YEAR ENDING 2006

ANNUAL REPORT
OF

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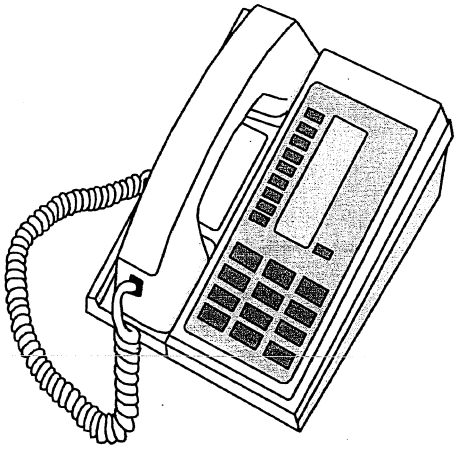
TELEPHONE UTILITY



TO THE
PUBLIC SERVICE COMMISSION
STATE OF MONTANA
1701 PROSPECT AVENUE
P.O. BOX 202601
HELENA, MT 59620-2601

REVISED 2005

General Information

Year: **2006**

1	Legal Name of Respondent:	Southern Montana Telephone Company
2	Name Under Which Respondent Does Business:	Southern Montana Telephone Company
3	Date of Incorporation:	1944
4	Address to send Correspondence Concerning Report:	PO Box 205; Wisdom, MT 59761
5	Person Responsible for This Report:	Conrad Eklund, General Manager
5a.	Telephone Number:	406-689-3333

Control Over Respondent

1 If direct control over the respondent was held by another entity at the end of year provide the following:

1a. Name and address of the controlling organization or person:

1b. Means by which control was held:

1c. Percent Ownership:

Board of Directors

Line No.	Name of Director and Address (City, State) (a)		Fees Paid During Year (b)
1	Robert G. Helming	Wisdom, MT 59761	9000
2	Conrad Eklund	Wisdom, MT 59761	9000
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18	**Chairman of the Board:**	Robert G. Helming	
19			
20			

Officers

Year: 2006

Line No.	Title of Officer (a)	Department Over Which Jurisdiction is Exercised (b)	Name and Address of Person Holding Office at Year End (c)
1	President	All Departments	Robert G. Helming
2			Wisdom, MT 59761
3			
4	Secretary/Treasurer	All Departments	Conrad Eklund
5			Wisdom, MT 59761
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Total Company Balance Sheet

Year: 2006

Line No.		Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
1			**CURRENT ASSETS:**		
2		1120	Cash and Equivalents		
3		1180	Telecommunications Accounts Receivable - Net	(See attached Audited financials)	
4		1190	Other Accounts Receivable - Net		
5		1200	Notes Receivable - Net		
6		1210	Interest and Dividends Receivable		
7		1220	Materials and Supplies		
8	*	1280	Prepayments		
9	^	1290	Prepaid Rents		
10	^	1300	Prepaid Taxes		
11	^	1310	Prepaid Insurance		
12	^	1320	Prepaid Directory Expenses		
13	^	1330	Other Prepayments		
14		1350	Other Current Assets		
15			**Total Current Assets**		
16			**NONCURRENT ASSETS:**		
17		1401	Investments in Affiliated Companies		
18		1402	Investments in Nonaffiliated Companies		
19		1406	Nonregulated Investments		
20		1407	Unamortized Debt Issuance Expense		
21		1408	Sinking Funds		
22		1410	Other Noncurrent Assets		
23		1438	Deferred Maintenance and Retirements		
24		1439	Deferred Charges		
25		1500	Other Jurisdictional Assets - Net		
26			**Total Noncurrent Assets**		
27			**PROPERTY, PLANT, & EQUIPMENT:**		
28		2001	Telecommunications Plant in Service		
29		2002	Property Held for Future Telecommunications Use		
30		2003	Plant Under Construction - Short Term		
31		2004	Plant Under Construction - Long Term		
32		2005	Telecommunications Plant Adjustment		
33		2006	Nonoperating Plant		
34		2007	Goodwill		
35		3100	Accumulated Depreciation		
36		3200	Accumulated Depreciation - Held for Future Use		
37		3300	Accumulated Depreciation - Nonoperating		
38		3400	Accumulated Amortization		
39			**Net Property, Plant, & Equipment**		
40			**TOTAL ASSETS**		

^ Subaccount of account marked with a *.

Total Company Balance Sheet

Year: 2006

Line No.	Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
41		**CURRENT LIABILITIES:**		
42	4010	Accounts Payable		
43	4020	Notes Payable		
44	4030	Advance Billing and Payments		
45	4040	Customer Deposits		
46	4050	Current Maturities - Long Term Debt		
47	4060	Current Maturities - Capital Leases		
48	4070	Income Taxes - Accrued		
49	4080	Other Taxes - Accrued		
50	4100	Net Current Deferred Operating Income Taxes		
51	4110	Net Current Deferred Nonoperating Income Taxes		
52	4120	Other Accrued Liabilities		
53	4130	Other Current Liabilities		
54		**Total Current Liabilities**		
55		**LONG-TERM DEBT:**		
56	4210	Funded Debt		
57	4220	Premium on Long-Term Debt		
58	4230	Discount on Long-Term Debt		
59	4240	Reacquired Debt		
60	4250	Obligations Under Capital leases		
61	4260	Advances From Affiliated Companies		
62	4270	Other Long-Term Debt		
63		**Total Long-Term Debt**		
64		**OTHER LIABILITIES AND DEFERRED CREDITS:**		
65	4310	Other Long-Term Liabilities		
66	4320	Unamort. Oper. Invest. Tax Credits - Net		
67	4330	Unamort. Nonoper. Invest. Tax Credits - Net		
68	4340	Net Noncurrent Deferred Oper. Income Taxes		
69	4350	Net Noncurrent Deferred Nonoper. Income Taxes		
70	4360	Other Deferred Credits		
71	4370	Other Jurisdictional Liab. and Def. Credits		
72		**Total Other Liabilities and Deferred Credits**		
73		**STOCKHOLDERS' EQUITY:**		
74	4510	Capital Stock		
75	4520	Additional Paid-In Capital		
76	4530	Treasury Stock		
77	4540	Other Capital		
78	4550	Retained Earnings		
79		**Total Stockholders' Equity**		
80		**TOTAL LIAB. AND STOCKHOLDERS' EQUITY**		

Schedule 3.1

SOUTHERN MONTANA TELEPHONE COMPANY
BALANCE SHEET

ASSETS

	December 31, 2006	December 31, 2005
CURRENT ASSETS		
Cash and cash equivalents	**$ 761,478**	$ 593,459
Investment in certificates of deposit at amortized cost	**762,437**	1,505,449
Subscriber receivables	**69,598**	56,137
Settlements and access accounts receivable	**320,072**	193,914
Material and supplies	**56,428**	56,617
Other current assets	**9,029**	12,269
Total current assets	**1,979,042**	2,417,845
NONCURRENT ASSETS		
Investment in available for sale securities	**222,513**	265,883
Investment in certificates of deposit at amortized cost	**90,000**	20,000
Investment in held to maturity securities	**40,000**	40,000
Investment in affiliate	**1,276**	1,276
Investment in nonaffiliates	**297,191**	282,644
Nonregulated investments	**41,896**	64,214
Other noncurrent assets	**-**	15,486
	692,876	689,503
PROPERTY, PLANT, AND EQUIPMENT		
Telecommunications plant in service	**8,734,344**	7,995,232
Telecommunications plant under construction	**142,011**	84,885
	8,876,355	8,080,117
Less accumulated depreciation and amortization	**5,440,934**	5,023,106
	3,435,421	3,057,011
	$ 6,107,339	$ 6,164,359

