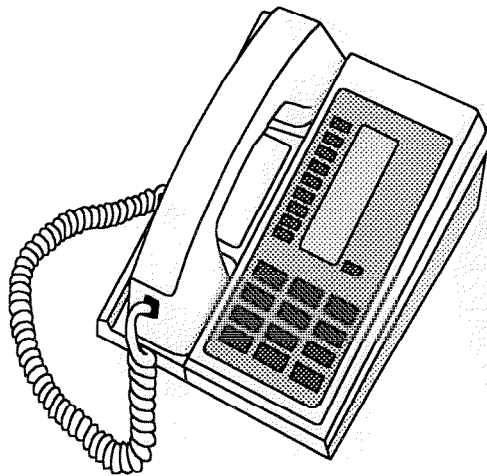


YEAR 1999

ANNUAL REPORT
OF
**Clark Fork
Telecommunications, Inc**
TELEPHONE UTILITY

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

Telephone Annual Report

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General Information

Year: 1999

1.	Legal Name of Respondent:	Clark Fork Telecommunications, Inc.
2.	Name Under Which Respondent Does Business:	Clark Fork Telecommunications, Inc.
3.	Date of Incorporation:	May 11, 1993
4.	Address to send Correspondence Concerning Report:	1221 North Russell, Missoula MT 59808
5.	Person Responsible for This Report:	David P. Dickman - Controller
5a.	Telephone Number:	(406) 541-5228
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: BTC Holdings, Inc 1221 North Russell, Missoula MT 59802	
1b.	Means by which control was held:	Stock Ownership
1c.	Percent Ownership:	100%

Board of Directors		
Line No.	Name of Director and Address (City, State) (a)	Fees Paid During Year (b)
1	James Couture, 981 N. Couture Loop, Arlee, MT 59821	5,600
2	Geoffrey Wilson, 250 Southside Road, Superior, MT 59872	7,452
3	William Nelson, P. O. Box 348, Greenough, MT 59836	5,000
4	Tom Eggensperger, P. O. Box 219, Thompson Falls, MT 59873	6,253
5	Ross Friede, 5638 Hwy 1, Hall, MT 59837	6,063
6	Joe Nagy, P. O. Box 482, Seeley Lake, MT 59868	4,500
7	William Teague, P. O. Box 118, Clinton, MT 59825	4,500
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18	Chairman of the Board: Geoff Wilson - address and fee information above	
19		
20		

Officers

Year: 1999

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	None	Geoff Wilson, 250 Southside Rd, Superior MT
2			
3			
4	Vice President	None	Ross Friede, 5638 Hwy 1, Hall MT
5			
6			
7	Secretary/Treasurer	None	James Couture, 981 N. Couture Loop, Arlee MT
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Total Company Balance Sheet

Year: 1999

Line No.	Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
1		CURRENT ASSETS:		
2	1120	Cash and Equivalents	3,649,525	4,068,570
3	1180	Telecommunications Accounts Receivable - Net	675,602	531,389
4	1190	Other Accounts Receivable - Net	1,943,334	884,660
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	8,124	
15		Total Current Assets	6,276,585	5,484,619
16		NONCURRENT ASSETS:		
17	1401	Investments in Affiliated Companies		
18	1402	Investments in Nonaffiliated Companies	1,225,074	1,165,642
19	1406	Nonregulated Investments		
20	1407	Unamortized Debt Issuance Expense		
21	1408	Sinking Funds		
22	1410	Other Noncurrent Assets	3,467	3,348
23	1438	Deferred Maintenance and Retirements		
24	1439	Deferred Charges		
25	1500	Other Jurisdictional Assets - Net		
26		Total Noncurrent Assets	1,228,541	1,168,990
27		PROPERTY, PLANT, & EQUIPMENT:		
28	2001	Telecommunications Plant in Service	34,641,257	31,931,327
29	2002	Property Held for Future Telecommunications Use		
30	2003	Plant Under Construction - Short Term	402,345	1,810,712
31	2004	Plant Under Construction - Long Term		
32	2005	Telecommunications Plant Adjustment	7,463,858	8,740,435
33	2006	Nonoperating Plant		
34	2690	Organizational Costs	163,611	13,086
35	3100	Accumulated Depreciation	(12,180,564)	(11,402,375)
36	3200	Accumulated Depreciation - Held for Future Use		
37	3500	Accumulated Amortization - Organizational Costs	(13,085)	(12,323)
38	3400	Accumulated Amortization	(1,276,577)	(1,056,318)
39		Net Property, Plant, & Equipment	29,200,845	30,024,544
40		TOTAL ASSETS	36,705,971	36,678,153

^ Subaccount of account marked with a *.

