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IDAHO PUBLIC
UTILITIES COMMISSION

ANNUAL REPORT

OF

MIDVALE TELEPHONE EXCHANGE, INC.

NAME

STEVE CHILD
MIDVALE TELEPHONE EXCH
PO BOX 7
MIDVALE ID 83645-0007

TO THE

IDAHO PUBLIC

UTILITIES COMMISSION

FOR THE

YEAR ENDED 2010

ANNUAL REPORT OF SMALL TELEPHONE COMPANIES TO THE IDAHO PUBLIC UTILITIES COMMISSION FOR THE YEAR ENDING ____________

COMPANY INFORMATION

Exact name of utility: MIDVALE TELEPHONE EXCHANGE, INC.

Address of principal office: 2205 KEITHLEY CREEK RD. PO BOX 7, MIDVALE, ID 83645

Telephone Number (Area Code 208 355-2211

Cities or towns served: MIDVALE, LAKEVIEW, STANLEY, WARREN, WARM LAKE, YELLOW PING

Name and title of officer having custody of the general corporate books of account:
STEVE CHILD, CEO

Address of office where corporate books are kept and phone number: 208 355-2211
2205 KEITHLEY CREEK ROAD, MIDVALE, Iid 83645

Organized under the laws of the State of: IDAHO

Date of organization: JANUARY 9, 2008

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

If a Subchapter S Corporation, please specify:

Name and address of controlling company, if any:

Names of affiliated companies. Give address and description of business:
SYRINGA NETWORKS , 3795 DEVELOPMENT AVE, BOISE ID 83705
DATA AND TELECOMMUNICATION NETWORK SERVICE PROVIDER

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
CEO	STEPHEN G. CHILD	380 HILL RD. WEISER, IDAHO 83671
PRES	LANE WILLIAMS	PO BOX 7, MIDVALE, IDAHO 83645
VICE PRES	CONLEY WARD	5208 HOODOO LANE, KUNA IDAHO 83634
SEC/TREAS	LINDA KLIND	PO BOX 783, MCCALL, IDAHO 83638
DIRECTOR	EMMA GROSS	1866 S LINCOLN ST, SALT LAKE CITY UT 84105

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
LANE R WILLIAMS	1/1/2011	3	54,271
CONLEY WARD	1/1/2012	3	25,232
EMMA GROSS	1/1/2012	3	25,232
LINDA KLIND	1/1/2011	3	25,232
STEPHEN G CHILD	N/A	3	N/A

Name of Chairman of the Board: LANE R WILLIMAS

Name of Secretary (or Clerk) of Board: LINDA KLIND

Number of Meetings of the Board during the year: 3

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
STEPHEN G CHILD	CHIEF EXECUTIVE OFFICER	139,509
JOHN STUART	OPERATIONS MANAGER	90,432
DENNIS FARRINGTON	SW OPERATIONS MANAGER	81,397
JOE DELATORRE	NW OPERATIONS MANAGER	49,174
ANN E SHARP	CONTROLLER	78,887
ROB VOWELL	PLANT RECORDS MANAGER	54,869
SAM MCCLARY	IT MANAGER	60,428
FRED BRUCE	SWITCH MANAGER	74,603
DIANA HOLMES	HUMAN RESOURCES MANAGER	51,032

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.

THE SALE OF THE HARPER AND JUNTURA OREGON EXCHANGES WAS EFFECTIVE 1/1/2010. IN 2010, MTE ENTERED INTO AN AGREEMENT TO PURCHASE RURAL NETWORK SERVICES IN WEISER, IDAHO. RURAL NETWORK SERVICES IS A CLEC COMPETING WITH QWEST IN THE WEISER AREA. IT ALSO PROVIDES LONG DISTANCE, INTERNET AND BROADBAND SERVICES.

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	302,181	262,374	-39,807
1130	Cash			
1140	Special Cash Deposits			
1150	Working Cash Advances			
1160	Temporary Investments			
1180	Telecommunications Accts. Receivable	55,385	140,613	85,228
1181	Accts. Rec. Allow. -Telecommunications			
1190	Other Accounts Receivable	1,447,902	562,282	-885,620
1191	Accounts Receivable Allow. - Other			
1200	Notes Receivable	644,683	356,827	-287,855
1201	Notes Receivable Allowance	-258,906	0	258,906
1210	Interest & Dividends Receivable			
1220	Material and Supplies	222,489	388,994	166,505
1280	Prepayments	111,487	205,867	94,380
1290	Prepaid Rents			
1300	Prepaid Taxes			
1310	Prepaid Insurance			
1320	Prepaid Directory Expenses			
1330	Other Prepayments			
1350	Other Current Assets	286,268	178,337	-107,931
	Noncurrent Assets			
1401	Investment in Affiliated Companies	1,214,974	1,386,920	171,946
1402	Investment in Nonaffiliated Companies	120,817	111,323	-9,494
1406	Nonregulated Investments			
1407	Unamortized Debt Issuance Expense			
1408	Sinking Funds			
1410	Other Noncurrent Assets	53,046	107,164	54,118
1438	Deferred Maintenance & Retirements			
1439	Deferred Charges			
1500	Other Jurisdiction Assets - Net			
	Property, Plant and Equipment			
2001	Telecommunications Plants in Service	29,518,930	32,988,784	3,469,854
2002	Prop. Held for Future Telecom. Use	0	24,306	24,306
2003	Telecom. Plant under Constr. - Short Term			
2004	Telecom. Plant under Constr. - Long Term	2,816,686	1,245,219	-1,571,467
2005	Telecom. Plant Adjustment			
2006	Nonoperating Plant	1,044,546	1,117,154	72,608
2007	Goodwill			
	Depreciation and Amortization Accounts			
3100	Accumulated Depreciated	-15,750,672	-16,708,669	-957,997
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	21,829,816	22,367,495	537,680

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	1,136,367	468,168	-668,199
4020 Notes Payable		500,471	500,471
4030 Advance Billings and Payments		69,288	69,288
4040 Customer Deposits			
4050 Current Maturities - Long -Term Debt	1,313,973	1,454,037	140,064
4060 Current Maturities - Capital leases	0	25,201	25,201
4070 Income Taxes - Accrued			
4080 Other Taxes - Accrued			
4100 Net Current Defer. Oper. Income Taxes			
4110 Net Current Defer. Nonoper. Income Taxes			
4120 Other Accrued Liabilities	450,293	617,768	167,475
4130 Other Current Liabilities	9,744	0	-9,744
Long-Term Debt			
4210 Funded Debt	12,785,101	11,745,456	-1,039,645
4220 Premium on Long-Term Debt			
4230 Discount on Long-Term Debt			
4240 Reacquired Debt			
4250 Obligations Under Capital Leases		35,496	35,496
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	1,669,815	2,326,380	656,565
4350 Net Noncur. Defer. Nonoper. Income Taxes			
4360 Other Deferred Credits			
4370 Other Juris. Liab. & Def. Credits - Net			
Stockholders' Equity			
4510 Capital Stock	25,000	25,000	0
4520 Additional Paid-In Capital	7,910	7,910	0
4530 Treasury Stock	-64,000	-64,000	0
4540 Other Capital	4,495,613	5,156,321	660,708
4550 Retained Earnings			
TOTAL LIAB. & OTHER CREDITS	21,829,816	22,367,496	537,680

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	148,692		-4,237		144,455
2112	Motor Vehicles	208,239				208,239
2113	Aircraft					
2114	Special Purpose Vehicles					
2115	Garage Work Equipment					
2116	Other Work Equipment	732,512	21,079	-21,053		732,538
2121	Buildings	954,909	103,649	-13,094		1,045,464
2122	Furniture					
2123	Office Equipment	72,337	2,014			74,351
2124	General Purpose Computers	158,453	77,499	-1,139		234,813
2211	Analog Electronic Switching					
2212	Digital Electronic Switching	4,556,677	41,831	-1,185,797		3,412,711
2215	Electro-Mechanical Switching					
2220	Operator Systems					
2231	Radio Systems					
2232	Circuit Equipment	6,408,945	1,113,393	-388,968	-12,428	7,120,942
2311	Station Apparatus	27,232				27,232
2321	Customer Premises Wiring					
2341	Large Private Branch Exchanges					
2351	Public Telephone Terminal Equipment	928				928
2362	Other Terminal Equipment	45,606			-45,426	180
2411	Poles					
2421	Aerial Cable					
2422	Underground Cable					
2423	Buried Cable	18,065,115	3,016,349	-1,094,534		19,986,930
2424	Submarine Cable					
2426	Intrabuilding Network Cable					
2431	Aerial Wire					
2441	Conduit Systems					
2681	Capital Leases					
2682	Leasehold Improvements					
2690	Intangibles					
	TOTAL PLANT ACCOUNTS	31,379,645	4,375,814	-2,708,822		32,988,783

ANALYSIS OF TELECOMMUNICATIONS PLANT ACCOUNTS
IDAHO Operations Only

Account	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	77360				77360
2112	Motor Vehicles	178498				178498
2113	Aircraft					
2114	Special Purpose Vehicles					
2115	Garage Work Equipment					
2116	Other Work Equipment	556717	12526			569243
2121	Buildings	828621				828621
2122	Furniture					
2123	Office Equipment	58127	2014			60141
2124	General Purpose Computers	119788	41837			161625
2211	Analog Electronic Switching					
2212	Digital Electronic Switching	1630865	16595	-1000		1646460
2215	Electro-Mechanical Switching					
2220	Operator Systems					
2231	Radio Systems					
2232	Circuit Equipment	2630830	655710			3286540
2311	Station Apparatus	27232				27232
2321	Customer Premises Wiring					
2341	Large Private Branch Exchanges					
2351	Public Telephone Terminal Equipment	928				928
2362	Other Terminal Equipment				180	180
2411	Poles					
2421	Aerial Cable					
2422	Underground Cable					
2423	Buried Cable	7214837	713705			7928542
2424	Submarine Cable					
2426	Intrabuilding Network Cable					
2431	Aerial Wire					
2441	Conduit Systems					
2681	Capital Leases					
2682	Leasehold Improvements					
2690	Intangibles					
	TOTAL PLANT ACCOUNTS	**13323803**	**1442387**	**-1000**	**180**	**14765370**