Schedule 3.2

SOUTHERN MONTANA TELEPHONE COMPANY
BALANCE SHEET

LIABILITIES AND STOCKHOLDER'S EQUITY

	December 31,	
	2006	2005
CURRENT LIABILITIES		
Accounts payable	**$ 280,095**	$ 100,291
Advance billing and customer deposits	**37,158**	23,109
Current maturities of long-term debt	**215,899**	211,890
Other accrued taxes	**30,916**	28,300
Other accrued liabilities	**161,703**	138,376
Accrued interest payable	**5,513**	6,042
Total current liabilities	**731,284**	508,008
LONG-TERM DEBT	**1,566,764**	1,782,725
COMMITMENTS AND CONTINGENCY (Note 9)		
STOCKHOLDER'S EQUITY		
Common stock, $10 par value; 2,703 shares authorized and 610 shares issued and outstanding at December 31, 2006 and 2005	**6,100**	6,100
Paid-in capital	**3,290**	3,290
Retained earnings	**3,810,506**	3,942,535
	3,819,896	3,951,925
Unrealized loss on available for sale securities	**(10,605)**	(78,299)
	3,809,291	3,873,626
	$ 6,107,339	$ 6,164,359

See accompanying notes.

Schedule 3.5

SOUTHERN MONTANA TELEPHONE COMPANY
STATEMENT OF STOCKHOLDER'S EQUITY

	Total	Common Stock	Paid in Capital	Retained Earnings	Accumulated Comprehensive Income (Loss)	Comprehensive Income (Loss)
Balance, December 31, 2004	$ 3,889,057	$ 6,100	$ 3,290	$ 4,042,343	$ (162,676)	
Net income	219,862	-	-	219,862	-	$ 219,862
Change in unrealized loss on available for sale securities	84,377	-	-	-	84,377	84,377
Distributions	(319,670)	-	-	(319,670)	-	
Reclassification adjustment						(87,341)
Comprehensive income						$ 216,898
Balance, December 31, 2005	3,873,626	6,100	3,290	3,942,535	(78,299)	
Net income	**172,530**	-	-	**172,530**	-	**$ 172,530**
Change in unrealized loss on available for sale securities	**67,694**	-	-	-	**67,694**	**67,694**
Distributions	**(304,559)**	-	-	**(304,559)**	-	
Reclassification adjustment						**(50,203)**
Comprehensive income						**$ 190,021**
Balance, December 31, 2006	**$ 3,809,291**	**$ 6,100**	**$ 3,290**	**$ 3,810,506**	**$ (10,605)**	

See accompanying notes.

Total Company Income Statement

Year: 2006

Line No.		Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
1			**REVENUES:**		
2		5000	Basic Local Service Revenues		
3		5080	Network Access Revenues	(See attached Audited financials)	
4	*	5100	Long Distance Message Revenue		
5	^	5110	Unidirectional Long Distance Revenue		
6	^	5120	Long Distance Private Network Revenue		
7	^	5160	Other Long Distance Revenue		
8	^	5169	Other Long Distance Revenue Settlements		
9	*	5200	Miscellaneous Revenue		
10	^	5230	Directory Revenue		
11	^	5240	Rent Revenue		
12	^	5250	Corporate Operations Revenue		
13	^	5260	Miscellaneous Revenue		
14	^	5270	Carrier Billing and Collection Revenue		
15	^	5280	Nonregulated Revenue		
16		5300	Uncollectible Revenue		
17			**Total Revenues (L.2+L.3+L.4+L.9-L.16)**	#VALUE!	
18			**OPERATING EXPENSES:**		
19		6110	Network Support Expense		
20		6120	General Support Expense		
21		6210	Central Office Switching Expense		
22		6220	Operator Systems Expense		
23		6230	Central Office Transmission Expense		
24		6310	Information Origination/Termination Expense		
25	*	6410	Cable and Wire Facilities Expense		
26	^	6431	Aerial Wire Expense		
27	^	6441	Conduit Systems Expense		
28		6510	Other Property, Plant & Equipment Expense		
29		6530	Network Operations Expense		
30		6540	Access Expense		
31		6560	Depreciation and Amortization Expense		
32		6610	Marketing		
33		6620	Services		
34		6710	Executive and Planning		
35		6720	General and Administrative		
36		6790	Provision for Uncollectible Notes Receivable		
37			**Total Operating Expenses (Sum L.19 to L.36-L.26-L.27)**		
38		7100	Other Operating Income and Expense		
39		7200	Operating Taxes		
40			**Net Operating Income (L.17-L.37+L.38-L.39)**	#VALUE!	
41		7300	Nonoperating Income and Expense		
42		7400	Nonoperating Taxes		
43		7500	Interest and Related Items		
44		7600	Extraordinary Items		
45		7910	Effects of Juris. Ratemaking Diff. - Net		
46		7990	Nonregulated Net Income		
47			**NET INCOME (L.40+L.41-L.42-L.43-L.44+L.45-L.46)**	#VALUE!	

^ Subaccount of the account marked with a *.

Schedule 4.1

SOUTHERN MONTANA TELEPHONE COMPANY
STATEMENT OF INCOME

	Year Ended December 31,	
	2006	2005
OPERATING REVENUES		
Local network services	**$ 184,121**	$ 168,586
Interstate access revenue	**1,513,405**	1,342,363
Intrastate access revenue	**410,630**	374,892
Long distance services	**70,930**	31,055
Carrier billing and collection	**6,829**	9,528
Miscellaneous	**2,574**	315
Nonregulated services	**132,266**	115,902
Uncollectible	**(1,371)**	(1,184)
	2,319,384	2,041,457
OPERATING EXPENSES		
Plant specific operations	**448,324**	376,489
Plant nonspecific operations	**452,388**	328,940
Depreciation	**553,281**	500,091
Customer operations	**64,672**	62,810
Corporate operations	**415,690**	351,021
Other operating taxes	**45,501**	41,867
Nonregulated	**157,309**	77,777
	2,137,165	1,738,995
Operating income	**182,219**	302,462
Nonoperating income (expense)		
Interest and dividend income	**102,718**	125,746
Loss on sale of investments	**(50,203)**	(87,341)
Interest expense	**(56,390)**	(63,913)
Other nonoperating expense	**(5,814)**	(57,092)
	(9,689)	(82,600)
NET INCOME	**$ 172,530**	$ 219,862

See accompanying notes.

Montana Total State Income Statement

Year: 2006

Line No.		Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
1			**REVENUES:**		
2		5000	Basic Local Service Revenues		
3		5080	Network Access Revenues		
4	*	5100	Long Distance Message Revenue		
5	^	5110	Unidirectional Long Distance Revenue		
6	^	5120	Long Distance Private Network Revenue	(Not Applicable)	
7	^	5160	Other Long Distance Revenue		
8	^	5169	Other Long Distance Revenue Settlements		
9	*	5200	Miscellaneous Revenue		
10	^	5230	Directory Revenue		
11	^	5240	Rent Revenue		
12	^	5250	Corporate Operations Revenue		
13	^	5260	Miscellaneous Revenue		
14	^	5270	Carrier Billing and Collection Revenue		
15	^	5280	Nonregulated Revenue		
16		5300	Uncollectible Revenue		
17			**Total Revenues (L.2+L.3+L.4+L.9-L.16)**		
18			**OPERATING EXPENSES:**		
19		6110	Network Support Expense		
20		6120	General Support Expense		
21		6210	Central Office Switching Expense		
22		6220	Operator Systems Expense		
23		6230	Central Office Transmission Expense		
24		6310	Information Origination/Termination Expense		
25	*	6410	Cable and Wire Facilities Expense		
26	^	6431	Aerial Wire Expense		
27	^	6441	Conduit Systems Expense		
28		6510	Other Property, Plant & Equipment Expense		
29		6530	Network Operations Expense		
30		6540	Access Expense		
31		6560	Depreciation and Amortization Expense		
32		6610	Marketing		
33		6620	Services		
34		6710	Executive and Planning		
35		6720	General and Administrative		
36		6790	Provision for Uncollectible Notes Receivable		
37			**Total Operating Expenses (Sum L.19 to L.36-L.26-L.27)**		
38		7100	Other Operating Income and Expense		
39		7200	Operating Taxes		
40			**Net Operating Income (L.17-L.37+L.38-L.39)**		

^ Subaccount of the account marked with a *.