Total Company Balance Sheet

Year: 1999

Line No.	Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
41		CURRENT LIABILITIES:		
42	4010	Accounts Payable	44,082	360,444
43	4020	Notes Payable		
44	4030	Advance Billing and Payments	195,007	183,853
45	4040	Customer Deposits	110,366	90,670
46	4050	Current Maturities - Long Term Debt	1,459,708	1,195,304
47	4060	Current Maturities - Capital Leases		
48	4070	Income Taxes - Accrued		
49	4080	Other Taxes - Accrued	614,228	570,672
50	4100	Net Current Deferred Operating Income Taxes	675,738	357,481
51	4110	Net Current Deferred Nonoperating Income Taxes		
52	4120	Other Accrued Liabilities	184,338	193,076
53	4130	Other Current Liabilities		
54		Total Current Liabilities	3,283,467	2,951,500
55		LONG-TERM DEBT:		
56	4210	Funded Debt	25,984,927	27,487,933
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	25,984,927	27,487,933
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	135,855	
71	4370	Other Jurisdictional Liab. and Def. Credits		
72		Total Other Liabilities and Deferred Credits	135,855	
73		STOCKHOLDERS' EQUITY:		
74	4510	Capital Stock	4,700,000	4,700,000
75	4520	Additional Paid-In Capital		
76	4530	Treasury Stock		
77	4540	Other Capital		
78	4550	Retained Earnings	2,601,722	1,538,720
79		Total Stockholders' Equity	7,301,722	6,238,720
80		TOTAL LIAB. AND STOCKHOLDERS' EQUITY	36,705,971	36,678,153

Total Company Income Statement

Year: 1999

Line No.	Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
1		REVENUES:		
2	5000	Basic Local Service Revenues	2,608,084	2,336,539
3	5080	Network Access Revenues	8,930,102	8,378,942
4	* 5100	Long Distance Message Revenue	58,450	107,585
5	^ 5110	Unidirectional Long Distance Revenue		
6	^ 5120	Long Distance Private Network Revenue	56,350	96,202
7	^ 5160	Other Long Distance Revenue	2,100	11,383
8	^ 5169	Other Long Distance Revenue Settlements		
9	* 5200	Miscellaneous Revenue	461,142	500,325
10	^ 5230	Directory Revenue	(4,408)	(3,626)
11	^ 5240	Rent Revenue		
12	^ 5250	Corporate Operations Revenue		
13	^ 5260	Miscellaneous Revenue	50,346	41,473
14	^ 5270	Carrier Billing and Collection Revenue	271,861	354,027
15	^ 5280	Nonregulated Revenue	143,343	108,451
16	5300	Uncollectible Revenue	3,379	5,293
17		Total Revenues (L.2+L.3+L.4+L.9-L.16)	12,054,399	11,318,098
18		OPERATING EXPENSES:		
19	6110	Network Support Expense		
20	6120	General Support Expense	360,398	235,211
21	6210	Central Office Switching Expense	619,392	698,540
22	6220	Operator Systems Expense		
23	6230	Central Office Transmission Expense	125,171	158,922
24	6310	Information Origination/Termination Expense		
25	* 6410	Cable and Wire Facilities Expense	921,306	895,412
26	^ 6431	Aerial Wire Expense	921,306	895,412
27	^ 6441	Conduit Systems Expense		
28	6510	Other Property, Plant & Equipment Expense		
29	6530	Network Operations Expense	439,926	336,354
30	6540	Access Expense	82,456	16,128
31	6560	Depreciation and Amortization Expense	3,126,701	2,764,030
32	6610	Marketing	48,668	3,642
33	6620	Services	495,281	471,687
34	6710	Executive and Planning	253,686	228,369
35	6720	General and Administrative	976,023	863,501
36	6790	Provision for Uncollectible Notes Receivable		
37		Total Operating Expenses (Sum L.19 to L.36-L.26-L.27)	7,449,009	6,671,796
38	7100	Other Operating Income and Expense	(57,438)	(48,291)
39	7200	Operating Taxes	2,026,529	1,645,344
40		Net Operating Income (L.17-L.37+L.38-L.39)	2,521,423	2,952,667
41	7300	Nonoperating Income and Expense	380,396	99,727
42	7400	Nonoperating Taxes		
43	7500	Interest and Related Items	1,838,817	1,737,028
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)	1,063,002	1,315,366

^ Subaccount of the account marked with a *.

