

ANNUAL REPORT

OF

CTC TELECOM, INC.

NAME

PO Box 69, Cambridge, ID 83610

ADDRESS

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IDAHO PUBLIC
UTILITIES COMMISSION

TO THE

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UTILITIES COMMISSION

FOR THE

YEAR ENDED December 31, 2004

See Accountant's Compilation Report



ACCOUNTANT'S COMPILATION REPORT

The Board of Directors
CTC Telecom, Inc.
Cambridge, Idaho 83610

We have compiled the accompanying balance sheets of CTC Telecom, 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.

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

Colorado Springs, CO
April 29, 2005

**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: CTC Telecom, Inc.
 Address of principal office: P.O. Box 69, 130 Superior St., Cambridge, ID 83610
 Telephone Number (Area Code 208) 257-3314
 Cities or towns served: Hidden Springs, ID, Boise

Name and title of officer having custody of the general corporate books of account: _____
Richard Wiggins, President

Address of office where corporate books are kept and phone number: _____
P.O. Box 69, 130 Superior St., Cambridge, ID 83610, (208) 257-3314

Organized under the laws of the State of: Idaho

Date of organization: 17-Feb-98

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

If a Subchapter S Corporation, please specify: _____

Name and address of controlling company, if any: Cambridge Telephone Company, Inc.
P.O. Box 69, 130 Superior St., Cambridge, ID 83610

Names of affiliated companies. Give address and description of business: Cambridge Telephone Company, Inc.
P.O. Box 69, 130 Superior St., Cambridge, ID 83610-Telecommunications Service; CTC Construction, LLC
P.O. Box 88, Cambridge, ID 83610-Construction Services

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	1745 Fariview Ave., Weiser, ID 83672
Vice President	Kermit Wiggins	P.O. Box 69, Cambridge, ID 83610
Secretary/Treasurer	Joana Wiggins	P.O. Box 69, 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
Richard Wiggins P.O. Box 69, Cambridge, ID 83610	Indefinite	1	None
Kermit Wiggins P.O. Box 69, Cambridge, ID 83610	Indefinite	1	None
Joana Wiggins P.O. Box 69, Cambridge, ID 83610	Indefinite	1	None

Name of Chairman of the Board: Richard 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.)

Name	Title	Wages and Bonuses Paid

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 Inc. was incorporated, with an initial investment of \$100,000. CTC operates as a Competitive Local Exchange Carrier in the state of Idaho. Construction of plant facilities was complete in 1999 and began providing services on September 1, 1999. PCS wireless facilities were completed and service initiated in September, 2001. Additional paid-in capital of \$900,000 was invested by Cambridge Telephone Company, Inc. through December 31, 2004.

2 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.

3 The Company has entered into a lease for land effective 2/15/99. The lease is 10 years and additional leases were obtained for cell sites in 2001. Annual lease payments are \$12,900.

BALANCE SHEET
Assets and Other Debits

Title of Account	Balance Beginning of Year	Balance at End of Year	Increase or (Decrease)
Current Assets			
1120 Cash and Equivalents			
1130 Cash	7,651	50	(7,601)
1140 Special Cash Deposits			-
1150 Working Cash Advances			-
1160 Temporary Investments			-
1180 Telecommunications Accts. Receivable	49,154	69,205	20,051
1181 Accts. Rec. Allow. -Telecommunications			-
1190 Other Accounts Receivable	34,348	67,977	33,629
1191 Accounts Receivable Allow. - Other			-
1200 Notes Receivable			-
1201 Notes Receivable Allowance			-
1210 Interest & Dividends Receivable			-
1220 Material and Supplies	42,870	14,329	(28,541)
1280 Prepayments			-
1290 Prepaid Rents			-
1300 Prepaid Taxes			-
1310 Prepaid Insurance			-
1320 Prepaid Directory Expenses			-
1330 Other Prepayments	2,350		(2,350)
1350 Other Current Assets			-
Noncurrent Assets			
1401 Investment in Affiliated Companies			-
1402 Investment in Nonaffiliated Companies	242,163	171,170	(70,993)
1406 Nonregulated Investments			-
1407 Unamortized Debt Issuance Expense			-
1408 Sinking Funds			-
1410 Other Noncurrent Assets	70,278	70,278	-
1438 Deferred Maintenance & Retirements			-
1439 Deferred Charges	7,900	7,900	-
1500 Other Jurisdiction Assets - Net			-
Property, Plant and Equipment			
2001 Telecommunications Plants in Service	3,298,196	3,451,435	153,239
2002 Prop. Held for Future Telecom. Use			-
2003 Telecom. Plant under Constr. - Short Term			-
2004 Telecom. Plant under Constr. - Long Term			-
2005 Telecom. Plant Adjustment			-
2006 Nonoperating Plant			-
2007 Goodwill			-
Depreciation and Amortization Accounts			
3100 Accumulated Depreciated	(684,816)	(984,749)	(299,933)
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	(7,025)	(8,781)	(1,756)
3500 Accumulated Amortization - Intangible			-
3600 Accumulated Amortization - Other			-
TOTAL ASSETS	3,063,069	2,858,814	(204,255)