Montana Intrastate Income Statement

Year: 2006

Line No.		Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
1			**REVENUES:**		
2		5000	Basic Local Service Revenues		
3		5080	Network Access Revenues		
4	*	5100	Long Distance Message Revenue		
5	^	5110	Unidirectional Long Distance Revenue	(Not Applicable)	
6	^	5120	Long Distance Private Network Revenue		
7	^	5160	Other Long Distance Revenue		
8	^	5169	Other Long Distance Revenue Settlements		
9	*	5200	Miscellaneous Revenue		
10	^	5230	Directory Revenue		
11	^	5240	Rent Revenue		
12	^	5250	Corporate Operations Revenue		
13	^	5260	Miscellaneous Revenue		
14	^	5270	Carrier Billing and Collection Revenue		
15	^	5280	Nonregulated Revenue		
16		5300	Uncollectible Revenue		
17			**Total Revenues (L.2+L.3+L.4+L.9-L.16)**		
18			**OPERATING EXPENSES:**		
19		6110	Network Support Expense		
20		6120	General Support Expense		
21		6210	Central Office Switching Expense		
22		6220	Operator Systems Expense		
23		6230	Central Office Transmission Expense		
24		6310	Information Origination/Termination Expense		
25	*	6410	Cable and Wire Facilities Expense		
26	^	6431	Aerial Wire Expense		
27	^	6441	Conduit Systems Expense		
28		6510	Other Property, Plant & Equipment Expense		
29		6530	Network Operations Expense		
30		6540	Access Expense		
31		6560	Depreciation and Amortization Expense		
32		6610	Marketing		
33		6620	Services		
34		6710	Executive and Planning		
35		6720	General and Administrative		
36		6790	Provision for Uncollectible Notes Receivable		
37			**Total Operating Expenses (Sum L.19 to L.36-L.26-L.27)**		
38		7100	Other Operating Income and Expense		
39		7200	Operating Taxes		
40			**Net Operating Income (L.17-L.37+L.38-L.39)**		

^ Subaccount of the account marked with a *.

Montana Intrastate Regulated Income Statement

Year: 2006

Line No.		Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
1			**REVENUES:**		
2		5000	Basic Local Service Revenues		
3		5080	Network Access Revenues		
4	*	5100	Long Distance Message Revenue		
5	^	5110	Unidirectional Long Distance Revenue	(Not Applicable)	
6	^	5120	Long Distance Private Network Revenue		
7	^	5160	Other Long Distance Revenue		
8	^	5169	Other Long Distance Revenue Settlements		
9	*	5200	Miscellaneous Revenue		
10	^	5230	Directory Revenue		
11	^	5240	Rent Revenue		
12	^	5250	Corporate Operations Revenue		
13	^	5260	Miscellaneous Revenue		
14	^	5270	Carrier Billing and Collection Revenue		
15	^	5280	Nonregulated Revenue		
16		5300	Uncollectible Revenue		
17			**Total Revenues (L.2+L.3+L.4+L.9-L.16)**		
18			**OPERATING EXPENSES:**		
19		6110	Network Support Expense		
20		6120	General Support Expense		
21		6210	Central Office Switching Expense		
22		6220	Operator Systems Expense		
23		6230	Central Office Transmission Expense		
24		6310	Information Origination/Termination Expense		
25	*	6410	Cable and Wire Facilities Expense		
26	^	6431	Aerial Wire Expense		
27	^	6441	Conduit Systems Expense		
28		6510	Other Property, Plant & Equipment Expense		
29		6530	Network Operations Expense		
30		6540	Access Expense		
31		6560	Depreciation and Amortization Expense		
32		6610	Marketing		
33		6620	Services		
34		6710	Executive and Planning		
35		6720	General and Administrative		
36		6790	Provision for Uncollectible Notes Receivable		
37			**Total Operating Expenses (Sum L.19 to L.36-L.26-L.27)**		
38		7100	Other Operating Income and Expense		
39		7200	Operating Taxes		
40			**Net Operating Income (L.17-L.37+L.38-L.39)**		

^ Subaccount of the account marked with a *.

Average Rate Base - Total State

Year: 2006

Line No.	Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
1	2001	Telecommunications Plant in Service	**	4303043
2	3100	Accumulated Depreciation	**	2407213
3	2002	Property Held for Future Telecommunications Use		
4	3200	Accumulated Depreciation - 2002		
5	1220	Materials and Supplies	**	27671
6	4340	Noncurrent Deferred Operating Income Taxes		
7		Pre-1971 Unamortized Investment Tax Credits		
8		Cash Working Capital (if allowed by Commission)		
9		**Total Average Rate Base (L.1-L.2+L.3-L.4+L.5-L.6-L.7+L.8)**	#VALUE!	1923501

** Awaiting info from cost consultants

Average Rate Base - Intrastate

Line No.	Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
1	2001	Telecommunications Plant in Service		
2	3100	Accumulated Depreciation		
3	2002	Property Held for Future Telecommunications Use		
4	3200	Accumulated Depreciation - 2002		
5	1220	Materials and Supplies		
6	4340	Noncurrent Deferred Operating Income Taxes		
7		Pre-1971 Unamortized Investment Tax Credits		
8		Cash Working Capital (if allowed by Commission)		
9		**Total Average Rate Base (L.1-L.2+L.3-L.4+L.5-L.6-L.7+L.8)**		

Average Rate Base - Regulated Intrastate

Line No.	Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
1	2001	Telecommunications Plant in Service		
2	3100	Accumulated Depreciation		
3	2002	Property Held for Future Telecommunications Use		
4	3200	Accumulated Depreciation - 2002		
5	1220	Materials and Supplies		
6	4340	Noncurrent Deferred Operating Income Taxes		
7		Pre-1971 Unamortized Investment Tax Credits		
8		Cash Working Capital (if allowed by Commission)		
9		**Total Average Rate Base (L.1-L.2+L.3-L.4+L.5-L.6-L.7+L.8)**		