Montana Total State Income Statement

Year: 1999

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	This schedule is the same as schedule #4 as Clark Fork Telecommunications, Inc operates only in Montana	
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 Income Statement

Year: 1999

Line No.	Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
1		REVENUES:		*
2	5000	Basic Local Service Revenues	2,608,084	2,336,539
3	5080	Network Access Revenues	1,549,195	1,671,269
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	167,549	200,340
10	^ 5230	Directory Revenue		
11	^ 5240	Rent Revenue		
12	^ 5250	Corporate Operations Revenue		
13	^ 5260	Miscellaneous Revenue		
14	^ 5270	Carrier Billing and Collection Revenue	167,549	200,340
15	^ 5280	Nonregulated Revenue		
16	5300	Uncollectible Revenue	3,379	5,293
17		Total Revenues (L.2+L.3+L.4+L.9-L.16)	4,321,449	4,202,855
18		OPERATING EXPENSES:		
19	6110	Network Support Expense		
20	6120	General Support Expense		153,577
21	6210	Central Office Switching Expense	Information is not available at this time	362,863
22	6220	Operator Systems Expense		
23	6230	Central Office Transmission Expense		82,554
24	6310	Information Origination/Termination Expense		
25	* 6410	Cable and Wire Facilities Expense		623,061
26	^ 6431	Aerial Wire Expense		623,061
27	^ 6441	Conduit Systems Expense		
28	6510	Other Property, Plant & Equipment Expense		
29	6530	Network Operations Expense		198,504
30	6540	Access Expense		
31	6560	Depreciation and Amortization Expense		1,638,585
32	6610	Marketing		10,023
33	6620	Services		326,686
34	6710	Executive and Planning		143,714
35	6720	General and Administrative		528,293
36	****	Interstate expense adjustment		(2,745,508)
37		Total Operating Expenses (Sum L.19 to L.36-L.26-L.27)		1,322,352
38	7100	Other Operating Income and Expense		
39	7200	Operating Taxes		785,121
40		Net Operating Income (L.17-L.37+L.38-L.39)		2,095,382

^ Subaccount of the account marked with a *.

* Information from Cost Study - part 36 (also see separated financial statement)

Montana Intrastate Regulated Income Statement

Year: 1999

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		
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	This schedule is the same as schedule #6 as Clark Fork Telecommunications, Inc operates only in Montana	
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	This schedule is the same as schedule #6 Clark Fork Telecommunications, Inc operates only in Montana	
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: 1999

Line No.	Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
1	2001	Telecommunications Plant in Service		30,932,532
2	3100	Accumulated Depreciation	Information not available at this time	10,795,103
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		82,767
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!

Average Rate Base - Intrastate

Line No.	Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
1	2001	Telecommunications Plant in Service		20,197,068
2	3100	Accumulated Depreciation	Information not available at this time	6,659,105
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		54,042
7		customer deposits		
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!

Average Rate Base - Regulated Intrastate

Line No.	Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
1	2001	Telecommunications Plant in Service		12,419,166
2	3100	Accumulated Depreciation	Information not available at this time	4,138,678
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		33,231
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!

