298,128	25.00%	134,338	(48,066)	384,400
2113 Aircraft	-				-
2114 Special Purpose Vehicles	-				-
2115 Garage Work Equipment	-				-
2116 Other Work Equipment	258,726	12.50%	66,706	(20,883)	304,549
2121 Buildings	857,952	3.00%	54,326		912,278
2122 Furniture	4,395				4,395
2123 Office Equipment	34,866				34,866
2124 General Purpose Computers	105,423	20.00%	20,957	(7,533)	118,847
2211 Analog Electronic Switching	-				-
2212 Digital Electronic Switching	1,177,882	12.00%	179,706	(315,348)	1,042,240
2215 Electro-Mechanical Switching	-				-
2220 Operator Systems	-				-
2231 Radio Systems	1,507,955	12.00%	11,119	(10,000)	1,509,074
2232 Circuit Equipment	905,609	10.00%	89,068	(55,851)	938,826
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	20,751	6.50%	1,137		21,888
2421 Aerial Cable	6,761	6.50%	11,919	(18,680)	-
2422 Underground Cable	33,588	6.50%	2,928	(2,037)	34,479
2423 Buried Cable	4,530,134	6.50%	414,192	(59,905)	4,884,421
2424 Submarine Cable	-				-
2426 Intrabuilding Network Cable	11,394	6.50%	159	(11,394)	159
2431 Aerial Wire	-				-
2441 Conduit Systems	42,695	6.50%	7,401		50,096
TOTAL	9,799,019		993,956	(549,697)	10,243,278

*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					
TOTAL					

*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		(87,006)
Cash value life insurance			493,695
Coins			34,497
Land	Various		224,975
Syringa Networks, LLC	2000-2004		658,389
CoBank equity	1999-2004		170,661
Buried cable-leased to Syringa Networks, LLC			209,992
NRTC			1,666
Totals		-	1,706,869

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		196,661
Interexchange carriers		256,251
CTC Telecom, Inc.		862,604
CTC Construction		244,175
Other		19,237
R. & B. Crocket, 8.0%, due 2018	84,713	
Totals	84,713	1,578,928

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	8.25%		281,349
Totals				281,349

ACCOUNTS PAYABLE

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

<u>Name of Creditor</u>	<u>Amount</u>
NECA	41,200
Interexchange carriers	1,576
Calix - construction contract	340,376
Idaho Optic Transport Association	131,910
Phonetics	19,250
Tekelec	56,285
Various other vendors	7,140
Taxes, 911 billing	4,499
Totals	602,236

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.

Class & Series of Obligation	Date of Issue	Date of Maturity	Fact Amount Authorized	Outstanding Year-End	Premium/ Discount		Interest for year	
					Total	Year Amortized	Rate	Amount
RUS Notes	1977	2012	975,000	316,462			5.00	Detail
RUS Notes	various	various	2,932,000	1,092,782			2.00	Not
RUS Notes	1985	2050	931,000	661,194			5.00	Available
RUS Notes	2004	various	13,596,000	4,908,120			various	
RTB Note	2004	2019	3,547,950	-			-	
Ford Motor Credit	2004	2008	27,450	22,907			7.10	
Case Credit	2001	2006	18,899	4,103			7.81	
Ford Motor Credit	2003	2008	17,366	9,697			5.581	
Wells Fargo	2004	2009	67,886	49,995			7.15	
Less current maturities				(370,800)				
Total				6,694,460				260,211

CAPITAL STOCK

Report below the particulars called for concerning common and preferred stock at end of year, designating separate series of any general class. Show totals separately for common and preferred.

For each class of preferred stock, show the dividend rate and whether dividends are cumulative or noncumulative.

Show details in a footnote of capital stock sold during the year. Include number of shares, consideration received, premium or discount, and expenses incurred.