Statement of Cash Flows

Year: 2006

Line No.	Item Description (a)	Amount (b)	Amount (c)
1	**Increase/(decrease) in Cash & Cash Equivalents**		
2	**Cash Flows from Operating Activities:**		
3	Net Income		
4	Reconciliation Adjustments:		
5	Depreciation & Amortization	(See Attached Statement of Cash Flows)	
6	Provision for Accounts Receivable Losses		
7	Deferred Income Taxes - Net		
8	Unamortized Investment Tax Credits (ITCs) - Net		
9	Allowance for Funds Used During Construction (AFUDC)		
10	Change in Operating Receivables - Net		
11	Change in Materials, Supplies & Inventories - Net		
12	Change in Operating Payables & Accrued Liabilities - Net		
13	Change in Other Assets & Deferred Credits - Net		
14	Change in Other Liabilities & Deferred Credits - Net		
15	Other (explained on back of this page)		
16	Total Adjustments		
17	**Net Cash Provided by/(Used in) Operating Activities**		
18	**Cash Inflows/Outflows From Investing Activities:**		
19	Construction/Acquisition of Property, Plant & Equipment (net of		
20	AFUDC & Capital Lease Related Acquisitions)		
21	Proceeds from Disposals of Property, Plant & Equipment		
22	Investments In & Advances to Affiliates		
23	Proceeds from Repayment of Advances		
24	Other Investing Activities (explained on back of this page)		
25	**Net Cash Provided by/(Used in) Investing Activities**		
26	**Cash Flows from Financing Activities:**		
27	Net Incr./(Decr.) in Short-Term Debt, Original maturity < = 3 mo.		
28	Advances from Affiliates		
29	Repayment of Advances from Affiliates		
30	Proceeds from Issuances of Long-Term Debt		
31	Repayment of Long-Term Debt		
32	Payment of Capital Lease Obligations		
33	Proceeds from Issuing Common Stock/Parent Co. Equity Investment		
34	Repurchase of Treasury Shares		
35	Dividends Paid		
36	Other Financing Activities (explained on back of this page)		
37	**Net Cash Provided by Financing Activities**		
38	**Effect of Exchange Rate Changes on Cash**		
39	**Net Increase/(Decrease) in Cash & Cash Equivalents**		
40	**Cash & Cash Equivalents at Beginning of Period**		
41	**Cash & Cash Equivalents at End of Period**		

Schedule 9.1

SOUTHERN MONTANA TELEPHONE COMPANY
STATEMENT OF CASH FLOWS

	Year Ended December 31,	
	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	**$ 172,530**	$ 219,862
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	**553,281**	500,091
Nonregulated depreciation	**267**	268
Noncash patronage and stock dividends	**(14,581)**	(19,752)
Amortization of discount on certificates of deposit	**(43,037)**	(39,496)
Net realized loss on investments	**50,203**	87,341
Change in assets and liabilities:		
Accounts receivable	**(139,619)**	(724)
Material and supplies	**189**	(13,036)
Other assets	**18,726**	19,292
Accounts payable and accrued liabilities	**205,217**	18,122
Advance payments and customer deposits	**14,049**	1,929
Net cash provided by operating activities	**817,224**	773,897
CASH FLOWS FROM INVESTING ACTIVITIES		
Net additions to telephone plant	**(931,690)**	(312,497)
Proceeds from sales of investments	**1,726,336**	2,256,201
Proceeds from sale of nonregulated investments	**22,051**	-
Purchase of investments	**(949,391)**	(2,241,226)
Net cash used by investing activities	**(132,694)**	(297,522)

Schedule 9.2

SOUTHERN MONTANA TELEPHONE COMPANY
STATEMENT OF CASH FLOWS

	Year Ended December 31,	
	2006	2005
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments of long-term debt	**$ (211,952)**	$ (204,192)
Equity distributions	**(304,559)**	(319,670)
Net cash used by financing activities	**(516,511)**	(523,862)
NET CHANGE IN CASH AND CASH EQUIVALENTS	**168,019**	(47,487)
Cash and cash equivalents at beginning of year	**593,459**	640,946
Cash and cash equivalents at end of year	**$ 761,478**	$ 593,459
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION		
Cash paid during the year for:		
Interest	**$ 56,711**	$ 64,471
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Net increase (decrease) in unrealized loss on available for sale securities	**$ 17,491**	$ (2,964)

See accompanying notes.

Receivables and Investments-Affiliated & Nonaffiliated Companies

ar: 2006

Line No.	Name of Affiliate or Company (a)	Account 1160 Temporary Investments (b)	Account 1180 Telecom. Accounts Receivable (c)	Account 1181 Accts. Rec. Telecom. Allowance (d)	Account 1190 Other Accounts Receivable (e)	Account 1191 Accounts Receivable Allow. - Other (f)	Account 1200 Notes Receivable (g)	Account 1201 Notes Receivable Allowance (h)	Account 1210 Interest and Dividends Receivable (i)	Account 1401 Investments in Affil. Companies (j)	Account 1402 Investments in Nonaffil. Companies (k)
1	Various Stocks										194377
2	Vision Net										264106
3											
4											
5											
6											
7											
8											
9											
10											
11											
12											
13											
14											
15											
16											
17											
18											
19											
20											
21											
22											
23											
24											
25											
26											
27											
28											
29											
30	**Totals**										458483

Net Plant in Service - Detail

Year:2006

Line No.	Account (a)		Description (b)	Beginning of Year Balance (c)	Additions (d)	Retirements (e)	Sales & Transfers (f)	End of Year Account 2001 Balance (g)	Year End Accumulated Depreciation (h)	End of Year Net Plant Balance (i)
1	*	2110	Land and Support Assets	1395379	145471	-79923		1460926		1460926
2	^	2111	Land	38451				38451		38451
3	^	2112	Motor Vehicles	247725	111870	-73481		286113		286113
4	^	2113	Aircraft							
5	^	2114	Special Purpose Vehicles							
6	^	2115	Garage Work Equipment							
7	^	2116	Other Work Equipment	466020	8000	-6442		467578		467578
8	^	2121	Buildings	597192	25601			622793		622793
9	^	2122	Furniture							
10	^	2123	Office Equipment	19504				19504		19504
11	^	2124	General Purpose Computers	26487				26487		26487
12		2211	Analog Electronic Switching							
13		2212	Digital Electronic Switching	1411823	145222	-5462	139	1551722		1551722
14		2215	Electro-Mechanical Switching							
15		2220	Operator Systems							
16		2231	Radio Systems							
17		2232	Circuit Equipment	706828	19956			726784		726784
18	*	2310	Information Orig & Term Equip	18527				18527		18527
19	^	2311	Station Apparatus	18527				18527		18527
20	^	2321	Customer Premises Wiring							
21	^	2341	Large Private Branch Exchanges							
22	^	2351	Public Telephone Term. Equip.							
23	^	2362	Other Terminal Equipment							
24		2411	Poles							
25	*	2420	Cable and Wire Facilities	4462673	627153	-113446		4976382		4976382
26	^	2421	Aerial Cable	33375				33375		33375
27	^	2422	Underground Cable	4429298	627153	-113446		4943005		4943005
28	^	2423	Buried Cable							
29	^	2424	Submarine Cable							
30	^	2425	Deep Sea Cable							
31	^	2426	Intrabuilding Network Cable							
32		2431	Aerial Wire							
33		2441	Conduit Systems							
34			**Totals**	7995230	937802	-198831	139	8734339		8734339

^ Subaccount of the account marked with a *.