ANALYSIS OF ENTRIES IN ACCUMULATED DEPRECIATION
Account 3100

TOTAL Company Basis

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	217,238	25.00%		2,000	219,238
2113	Aircraft					
2114	Special Purpose Vehicles					
2115	Garage Work Equipment					
2116	Other Work Equipment	670,390	20.00%	52,502	-9,662	713,230
2121	Buildings	445,937	3.00%	28,700	-11,725	462,912
2122	Furniture					
2123	Office Equipment	58,009	14.30%	7,704		65,713
2124	General Purpose Computers	136,902	20.00%	28,087		164,989
2211	Analog Electronic Switching					
2212	Digital Electronic Switching	1,923,262	12.00%	343,636	-1,184,795	1,082,103
2215	Electro-Mechanical Switching					
2220	Operator Systems					
2231	Radio Systems					
2232	Circuit Equipment	4,353,538	10.00%	508,776	-452,216	4,410,098
2311	Station Apparatus	19,520	10.00%	2,723		22,243
2321	Customer Premises Wiring					
2341	Large Private Branch Exchanges					
2351	Public Telephone Terminal Equipment	654	23.00%	93		747
2362	Other Terminal Equipment					
2411	Poles					
2421	Aerial Cable					
2422	Underground Cable					
2423	Buried Cable	8,868,533	6.50%	808,078	-886,409	8,790,202
2424	Submarine Cable					
2426	Intrabuilding Network Cable					
2431	Aerial Wire					
2441	Conduit Systems					
	TOTAL	16,693,983		1,780,299	-2,542,807	15,931,475

*Please list individual depreciation rate for each account.
Depreciation rates vary from state to state. The rate shown on this page is for Idaho

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	187,499	25.00%		2,000	189,499
2113 Aircraft					
2114 Special Purpose Vehicles					
2115 Garage Work Equipment					
2116 Other Work Equipment	525,014	20.00%	40,801	1,450	567,265
2121 Buildings	414,242	3.00%	24,859		439,101
2122 Furniture					
2123 Office Equipment	51,097	14.30%	7,030		58,127
2124 General Purpose Computers	113,444	20.00%	20,381		133,825
2211 Analog Electronic Switching					
2212 Digital Electronic Switching	600,424	12.00%	154,261		754,685
2215 Electro-Mechanical Switching					
2220 Operator Systems					
2231 Radio Systems					
2232 Circuit Equipment	2,208,535	10.00%	122,105		2,330,640
2311 Station Apparatus	19,520	10.00%	2,723		22,243
2321 Customer Premises Wiring					
2341 Large Private Branch Exchanges					
2351 Public Telephone Terminal Equipment	654	23.00%	93		747
2362 Other Terminal Equipment					
2411 Poles					
2421 Aerial Cable					
2422 Underground Cable					
2423 Buried Cable	5,182,714	6.50%	218,168		5,400,882
2424 Submarine Cable					
2426 Intrabuilding Network Cable					
2431 Aerial Wire					
2441 Conduit Systems					
TOTAL	9,303,143		590,421	3,450	9,897,014

*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.

Description	Date Acquired	Book Cost of Investments Disposed of This year	Book Cost of Investments Held at End of Year
RTFC			108,323
NECA SERVICES			3,000
SYRINGA NETWORKS			1,754,967
RNS			329,297
NET NON REGULATED			510,639
DEF REC LIFE INS			107,167
Totals			2,813,393

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.

Name of Company			Amount at End of Year: Notes Receivable	Amount at End of Year: Accounts Receivable
SUBSCRIBERS				140614
IDAHO USF				2923209
NECA				287179
CARRIERS				54709
RNS BILLINGS				51293
EMPLOYEE LOANS				2408
NON-REG CUSTOMERS				59177
RTFC				11452
LIFELINE				946
LANE WILLIAMS	8%	1/18/2011	150000	
INVENTORY				388994
Totals			150000	3919981

NOTES PAYABLE

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

Name of Creditor	Date of Note	Interest Rate	Due Date	Face Amount
WELLS FARGO BANK	8/1/2010	PRIME+2.25	8/1/2011	500,000
Totals				

ACCOUNTS PAYABLE

Report below all Accounts Payable amounting to more than $100.00

Name of Creditor	Amount
SEE ATTACHED LIST	632,375
Totals	

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 Total	Premium/ Discount Year Amortized	Interest for year Rate	Interest for year Amount
RTFC SWITCH LOAN	7/17/2009	7/17/2011		93,557			5.35	20,101
RTFC ACQUISITION	7/17/2009	7/17/2009		131,447				WITH ABOVE
RUS	8/17/1980	8/17/2015		204,311			2.00	642,269
RUS	12/19/1985	12/19/2020		147,305			5.00	INCLUDED ABOVE
RUS	6/1/1992	6/1/2016		89,099			5.00	INCLUDED ABOVE
RUS	9/29/1994	9/29/2014		828,381			5.00	INCLUDED ABOVE
RUS	2/1/2002	2/1/2016		2,877,130			5.00	INCLUDED ABOVE
RUS	4/30/2009	4/30/2021		8,717,391			5.00	INCLUDED ABOVE
ZIONS BANK	3/7/2007	3/7/2012		13,648			VAR	802
DEFERRED INCOME TAX FED				2,126,245				
DEFERRED INCOME TAX ID				208,681				

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.

Class & Series of Stock	Number of Shares Authorized	Par Value per Share	Outstanding per Balance Sheet Shares	Outstanding per Balance Sheet Amount
COMMON	252	100	250	25000

INCOME & RETAINED EARNINGS STATEMENT

Item	Total Company	Idaho Only
Total Operating Income (from page 16)	-8,673,680	-3,733,445
Total Operating Expenses (from page 18)	7,735,861	3,581,796
7100 Other Operating Income and Expense		
7210 Operating Investment Tax Credits-Net		
7220 Operating Federal Income Taxes	656,715	
7230 Operating State and Local Income Taxes	15,145	20
7240 Operating Other Taxes	207,740	28,905
7250 Provision for Deferred Operating Income Taxes-Net		
7200 Operating Taxes (Total)	**879,600**	**28,925**
7310 Dividend Income		
7320 Interest Income	-19,976	-19,976
7330 Income from Sinking and Other Funds		
7340 Allowance for Funds Used During Construction	-110,579	-24,803
7350 Gains/Losses from the Disposition of Certain Property	-758,742	-758,742
7360 Other Nonoperating Income	-393,978	-428,843
7370 Special Charges	5,576	5,037
7300 Nonoperating Income and Expense	**-1,277,699**	**-1,227,327**
7410 Nonoperating Investment Tax Credits-Net		
7420 Nonoperating Federal Income Taxes		
7430 Nonoperating State and Local Income Taxes		
7440 Nonoperating Other Taxes		
7450 Provision for Deferred Nonoperating Income Taxes-Net		
7400 Nonoperating Taxes		
7510 Interest on Funded Debt	663,171	273,126
7520 Interest Expense-Capital Leases		
7530 Amortization of Debt Issuance Expense		
7540 Other Interest Deductions	12,990	12,990
7500 Interest and Related Items	**676,161**	**286,116**
7610 Extraordinary Income Credits		
7620 Extraordinary Income Charges		
7630 Current Income Tax Effect of Extraordinary Items-Net		
7640 Provision for Deferred Income Tax Effect of Extraordinary Items-Net		
7600 Extraordinary Items		
7910 Income Effect of Jurisdictional Ratemaking Differences-Net		
7990 Nonregulated Net Income	278,062	-912,286
AMOUNT TRANSFERRED TO RETAINED EARNINGS	660,708	-1,063,935

OPERATING REVENUES

	Item	Total Company	Idaho Only
	Local Network Services Revenues		
5001	Basic Area Revenue	643,123	320,197
5002	Optional Extended Area Revenue	2,916	2,916
5003	Cellular Mobile Revenue		
5004	Other Mobile Services Revenue		
5010	Public Telephone Revenue	13,272	11,988
5040	Local Private Line Revenue		
5050	Customer Premises Revenue	13,757	8,267
5060	Other Local Exchange Revenue	53,807	15,498
5069	Other Local Exchange Settlements		
	Network Access Services Revenues		
5081	End User Revenue (SLC)	177,240	82,930
5082	Switched Access Revenue (Interstate)	6,684,561	2,647,372
5083	Special Access Revenue	322,719	157,092
5084	State Access Revenue (Intrastate)	725,443	457,270
	Long Distance Network Services Revenues		
5100	Long Distance Message Revenue - All		
	Miscellaneous Revenues		
5230	Directory Revenue	7,714	2,352
5240	Rent Revenue		
5250	Corporate Operations Revenue		
5261	Special Billing Arrangements Revenue		
5262	Customer Operations Revenue		
5263	Plant Operations Revenue		
5264	Other Incidental Regulated Revenue	26,680	26,680
5269	Other Revenue Settlements	3,839	581
5270	Carrier Billing & Collection Revenue		
	Uncollectible Revenues		
5301	Uncollectible Revenue - Telecommunications	-1,391	302
5302	Uncollectible Revenue - Other		
	TOTAL OPERATING REVENUES	8,673,680	3,733,445

Please identify the following revenues:

NECA USF $_______ 2,306,708 5082.81 - 5082.83

State USF $______ 348,379 5084.11

OPERATING REVENUES

Item	Total Company	Idaho Only
Plant Specific Operations Expense		
6110 Network Support Expenses		
6112 Motor Vehicle Expense	23,661	22,664
6113 Aircraft Expense		
6114 Special Purpose Vehicles Expense		
6115 Garage Work Equipment Expense		
6116 Other Work Equipment Expense		
6120 General Support Expenses	99,308	44,615
6121 Land and Building Expenses		
6122 Furniture and Artworks Expense		
6123 Office Equipment Expense		
6124 General Purpose Computers Expense	100,267	55,490
6210 Central Office Switching Expenses	1,137,615	608,643
6211 Analog Electronic Expense		
6212 Digital Electronic Expense		
6215 Electro-Mechanical Expense		
6220 Operators System Expense		
6230 Central Office Transmission Expenses	1,573,240	600,021
6231 Radio Systems Expense		
6232 Circuit Equipment Expense		
6310 Information Origination/Termination Expense		
6311 Station Apparatus Expense	233	45
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	804,007	370,748
6424 Submarine Cable Expense		
6425 Deep Sea Cable Expense		
6426 Intrabuilding Network Cable Expense		
6427 Syringa Sonnett	396,540	396,540
6431 Aerial Wire Expense		
6441 Conduit Systems Expense		
TOTAL PLANT SPECIFIC OPERATIONS EXPENSE	4,134,871	2,098,766

OPERATING EXPENSE

Item	Total Company	Idaho Only
Plant Nonspecific Operations Expense		
6510 Other Property/Plant/Equipment Expenses		
6511 Property Held for Future Telecomm. Use Expenses		
6512 Provisioning Expense		
6530 Network Operations Expense		
6531 Power Expense		
6532 Network Administration Expense		
6533 Testing Expense		
6534 Plant Operations Administration Expense	137,938	51,056
6535 Engineering Expense	108,815	36,898
6540 Access Expense	67,486	34,710
6560 Depreciation and Amortization Expenses		
6561 Depreciation Expense-Telecom. Plant in Service	1,781,439	590,419
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	2,095,678	713,083
Customer Operations Expense		
6610 Marketing	7,591	2,926
6611 Product Management		
6612 Sales		
6613 Product Advertising		
6620 Services		
6621 Call Completion Services	550	550
6622 Number Services	6,996	5,861
6623 Customer Services	301,395	149,122
Total Customer Operations Expense	316,532	158,459
Corporate Operations Expense		
6710 Executive and Planning	320,945	155,915
6711 Executive		
6712 Planning		
6720 General and Administrative		
6721 Accounting and Finance	461,857	228,799
6722 External Relations		
6723 Human Resources		
6724 Information Management		
6725 Legal	74,487	58,725
6726 Procurement		
6727 Research and Development		
6728 Other General and Administrative	331,491	168,049
6790 Provision for Uncollectible Notes Receivable		
Total Corporate Operations Expense	1,188,780	611,488
Plant Specific Expense	4,134,871	2,098,766
TOTAL OPERATING EXPENSES	7,735,861	3,581,796

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

Name of Central Office MIDVALE, LAKEVIEW, STANLEY, WARM LAKE, WARREN, YELLOW PINE
Prefix (es): 355, 222, 774, 632, 633, 636

Central Office Switch MIDVALE - TAQUA-T-7000, LAKEVIEW-TAQUA-T-7000, STANLEY-TAQUA T-7000, WARM LAKE- TAQUAT-7000, WARREN AND YELLOW PINE - REDCOM MDX

Check all that apply:	Check one:	Check one:
Stand Alon X	Digital__X_	Electronic_ X
Host___	Analog___	Electro-Mechanical___
Remote___		Other:____________________

Access Line Capacity
Design:_222-10000, 355-10000, 632-10000, __________
633-1000, 636-1000, 774-10000
Installed/Equipped:__SAME_____________

Access Lines in Use
Customer Lines 880
(Include Centrex, PAL, Semi-Pub.)

Public Telephone Lines___ 15

Company Official Lines___ 69

Company Test Lines_____ 85

Classification of Customer Access

	Residence				Business					
	Multi-Line 1-Party	Single Line 1-Party	Single Line Multi-Party	Subtotal Residence	Centrex N.A.R.	Multi-Line 1-Party	Single Line 1-Party	Single Line Multi-Party	Subtotal Business	Total Residence & Business
Beginning of Year	________	718	________	718	________	98	91		189	907
New Connects	________	313	________	313	________	52	________	________	52	365
Disconnects	________	319	________	319	________	73	________	________	73	392
End of Year	________	712	________	712	________	77	91	________	168	880

Foreign Exchange:
Dial Tone from this C.O.:_______
Dial Tone from another C.O.:_______

Directory Listings:
Number of Customers with Nonpublished or Nonlisted:_81___

Custom Calling:
Number of customers with at least one featur 460
Total number of features subscribed to:_____ 8

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NUMBER OF CALLS COMPLETED BY CUSTOMERS DURING (Year)___2010______.

		Local Calls		Toll Calls Originated (Total of all Carriers)			
Local Exchange	Average # of Customer Lines in Use	Number (1000s)	Avg./ Line	Intrastate	Interstate	Total	Avg./ Line
ALL	697	NOT MEASU		190691	400101	590792	84762
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, ______.

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__X__ No_____

Date of notification _________ 2/1/2010

Alternate method of notification

____

____

Rule IDAPA 31.41.01.403.02

Record of Complaints:

Number received by Company 4

Category of complaints (if known):

Deposit Disputes ______________

Charges on Bill ______________

Denial/Termination ______________

Quality or Availability of Service ______________

Carrier Selection/Assignment ______________

Miscellaneous Call Termination issues

Rev 3/02

CERTIFICATE

State of Idaho)
) ss
County of)

WE, the undersigned Stephen G. Child

and______ Ann E. Sharp

of the____ Midvale Telephone Exchange, Inc.

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)

Ann E. Sharp

(Officer in Charge of Accounts)

Subscribed and Sworn to Before Me this 19th day of April, (Year) 2011.

Glennis K. Bonner

Notary Public

GLENNIS K. BONNER
Notary Public
State of Idaho

My Commission expires 4/6/2012, (Year) ________.

Rev 3/02

gdk/excel/jnelson/anulrpts/telannualrpt

MTE COMMUNICATIONS

2205 Keithley Creek Road
P.O. Box 7
Midvale ID 83645
208.355.2211
Fax 208.355.2222

Annual Notices
2010

General
MTE Communications (MTE) is a regulated local exchange carrier that provides telecommunication services in Idaho, Oregon and Arizona. You may reach us at the telephone numbers listed above or at:
www.mtecom.net info@mtecom.net

MTE "Do Not Call" Policy
MTE does not call customers for sales or marketing purposes and thus does not maintain an internal "Do Not Call" listing. If we have new or additional services available, we will send you that information in the form of a bill stuffer and/or post the information on our website, www.mtecom.net. If you receive a call from someone claiming to be from MTE and they are asking you to buy or subscribe to something, you should be immediately suspicious. We may still contact you, however, for non-solicitation purposes. This would include things like surveys, billing and other service-related matters. For over a century, customers have counted on MTE to respect and protect the privacy of information we obtain in the normal course of providing service. While we are working hard to serve you in new and exciting ways, our commitment to protecting your privacy remains as strong as ever.

Limitations of Service
MTE provides dial-tone services to the customer premises, usually marked by a network interface device. Customers are responsible for all inside wiring and any telecommunication devices they choose to connect to our network. MTE is not responsible for any damage to same while connected to the network. If customer-owned wire or equipment is suspected of jeopardizing the integrity of the overall network, MTE will act to protect the network. All service orders and trouble reports will be responded to promptly, in the order they are received, and in accord with all state applicable rules and regulations. MTE cannot be responsible for any loss of business due to a service outage and cannot guarantee service at any specific time. Please see our tariff on file with your state utility commission for full disclosures and limitations.

Arizona Corporation Commission
1200 W Washington
Phoenix AZ 85007
www.cc.state.az.us

Idaho Public Utility Commission
472 W Washington 83702
PO Box 83720
Boise ID 83720-0074
www.puc.state.id.us

Oregon Public Utility Commission
550 Capitol St NE #215
PO Box 2148
Salem, OR 97308-2148
www.puc.state.or.us

State Discount Programs
Each state, in which MTE offers service, has a telephone assistance program that is often paired with the Federal Lifeline program. Please contact your customer service representative at MTE, or visit your state's website to see if you qualify.

Idaho	http://www.puc.state.id.us/consumer/itsap.pdf
Oregon	https://apps.puc.state.or.us/rspf/otapapp.asp
Arizona	Website not available. Contact MTE for more information.

(continued on back)

Privacy Notice

With the exception of directory information, MTE does not sell or release any personal information about our customers to anyone. We hold all customer information in strictest confidence.

Credit Policy

Although rules vary by state, in most cases, new customers can establish credit simply by providing a copy of their last phone bill showing it was current. In lieu of that, customers may establish credit by paying a $50 deposit, which is then credited back to your account six months later, provided your account is in good standing.

Delinquent Payment Policy

All bills are due and payable by the 20th of the month they were issued. We do our best to notify customers (both by mail and by phone) when their service is in jeopardy; regardless, it is the customer's responsibility to ensure payment in full and on time. Please feel free to contact your customer service representative for help with managing your account.

National Do Not Call List

Registration of your telephone number on the National Do Not Call Registry is free-of-charge. Telephone numbers placed on the registry will remain on it permanently due to the Do-Not-Call Improvement Act of 2007, which became law in February 2008. You may remove your number from the list at any time. The Do Not Call Registry does not prevent all unwanted calls, such as the following:

- Calls from organizations with which you have established a business relationship:
- Calls for which you have given prior written permission:
- Calls which are not commercial or do not include unsolicited advertisements; or
- Calls by political organizations, charities or telephone surveyors

Subscribers may register their residential telephone number, *including wireless numbers,* on the national Do Not Call registry by calling (888) 382-1222 (TTY call (866)290-4236) or on the website: www.donotcall.gov . Subscribers must call from the number they wish to register. Telemarketers and sellers are required to search the registry at least once every month and drop from their call-list the phone numbers of subscribers who have registered.