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	622,454	708,421	85,967
4020 Notes Payable			-
4030 Advance Billings and Payments	70,961	71,069	108
4040 Customer Deposits			-
4050 Current Maturities - Long -Term Debt	241,667	241,667	-
4060 Current Maturities - Capital leases			-
4070 Income Taxes - Accrued			-
4080 Other Taxes - Accrued	22,399	24,590	2,191
4100 Net Current Defer. Oper. Income Taxes			-
4110 Net Current Defer. Nonoper. Income Taxes			-
4120 Other Accrued Liabilities	7,611	8,631	1,020
4130 Other Current Liabilities			-
Long-Term Debt			
4210 Funded Debt	1,954,315	1,712,648	(241,667)
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			-
4330 Unamort. Nonoper. Invest. Tax Credits - Net			-
4340 Net Noncurrent Defer. Oper. Income Taxes	26,749	73,341	46,592
4350 Net Noncur. Defer. Nonoper. Income Taxes	36,777	7,339	(29,438)
4360 Other Deferred Credits	14,000	14,000	-
4370 Other Juris. Liab. & Def. Credits - Net			-
Stockholders' Equity			
4510 Capital Stock	100,000	100,000	-
4520 Additional Paid-In Capital	800,000	900,000	100,000
4530 Treasury Stock			-
4540 Other Capital	53,748		(53,748)
4550 Retained Earnings	(887,612)	(1,002,892)	(115,280)
TOTAL LIAB. & OTHER CREDITS	3,063,069	2,858,814	(204,255)

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	57,586				57,586
2112 Motor Vehicles	31,998				31,998
2113 Aircraft	-				-
2114 Special Purpose Vehicles	-				-
2115 Garage Work Equipment	-				-
2116 Other Work Equipment	-				-
2121 Buildings	514,569	1,629		(13,149)	503,049
2122 Furniture	335				335
2123 Office Equipment	-				-
2124 General Purpose Computers	15,604	859		(6,417)	10,046
2211 Analog Electronic Switching	-				-
2212 Digital Electronic Switching	645,505	30,100		(13,186)	662,419
2215 Electro-Mechanical Switching	-				-
2220 Operator Systems	-				-
2231 Radio Systems	-				-
2232 Circuit Equipment	908,734	3,225		26,335	938,294
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	969,539	125,589			1,095,128
2424 Submarine Cable	-				-
2426 Intrabuilding Network Cable	-				-
2431 Aerial Wire	-				-
2441 Conduit Systems	13,365				13,365
2681 Capital Leases	-				-
2682 Leasehold Improvements	17,563				17,563
1410 Internet	123,398	2,979	(4,725)		121,652
TOTAL PLANT ACCOUNTS	3,298,196	164,381	(4,725)	(6,417)	3,451,435

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
Analysis of Telecommunications Plant in Service					
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			Credits During Year	Retirements and Adjustments	Balance End of Year
	Balance Beginning of Year	Depreciation Rate*				
Analysis of Entries in Accumulated Depreciation						
2112 Motor Vehicles	26,998	20.00%				26,998
2113 Aircraft	-					-
2114 Special Purpose Vehicles	-					-
2115 Garage Work Equipment	-					-
2116 Other Work Equipment	-					-
2121 Buildings	58,676	3.00, 6.67%	23,177		81,853	
2122 Furniture	-				-	
2123 Office Equipment	-				-	
2124 General Purpose Computers	8,721	20.00%	2,635	(6,417)	4,939	
2211 Analog Electronic Switching	-				-	
2212 Digital Electronic Switching	119,357	12.00, 12.50%	75,878		195,235	
2215 Electro-Mechanical Switching	-				-	
2220 Operator Systems	-				-	
2231 Radio Systems	-				-	
2232 Circuit Equipment	244,807	10.00%	106,099		350,906	
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	169,626	8.00%	77,563		247,189	
2424 Submarine Cable	-				-	
2426 Intrabuilding Network Cable	-				-	
2431 Aerial Wire	-				-	
1410 Internet	52,137	20.00%	24,654	(4,725)	72,066	
2441 Conduit Systems	4,494	8.00%	1,069		5,563	
TOTAL	684,816		311,075	(11,142)	984,749	