Analysis of Plant Held for Future Use

Year:2006

Line No.	Location and Description of Property (a)	Date Included in Account 2002 (b)	Book Cost of Property at Beginning of Year (c)	Additions During the Year (d)	Retirements During the Year (e)	Transfers and Adjustments Charges and (Credits) (f)	Book Cost of Property at End of Year (g)
1	NONE						
2							
3							
4							
5							
6							
7							
8							
9							
10							
11							
12							
13							
14							
15							
16							
17							
18							
19							
20							
21							
22							
23							
24							
25							
26							
27							
28							
29							
30	**Totals (Sum L.1 to L.29)**						

Average Cost of Long Term Debt

Year:2006

Line No.	Description (a)	Issue Date (b)	Maturity Date (c)	Principal Amount (d)	Gross Proceeds (e)	Net Proceeds (f)	Net Per $100 (g)	Outstanding Per Balance Sheet (h)	Yield to Maturity (i)	Annual Net Cost (j)	Amortization of Premium or Discount (k)	Total Cost (%) (l)
1	US of America	Aug-81	Aug-07	4087000				1484079		30983		2.00%
2	Note Payable	Oct-07	Sep-07	665000				298584		25199		7.50%
3												
4												
5												
6												
7												
8												
9												
10												
11												
12												
13												
14												
15												
16												
17												
18												
19												
20												
21												
22												
23												
24												
25												
26												
27												
28												
29												
30	**Total**			4752000				1782663		56182		3.15%

Cost of Preferred Stock

Year:2006

Line No.	Description (a)	Date of Issuance (b)	Method of Offering (c)	Call Redemption Price (d)	Par Value Of Issue (e)	Gross Proceeds Amounts (f)	Net Proceeds Amounts (g)	Net Proceeds Per $100 (h)	Cost of Money (i)	Principal Outstanding (j)	Annual Cost (k)	Embedded Cost (l)
1	NONE											
2												
3												
4												
5												
6												
7												
8												
9												
10												
11												
12												
13												
14												
15												
16												
17												
18												
19												
20												
21												
22												
23												
24												
25												
26												
27												
28												
29												
30	**Totals (Sum L.1 to L.29)**											

Analysis of Common Stock

Year:2006

Line No.	(a)	Avg. Number of Shares Outstanding (b)	Book Value (per share) (c)	Earnings (per share) (d)	Dividends (per share) (e)	Retention Ratio (f)	Market Price High (g)	Market Price Low (h)	Price/ Earnings Ratio (i)
1	Year Ended December 31:								
2									
3									
4									
5									
6		**PRIVATELY HELD STOCK - There is no market for this stock.							
7									
8	Month by Month Data:								
9	January								
10	February								
11	March								
12	April								
13	May		(Not Applicable - Under 5000 Access Lines)						
14	June								
15	July								
16	August								
17	September								
18	October								
19	November								
20	December								
21									
22									
23									

Capital Stock and Funded Debt Reacquired or Retired During the Year

Year:2006

Line No.	Description of Security (a)	Call or Retirement Date (b)	Number of Shares (c)	Principal Amount (d)	Reaquisition or Retirement Cost (e)	Gain or (Loss) (f)	Retirement or Reaquisition (g)
1	NONE						
2							
3							
4							
5							
6							
7							
8							
9							
10							
11							
12							
13							
14							
15							
16							
17							
18							
19							
20							
21							
22							
23							
24							
25							
26							
27							
28							
29							
30	**Totals (Sum L.1 to L.29)**						

Total Company Expense Matrix

Year:2006

Line No.		Acct. No. (a)	Description (b)	Salaries and Wages (c)	Benefits (d)	Rents (e)	Other Expenses (f)	Clearances (g)	Total (h)
1	*	6110	Network Support Expense						
2	^	6112	Motor Vehicle Expense						
3	^	6113	Aircraft Expense						
4	^	6114	Special Purpose Vehicles Expense						
5	^	6115	Garage Work Equipment Expense						
6	^	6116	Other Work Equipment Expense	**NOT APPLICABLE - Under 5000 Access Lines					
7	*	6120	General Support Expense						
8	^	6121	Land and Building Expense						
9	^	6122	Furniture and Artworks Expense						
10	^	6123	Office Equipment Expense						
11	^	6124	General Purpose Computers Expense						
12	*	6210	Central Office Switching Expense						
13	^	6211	Analog Electronic Expense						
14	^	6212	Digital Electronic Expense						
15	^	6215	Electro-Mechanical Expense						
16		6220	Operator Systems Expense						
17	*	6230	Central Office Transmission Expense						
18	^	6231	Radio Systems Expense						
19	^	6232	Circuit Equipment Expense						
20	*	6310	Information Origination/Termination Expense						
21	^	6311	Station Apparatus Expense						
22	^	6341	Large Private Branch Exchange Expense						
23	^	6351	Public Telephone Terminal Equipment Exp.						
24	^	6362	Other Terminal Equipment Expense						
25	*	6410	Cable and Wire Facilities Expense						
26	^	6411	Poles Expense						
27	^	6421	Aerial Cable Expense						
28	^	6422	Underground Cable Expense						
29	^	6423	Buried Cable Expense						
30	^	6424	Submarine Cable Expense						
31	^	6425	Deep Sea Cable Expense						
32	^	6426	Intrabuilding Network Cable Expense						
33	^	6431	Aerial Wire Expense						
34			**Subtotals**						

^ Subaccount of the account marked with a *.

Total Company Expense Matrix

Year:2006

Line No.		Acct. No. (a)	Description (b)	Salaries and Wages (c)	Benefits (d)	Rents (e)	Other Expenses (f)	Clearances (g)	Total (h)
35	^	6441	Conduit Systems Expense						
36		6510	Other Property Expenses						
37	*	6530	Network Operations Expense						
38	^	6531	Power Expense						
39	^	6532	Network Administration Expense						
40	^	6533	Testing Expense						
41	^	6534	Plant Operations Expense						
42	^	6535	Engineering Expense						
43		6540	Access Expense						
44		6561	Depreciation - Telecomm. Plant in Service						
45		6562	Depreciation-Prop. for Future Telecom. Use						
46		6563	Amortization Expense - Tangible						
47		6564	Amortization Expense - Intangible						
48		6565	Amortization - Other						
49	*	6610	Marketing						
50	^	6611	Product Management						
51	^	6612	Sales						
52	^	6613	Product Advertising						
53		6621	Call Completion Services						
54		6622	Number Services						
55		6623	Customer Services						
56		6711	Executive						
57		6712	Planning						
58		6721	Accounting and Finance						
59		6722	External Relations						
60		6723	Human Relations						
61		6724	Information Management						
62		6725	Legal						
63		6726	Procurement						
64		6727	Research and Development						
65		6728	Other General and Administrative						
66		6790	Provision for Uncollectible Notes Receivable						
67			**Totals**						

^ Subaccount of the account marked with a *.

Total State Expense Matrix

Year:2006

Line No.		Acct. No. (a)	Description (b)	Salaries and Wages (c)	Benefits (d)	Rents (e)	Other Expenses (f)	Clearances (g)	Total (h)
1	*	6110	Network Support Expense						
2	^	6112	Motor Vehicle Expense						
3	^	6113	Aircraft Expense						
4	^	6114	Special Purpose Vehicles Expense						
5	^	6115	Garage Work Equipment Expense						
6	^	6116	Other Work Equipment Expense						
7	*	6120	General Support Expense						
8	^	6121	Land and Building Expense						
9	^	6122	Furniture and Artworks Expense	**NOT APPLICABLE - Under 5000 Access Lines					
10	^	6123	Office Equipment Expense						
11	^	6124	General Purpose Computers Expense						
12	*	6210	Central Office Switching Expense						
13	^	6211	Analog Electronic Expense						
14	^	6212	Digital Electronic Expense						
15	^	6215	Electro-Mechanical Expense						
16		6220	Operator Systems Expense						
17	*	6230	Central Office Transmission Expense						
18	^	6231	Radio Systems Expense						
19	^	6232	Circuit Equipment Expense						
20	*	6310	Information Origination/Termination Expense						
21	^	6311	Station Apparatus Expense						
22	^	6341	Large Private Branch Exchange Expense						
23	^	6351	Public Telephone Terminal Equipment Exp.						
24	^	6362	Other Terminal Equipment Expense						
25	*	6410	Cable and Wire Facilities Expense						
26	^	6411	Poles Expense						
27	^	6421	Aerial Cable Expense						
28	^	6422	Underground Cable Expense						
29	^	6423	Buried Cable Expense						
30	^	6424	Submarine Cable Expense						
31	^	6425	Deep Sea Cable Expense						
32	^	6426	Intrabuilding Network Cable Expense						
33	^	6431	Aerial Wire Expense						
34			**Subtotals**						

^ Subaccount of the account marked with a *.