*Information from Cost Study - part 36

Statement of Cash Flows

Year: 1999

Line No.	Item Description (a)	Amount (b)	Amount (c)
1	Increase/(decrease) in Cash & Cash Equivalents		(419,045)
2	Cash Flows from Operating Activities:		
3	Net Income		1,063,002
4	Reconciliation Adjustments:		
5	Depreciation & Amortization	3,133,411	
6	Provision for Accounts Receivable Losses		
7	Deferred Income Taxes - Net	318,257	
8	Unamortized Investment Tax Credits (ITCs) - Net		
9	Allowance for Funds Used During Construction (AFUDC)		
10	Change in Operating Receivables - Net	(1,489,197)	
11	Change in Materials, Supplies & Inventories - Net		
12	Change in Operating Payables & Accrued Liabilities - Net	(316,362)	
13	Change in Other Assets & Deferred Credits - Net	28,629	
14	Change in Other Liabilities & Deferred Credits - Net	170,673	
15	Other (explained on back of this page)		
16	Total Adjustments		1,845,411
17	Net Cash Provided by/(Used in) Operating Activities		2,908,413
18	Cash Inflows/Outflows From Investing Activities:		
19	Construction/Acquisition of Property, Plant & Equipment (net of		
20	AFUDC & Capital Lease Related Acquisitions)	(2,022,714)	
21	Proceeds from Disposals of Property, Plant & Equipment	42,971	
22	Investments In & Advances to Affiliates	(114,206)	
23	Proceeds from Repayment of Advances	5,093	
24	Other Investing Activities (explained on back of this page)		
25	Net Cash Provided by/(Used in) Investing Activities		(2,088,856)
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	(1,238,602)	
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		(1,238,602)
38	Effect of Exchange Rate Changes on Cash		
39	Net Increase/(Decrease) in Cash & Cash Equivalents		(419,045)
40	Cash & Cash Equivalents at Beginning of Period		4,068,570
41	Cash & Cash Equivalents at End of Period		3,649,525

Receivables and Investments-Affiliated & Nonaffiliated Companies

Year: 1999

Line	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	Rural Telephone Finance Coop				75,000						1,112,898
2	Vision Net				35,474						57,378
3	Rural Telephone Bank				351,568						9,891
4	Thompson Falls S C				360,189						44,907
5	Mt Ind Local Exchange Carrier				99,658						
6	Ind NECA Services										
7	Other Interstate Carriers										
8	National Exchange Carrier As.										
9	Min Bell Toll Settlement										
10	Misc Receivables										
11	Telephone Subscribers		674,426	1,176							
12	BTC Technologies										
13	BTC										
14	Wireless										
15	.Net										
16											
17											
18											
19											
20											
21											
22											
23											
24											
25											
26											
27											
28											
29											
30	Totals	-	674,426	1,176	1,078,574	-	-	-	-	-	1,225,074

Net Plant in Service - Detail

Year:1999

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	764,682	3,698	-	-	768,380	368,049	400,331
2	^ 2111	Land	33,243	400			33,643		33,643
3	^ 2112	Motor Vehicles					-		-
4	^ 2113	Aircraft					-		-
5	^ 2114	Special Purpose Vehicles					-		-
6	^ 2115	Garage Work Equipment					-		-
7	^ 2116	Other Work Equipment					-		-
8	^ 2121	Buildings	731,439	3,298			734,737	368,049	366,688
9	^ 2122	Furniture					-		-
10	^ 2123	Office Equipment					-		-
11	^ 2124	General Purpose Computers					-		-
12		2211 Analog Electronic Switching					-		-
13		2212 Digital Electronic Switching	2,947,214	124,897	2,286	(28,114)	3,097,939	2,059,990	1,037,949
14		2215 Electro-Mechanical Switching					-		-
15		2220 Operator Systems					-		-
16		2231 Radio Systems	658,063	113,947	15,121	2,635	754,254	357,879	396,375
17		2232 Circuit Equipment	4,201,655	577,787	99,696		4,679,746	2,756,736	1,923,010
18	* 2310	Information Orig & Term Equip	-	-	-	-	-	-	-
19	^ 2311	Station Apparatus					-		-
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	222,898		12,289		210,609	144,352	66,257
25	* 2420	Cable and Wire Facilities	22,844,775	2,373,637	370,185	9,939	24,838,288	7,510,544	17,327,744
26	^ 2421	Aerial Cable	1,259,612	45,268	250,439	(2,990)	1,057,431	481,215	576,216
27	^ 2422	Underground Cable	56,682				56,682	10,393	46,289
28	^ 2423	Buried Cable	21,528,481	2,328,369	119,746	12,929	23,724,175	7,018,936	16,705,239
29	^ 2424	Submarine Cable					-		-
30	^ 2425	Deep Sea Cable					-		-
31	^ 2426	Intrabuilding Network Cable					-		-
32		2431 Aerial Wire	244,422				244,422	244,422	-
33		2441 Conduit Systems	47,619				47,619	6,580	41,039
34		Totals	31,931,328	3,193,966	499,577	(15,540)	34,641,257	13,448,552	21,192,705

^ Subaccount of the account marked with a *.