How to File a Complaint: A complaint can be filed by completing the form provided on the website (www.donotcall.gov) or by calling (888) 225-5322 (TTY call (888) 835-5322). Your complaint should include:

- Name, address, and phone number where you can be reached during the business day;
- Phone number involved with the complaint; and
- As much specific information as possible, including the telemarketer or company contacting you, the date on which you placed your number on the Do-Not-Call registry or made a company-specific do-not-call request, and the dates of any subsequent telemarketing calls from that telemarketer or company.

Please do not hesitate to call if there is anything we can do or with questions you need answered.

2009 FORM I INPUT MASTER

COMPANY NAME: Midvale Telephone Company, Inc. | For The Year Ended: December 31, 2009 | Seperated Results of Idaho Operations

FCC Account and Description	Note No.	Line No.	Total Idaho Operations Subject To Separations	Interstate Operation MTS & WATS Switched Access	Interstate Operation TOLL PLS Special Access	Interstate Operation Total	Intrastate Operation MTS & WATS Switched Access	Intrastate Operation TOLL PLS Special Access	Intrastate Operation EAS	Intrastate Operation Local (other)	Intrastate Operation Total
SUMMARY											
Operating Revenues											
50XX Local -Billed	(1)	1.	349,575			-				349,575	349,575
-EAS Billed	(1)	2.	-			-					-
-EAS Settlement	(1)	3.	-			-					-
508X Access-SLC (End User)	(2)	4.	476,008	96,348		96,348				379,660	379,660
-Switched (TS+NTS)	(2)	5.	2,343,256	1,766,912		1,766,912	79,505			496,839	576,344
-Special	(2)	6.	147,108		111,530	111,530		35,578			35,578
51XX Toll -Message	(3a)	7.	-			-					-
-Private Line	(3b)	8.	-			-					-
-Settlement	(3c)	9.	-			-					-
52XX Misc. -Billing & Collection	(4)	10.	-			-					-
-Directory Advertising		11.	2,498			-				2,498	2,498
-Operating Rents		12.	-			-					-
-Other Misc.		13.	1,489			-				1,489	1,489
530X Less: Uncollectible Rev. (-)		14.	(355)			-				(355)	(355)
Total Revenues		15.	3,319,579	1,863,260	111,530	1,974,790	79,505	35,578	-	1,229,706	1,344,789
Operating Expenses											
61XX-64XX Plant Specific Oper.	(5a)	16.	1,544,467	708,724	147,665	856,389	316,614	46,277	14,264	310,923	688,078
65XX Plant Nonspecific Operations	(5a)	17.	96,746	46,099	6,620	52,719	20,699	1,755	1,072	20,501	44,027
656X Depreciation & Amortization	(5a)	18.	646,364	276,279	70,019	346,298	158,947	10,450	11,994	118,675	300,066
66XX Customer Operations	(5a)	19.	165,937	60,103	-	60,103	51,435	-	-	54,399	105,834
67XX Corporate Operations	(5a)	20.	529,310	247,912	44,238	292,150	109,921	13,890	4,238	109,111	237,160
---- Other Operating	(5a)	21.	-	-	-	-	-	-	-	-	-
Total Expenses	(5a)	22.	2,982,824	1,339,117	268,542	1,607,659	657,616	72,372	31,568	613,609	1,375,165
Operating Taxes:	(6)										
7240 General Taxes		23.	26,430	10,743	2,050	12,793	6,411	544	332	6,350	13,637
7230 State/Local Inc. Tax (Current)		24.	40	18	4	22	9	1		8	18
7220 Federal Income Tax (Current)		25.	153,459	68,530	14,041	82,571	34,481	3,595	1,693	31,119	70,888
7250 Net Deferred Income Taxes		26.	(145,492)	(56,319)	(11,655)	(67,975)	(36,444)	(3,091)	(1,888)	(36,095)	(77,517)
7210 Net Investment Tax Credits		27.	-			-					-
Total Taxes		28.	34,437	22,972	4,440	27,411	4,457	1,049	137	1,382	7,026
Net Operating Income		29.	302,318	501,171	(161,452)	339,720	(582,568)	(37,843)	(31,705)	614,715	(37,402)

SUMMARY (continued)												
Average Rate Base												
2001 Telecom. Plant in Service	(5b)	1.	15,121,878	5,853,664	1,211,384	7,065,048	3,787,779	321,240	196,212	3,751,599	8,056,830
2005 Plant Acquisition Adjustment		2.	-								-
3100 Less: Accumulated Depr. (-)	(5c)	3.	(9,535,022)	(3,485,507)	(582,332)	(4,067,839)	(2,249,245)	(247,404)	(104,095)	(2,866,439)	(5,467,183)
34xx-36xx Accumulated Amort. (-)	(5)	4.	-								-
4100-4340 Accum. Deferred Tax (-)		5.	(212,536)	(82,272)	(17,026)	(99,298)	(53,237)	(4,515)	(2,758)	(52,728)	(113,238)
1220 Materials and Supplies		6.	49,093	15,561	3,189	18,750	14,479	625	816	14,423	30,343
— Equal Access Equipment	(7)	7.	-			-					-
— Other Rate Base		8.	592,797	241,062	48,838	289,900	142,909	13,298	7,020	139,670	302,897
Total Average Rate Base		9.	**6,016,210**	**2,542,508**	**664,053**	**3,206,561**	**1,642,685**	**83,244**	**97,195**	**986,525**	**2,809,649**

PLANT IN SERVICE DETAIL											
21XX General Support Facilities		1.	**1,898,645**	734,963	152,097	**887,060**	475,579	40,334	24,636	471,036	1,011,585
22XX Central Office Equipment:											
CAT 1-Operator Systems		2.	-			-					-
CAT 2-Tandem Switching (Alloc.)		3.	-			-					-
CAT 2-Tandem Switching (Assign.)		4.	-			-					-
CAT 3-Local Switching		5.	1,676,858	**1,425,329**		1,425,329				**251,529**	251,529
CAT 4.12 -Exch. Trunk (Joint Use)		6.	26,815			-			**26,815**		26,815
CAT 4.12 -Exch. Trunk (Ded. Use)		7.	604,538		**468,691**	468,691		**135,847**			135,847
CAT 4.13 -Subscr. Line (Joint Use)		8.	953,063	**235,692**	**5,615**	241,307	**235,692**	**4,679**		**471,385**	711,756
CAT 4.13 -Subscr. Line (Ded. Use)		9.	-			-					-
CAT 4.23 -IX Trunk (Joint Use)		10.	1,207,129	**698,107**		698,107	**509,022**				509,022
CAT 4.23 -IX Trunk Ckt. (Ded. Use)		11.	25,606		**10,974**	10,974		**14,632**			14,632
CAT 4.3 -Host/Remote Trunk Ckt.		12.	-			-					-
Other COE		13.	23,393		**8,427**	8,427		**14,966**	-		14,966
Total COE		14.	**4,517,402**	**2,359,128**	**493,707**	**2,852,835**	**744,714**	**170,124**	**26,815**	**722,914**	**1,664,567**
23XX Information Orig./Term. Equipment:											
CAT 1-Regulated CPE		15.	-			-					-
Other IOT		16.	-			-					-
Total IOT		17.	-	-	-	-	-	-	-	-	-
24XX Cable & Wire Facilities:											
CAT 1.3-Subscriber Line (Common)		18.	5,115,298	**1,278,825**	-	1,278,825	**1,278,824**	-		**2,557,649**	3,836,473
CAT 1.1,2-Subscriber Line (Ded.)		19.	55,849		**30,463**	30,463		**25,386**			25,386
CAT 2-Exch. Trunk (Joint Use)		20.	144,761			-			**144,761**		144,761
CAT 2-Exch. Trunk (Ded. Use)		21.	81,312		**30,848**	30,848		**50,464**			50,464
CAT 3-IX Trunk (Joint Use)		22.	3,269,275	**1,480,748**	**487,568**	1,968,316	**1,288,662**	**12,297**			1,300,959
CAT 3-IX Trunk (Ded. Use)		23.	39,336		**16,701**	16,701		**22,635**			22,635
CAT 4-Host/Remote Trunk		24.	-			-					-
Other C&WF		25.	-			-					-
Total C&WF		26.	**8,705,831**	**2,759,573**	**565,580**	**3,325,153**	**2,567,486**	**110,782**	**144,761**	**2,557,649**	**5,380,678**
26XX Other Assets:											
Capital Leases		27.	-			-					-
Leasehold Improvements		28.	-			-					-
Intangibles		29.	-			-					-
Total Other Assets		30.	-	-	-	-	-	-	-	-	-
Total Telecom. Plant in Service	(5b)	31.	**15,121,878**	**5,853,664**	**1,211,384**	**7,065,048**	**3,787,779**	**321,240**	**196,212**	**3,751,599**	**8,056,830**

Depreciation & Amortization												
Accumulated Depreciation Detail												
311X General Support Facilities		1.	(1,325,768)	(513,203)	(106,205)	(619,408)	(332,083)	(28,164)	(17,202)	(328,911)	(706,360)
312X Central Office Switching		2.	(766,667)	(651,667)		(651,667)				(115,000)	(115,000)
312X Operator Systems		3.	-			-					-
312X Central Office Transmission		4.	(2,315,059)	(969,578)	(194,568)	(1,164,146)	(609,018)	(138,115)	(21,727)	(382,053)	(1,150,913)
313X Information Orig./Term. Equip.		5.	-			-					-
314X Cable & Wire Facilities		6.	(5,127,528)	(1,351,059)	(281,559)	(1,632,618)	(1,308,144)	(81,125)	(65,166)	(2,040,475)	(3,494,910)
Total Accumulated Depreciation	(5c)	7.	(9,535,022)	(3,485,507)	(582,332)	(4,067,839)	(2,249,245)	(247,404)	(104,095)	(2,866,439)	(5,467,183)
Accumulated Amortization Detail											
3410 Capital Leases		8.	-			-					-
3420 Leasehold Improvements		9.	-			-					-
3500 Intangibles		10.	-			-					-
3600 Acquisition Adjustment		11.	-			-					-
Total Accumulated Amortization	(5c)	12.	-	-	-	-	-	-	-	-	-