Company Name: Southern Montana Telephone Company

SCHEDULE 18

Year:2006

Total State Expense Matrix

Line No.		Acct. No. (a)	Description (b)	Salaries and Wages (c)	Benefits (d)	Rents (e)	Other Expenses (f)	Clearances (g)	Total (h)
35	^	6441	Conduit Systems Expense						
36		6510	Other Property Expenses						
37	*	6530	Network Operations Expense						
38	^	6531	Power Expense						
39	^	6532	Network Administration Expense						
40	^	6533	Testing Expense						
41	^	6534	Plant Operations Expense						
42	^	6535	Engineering Expense						
43		6540	Access Expense						
44		6561	Depreciation - Telecomm. Plant in Service						
45		6562	Depreciation-Prop. for Future Telecom. Use						
46		6563	Amortization Expense - Tangible						
47		6564	Amortization Expense - Intangible						
48		6565	Amortization - Other						
49	*	6610	Marketing						
50	^	6611	Product Management						
51	^	6612	Sales						
52	^	6613	Product Advertising						
53		6621	Call Completion Services						
54		6622	Number Services						
55		6623	Customer Services						
56		6711	Executive						
57		6712	Planning						
58		6721	Accounting and Finance						
59		6722	External Relations						
60		6723	Human Relations						
61		6724	Information Management						
62		6725	Legal						
63		6726	Procurement						
64		6727	Research and Development						
65		6728	Other General and Administrative						
66		6790	Provision for Uncollectible Notes Receivable						
67			**Totals**						

^ Subaccount of the account marked with a *.

Pension Costs

Year: 2006

1	Plan Name			
2	Defined Benefit Plan? Yes	Defined Contribution Plan? _____		
3	Actuarial Cost Method? _____	IRS Code: _____		
4	Annual Contribution by Employer: $83,492	Is the Plan Over Funded? _____		
5				
	Item	Current Year	Last Year	% Change
6	**Change in Benefit Obligation**			
7	Benefit obligation at beginning of year			
8	Service cost			
9	Interest Cost			
10	Plan participants' contributions			
11	Amendments			
12	Actuarial Gain			
13	Acquisition			
14	Benefits paid			
15	Benefit obligation at end of year			
16	**Change in Plan Assets**			
17	Fair value of plan assets at beginning of year			
18	Actual return on plan assets			
19	Acquisition			
20	Employer contribution			
21	Plan participants' contributions			
22	Benefits paid			
23	Fair value of plan assets at end of year			
24	**Funded Status**			
25	Unrecognized net actuarial loss			
26	Unrecognized prior service cost			
27	Prepaid (accrued) benefit cost			
28				
29	**Weighted-average Assumptions as of Year End**			
30	Discount rate			
31	Expected return on plan assets			
32	Rate of compensation increase			
33				
34	**Components of Net Periodic Benefit Costs**			
35	Service cost			
36	Interest cost			
37	Expected return on plan assets			
38	Amortization of prior service cost			
39	Recognized net actuarial loss			
40	Net periodic benefit cost			
41				
42	**Montana Intrastate Costs:**			
43	Pension Costs			
44	Pension Costs Capitalized			
45	Accumulated Pension Asset (Liability) at Year End			
46	**Number of Company Employees:**			
47	Covered by the Plan			
48	Not Covered by the Plan			
49	Active			
50	Retired			
51	Deferred Vested Terminated			

Other Post Employment Benefits (OPEBS)

Year: 2006

	Item	Current Year	Last Year	% Change
1	**Regulatory Treatment:**	NOT APPLICABLE		
2	Commission authorized - most recent			
3	Docket number: _____			
4	Order number: _____			
5	Amount recovered through rates			
6	**Weighted-average Assumptions as of Year End**			
7	Discount rate			
8	Expected return on plan assets			
9	Medical Cost Inflation Rate			
10	Actuarial Cost Method			
11	Rate of compensation increase			
12	**List each method used to fund OPEBs (ie: VEBA, 401(h)) and if tax advantaged:**			
13				
14				
15	**Describe any Changes to the Benefit Plan:**			
16				
17	**TOTAL COMPANY**			
18	**Change in Benefit Obligation**			
19	Benefit obligation at beginning of year			
20	Service cost			
21	Interest Cost			
22	Plan participants' contributions			
23	Amendments			
24	Actuarial Gain			
25	Acquisition			
26	Benefits paid			
27	Benefit obligation at end of year			
28	**Change in Plan Assets**			
29	Fair value of plan assets at beginning of year			
30	Actual return on plan assets			
31	Acquisition			
32	Employer contribution			
33	Plan participants' contributions			
34	Benefits paid			
35	Fair value of plan assets at end of year			
36	**Funded Status**			
37	Unrecognized net actuarial loss			
38	Unrecognized prior service cost			
39	Prepaid (accrued) benefit cost			
40	**Components of Net Periodic Benefit Costs**			
41	Service cost			
42	Interest cost			
43	Expected return on plan assets			
44	Amortization of prior service cost			
45	Recognized net actuarial loss			
46	Net periodic benefit cost			
47	**Accumulated Post Retirement Benefit Obligation**			
48	Amount Funded through VEBA			
49	Amount Funded through 401(h)			
50	Amount Funded through Other _____			
51	TOTAL			
52	Amount that was tax deductible - VEBA			
53	Amount that was tax deductible - 401(h)			
54	Amount that was tax deductible - Other _____			
55	TOTAL			

Other Post Employment Benefits (OPEBS) Continued

Year: 2006

	Item	Current Year	Last Year	% Change
1	**Number of Company Employees:**			
2	Covered by the Plan			
3	Not Covered by the Plan			
4	Active			
5	Retired			
6	Spouses/Dependants covered by the Plan			
7	**Montana**			
8	**Change in Benefit Obligation**			
9	Benefit obligation at beginning of year			
10	Service cost			
11	Interest Cost			
12	Plan participants' contributions			
13	Amendments			
14	Actuarial Gain			
15	Acquisition			
16	Benefits paid			
17	Benefit obligation at end of year			
18	**Change in Plan Assets**			
19	Fair value of plan assets at beginning of year			
20	Actual return on plan assets			
21	Acquisition			
22	Employer contribution			
23	Plan participants' contributions			
24	Benefits paid			
25	Fair value of plan assets at end of year			
26	**Funded Status**			
27	Unrecognized net actuarial loss			
28	Unrecognized prior service cost			
29	Prepaid (accrued) benefit cost			
30	**Components of Net Periodic Benefit Cccosts**			
31	Service cost			
32	Interest cost			
33	Expected return on plan assets			
34	Amortization of prior service cost			
35	Recognized net actuarial loss			
36	Net periodic benefit cost			
37	**Accumulated Post Retirement Benefit Obligation**			
38	Amount Funded through VEBA			
39	Amount Funded through 401(h)			
40	Amount Funded through other _____			
41	TOTAL			
42	Amount that was tax deductible - VEBA			
43	Amount that was tax deductible - 401(h)			
44	Amount that was tax deductible - Other			
45	TOTAL			
46	**Montana Intrastate Costs:**			
47	Pension Costs			
48	Pension Costs Capitalized			
49	Accumulated Pension Asset (Liability) at Year End			
50	**Number of Montana Employees:**			
51	Covered by the Plan			
52	Not Covered by the Plan			
53	Active			
54	Retired			
55	Spouses/Dependants covered by the Plan			