Analysis of Plant Held for Future Use

Year: 1999

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)

Company Name: Clark Fork Telecommunications, Inc.

SCHEDULE 13

Average Cost of Long Term Debt

Year: 1999

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	RTFC	March 1994	Feb 2014	23,299,100	23,299,100	23,299,100		16,669,017		1,128,365		6.77%
2	RUS	July 1996	July 2017	11,027,000	11,027,000	11,027,000		10,530,634		694,786		6.60%
3	RTB	May 1996		207,708	207,708	207,708		199,614		10,441		5.23%
4	RUS Econ Dev	March 1998	March 2008	50,000	50,000	50,000		45,370				
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			34,583,808	34,583,808	34,583,808	100.00	27,444,635		1,833,592		6.68%

Cost of Preferred Stock

Year: 1999

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: 1999

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		Price/Earnings Ratio (i)
							High (g)	Low (h)	
1	Year Ended December 31:	4,700	1,000				n/a	n/a	
2									
3									
4									
5									
6									
7									
8	Month by Month Data:								
9	January								
10	February								
11	March								
12	April								
13	May								
14	June								
15	July								
16	August								
17	September								
18	October								
19	November								
20	December								
21									
22									
23									

Company Name: Clark Fork Telecommunications, Inc.

SCHEDULE 16

Capital Stock and Funded Debt Reacquired or Retired During the Year

Year: 1999

Line No.	Description of Security (a)	Call or Retirement Date (b)	Number of Shares (c)	Principal Amount (d)	Reacquisition or Retirement Cost (e)	Gain or (Loss) (f)	Retirement or Reacquisition (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:1999

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	105,373	28,733	858	225,434	-	360,398
8	^ 6121	Land and Building Expense	26,878	10,231	858	102,518		140,485
9	^ 6122	Furniture and Artworks Expense				13,575		13,575
10	^ 6123	Office Equipment Expense				12,664		12,664
11	^ 6124	General Purpose Computers Expense	78,495	18,502		96,677		193,675
12	* 6210	Central Office Switching Expense	89,728	20,312	530	508,822	-	619,392
13	^ 6211	Analog Electronic Expense						-
14	^ 6212	Digital Electronic Expense	89,728	20,312	530	508,822		619,392
15	^ 6215	Electro-Mechanical Expense						-
16	6220	Operator Systems Expense						-
17	* 6230	Central Office Transmission Expense	52,091	17,691	356	55,033	-	125,171
18	^ 6231	Radio Systems Expense	20,047	6,170	63	47,227		73,507
19	^ 6232	Circuit Equipment Expense	32,044	11,521	293	7,806		51,664
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	482,936	187,935	38,939	211,497	-	921,306
26	^ 6411	Poles Expense	5,898	2,228	21,915			30,041
27	^ 6421	Aerial Cable Expense	43,058	15,714	1,340	19,156		79,267
28	^ 6422	Underground Cable Expense						-
29	^ 6423	Buried Cable Expense	433,980	169,993	15,684	192,341		811,998
30	^ 6424	Submarine Cable Expense						-
31	^ 6425	Deep Sea Cable Expense						-
32	^ 6426	Intrabuilding Network Cable Expense						-
33	^ 6431	Aerial Wire Expense						-
34		Subtotals	730,128	254,671	40,683	1,000,787	-	2,026,268

^ Subaccount of the account marked with a *.

Total Company Expense Matrix

Year:1999

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	205,809	69,057	-	165,061	-	439,926
38	6531	Power Expense				64,477		64,477
39	6532	Network Administration Expense	13,574	5,184				18,758
40	6533	Testing Expense	18,717	7,904		3,366		29,987
41	6534	Plant Operations Expense	34,823	12,703		2,192		49,718
42	6535	Engineering Expense	138,695	43,266		95,026		276,987
43	6540	Access Expense	51,339	20,624		10,494		82,456
44	6561	Depreciation - Telecomm. Plant in Service				2,617,021		2,617,021
45	6561	Depreciation-Prop. Allocated From Parent				280,288		280,288
46	6563	Amortization Expense - Tangible						-
47	6564	Amortization Expense - Intangible				229,392		229,392
48	6565	Amortization - Other						-
49	* 6610	Marketing	33,406	5,501	-	9,761	-	48,668
50	6611	Product Management	33,406	5,501		9,761		48,668
51	6612	Sales						-
52	6613	Product Advertising						-
53	6621	Call Completion Services				4,747		4,747
54	6622	Number Services	7,256	2,620		16,486		26,363
55	6623	Customer Services	315,491	122,796		25,884		464,171
56	6711	Executive	106,763	28,333		118,590		253,686
57	6712	Planning						-
58	6721	Accounting and Finance	146,445	50,082		76,208		272,735
59	6722	External Relations	25,968	7,455		63,379		96,802
60	6723	Human Relations	27,813	8,579		4,931		41,323
61	6724	Information Management	123,665	32,429		51,990		208,084
62	6725	Legal				9,174		9,174
63	6726	Procurement	1,006					1,006
64	6727	Research and Development						-
65	6728	Other General and Administrative	98,385	32,594		215,920		346,899
66	6790	Provision for Uncollectible Notes Receivable						-
67		Totals	1,873,473	634,741	40,683	4,900,112	-	7,449,009