OPERATING EXPENSE DETAIL											
61XX-64XX Plant Specific Operations											
6110-20 General Support Facilities		1.	104,619	40,498	8,381	48,879	26,206	2,222	1,357	25,955	55,740
621X Central Office Switching		2.	549,712	287,077	60,078	347,155	90,622	20,702	3,263	87,970	202,557
6220 Operator Systems		3.	-			-					-
623X Central Office Transmission		4.	482,305	251,875	52,711	304,586	79,510	18,163	2,863	77,183	177,719
63XX Information Orig./Term. Equip.		5.	-			-					-
64XX Cable & Wire Facilities		6.	407,831	129,274	26,495	155,769	120,276	5,190	6,781	119,815	252,062
Total Plant Specific	(5a)	7.	**1,544,467**	**708,724**	**147,665**	**856,389**	**316,614**	**46,277**	**14,264**	**310,923**	**688,078**
65XX Plant Nonspecific Operations	(8)										
6512 Provisioning		8.	-			-					-
653X Network Operations		9.	82,636	31,989	6,620	38,609	20,699	1,755	1,072	20,501	44,027
6540 Access Paid to LECs	(9)	10.	14,110	14,110		14,110					-
Total Plant Nonspecific	(5a)	11.	**96,746**	**46,099**	**6,620**	**52,719**	**20,699**	**1,755**	**1,072**	**20,501**	**44,027**
656X Depreciation & Amortization	(8)										
6561 General Support Facilities		12.	90,312	34,960	7,235	42,195	22,621	1,919	1,172	22,405	48,117
6561 Central Office Switching		13.	98,502	83,727		83,727				14,775	14,775
6561 Operator Systems		14.	-			-					-
6561 Central Office Transmission		15.	136,917	51,987	19,802	71,789	40,266	6,419	1,013	17,430	65,128
6561 Information Orig./Term. Equip.		16.	-			-					-
6561 Cable & Wire Facilities		17.	320,633	105,605	42,982	148,587	96,060	2,112	9,809	64,065	172,046
6563 Capital Leases		18.	-			-					-
6563 Leasehold Improvements		19.	-			-					-
6564 Intangibles		20.	-			-					-
6565 Acquisition Adjustment		21.	-			-					-
Total Depreciation & Amortization	(5a)	22.	**646,364**	**276,279**	**70,019**	**346,298**	**158,947**	**10,450**	**11,994**	**118,675**	**300,066**

Account	OPERATING EXPENSE (continued)	Note	Line									
66XX	**Customer Operations**											
661X	Marketing		1.	450			-				450	450
662X	Operator Services		2.	600			-	600			-	600
662X	Directory Publishing-Alpha.		3.	7,229	2,286		2,286	1,661			3,282	4,943
662X	Directory Publishing-Classified		4.	-			-					-
662X	Directory Publishing-Foreign		5.	-			-					-
6623	Service Order Proc.-End User		6.	40,021	18,109		18,109	6,904			15,008	21,912
6623	Payment & Collection-End User		7.	30,016	9,347		9,347	10,227			10,442	20,669
6623	Billing Inquiry-End User		8.	30,016	7,504		7,504	10,506			12,006	22,512
6623	Service Order Proc.-CXR		9.	-			-					-
6623	Payment & Collection-CXR		10.	-			-					-
6623	Billing Inquiry-CXR		11.	-			-					-
6623	Coin Administration		12.	-			-					-
6623	Rev. Acctg.-Toll Ticket Proc.		13.	-			-					-
6623	Rev. Acctg.-Local Mess. Proc.		14.	2,472	702		702	1,770				1,770
6623	Rev. Acctg.-Other Bill & Coll.		15.	37,651	11,229		11,229	13,211			13,211	26,422
6623	Rev. Acctg.-SLC Billing		16.	1,982	1,982		1,982					-
6623	Rev. Acctg.-CXR B & C	(9)	17.	13,112	6,556		6,556	6,556				6,556
6623	B & C Amts Paid to LECs	(9)	18.	-			-					-
6623	Other Customer Service		19.	2,388	2,388		2,388					-
	Total Customer Operations	(5a)	20.	165,937	60,103	-	60,103	51,435	-	-	54,399	105,834
67XX	**Corporate Operations:**											
671X	Executive & Planning		21.	143,156	64,466	12,371	76,837	30,738	3,884	1,185	30,512	66,319
672X	General & Administrative		22.	386,154	183,446	31,867	215,313	79,183	10,006	3,053	78,599	170,841
6728	EAS Settlement Expense		23.	-			-					-
	Total Corporate Operations	(5a)	24.	529,310	247,912	44,238	292,150	109,921	13,890	4,238	109,111	237,160
----	**Other Operating Expenses:**											
----	Equal Access Provision	(10)	25.	-			-					-
----	Universal Service Fund	(11)	26.	-			-					-
----	Lifeline Connection Assistance	(12)	27.	-			-					-
	Total Other	(5a)	28.	-	-	-	-	-	-	-	-	-
	Total Operating Expenses	(5a)	29.	2,982,824	1,339,117	268,542	1,607,659	657,616	72,372	31,568	613,609	1,375,165

OPERATING TAXES DETAIL											
7240 General Taxes											
7240 Property		1.	25,594	9,907	2,050	11,957	6,411	544	332	6,350	13,637
7240 Gross Receipts		2.	-			-					-
7240 PUC Fee		3.	-			-					-
7240 Franchise Fees		4.	-			-					-
7240 Other		5.	836	836		836					-
Total General Taxes		6.	**26,430**	**10,743**	**2,050**	**12,793**	**6,411**	**544**	**332**	**6,350**	**13,637**
72XX Income Taxes (Calculated)											
Net Income Before SIT & FIT	(13)	7.	310,325	513,400	(159,062)	354,338	(584,522)	(37,338)	(31,900)	609,747	(44,013)
Less Fixed Charges (-)		8.	242,354	102,207	26,922	129,129	66,574	3,268	3,967	39,416	113,225
Subtotal (lines 7-8)	(14)	9.	67,971	411,193	(185,984)	225,209	(651,096)	(40,606)	(35,867)	570,331	(157,238)
Other SIT Base Add/Ded. (+-)	(15)	10.	-			-					-
SIT Taxable Inc. (lines 9+-10)		11.	**67,971**	**411,193**	**(185,984)**	**225,209**	**(651,096)**	**(40,606)**		**570,331**	**(157,238)**
7230 SIT-Current (at 8%)	(16)	12.	8,307	32,895	(14,879)	18,017	(52,088)	(3,248)	-	45,626	(9,710)
Other FIT Base Add/Ded. (+-)	(17)	13.	-			-					-
FIT Taxable Inc. (lines 9-12+-13)		14.	**59,664**	**378,298**	**(171,105)**	**207,192**	**(599,008)**	**(37,358)**		**524,705**	(111,661)
Gross FIT		15.	32,481	128,621	(58,176)	70,445	(203,663)	(12,702)	-	178,400	(37,965)
7210P Claimed ITC (-)		16.	-			-					-
Surtax Elimination (-)		17.	-			-					-
7220 FIT-Current (lines 15-16-17)	(18)	18.	**32,481**	**128,621**	**(58,176)**	**70,445**	**(203,663)**	**(12,702)**	-	**178,400**	**(37,965)**

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COMPANY NAME: Midvale Telephone Company, Inc.

For The Year Ended: December 31,2008
Seperated Results of Idaho Operations

Description	Note No.	Line No.	Total Idaho Operations Subject To Separations	Intrastate Operation			
				Interstate Toll	Intrastate Toll	EAS	Local (Other)
Separation Parameters	(19)						
Plant							
SLU Minutes of Use (MOU)		1.	0				
SLU Factor		2.	1.000000	0.30629	0.23967		0.45404
Base SPF - January 1		3.	1.000000	0.25	0.25		0.5
Base SPF - December 31		4.	1.000000	0.25	0.25		0.5
Current Composite SPF	(20)	5.	1.000000	0.25	0.25		0.5
1996 Weighted DEM		6.	1.000000	0.85			0.15
1996 Unweighted DEM		7.	0.319552	0.319552	0	0	0
Current CAT 3 Dial Equipment Minutes	(21)	8.	0				
Current Composite DEM Factor		9.	1.000000	0.85			0.15
Exchange Trunk - Joint Use MOU	(22)	10.	0				
Host/Remote MOU Kilometers	(23)	11.	0				
Equal Access MOU	(24)	12.	0				
Operator Standard Work Seconds	(25)	13.	0				
Tandem Switching MOU	(26)	14.	0				
IX Conversation MOU		15.	0				
IX Conversation Minute Kilometers		16.	0				
Other Parameters							
Access Lines		17.	968				
Unseparated Loop Cost @ 11.1 ROR	(27)	18.	1,324,831				
Gross Billed Revenues							
-Marketing Allocation Basis	(28a)	19.	0				
-Payment & Collection-End User	(28b)	20.	0				
-Payment & Collection-CXR	(28c)	21.	380,562	194,523	186,039		
Service Order Contacts							
-Service Order Proc.-End User	(29a)	22.	6,134				6,134
-Service Order Proc.-CXR	(29b)	23.	15	8	7		
Billing Inquiry Contacts							
-Billing Inquiry-End User	(30a)	24.	12	12			
-Billing Inquiry-CXR	(30b)	25.	48	13	35		
SP+RC Toll Messages	(31)	26.	367,609	104,412	263,197		
EAS/Local Messages (Msg. Proc.)		27.	0				
'BIG 3' Expense Factor-Message	(32)	28.	0.91	0.463614	0.228028	0.008585	0.212484
-PLS & Special Access		29.	0.09	0.070299	0.016989		
Operator Services Expense -- Factor		30.	0				
Access Minutes of Use (End Office)		31.	4,820,394	3,219,756	1,600,638		

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MIDVALE TELEPHONE EXCHANGE, INC.