Payments for Services to Persons Other Than Employees

Year: 2006

Line No.	Name of Recipient (a)	Nature of Service (b)	Total Company Cost (c)	Total State Cost (d)	Intrastate Cost (e)
1					
2					
3					
4					
5					
6	(Not Applicable - Under 5000 Access Lines)				
7					
8					
9					
10					
11					
12					
13					
14					
15					
16					
17					
18					
19					
20					
21					
22					
23					
24					
25					
26					
27					
28					
29					
30					
31					
32					
33					
34					
35					
36					
37					
38					
39					
40					
41					
42					
43					
44					
45					
46					
47					
48					
49	**Total**				

Company Name: Southern Montana Telephone Company

Subscriber Line Usage Data

Line No.	Description (a)	This Year (b)	% of Total (c)	Last Year (d)
1	Toll Usage:			
2	Interstate, InterLATA	3820780	57.25%	3914060
3	Interstate, IntraLATA	85	0.00%	85
4	**Total Interstate Usage**	3820865	57.25%	3914145
5	Intrastate, InterLATA	435933	6.53%	499261
6	Intrastate, IntraLATA	2417348	36.22%	2214880
7	**Total Intrastate Usage**	2853281	42.75%	2714141
8	**Total Toll Usage**	6674146	100.00%	6628286
9	Centrex			
10	Local			
11	**Total Minutes**	6674146	100.00%	6628286

SCHEDULE 22

Year: 2006

% of Total (e)
59.05% 0.00%
59.05%
7.53% 33.42%
40.95%
100.00%
100.00%

Company Name: Southern Montana Telephone Company

SCHEDULE 23

Cental Office and Access Line Statistics

Year: 2006

Line No.	Wire Center (a)	Type of Office (b)	Residential (c)	ISDN (d)	ADSL (e)	Lifeline Customers (f)	Residential LMS Customers (g)	Single Line Business (h)	Multi-Line Business (i)	Customer Owned Coin (j)	Company Owned Coin (k)	Other (l)	% of Lines w/ T. Tone (m)	Total Access Lines (n)
1	*DIVIDE*	*DIGITAL*	*78*			*2*		*9*	*5*		*1*			93
2	*GRANT*	*DIGITAL*	*102*			*1*		*1*	*2*		*1*			106
3	*JACKSON*	*DIGITAL*	*269*					*14*	*12*		*2*			297
4	*WISDOM*	*DIGITAL*	*185*			*1*		*15*	*29*		*1*			230
5	*WISE RIVER*	*DIGITAL*	*247*			*3*		*19*	*14*		*1*			281
6														
7														
8														
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32														
33	**Total**		881			7		58	62		6			1007

NOTE: Additional blank schedules are being provided for your convenience.

Central Office and Switch Information

Year: 2006

Line No.	Wire Center (a)	Office Configuration (Host, Remote, Stand alone) (b)	Type of Switch (c)	Switch Vendor/ Manufacturer (d)	Switch Model No. (e)	Switch Line Capacity (f)	Year Deployed (g)
1	406-267	REMOTE	DIGITAL	NTI	DMS-10	512	1990
2	406-832	REMOTE	DIGITAL	NTI	DMS-10	512	1983
3	406-689-S	REMOTE	DIGITAL	NTI	DMS-10	512	1983
4	406-689	HOST	DIGITAL	NTI	DMS-10	640	1983
5	406-834-J	REMOTE	DIGITAL	NTI	DMS-10	512	1983
6	406-834-T	REMOTE	DIGITAL	NTI	DMS-10	512	1983
7	406-681	REMOTE	DIGITAL	NTI	DMS-10	512	1983
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NOTE: Additional blank schedules are being provided for your convenience.

Construction Budget - Montana

Year: 2007

Line No.	Description (a)	2007 (b)
1	**Central Office Assets:**	
2		
3		
4		
5		
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9		
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25		
26		
27	Total Switching and Central Office Projects over $500,000	
28	Miscellaneous Central Office Projects not over $500,000	202355
29	**Total Central Office Budget (Total of Line 27 & Line 28)**	202355
30	**Other Projects over $500,000:**	
31	Outside Plant Construction (Cable Plowing)	2042503
32	Transport Equipment / Subscriber Electronics	985696
33	Engineering	562804
34		
35		
36		
37		
38		
39		
40		
41	Total Other Projects over $500,000	3591003
42	Miscellaneous projects not over $500,000	
43	**Total Construction Budget (Total of Lines 29, 41 & 42)**	3793358

Montana Total State Construction Expenditures

Line No.	FCC Part 32 Account No. (a)	Description (b)	This Year (c)	Last Year (d)	Percent Change (e)
1	2110	General Support Assets	**145471**	**97973**	48.48%
2	2210	Central Office Assets	**165178**	**133677**	23.57%
3	2220	Operator Systems			
4	2230	Central Office Transmission			
5	2310	Information/Termination Assets			
6	2410	Cable and Wire Facilities Assets	**627153**	**64310**	875.20%
7	2680	Amortizable Tangible Assets			
8	2690	Intangibles			
9		**Total Construction Expenditures**	**937802**	**295960**	216.87%

Montana Employee Counts

Year: 2006

Line No.	Category (a)	Beginning of Year (b)	End of Year (c)
1	Executive	1	1
2	Office	3	3
3	Outside Plant/COE	3	3
4			
5			
6			
7			
8			
9			
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42			
43	**Totals (Sum of Lines 1 through 42)**	7	7

Compensation of Top 10 Montana Based Employees

Year: 2006

Line No.	Name/Title (a)	Base Salary (b)	Bonuses (c)	Other Compensation (d)	Total Compensation (e)	Total Compensation Last Year (f)	% Increase Total Compensation (g)
1	Robert G. Helming CEO						
2	Conrad Eklund General Manager						
3	Dave Hollenback Plant/COE Manager						
4	Jane Melby Office Manager						
5	Lukrisha Mattison CSR/Admin. Assistant						
6	Rex Caraker Combination Tech						
7	Richard Nickisch Combination Tech						
8							
9							
10							
11	**Totals (Sum L.1 to L.10)**						

Company Name: Southern Montana Telephone Company

Compensation of Top 5 Corporate Employees - SEC Information

Line No.	Name/Title (a)	Base Salary (b)	Bonuses (c)	Other Compensation (d)	Total Compensation (e)
1	NOT APPLICABLE - PRIVATELY-HELD NOT REQUIRED TO FILE SEC INFORMATIC				
2					
3					
4					
5					
6	**Totals (Sum L.1 to L.5)**				

SCHEDULE 28

Year: 2006

Total Compensation Last Year (f)	% Increase Total Compensation (g)

***NOT APPLICABLE- Not able to provide this information - Would require hiring outside consultants

Montana Composite Statistics

Year: 2006

Line No.	Account No.	Description (a)	Amount (b)
1		**Plant (Intrastate Only) (000 Omitted)**	
2	2001	Plant in Service	
3	2003 - 2004	Construction Work in Progress	
4	2005	Plant Acquisition Adjustments	
5	2002	Plant Held for Future Use	
6	1220	Materials & Supplies	
7		(Less):	
8	3100 - 3400	Depreciation & Amortization Reserves	
9	4360.2	Contributions in Aid of Construction	
10		**NET BOOK COSTS**	
11		**Revenues & Expenses (Intrastate Only) (000 Omitted)**	
12	5000 - 5300	Operating Revenues	
13	6560	Depreciation & Amortization Expenses	
14		Federal & State Income Taxes	
15		Other Taxes	
16		Other Operating Expenses	
17		TOTAL Operating Expenses	
18		Net Operating Income	
19		Other Income	
20		Other Deductions	
21		**NET INCOME**	
22		**Access Lines in Service (Intrastate Only)**	
23		Residential Access Lines	
24		Business Access Lines	
25		PBX Access Lines	
26		Other Access Lines	
27		**Total Number of Access Lines**	
28		**Average Number of Calls Per Access Line**	
29		Local Calls	
30		Toll Calls (Intra- or Interstate)	
31		**Total Number of Calls Per Access Line (Total of Line 29 & Line 30 divided by Line 27)**	
32		**Other Statistics (Intrastate Only)**	
33		Average Residential Monthly Bill	
34		Gross Plant Investment per Access Line	