^ Subaccount of the account marked with a *.

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)
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						
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						

This schedule is the same as schedule 17 as Clark Fork Telecommunications, Inc. operates only in Montana

^ Subaccount of the account marked with a *.

Total State Expense Matrix

Year:1999

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						

This Schedule is the same as schedule 17
 Clark Fork Telecommunications, Inc. Operates only in MONTANA

^ Subaccount of the account marked with a *.

Pension Costs

Year: 1999

1	Plan Name			
2	Defined Benefit Plan? N/A		Defined Contribution Plan? N/A	
3	Actuarial Cost Method? _____		IRS Code: _____	
4	Annual Contribution by Employer: _____		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)

Item	Current Year	Last Year	% Change
1 Regulatory Treatment:			
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	N/A	N/A	
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	#VALUE!		#VALUE!
44 Amortization of prior service cost			
45 Recognized net actuarial loss			
46 Net periodic benefit cost	#VALUE!		#VALUE!
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

	Item	Current Year	Last Year	% Change
1	Number of Company Employees:			
2	Covered by the Plan			
3	Not Covered by the Plan			
4	Active	N/A	N/A	#VALUE!
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 Costs			
31	Service cost			
32	Interest cost			
33	Expected return on plan assets	#VALUE!		#VALUE!
34	Amortization of prior service cost			
35	Recognized net actuarial loss			
36	Net periodic benefit cost	#VALUE!		#VALUE!
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: 1999

Line No.	Name of Recipient (a)	Nature of Service (b)	Total Company Cost (c)	Total State Cost (d)	Intrastate Cost (e)
1	State of Montana	911/TDD taxes	55,993	Not Available at this time	Not Available at this time
2	State Treasurer (MT)	Telephone licensing tax	41,125		
3	Mtn Utility Construction	Construction Work	41,925		
4	Montana Power	Power	23,784		
5	Vision Net	Internet service	25,762		
6	Comstock Telcom/RC Concepts	Materials	40,075		
7	A T & T	Purchase of A/R	342,302		
8	GVNW Inc.	Consulting - Cost Studies	46,961		
9	Advanced Fiber Communications	Materials	359,713		
10	4G's Computers	Computers	26,125		
11	Granite County Treasurer	Property taxes	208,357		
12	Sanders County Courthouse	Property taxes	647,708		
13	Mineral County Courthouse	Property taxes	294,580		
14	Alamon Telco Inc.	Leased contracted employees	65,562		
15	Hanson Directory Service, Inc.	Phone directory preparation	45,742		
16	U S A C	Universal Service Funds	33,464		
17					
18					
19					
20					
21					
22					
23					
24					
25					
26					
27					
28					
29					
30					
31					
32					
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34					
35					
36					
37					
38					
39					
40					
41					
42					
43					
44					
45					
46					
47					
48					
49	Total				

Subscriber Line Usage Data

Year: 1999

Line No.	Description (a)	This Year (b)	% of Total (c)	Last Year (d)	% of Total (e)
1	Toll Usage:				
2	Interstate, InterLATA	36,897,431	61.88%	34,174,183	61.19%
3	Interstate, IntraLATA	33,246	0.06%	123	0.00%
4	Total Interstate Usage	36,930,677	61.94%	34,174,306	61.19%
5	Intrastate, InterLATA	8,354,641	14.01%	7,262,969	13.01%
6	Intrastate, IntraLATA	14,340,290	24.05%	14,408,479	25.80%
7	Total Intrastate Usage	22,694,931	38.06%	21,671,448	38.81%
8	Total Toll Usage	59,625,608	100.00%	55,845,754	100.00%
9	Centrex *				
10	Local *				
11	Total Minutes	59,625,608	100.00%	55,845,754	100.00%