*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>
CoBank patronage	various		61,970
Info USA Stock	11/27/2002		109,200
Totals			171,170

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>
Customer accounts receivable		69,205
Interexchange carriers		3,352
CoBank		8,311
CTC Construction, LLC		48
Cambridge Telephone Company		48,139
Miscellaneous		8,127
Totals		137,182

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>
NONE				
Totals				

ACCOUNTS PAYABLE

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

<u>Name of Creditor</u>	<u>Amount</u>
Cambridge Telephone Company	641,580
Bank overdraft	48,728
Farmers Mutual Telephone Company	6,889
Interexchange carriers	2,670
Other, various	8,554
Totals	708,421

See Accountant's Compilation Report

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	5,000,000	No Par	10,000	100,000

INCOME & RETAINED EARNINGS STATEMENT

Item	Total Company	Idaho Only
Total Operating Income (from page 15)	<u>374,131</u>	<u>Same as</u>
Total Operating Expenses (from page 17)	<u>830,444</u>	<u>total company</u>
7100 Other Operating Income and Expense	<u> </u>	<u> </u>
7210 Operating Investment Tax Credits-Net	<u>(21,693)</u>	<u> </u>
7220 Operating Federal Income Taxes	<u>(98,284)</u>	<u> </u>
7230 Operating State and Local Income Taxes	<u> </u>	<u> </u>
7240 Operating Other Taxes	<u>51,022</u>	<u> </u>
7250 Provision for Deferred Operating Income Taxes-Net	<u>46,866</u>	<u> </u>
7200 Operating Taxes (Total)	<u>(22,089)</u>	<u> </u>
7310 Dividend Income	<u>20,779</u>	<u> </u>
7320 Interest Income	<u> </u>	<u> </u>
7330 Income from Sinking and Other Funds	<u> </u>	<u> </u>
7340 Allowance for Funds Used During Construction	<u> </u>	<u> </u>
7350 Gains/Losses from the Disposition of Certain Property	<u> </u>	<u> </u>
7360 Other Nonoperating Income	<u> </u>	<u> </u>
7370 Special Charges	<u> </u>	<u> </u>
7300 Nonoperating Income and Expense	<u>20,779</u>	<u> </u>
7410 Nonoperating Investment Tax Credits-Net	<u> </u>	<u> </u>
7420 Nonoperating Federal Income Taxes	<u> </u>	<u> </u>
7430 Nonoperating State and Local Income Taxes	<u> </u>	<u> </u>
7440 Nonoperating Other Taxes	<u> </u>	<u> </u>
7450 Provision for Deferred Nonoperating Income Taxes-Net	<u> </u>	<u> </u>
7400 Nonoperating Taxes	<u>-</u>	<u> </u>
7510 Interest on Funded Debt	<u>91,056</u>	<u> </u>
7520 Interest Expense-Capital Leases	<u> </u>	<u> </u>
7530 Amortization of Debt Issuance Expense	<u> </u>	<u> </u>
7540 Other Interest Deductions	<u> </u>	<u> </u>
7500 Interest and Related Items	<u>91,056</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>389,221</u>	<u> </u>
AMOUNT TRANSFERRED TO RETAINED EARNINGS	<u>(115,280)</u>	<u> </u>

OPERATING REVENUES

Item	Total Company	Idaho Only
Local Network Services Revenues		
5001 Basic Area Revenue	117,200	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	58,458	
5069 Other Local Exchange Settlements		
Network Access Services Revenues		
5081 End User Revenue (SLC)	44,282	
5082 Switched Access Revenue (Interstate)	29,272	
5083 Special Access Revenue		
5084 State Access Revenue (Intrastate)	13,502	
Long Distance Network Services Revenues		
5100 Long Distance Message Revenue - All	105,780	
Miscellaneous Revenues		
5230 Directory Revenue	1,243	
5240 Rent Revenue	1,800	
5250 Corporate Operations Revenue		
5261 Special Billing Arrangements Revenue		
5262 Customer Operations Revenue		
5263 Plant Operations Revenue		
5264 Other Incidental Regulated Revenue	2,642	
5269 Other Revenue Settlements		
5270 Carrier Billing & Collection Revenue		
Uncollectible Revenues		
5301 Uncollectible Revenue - Telecommunications	(48)	
5302 Uncollectible Revenue - Other		
TOTAL OPERATING REVENUES	374,131	

Please identify the following revenues:

NECA USF \$ NONE . To what account were they booked?