Depreciation - Montana Intrastate Regulated

Year: 2006

Line No.	Acct No. (a)	Description (b)	Composite Rate % (c)	Total Expense $ (d)
1	2112	Motor Vehicles	33.0%	71,119
2	2114	Special Purpose Vehicles		
3	2115	Garage Work Equipment		
4	2116	Other work Equipment	13.4%	
5	2121	Buildings	4.2%	25,351
6	2122	Furniture		
7	2123.1	Office Support Equipment	11.7%	
8	2123.2	Company Communications Equipment	9.3%	978
9	2124	General Purpose Computers	20.0%	5,297
10	2211	Analog Electronic Switching Equipment		
11	2212	Digital Electronic Switching Equipment	10.0%	153,490
12	2215	Step By Step Switching Equipment		
13	2215	Crossbar Switching Equipment		
14	2220	Operator System		
15	2231	Radio Systems		
16	2232	Circuit DDS		
17	2232	Circuit Digital	10.0%	71,183
18	2232	Circuit Analog		
19	2351	Public Telephone Terminating Equipment		
20	2362	Other Terminal Equipment		
21	2411	Poles		
22	2421	Aerial Cable Metallic		
23	2421	Aerial Cable Nonmetallic		
24	2422	Underground Cable Metallic	5.0%	150,367
25	2422	Underground Cable Nonmetallic	5.0%	73827.27
26	2423	Buried Cable Metallic		
27	2423	Buried Cable Nonmetallic		
28	2424	Submarine Cable Metallic		
29	2424	Submarine Cable Nonmetallic		
30	2426	Intrabuilding Network Cable Metallic		
31	2426	Intrabuilding Network Cable Nonmetallic		
32	2431	Aerial Wire	5.0%	1,669
33	2441	Conduit Systems		
34				
35		**COMPOSITE TOTAL**		553,281
36				
37		**Please list the Montana Public Service Commssion Docket Order No. approving these depreciation rates**		
38				
39		Docket Number _____ Order Number _____		
40				

Company Name: Southern Montana Telephone Company

SCHEDULE 30a

Amortization - Montana Intrastate Regulated

Year: 2006

Line No.	Acct No. (a)	Description (b)	Composite Rate % (c)	Total Expense $ (d)
1				
2				
3				
4				
5		**NOT APPLICABLE		
6				
7				
8				
9				
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34				
35		**COMPOSITE TOTAL**		

36
37 **Please list the Montana Public Service Commission Docket Order No. approving these amortization rates**
38
39 Docket Number _____ Order Number _____
40

Company Name: Southern Montana Telephone Company

SCHEDULE 31

Montana Regulatory Capital Structure & Costs

Year: 2006

Line No.	Description (a)	% Cap. Str. (b)	% Cost Rate (c)	Weighted Cost (d)
	Commission Accepted - Most Recent			
1	Docket Number			
2	Order Number			
3				
4	Common Equity			
5	Preferred Stock			
6	Long Term Debt			
7	Other			
8	**Total**			
9				
10	**Actual at Year End**			
11				
12	Common Equity			
13	Preferred Stock			
14	Long Term Debt			
15	Other			
16	**Total**			

Company Name: Southern Monta

SCHEDULE 32

Network Access - Charges and Revenues

Year: 2006

Line No.	Description (a)	Access Charges Paid (b)	Access Revenues Received (c)
1	Montana - Total State		404741.58
2			
3	Montana - Intrastate		404741.58
4			
5	Montana - Intrastate Regulated		404741.58
6			
7			
8			
9			
10			
11			
12			
13			

Company Name: Southern Montana Telephone Company

SCHEDULE 33

Affiliate Transactions - Products & Services Provided to Utility

Year: 2006

Line No.	Affiliate Name (a)	Products & Services (b)	Method to Determine Price (c)	Charges to Utility (d)	% Total Affil. Revenues (e)	Charges to MT Utility (f)
1	National Information Systems	Computer Service Bureau (Billing, Acct & Plant, Soft. Maintenance)	Varies			94,264
2						
3						
4						
5	GVNW	Consultants (Cost Studies, Separations, Traffic Studies, Etc.)	Hourly Rate			33,307
6						
7						
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29						
30	**TOTAL**					$127,571

Company Name: Southern Montana Telephone Company

SCHEDULE 34

Affiliate Transactions - Products & Services Provided by Utility

Year: 2006

Line No.	Affiliate Name (a)	Products & Services (b)	Method to Determine Price (c)	Charges to Affiliate (d)	% Total Affil. Revenues (e)	Charges to MT Utility (f)
1						
2						
3						
4						
5						
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29						
30	**TOTAL**					

Montana Intrastate Regulated Earned Rate of Return

Year: 2006

Line No.	Description Rate Base (a)		This Year (b)	Last Year (c)	Percent Change (d)
1					
2	2001	Plant in Service	**	4,303,043	#VALUE!
3	2002	Prop. Held for Future Telecommunications Use			
4	3100-3200	(Less) Accumulated Depreciation	**	(2,407,213)	#VALUE!
5		**Plant in Service**	**	1,895,830	#VALUE!
6					
7		**Additions**			
8	1220	Materials & Supplies	**	27,671	#VALUE!
9	1280	Prepayments			
10		Other Additions			
11		**TOTAL Additions**	**	27,671	#VALUE!
12					
13		**Deductions**			
14	4100	Current Deferred Operating Income Taxes	** Awaiting info from cost con		
15	4320	Unamortized Operating Investment Tax Credits			
16	4340	Noncurrent Deferred Operating Income Taxes			
17		Customer Advances for Construction			
18		Other Deductions			
19		**TOTAL Deductions**			
20		**TOTAL Rate Base**	#VALUE!	1,923,501	#VALUE!
21					
22		**Net Earnings**			
23					
24	**Rate of Return on Average Rate Base**			4.99%	-100.00%
25					
26	**Rate of Return on Average Equity**			5.78%	-100.00%
27					
28	Major Normalizing Adjustments & Commission				
29	Ratemaking adjustments to Utility Operations				
30					
31					
32					
33					
34					
35					
36					
37					
38					
39					
40					
41					
42					
43	**Adjusted Rate of Return on Average Rate Base**				
44					
45	**Adjusted Rate of Return on Average Equity**				

SCHEDULE 36

Other Taxes Paid

Year: 2006

Line No.	Description (a)	Last Year (b)	This Year (c)
1	Montana Telephone Company License Tax	1384	1350
2	Montana Public Service Commission Tax	583	376
3	Montana Consumer Counsel Tax		
4	911 Emergency Telephone Fee		
5	Montana Telecommunications Access Service (TDD)		
6	Montana Corporate License Tax		
7	Personal Property Tax		
8	Real Property Tax	39,683	43,281
9			
10			
11			
12	**Total**	41650	45006.61

SCHEDULE 37

Universal Service Funds Received

Year: 2006

Line No.	Description (a)	Last Year (b)	This Year (c)
13	Funds received from Montana Sources		
14	Funds received from Federal Sources	282396	281381
15			
16			
17			
18			
19			
20			
21			
22			
23			
24	**Total**	282396	281381