* Centrex & Local NOT AVAILABLE

Central Office and Access Line Statistics

Year: 1999

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	Alberton MT (722)	Digital	386			7		39		6	1			432
2	Drummond MT (288)	Digital	451			6		110		8	3			572
3	Haugan MT (678)	Digital	152			2		42		19	1			214
4	Noxon MT (847)	Digital	603			7		113		4	3			723
5	Phillipsburg MT (859)	Digital	693			18		173		5	4			876
6	Plains MT (826)	Digital	1,319			40		304		14	8			1,646
7	St. Regis MT (649)	Digital	289			8		107		19	2			417
8	Superior MT (822)	Digital	861			38		255		15	7			1,139
9	Thompson Falls MT (827)	Digital	1,671			39		512		17	9			2,211
10														-
11														-
12														-
13			From RUS w/pay phones & ISDN broken out and shown separately											
14														-
15														-
16														-
17														-
18														-
19														-
20														-
21														-
22														-
23														-
24														-
25														-
26														-
27														-
28														-
29														-
30														-
31														-
32														-
33	Total		6,425	5	-	165	-	1,655	-	107	38	-	-	8,230

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

Central Office and Switch Information

Year: 1999

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	Alberton	Remote	Digital	NorTel	RLCM	640	1997
2	Drummond	Remote	Digital	NorTel	RSC	5,000	1997
3	Haugan	Remote	Digital	NorTel	RLCM	640	1997
4	Noxon	Remote	Digital	NorTel	RSC	5,000	1997
5	Philipsburg	Remote	Digital	NorTel	RSC	5,000	1997
6	Plains	Remote	Digital	NorTel	RSC	5,000	1995
7	St. Regis	Remote	Digital	NorTel	RLCM	640	1997
8	Superior	Remote	Digital	NorTel	RSC	5,000	1995
9	Thompson Falls	Remote	Digital	NorTel	RSC	5,000	1995
10							
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NOTE: Additional blank schedules are being provided for your convenience.

Construction Budget - Montana

Year: 2000

Line No.	Description (a)	(b)
1	Central Office Assets:	
2	Various C.O. Equipment - Alberton, Drummond, Haugan, Noxon, Phillipsburg	
3	Plains, St. Regis, Superior and Thompson Falls Montana	150,600
4		
5		
6		
7		
8		
9		
10		
11		
12		
13	Per annual budget	
14		
15		
16		
17		
18		
19		
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21		
22		
23		
24		
25		
26		
27	Total Switching and Central Office Projects over \$500,000	
28	Miscellaneous Central Office Projects not over \$500,000	150,600
29	Total Central Office Budget (Total of Line 27 & Line 28)	150,600
30	Other Projects over \$500,000:	
31	Subscriber Carrier Equipment - Alberton, Drummond, Haugan, Noxon, Phillipsburg	1,023,082
32	Plains, St. Regis, Superior and Thompson Falls, Montana	
33		
34	Buried Cable - normal drops & reinforcements - Alberton, Drummond, Haugan, Noxon,	1,740,302
35	Phillipsburg, Plains, St. Regis, Superior and Thompson Falls, Montana	
36		
37	Building Improvements - Alberton, Drummond, Haugan, Noxon, Phillipsburg	193,000
38	Plains, St. Regis, Superior and Thompson Falls, Montana	
39		
40		
41	Total Other Projects over \$500,000	2,763,384
42	Miscellaneous projects not over \$500,000	193,000
43	Total Construction Budget (Total of Lines 29, 41 & 42)	3,106,984

Montana Employee Counts

Year: 1999

Line No.	Category (a)	Beginning of Year (b)	End of Year (c)
1			
2	Clark Fork Telecommunications, Inc. has no employees.		
3	Employee services are provided through service agreements with		
4	Blackfoot Telephone Cooperative, Inc.		
5			
6			
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39			
40			
41			
42			
43	Totals (Sum of Lines 1 through 42)		