REPORT OF INDEPENDENT AUDITORS
AND FINANCIAL STATEMENTS

DECEMBER 31, 2010 AND 2009

TABLE OF CONTENTS

REPORT OF INDEPENDENT AUDITORS

The Board of Directors
Midvale Telephone Exchange, Inc.
Midvale, Idaho

We have audited the accompanying balance sheet of Midvale Telephone Exchange, Inc. (the Company) as of December 31, 2010, and the related statements of income, stockholders' equity, and cash flows for the year then ended. We have also audited the balance sheet of Midvale Telephone Exchange, Inc. and its Subsidiary as of December 31, 2009, and the related statements of income, stockholders' equity, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Midvale Telephone Exchange, Inc. as of December 31, 2010, and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the 2009 financial statements present fairly, in all material respects, the financial position of Midvale Telephone Exchange, Inc. and its Subsidiary as of December 31, 2009, and the results of their operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 11, 2011, on our consideration of Midvale Telephone Exchange, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Moss Adams LLP

Spokane, Washington
April 11, 2011

ASSETS

	December 31, 2010	2009
CURRENT ASSETS		
Cash and cash equivalents	**$ 262,374**	$ 302,181
Subscriber accounts receivable	**140,614**	131,536
Settlement and access accounts receivable	**341,888**	895,240
Accounts receivable, affiliate (net of allowance of $258,042 in 2010 and 2009)	**278,756**	127,079
Other accounts receivable	**103,213**	478,528
Income tax refund receivable	**44,292**	59,447
Material and supplies	**388,994**	222,489
Other current assets	**178,337**	64,194
Assets held for sale	**-**	222,074
	1,738,468	2,502,768
NONCURRENT ASSETS		
Related party note receivable	**356,827**	385,777
Investment in life insurance policy	**107,164**	53,046
Investment in affiliates	**1,386,920**	1,214,974
Investment in nonaffiliates	**111,323**	120,817
	1,962,234	1,774,614
PROPERTY, PLANT, AND EQUIPMENT		
Regulated telecommunications plant in service	**32,988,784**	29,518,930
Nonregulated telecommunications plant in service	**1,117,154**	1,044,546
Regulated telecommunications plant under construction	**1,245,219**	2,816,686
Property held for future use	**24,306**	-
	35,375,463	33,380,162
Less accumulated depreciation	**16,708,669**	15,750,672
	18,666,794	17,629,490
TOTAL ASSETS	**$ 22,367,496**	$ 21,906,872

LIABILITIES AND STOCKHOLDERS' EQUITY

	December 31, 2010	2009
CURRENT LIABILITIES		
Accounts payable	$ **468,168**	$ 1,136,367
Advance billing	**69,288**	77,868
Other accrued liabilities	**617,768**	449,481
Line of credit	**500,471**	9,744
Current portion of long-term debt	**1,454,037**	1,313,973
Current portion of capital lease obligation	**25,201**	-
	3,134,933	2,987,433
LONG-TERM DEBT		
Long-term debt	**11,745,456**	12,785,101
Obligations under capital lease	**35,496**	-
	11,780,952	12,785,101
DEFERRED INCOME TAXES	**2,326,380**	1,669,815
STOCKHOLDERS' EQUITY		
Capital stock, common; $100 par value, 250 shares authorized, issued and outstanding	**25,000**	25,000
Additional paid-in capital	**7,910**	7,910
Treasury stock, 64 shares at cost	**(64,000)**	(64,000)
Retained earnings	**5,156,321**	4,495,613
	5,125,231	4,464,523
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$ 22,367,496**	$ 21,906,872

See accompanying notes.

MIDVALE TELEPHONE EXCHANGE, INC.
STATEMENT OF INCOME

	Year Ended December 31,	
	2010	2009
OPERATING REVENUES		
Wireline	**$ 8,636,065**	$ 8,771,616
Internet	**68,881**	21,154
Television	**10,998**	15,825
Miscellaneous	**268,801**	219,665
	8,984,745	9,028,260
OPERATING EXPENSES		
Plant specific operations	**4,134,871**	3,793,759
Plant nonspecific operations	**314,239**	349,996
Depreciation and amortization	**1,781,439**	1,841,077
Customer operations	**315,532**	355,686
Corporate operations	**1,187,212**	1,345,414
Other operating taxes	**207,740**	199,004
Nonregulated	**202,709**	220,799
	8,143,742	8,105,735
Operating income	**841,003**	922,525
NONOPERATING INCOME (EXPENSE)		
Interest income	**19,976**	23,997
Gain (loss) on sale of assets	**758,742**	(8,729)
Allowance for funds used during construction	**110,579**	37,076
Interest expense	**(676,161)**	(694,019)
Other nonoperating	**53,309**	20,293
Income from affiliate	**225,120**	173,250
	491,565	(448,132)
Net income before income tax	**1,332,568**	474,393
Income tax expense	**(671,860)**	(347,445)
NET INCOME	**$ 660,708**	$ 126,948

	Common Stock	Additional Paid-in Capital	Treasury Stock	Retained Earnings	Total
Balance, December 31, 2008	$ 25,000	$ 7,910	$ (64,000)	$ 4,368,665	$ 4,337,575
2009 net income	-	-	-	126,948	126,948
Balance, December 31, 2009	25,000	7,910	(64,000)	4,495,613	4,464,523
2010 net income	-	-	-	**660,708**	**660,708**
Balance, December 31, 2010	**$ 25,000**	**$ 7,910**	**$ (64,000)**	**$ 5,156,321**	**$ 5,125,231**

See accompanying notes.

	Year Ended December 31,	
	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	**$ 660,708**	$ 126,948
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	**1,781,439**	1,841,077
Nonregulated depreciation	**73,216**	85,515
Deferred income taxes	**656,565**	293,779
Income from affiliate	**(225,120)**	(173,250)
Noncash patronage dividends	**(1,738)**	(7,754)
Loss (gain) on sale of assets	**(758,742)**	8,729
Increase in cash surrender value of life insurance	**(54,118)**	-
Allowance for funds used during construction	**(110,579)**	(37,076)
Changes in assets and liabilities:		
Accounts receivable	**767,912**	(606,120)
Income tax refund receivable	**15,155**	(14,060)
Materials and supplies	**(166,505)**	(104,454)
Other assets	**(114,143)**	(16,239)
Accounts payable	**(668,199)**	390,874
Other accrued liabilities	**159,707**	(4,191)
Net cash provided by operating activities	**2,015,558**	1,783,778
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant, and equipment, net	**(2,665,533)**	(3,646,361)
Acquisition of nonregulated property, plant, and equipment, net	**(72,608)**	(52,942)
Payments on note receivable	**28,950**	23,563
Dividends from investments	**64,406**	82,046
Proceeds from sale of assets	**1,008,900**	400,000
Net cash used by investing activities	**(1,635,885)**	(3,193,694)

	Year Ended December 31, 2010	2009
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds (payments) from line of credit, net	$ 490,727	$ (228,392)
Proceeds from long-term debt	1,050,000	2,805,210
Principal payments on long-term debt	(1,949,581)	(1,187,013)
Payments under capital lease obligation	(10,626)	-
Net cash used by financing activities	(419,480)	1,389,805
NET CHANGE IN CASH AND CASH EQUIVALENTS	(39,807)	(20,111)
Cash and cash equivalents, beginning of year	302,181	322,292
Cash and cash equivalents, end of year	$ 262,374	$ 302,181
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the year for:		
Interest	$ 632,080	$ 675,067
Income taxes	$ 140	$ 29,964
SUPPLEMENTAL DISCLOSURES OF NONCASH FINANCING ACTIVITIES		
Acquisition of property, plant, and equipment in exchange for capital lease obligation	$ 71,323	$ -

See accompanying notes.

Note 1 - Summary of Significant Accounting Policies

Description of entity:
Midvale Telephone Exchange, Inc. (the Company), began operations in 1908 as a partnership, and incorporated in Idaho in 1959. The Company provides local telephone exchange, Internet, and cable TV to its subscribers in Idaho and Arizona.

Principles of consolidation:
Midvale Telephone Exchange, Inc. owned 100% of M & L Enterprises, Inc. (dba Skyline Telephone Company) through December 31, 2009. All material intercompany transactions have been eliminated. The operating results of Skyline through December 31, 2009, are included in the accompanying financial statements. Midvale sold its ownership in M & L Enterprises, Inc. effective December 31, 2009; therefore, the 2010 operating results are excluded from the accompanying financial statements.

Accounting policies:
The financial statements of the Company have been prepared in conformity with accounting principles generally accepted in the United States of America applicable to rate-regulated public utilities. Such accounting principles are consistent, in all material respects, with accounting principles prescribed by the Federal Communications Commission (FCC) under Part 32, *Uniform System of Accounts for Telecommunications Companies*.

Accounting estimates:
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include depreciation expense and interstate access revenue settlements.

Cash and cash equivalents:
The Company considers its short-term, highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Concentration of credit risk:
At various times throughout the year, cash balances exceed federally insured limits in individual financial institutions. The insured limit is $250,000 per institution.