State USF \$ NONE . To what account were they booked?

OPERATING REVENUES

Item	Total Company	Idaho Only
Plant Specific Operations Expense		
6110 Network Support Expenses		Same as
6112 Motor Vehicle Expense	6,590	total company
6113 Aircraft Expense		
6114 Special Purpose Vehicles Expense		
6115 Garage Work Equipment Expense		
6116 Other Work Equipment Expense		
6120 General Support Expenses		
6121 Land and Building Expenses	24,574	
6122 Furniture and Artworks Expense		
6123 Office Equipment Expense		
6124 General Purpose Computers Expense	30,382	
6210 Central Office Switching Expenses		
6211 Analog Electronic Expense		
6212 Digital Electronic Expense	36,241	
6215 Electro-Mechanical Expense		
6220 Operators System Expense		
6230 Central Office Transmission Expenses		
6231 Radio Systems Expense		
6232 Circuit Equipment Expense	112,252	
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	30,660	
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	240,699	

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	10,373	
6532 Network Administration Expense	730	
6533 Testing Expense		
6534 Plant Operations Administration Expense		
6535 Engineering Expense	604	
6540 Access Expense	95,582	
6560 Depreciation and Amortization Expenses	268,007	
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		
Total Plant Nonspecific Operations Expenses	375,296	
Customer Operations Expense		
6610 Marketing	16,709	
6611 Product Management		
6612 Sales		
6613 Product Advertising		
6620 Services		
6621 Call Completion Services	383	
6622 Number Services	1,918	
6623 Customer Services	119,032	
Total Customer Operations Expense	138,042	
Corporate Operations Expense		
6710 Executive and Planning		
6711 Executive	11,044	
6712 Planning		
6720 General and Administrative		
6721 Accounting and Finance	28,315	
6722 External Relations	562	
6723 Human Resources		
6724 Information Management		
6725 Legal	2,616	
6726 Procurement		
6727 Research and Development		
6728 Other General and Administrative	33,870	
6790 Provision for Uncollectible Notes Receivable		
Total Corporate Operations Expense	76,407	
TOTAL OPERATING EXPENSES	830,444	

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

Name of Central Office: Hidden Springs
Prefix (es): 229

Central Office Switch Type: EWSD

Check all that apply:
Stand Alone X **Check one:**
Host _____ Digital X
Remote _____ Analog _____
Other: _____

Access Line Capacity
Design: 10,000
Access Lines in Use
Customer Lines: 561
(Include Centrex, PAL, Semi-Pub.)

Installed/Equipped: 1344
Public Telephone Lines 0

Company Official Lines 7

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		426			64	64	490
New Connects		119			21	21	140
Disconnects		67			2	2	69
End of Year		478			83	83	561

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: 199

Custom Calling:

Number of customers with at least one feature: 378
Total number of features subscribed to: 34

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	
1 229	571			39,932	211,715	251,647	441
2							
3							
4							
5							
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 X No

Included in directory Yes No X

Date of notification 4/1/2004

Alternate method of notification N/A

Rule IDAPA 31.41.01.403.02

Record of Complaints:

Number received by Company 20

Category of complaints (if known):

Deposit Disputes

Charges on Bill 8

Denial/Termination

Quality or Availability
of Service

Carrier Selection/Assignment

Miscellaneous 12

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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 Completion Report

CONSUMER INFORMATION
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CONSUMER

INFORMATION

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 CTC Telecom customer and will better acquaint you with some of our operating procedures. This is only a summary. Should you need detailed information, the CTC Telecom office has a copy of the complete rules available for your use. Please contact us if you have questions.



Telecom

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

CTC Telecom must follow stringent guidelines before terminating basic local telephone service. Basic local service cannot be terminated for failure to pay long distance charges owed to other companies, which may appear on CTC Telecom'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 CTC Telecom 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 CTC Telecom even though they may be billed with CTC Telecom 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

CTC Telecom 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, we automatically prorate your payment among all outstanding charges (including those discussed below):

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 CTC Telecom 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 owing on the former customer's bill.

CERTIFICATE

State of Idaho)
) ss
County of Washington)

WE, the undersigned RICHARD WIGGINS

and _____

of the CTC TELECOM, INC. utility,

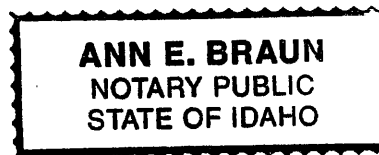
on our oath do severally say that the foregoing return has been prepared under our direction, from the original books, papers, and records of said utility; that we have carefully examined same, and declare the same to be a correct statement of the business affairs of said utility for the period covered 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