<u>Class & Series of Stock</u>	<u>Number of Shares Authorized</u>	<u>Par Value per Share</u>	<u>Outstanding per Balance Sheet</u>	
			<u>Shares</u>	<u>Amount</u>
Common stock	30,000	\$ 1.00	30,000	30,000

INCOME & RETAINED EARNINGS STATEMENT

Item	Total Company	Idaho Only
Total Operating Income (from page 15)	<u>3,400,912</u>	Same as
Total Operating Expenses (from page 17)	<u>2,953,736</u>	<u>total company</u>
7100 Other Operating Income and Expense	<u> </u>	<u> </u>
7210 Operating Investment Tax Credits-Net	<u>2,706</u>	<u> </u>
7220 Operating Federal Income Taxes	<u>94,508</u>	<u> </u>
7230 Operating State and Local Income Taxes	<u>13,110</u>	<u> </u>
7240 Operating Other Taxes	<u>52,290</u>	<u> </u>
7250 Provision for Deferred Operating Income Taxes-Net	<u>(80,331)</u>	<u> </u>
7200 Operating Taxes (Total)	<u>82,283</u>	<u> </u>
7310 Dividend Income	<u>1,666</u>	<u> </u>
7320 Interest Income	<u>7,007</u>	<u> </u>
7330 Income from Sinking and Other Funds	<u> </u>	<u> </u>
7340 Allowance for Funds Used During Construction	<u>28,942</u>	<u> </u>
7350 Gains/Losses from the Disposition of Certain Property	<u> </u>	<u> </u>
7360 Other Nonoperating Income	<u>(40,937)</u>	<u> </u>
7370 Special Charges	<u>(25,194)</u>	<u> </u>
7300 Nonoperating Income and Expense	<u>(28,516)</u>	<u> </u>
7410 Nonoperating Investment Tax Credits-Net	<u> </u>	<u> </u>
7420 Nonoperating Federal Income Taxes	<u>(43,840)</u>	<u> </u>
7430 Nonoperating State and Local Income Taxes	<u>(13,130)</u>	<u> </u>
7440 Nonoperating Other Taxes	<u> </u>	<u> </u>
7450 Provision for Deferred Nonoperating Income Taxes-Net	<u>68,258</u>	<u> </u>
7400 Nonoperating Taxes	<u>11,288</u>	<u> </u>
7510 Interest on Funded Debt	<u>260,211</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>23,653</u>	<u> </u>
7500 Interest and Related Items	<u>284,015</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>(57,446)</u>	<u> </u>
AMOUNT TRANSFERRED TO RETAINED EARNINGS	<u>(16,372)</u>	<u> </u>

OPERATING REVENUES

Item	Total Company	Idaho Only
Local Network Services Revenues		
5001 Basic Area Revenue	678,730	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	87,366	
5069 Other Local Exchange Settlements	400,624	
Network Access Services Revenues		
5081 End User Revenue (SLC)	193,176	
5082 Switched Access Revenue (Interstate)	1,606,487	
5083 Special Access Revenue	80,003	
5084 State Access Revenue (Intrastate)	334,343	
Long Distance Network Services Revenues		
5100 Long Distance Message Revenue - All		
Miscellaneous Revenues		
5230 Directory Revenue	9,009	
5240 Rent Revenue	9,828	
5250 Corporate Operations Revenue		
5261 Special Billing Arrangements Revenue		
5262 Customer Operations Revenue		
5263 Plant Operations Revenue		
5264 Other Incidental Regulated Revenue	1,129	
5269 Other Revenue Settlements		
5270 Carrier Billing & Collection Revenue	23	
Uncollectible Revenues		
5301 Uncollectible Revenue - Telecommunications	(194)	
5302 Uncollectible Revenue - Other		
TOTAL OPERATING REVENUES	3,400,912	

Please identify the following revenues:

NECA USF \$ 400,008 _____. To what account were they booked? 5069.1

State USF \$ 167,380 _____. To what account were they booked? 5084.52

OPERATING REVENUES

Item	Total Company	Idaho Only
Plant Specific Operations Expense		
6110 Network Support Expenses		Same as
6112 Motor Vehicle Expense	6,717	total company
6113 Aircraft Expense		
6114 Special Purpose Vehicles Expense		
6115 Garage Work Equipment Expense		
6116 Other Work Equipment Expense	3,713	
6120 General Support Expenses		
6121 Land and Building Expenses	80,200	
6122 Furniture and Artworks Expense		
6123 Office Equipment Expense		
6124 General Purpose Computers Expense	83,223	
6210 Central Office Switching Expenses		
6211 Analog Electronic Expense		
6212 Digital Electronic Expense	156,195	
6215 Electro-Mechanical Expense		
6220 Operators System Expense		
6230 Central Office Transmission Expenses	527,640	
6231 Radio Systems Expense		
6232 Circuit Equipment Expense	52,070	
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	262,189	
6424 Submarine Cable Expense		
6425 Deep Sea Cable Expense		
6426 Intrabuilding Network Cable Expense		
6431 Aerial Wire Expense		
6441 Conduit Systems Expense		
TOTAL PLANT SPECIFIC OPERATIONS EXPENSE	1,171,947	

OPERATING REVENUES

Item	Total Company	Idaho Only
Plant Nonspecific Operations Expense		
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	9,126	
6532 Network Administration Expense	1,675	
6533 Testing Expense		
6534 Plant Operations Administration Expense		
6535 Engineering Expense	8,062	
6540 Access Expense	20,135	
6560 Depreciation and Amortization Expenses		
6561 Depreciation Expense-Telecom. Plant in Service	989,949	
6562 Depreciation Expense-Property Held for Future Use		
6563 Amortization Expense - Tangible		
6564 Amortization Expense - Intangible		
6565 Amortization Expense - Other		
Total Plant Nonspecific Operations Expenses	1,028,947	
Customer Operations Expense		
6610 Marketing	10,989	
6611 Product Management		
6612 Sales		
6613 Product Advertising		
6620 Services		
6621 Call Completion Services	431	
6622 Number Services	8,849	
6623 Customer Services	162,791	
Total Customer Operations Expense	183,060	
Corporate Operations Expense		
6710 Executive and Planning		
6711 Executive	261,838	
6712 Planning		
6720 General and Administrative		
6721 Accounting and Finance	201,001	
6722 External Relations	2,028	
6723 Human Resources		
6724 Information Management		
6725 Legal	3,269	
6726 Procurement		
6727 Research and Development		
6728 Other General and Administrative	101,646	
6790 Provision for Uncollectible Notes Receivable		
Total Corporate Operations Expense	569,782	
TOTAL OPERATING EXPENSES	2,953,736	

CENTRAL OFFICE DATA
as of December 31, 2005 (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 Digital X Electro-Mechanical
Remote X Analog Other:

Access Line Capacity
Design: 1890 **Access Lines in Use**
Customer Lines: 1047
(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		822	822		203	203	1025
New Connects		108	108		19	19	127
Disconnects		95	95		10	10	105
End of Year		835	835		212	212	1047

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: 289

Custom Calling:
Number of customers with at least one feature: 405
Total number of features subscribed to: 26

CENTRAL OFFICE DATA
as of December 31, 2005 (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:** Electronic X
Host _____ Analog _____ Electro-Mechanical _____
Remote X Other: _____

Access Line Capacity
Design: 720 **Access Lines in Use**
Customer Lines: 168
(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		18	18		2	2	20
End of Year		157	157		11	11	168

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: 18

Custom Calling:
Number of customers with at least one feature: 49
Total number of features subscribed to: 12

CENTRAL OFFICE DATA
as of December 31, 2005 (unless otherwise indicated)

Name of Central Office: Cambridge
Prefix (es): 257
Type: DCO AND TEKELEC T7000

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

Check one:
Digital X _____
Analog _____
Other: _____

Access Line Capacity
Design: 1080

Access Lines in Use
Customer Lines: 523
(Include Centrex, PAL, Semi-Pub.)