Accounts receivable:
Accounts receivable are stated at the amount management expects to collect on outstanding balances. The Company reviews the collectibility of accounts receivable annually based upon an analysis of outstanding receivables, historical collection information, and existing economic conditions. Receivables from subscribers are due 30 days after issuance of the subscriber bill. Receivables from other exchange carriers are typically outstanding 30 to 60 days before payment is received. Delinquent accounts are charged to uncollectible expense when it is determined the accounts will not be collected. Due to the immaterial nature of the Company's uncollectible accounts, an allowance for uncollectible accounts is not deemed necessary and the result of this method does not materially differ from accounting principles generally accepted in the United States of America.

Note 1 - Summary of Significant Accounting Policies (Continued)

Material and supplies:
Material and supplies inventories are valued at the lower of cost or market. Cost is determined by the average cost method, and market represents the lower of replacement cost or estimated net realizable value.

Assets held for sale:
Long-lived assets are classified as held for sale when certain criteria are met, which include: management commitment to a plan to sell the assets; the availability of the assets for immediate sale in their present condition; an active program to locate a buyer has been initiated; the sale of the assets is probable and transfer of the assets is expected to qualify for recognition as a completed sale within one year; the assets are being marketed for sale at a price that is reasonable in relation to the current fair value; and it is unlikely that significant changes will be made to the plan to sell the assets.

At December 31, 2008, all of the above criteria have been met and the Company's assets related to its Oregon and Washington operations have been classified as held for sale. The Washington assets were sold effective December 31, 2009. The Oregon assets were sold effective January 1, 2010.

Investment in affiliates:
The Company accounts for its investments in limited liability companies by the equity method of accounting under which the Company's share of the net income or loss of the affiliates is recognized as income or loss in the Company's income statement and added to or subtracted from the respective investment account. Under the equity method of accounting, dividends or returns of capital reduce the investment balance. These affiliated organizations include Syringa Networks, LLC (Syringa).

Investment in nonaffiliates:
Investments consist primarily of equity interests in lending cooperatives at cost as the investments do not have readily determinable fair values.

Property, plant, and equipment:
Property, plant, and equipment are stated at cost. The cost of additions and substantial betterments of property, plant, and equipment is capitalized. The cost of maintenance and repairs is charged to operating expenses. The Company records income as an allowance for funds used during construction and capitalizes as a cost of construction the cost of financing large construction projects spanning a period greater than two months. The Company uses a weighted-average interest rate based on total Company long-term debt.

Property, plant, and equipment are depreciated using straight-line methods over their estimated useful lives. In accordance with composite group depreciation methodology, when a portion of the Company's depreciable property, plant, and equipment is retired in the ordinary course of business, the original cost is charged to accumulated depreciation.

Note 1 - Summary of Significant Accounting Policies (Continued)

Income taxes:
Deferred taxes are provided on a liability method whereby deferred tax liabilities are recognized for deductible temporary differences and deferred tax assets are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax basis. Deferred tax assets relate primarily to net operating losses and state tax credits. Deferred tax liabilities relate primarily to the use of accelerated depreciation methods for tax purposes. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not some portion or all of the deferred tax will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

The Company records uncertain tax positions if the likelihood the position will be sustained upon examination is less than 50%. As of December 31, 2010 and 2009, the Company had no accrued amounts related to uncertain tax positions. The Company is no longer subject to U.S. federal or state and local income tax examinations by tax authorities for years before 2007.

Revenue recognition:
Monthly service fees derived from local wireline, Internet, and television are billed one month in advance, but recognized in the month that service is provided.

Usage sensitive revenues such as access (revenues earned for originating/terminating long distance calls) are generally billed as a per-minute charge. Although these revenues are billed in arrears, an estimate of unbilled revenues is accrued in the month service is provided.

Interstate access revenues also include settlements based on the Company's participation in the revenue pools administered by the National Exchange Carrier Association (NECA). Settlement revenues are determined by annually prepared separations and interstate access cost studies. These studies are prepared subsequent to year end and therefore, the related revenues are recorded on the books based on an estimate of NECA pool earnings and on other assumptions related to information utilized in the preparation of the Company's cost study. The studies are subject to a 24-month pool adjustment period and final review and a review of the study by NECA. There was an insignificant revenue impact in 2010 and 2009 for adjustments related to prior year differences between the recorded estimates and actual revenues. Furthermore, management does not anticipate that 2010 and 2009 recorded revenues will require significant adjustments in future years.

Internet revenues are derived from the provision of customer access to the public Internet, excluding revenues attributable to digital subscriber line (DSL) transport (line costs between the customer and the Company's equipment that routes Internet traffic). Interstate access revenues include settlements from NECA that compensate the Company for the DSL transport related to the provision of Internet services.

The Company's wireline universal service support revenue is intended to compensate the Company for the high cost of providing rural telephone service. Universal service support revenue includes funds received for high-cost loop support, interstate common line support, local switching support, and other miscellaneous programs. Wireline support revenues are based on the Company's relative level of operating expense and plant investment.

Note 1 - Summary of Significant Accounting Policies (Continued)

Regulation:
The Company's services are subject to rate regulation as follows:

- Local telephone and intrastate access revenues are regulated by the State Public Utilities Commissions.
- Interstate access revenues are regulated by the FCC through its regulation of rates and settlements procedures as administered by NECA.
- Universal service support revenues are administered by Universal Service Administration Company (USAC), based on rules established by the FCC. The state program is governed by the Idaho Public Utility Commission.

Other sources of revenues are not rate regulated, and include Internet, equipment sales, television, rents, and other incidental services.

Nonregulated expenses and nonregulated plant are directly attributable to the following nonregulated services: Internet, television, and miscellaneous revenues.

All other operating expenses and telecommunications plant are related primarily to wireline revenues. However, some of these costs jointly relate to regulated and nonregulated services. For interstate access settlements, universal service support, rate case, and other regulatory purposes, the portion of these common costs related to nonregulated activities are removed from these accounts in accordance with Part 64 of the FCC rules in order to ensure that regulated revenues are based on costs of providing regulated services.

The FCC issued the National Broadband Plan in March 2010 calling for significant changes in the intercarrier compensation and Federal Universal Service programs. Based on the recommendations of that plan, the FCC released on February 9, 2011, a Notice of Proposed Rulemaking (NPRM) proposing a framework for reform and seeking comments from stakeholders. The proposals consist of near-term and long-term actions meant to achieve the four core principles; (1) modernizing and refocusing USF and ICC to ensure all Americans have access to robust, affordable broadband; (2) fiscal responsibility; (3) accountability; and (4) use of market-driven and incentive-based policies. The scope of the NPRM is significant and the outcome could have a material impact on the Company's future operation and financial condition. However, it is too early in the process to determine what, if any, changes will be implemented, nor are the proposals drafted in enough specificity to determine their revenue impact to the Company.

Concentration of risks:
In 2010 and 2009, the Company received \$4.9 million and \$4.7 million, or 55% or 53%, respectively of its revenue from the Federal Universal Service Fund and various state funds.

Note 1 - Summary of Significant Accounting Policies (Continued)

Subsequent events:
Subsequent events are events or transactions that occur after the balance sheet date but before the financial statements are available to be issued. The Company recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing financial statements. The Company's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the balance sheet but arose after the balance sheet date and before the financial statements are available to be issued. Note 15 provides disclosure of certain subsequent events that did not result in recognition in the financial statements.

The Company has evaluated subsequent events through April 11, 2011, which is the date the financial statements are available to be issued.

Reclassifications:
Certain accounts have been classified differently than as originally reported on the 2009 financial statements to conform with the 2010 presentation. These reclassifications had no effect on previously reported net income or equity.

Note 2 - Investment in Affiliates

The Company's investment in affiliates consists of its 6.35% ownership interest in Syringa Networks, LLC. Syringa Networks, LLC is a consortium of independent Idaho telephone companies that has constructed and is operating a fiber optic ring in southern Idaho.

The equity method investment is accounted for as follows:

Cash investment from prior years	$ 601,498
Prior years' undistributed net income	522,272
2009 net income	173,250
2009 dividends	(82,046)
Investment at December 31, 2009	1,214,974
2010 net income	**225,120**
2010 dividends	**(53,174)**
Investment at December 31, 2010	**$ 1,386,920**

Note 2 - Investment in Affiliates (Continued)

The assets, liabilities, and operations of the Company's investments in Syringa Networks, LLC are as follows:

	2010	2009
Assets	$ 36,263,404	$ 33,826,030
Liabilities	$ 14,651,387	$ 14,922,392
Equity	$ 21,612,017	$ 18,903,638
Operating revenues	$ 27,403,706	$ 19,608,056
Operating expenses	23,858,515	16,879,668
Net income	$ 3,545,191	$ 2,728,388

Note 3 - Investment in Nonaffiliates

Investments in nonaffiliated organizations consist primarily of nonmarketable patronage capital or stock of telephone industry corporations. Investments in nonaffiliated organizations are carried at cost, as the investments do not have readily determinable fair values, and consist of the following:

	2010	2009
Rural Telephone Finance Cooperative	$ 108,323	$ 117,817
NECA Services	3,000	3,000
	$ 111,323	$ 120,817

Note 4 - Property, Plant, and Equipment

Telecommunications plant balances together with accumulated depreciation consist of the following at December 31, 2010 and 2009:

	Depreciable Life	Plant Account	Accumulated Depreciation	2010 Net Balance	2009 Net Balance
Regulated plant:					
General support assets	4 - 40 years	$ 2,468,202	$ 1,649,072	$ 819,130	$ 739,294
Central office equipment	8 - 10 years	10,533,653	5,492,201	5,041,452	4,744,482
Cable and wire facilities	14 - 20 years	19,986,929	8,790,203	11,196,726	8,988,456
Property held for future use	n/a	24,306	-	24,306	-
Plant under construction	n/a	1,245,219	-	1,245,219	2,816,686
		34,258,309	15,931,476	18,326,833	17,288,918
Nonregulated plant:					
Voicemail	8 - 10 years	115,091	48,758	66,333	80,017
Television and Internet	7 - 14 years	362,347	358,296	4,051	4,051
Fiber transport	8 - 15 years	639,716	370,139	269,577	256,504
		1,117,154	777,193	339,961	340,572
		$ 35,375,463	$ 16,708,669	$ 18,666,794	$ 17,629,490

Note 5 - Line of Credit

At December 31, 2010, the Company had a $500,000 operating line of credit, which bears an interest rate at the greater of bank index plus 2.25% or the floor rate of 5.00% and expires on July 1, 2011. At December 31, 2010, $500,471 was owed on the line of credit. The interest rate at December 31, 2010, was 5.50%.