Installed/Equipped: 810

Public Telephone Lines 7

Company Official Lines 35

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		403	403		107	107	510
New Connects		54	54		3	3	57
Disconnects		40	40		4	4	44
End of Year		417	417		106	106	523

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: 150

Custom Calling:
Number of customers with at least one feature: 189
Total number of features subscribed to: 28

CENTRAL OFFICE DATA
as of December 31, 2005 (unless otherwise indicated)

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

Central Office Switch Type: DCO-RLG

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

Access Line Capacity
Design: 90 **Access Lines in Use**
Customer Lines: 54
(Include Centrex, PAL, Semi-Pub.)

Installed/Equipped: 90 Public Telephone Lines 1
Company Official Lines 1
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		50	50		1	1	51
New Connects		8	8		0	0	8
Disconnects		5	5		0	0	5
End of Year		53	53		1	1	54

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: 13

Custom Calling:
Number of customers with at least one feature: 14
Total number of features subscribed to: 7

CENTRAL OFFICE DATA
as of December 31, 2005 (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: 266
(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		224	224		39	39	263
New Connects		37	37		2	2	39
Disconnects		32	32		4	4	36
End of Year		229	229		37	37	266

Foreign Exchange:
Dial Tone from this C.O.: 2 **Directory Listings:**
Dial Tone from another C.O.: 0 Number of Customers with Nonpublished or Nonlisted: 64

Custom Calling:
Number of customers with at least one feature: 49
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>287,561</u>	<u>587,974</u>	<u>875,535</u>	<u>838</u>
2 <u>256</u>	<u>164</u>			<u>31,774</u>	<u>75,688</u>	<u>107,462</u>	<u>655</u>
3 <u>257</u>	<u>525</u>			<u>99,253</u>	<u>238,143</u>	<u>337,396</u>	<u>643</u>
4 <u>258</u>	<u>52</u>			<u>5,886</u>	<u>18,654</u>	<u>24,540</u>	<u>472</u>
5 <u>259</u>	<u>257</u>			<u>19,054</u>	<u>65,981</u>	<u>85,035</u>	<u>331</u>
6 _____	_____			_____	_____	_____	_____
7 _____	_____			_____	_____	_____	_____
8 _____	_____			_____	_____	_____	_____
9 _____	_____			_____	_____	_____	_____
10 _____	_____			_____	_____	_____	_____
11 _____	_____			_____	_____	_____	_____
12 _____	_____			_____	_____	_____	_____
13 _____	_____			_____	_____	_____	_____
14 _____	_____			_____	_____	_____	_____
15 _____	_____			_____	_____	_____	_____
16 _____	_____			_____	_____	_____	_____
17 _____	_____			_____	_____	_____	_____
18 _____	_____			_____	_____	_____	_____

ANNUAL REPORT FOR SMALL TELEPHONE COMPANIES
YEAR ENDED DECEMBER 31, 2004.

CUSTOMER RELATIONS RULES COMPLIANCE

Rule IDAPA 31.21.01.603
Rule IDAPA 31.41.01.105

Please provide copies of:

Summary of Customer Relations Rules for Telephone Corporations

Idaho Telephone Solicitation Act Notification

Method of Notification:

Mailed separately to customers	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
Included in directory	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
Date of notification	<u>5/1/05</u>
Alternate method of notification	<u>N/A</u>
	<u> </u>
	<u> </u>

Rule IDAPA 31.41.01.403.02

Record of Complaints:

Number received by Company	<u>26</u>
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Category of complaints (if known):

Deposit Disputes	<u> </u>
Charges on Bill	<u>10</u>
Denial/Termination	<u> </u>
Quality or Availability of Service	<u> </u>
Carrier Selection/Assignment	<u> </u>
Miscellaneous	<u>16</u>

Rev 3/02

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)**

See Accountant's Compilation Report

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.



Cambridge

CONSUMER INFORMATION
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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/ 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,

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.

(Chief Officer)

(Officer in Charge of Accounts)

Subscribed and Sworn to Before Me this 28th day of April, (Year) 2006.

Notary Public

My Commission expires _____, (Year) _____.

Rev 3/02