Note 6 - Long-Term Debt

Long-term debt is as follows as of December 31:

	Interest Rates	Maturity Dates	2010	2009
Rural Utilities Service (RUS), fixed	2.00% - 5.00%	2014-2027	**$ 12,960,842**	$ 13,584,831
Rural Telephone Finance Cooperative (RTFC), variable	5.35%	2011-2013	**225,003**	464,256
Zion's Bank, fixed	4.75%	2012	**13,648**	24,832
Other, fixed	10.39%	2010	**-**	25,155
			13,199,493	14,099,074
Less current portion			**1,454,037**	1,313,973
			$ 11,745,456	$ 12,785,101

Substantially all assets are pledged as collateral on this debt. The loan agreements contain provisions and restrictions pertaining to, among other things, the maintenance of defined ratios for debt service coverage, times interest earned, equity to assets, and working capital and limitations on dividend payments to stockholders.

Maturities of long-term debt obligations for the five years following December 31, 2010, are as follows:

2011	$ 1,454,037
2012	1,280,127
2013	1,259,043
2014	1,287,714
2015	1,047,002
Thereafter	6,871,570
	$ 13,199,493

At December 31, 2010, the Company had unadvanced authorized loan funds with RUS in the amount of $3,223,492.

Note 7 - Capital Leases

During 2010, Midvale entered into a capital lease agreement for computer equipment. The assets being leased are included in plant in service as follows at December 31:

Equipment	$	71,323
Less accumulated amortization		9,905
NET CAPITALIZED	$	61,418

Amortization on assets under capital leases charged to depreciation expense was $9,905 in 2010.

The following is a schedule of future minimum lease payments for the above capital leases, together with the present value of the net minimum lease payments as of December 31, 2010:

2011	$	25,201
2012		25,201
2013		14,616
Total minimum lease payments		65,018
Less amount representing interest		(4,321)
Present value of net minimum lease payments		60,697
Less current portion		25,201
LONG TERM PORTION	$	35,496

Note 8 - Income Taxes

The provision for income tax consists of the following at December 31:

	2010	2009
Current		
Federal	$ -	$ 61,430
State	(15,295)	3,470
Deferred		
Federal	(531,328)	(447,519)
State	(125,237)	35,174
	$ (671,860)	$ (347,445)

Note 8 - Income Taxes (Continued)

The income tax provision differs from the amount computed by applying federal statutory rates to pretax income. The primary differences result from certain expenses that are not tax deductible, state income taxes, and the change in the valuation allowance.

The components of the net long-term deferred tax liability recorded in the accompanying balance sheet at December 31 are:

	2010	2009
Tax depreciation and amortization greater than book	**$ (2,484,764)**	$ (1,837,181)
Tax investment greater than book	**(43,148)**	(43,148)
Accrued employee benefits	**25,280**	-
Net operating loss carryforwards	**169,607**	194,949
Idaho tax credits	**335,012**	354,862
Capital loss carryforwards	**-**	78,757
Other	**6,645**	15,565
	(1,991,368)	(1,236,196)
Valuation allowance	**(335,012)**	(433,619)
Net deferred liability	**$ (2,326,380)**	$ (1,669,815)

The net change in the valuation allowance in 2010 was a decrease of $98,607.

At December 31, 2010, the Company had the following carryforwards available to reduce future income taxes:

	Amount	Year of Expiration
Idaho investment tax credits	$ 311,423	2011-2020
Idaho broadband tax credits	23,589	2015-2019
Federal net operating loss carryforward	388,475	2029
State net operating loss carryforward	174,479	2023-2024
AMT credit carryforward	28,981	n/a

Note 9 - Operating Revenue

Wireline and miscellaneous revenues consist of the following:

	2010	2009
Wireline		
Customer	$ 981,246	$ 1,164,255
Intercarrier		
Interstate	2,372,565	2,414,570
Intrastate	376,913	441,055
Universal service support - federal	4,556,962	4,336,442
Universal service support - state	348,379	415,294
Total wireline	$ 8,636,065	$ 8,771,616
Miscellaneous		
Equipment, net	$ (1,135)	$ (6,923)
Rent	221,089	205,319
Other	50,238	24,337
Uncollectible	(1,391)	(3,068)
Total miscellaneous	$ 268,801	$ 219,665

Access revenues are classified above as follows:

- Customer revenues include end user charges such as the Subscriber Line Charge (SLC), the Federal Universal Service Charge (FUSC), and special access billed to end users.
- Universal service support includes the High Cost Loop Support, Local Switching Support (LSS), and Interstate Common Line Support (ICLS).
- All access charge and settlement revenue except as described above is classified as intercarrier revenue.

Note 10 - Operating Leases

The Company has operating leases for equipment and other property. Payments for these services were $330,803 and $411,444 for the years ended December 31, 2010 and 2009, respectively.

Note 10 - Operating Leases (Continued)

Future minimum lease payments on all noncancelable operating leases with terms in excess of one year at December 31, 2010, are as follows:

Years ending December 31,	
2011	$ 310,501
2012	276,708
2013	211,999
2014	138,736
2015	97,732

Note 11 - Retirement Plan

The Company has established a 401(k) deferred compensation plan (the Plan), covering substantially all employees. For eligible employees the Company matches employee contributions up to 3% of qualified employee compensation, but has the discretion of making additional contributions to the Plan. Company contributions for the years ended December 31, 2010 and 2009, were $66,404 and $58,186, respectively.

Note 12 - Employee Stock Ownership Plan

Effective December 31, 2008, the Company adopted the Midvale Telephone Exchange, Inc. Employee Stock Ownership Plan (the ESOP), which is a stock bonus plan under section 401(a) of the Internal Revenue Code (the Code) and is also an employee stock ownership plan under section 497(e)(7) of the Code. The intent of the ESOP is to enable Company employees to acquire a proprietary interest in the capital stock of the Company and for the Company to recognize and reward employees whose contributions have made its operations successful.

Virtually all employees who have completed one year of service and have attained the age of 21 are eligible to participate in the ESOP. Employer contributions are discretionary and must comply with various sections of the Code.

Each participant has a "Company Stock Account" and "Other Investments Account" to which contributions, forfeitures, and Company stock released for allocation will be allocated annually based on the participant's eligible compensation. Contributions are fully vested after six years of service. Other accrued liabilities include pledged contributions to the ESOP of $400,000 for both years ended December 31, 2010 and 2009, respectively.

Note 13 - Related Party Transactions

The Company and its affiliates participated in various related party transactions that are explained below:

Syringa Networks, LLC:
The Company has made significant capital expenditures to expand its fiber optic network and to allow connectivity into the Syringa network. Syringa is leasing fiber segments and electronic equipment back from Midvale Telephone Exchange. The Company received lease payments from Syringa of $220,368 in 2010 and $204,599 in 2009.

Note 13 - Related Party Transactions (Continued)

Syringa Networks, LLC (continued):
Syringa leases excess network capacity to various interexchange carriers and the Idaho Optical Transport Association (IOTA), a nonprofit corporation. IOTA leases capacity from Syringa to provide switched access transport for IOTA members. IOTA member companies are also Syringa investors. The Company paid $396,540 in 2010 and 2009, to IOTA for switched access transport on the Syringa network.

Midvale Telephone Exchange also utilizes the Syringa network access tandem to connect with interexchange carriers. For the years ended December 31, 2010 and 2009, the Company paid $403,678 and $320,524 respectively, to Syringa for tandem switching expense.

Rural Network Services:
The Company has provided accounts receivable billing services and made other purchases on behalf of Rural Network Services (RNS), which is owned by a stockholder and related employees. The Company recorded revenue of $11,278 and $8,238 for administrative services as of December 31, 2010 and 2009, respectively. As of December 31, 2010 and 2009, RNS owed the Company the following amounts:

	2010	2009
Note receivable	$ **356,827**	$ 385,777
Accounts receivable, gross	**386,798**	354,645
	$ **743,625**	$ 740,422

The note receivable matures in 2019 and accrues interest monthly at 5.50%. Management has recorded an allowance for doubtful accounts of $258,042 as of December 31, 2010 and 2009, related to the amount receivable from RNS.

Other:
A significant portion of the operating leases mentioned in Note 10 are with stockholders and other related parties. Of the total operating lease payments in 2010 and 2009, $213,512 and $355,377, respectively, were paid to related parties.

The Company pays the premiums on a split-dollar life insurance policy for the owners. When the premiums are paid, this creates a receivable from the covered employee. Should the employee die, the proceeds would go toward payment of the receivable with the excess going to the descendants' estate. The receivable balance at December 31, 2010 and 2009, was $ 107,164 and $53,046.

Note 14 - Commitments

The Company has executed contracts for construction projects. The amount unpaid against these commitments at December 31, 2010, was $1,024,459.

Note 15 - Subsequent Events

Subsequent to year end, Midvale acquired its affiliate RNS for a purchase price of $148,000. RNS operations will be merged with Midvale effective January 1, 2011. Midvale is in the process of valuing the assets and liabilities acquired. The valuation was not complete as of the date of the financial statements.

Note 16 - Gain on Sale of Assets

During 2010, Midvale sold its operations in Oregon to other local exchange carriers in the amount of $1,008,900. The assets and liabilities disposed of amounted to $250,158, which resulted in a gain of $750,742.