Compensation of Top 10 Montana Based Employees

Year: 1999

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	Clark Fork Telecommunications, Inc. has no employees. Employee services are provided through service agreements with Blackfoot Telephone Cooperative, Inc.						
2							
3							
4							
5							
6							
7							
8							
9							
10							
11	Totals (Sum L.1 to L.10)						

Compensation of Top 5 Corporate Employees - SEC Information

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	Clark Fork Telecommunications, Inc. has no employees. Employee services are provided through service agreements with Blackfoot Telephone Cooperative, Inc.						
2							
3							
4							
5							
6	Totals (Sum L.1 to L.5)						

Montana Composite Statistics

Year: 1999

Line No.	Account No.	Description (a)	Amount (b)	
1		Plant (Intrastate Only) (000 Omitted)	Information is not available at this time	
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)	Information is not available at this time	
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		#VALUE!
19		Other Income		
20		Other Deductions		
21		NET INCOME		#VALUE!
22		Access Lines in Service (Intrastate Only)	Information is not available at this time	
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	Information is not available at this time	
29		Local Calls		
30		Toll Calls (Intra- or Interstate)		
31		Total Number of Calls Per Access Line (Total of Line 29 & Line 30)		
32		Other Statistics (Intrastate Only)	Information is not available at this time	
33		Average Residential Monthly Bill		
34		Gross Plant Investment per Access Line		

Depreciation - Montana Intrastate Regulated

Year: 1999

Line No.	Acct No. (a)	Description (b)	Composite Rate % (c)	Total Expense \$ (d)
1	2112	Motor Vehicles		
2	2114	Special Purpose Vehicles		
3	2115	Garage Work Equipment		
4	2116	Other work Equipment		
5	2121	Buildings	2.3%	16,718
6	2122	Furniture		
7	2123.1	Office Support Equipment		
8	2123.2	Company Communications Equipment		
9	2124	General Purpose Computers		
10	2211	Analog Electronic Switching Equipment		
11	2212	Digital Electronic Switching Equipment	16.6%	503,273
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	14.4%	742,326
18	2232	Circuit Analog		
19	2351	Public Telephone Terminating Equipment		
20	2362	Other Terminal Equipment		
21	2411	Poles	3.5%	7,475
22	2421	Aerial Cable Metallic	9.5%	109,035
23	2421	Aerial Cable Nonmetallic	9.5%	3,387
24	2422	Underground Cable Metallic	5.0%	2,700
25	2422	Underground Cable Nonmetallic	5.0%	157
26	2423	Buried Cable Metallic	5.3%	1,022,514
27	2423	Buried Cable Nonmetallic	5.3%	207,493
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		
33	2441	Conduit Systems	4.1%	1,943
34				
35		COMPOSITE TOTAL		2,617,021
36	Have these rates been approved by the Commission? YES NO X			
37				
38	If yes: _____ Docket Number _____ Order Number			
39				
40				

from RUS report & Jim's Data

Montana Regulatory Capital Structure & Costs

Year: 1999

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			
Actual at Year End				
12	Common Equity	21.00%	11.250%	2.363%
13	Preferred Stock			
14	Long Term Debt	79.00%	6.680%	5.277%
15	Other			
16	Total	100.00%		7.640%

** Only use Long term debt & Equity w/ FCC 11.25 on equity and interest from schedule 13

Network Access - Charges and Revenues

Year: 1999

Line No.	Description (a)	Access Charges Paid (b)	Access Revenues Received (c)
1	Montana - Total State		7,439,357
2			
3	Montana - Intrastate		1,490,745
4			
5	Montana - Intrastate Regulated		
6			
7			
8			
9			
10	** Access rate is contractual - Remains at \$0.0716 per minute		
11			
12			
13			

Affiliate Transactions - Products & Services Provided to Utility

Year: 1999

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	Blackfoot Telephone Coop	A/R	Cash	(863,781)		(863,781)
2	Blackfoot Telephone Coop	Payables	Cash	2,300,000		2,300,000
3	Blackfoot Telephone Coop	Audit Entries	Cost	378,821		378,821
4	Blackfoot Telephone Coop	Inventory	Cost	716,242		716,242
5	Blackfoot Telephone Coop	Labor	Cost	3,551,815		3,551,815
6	Blackfoot Telephone Coop	Allocations	Cost	1,200,208		1,200,208
7	Blackfoot Telephone Coop	Work by communications	Cost	1,548		1,548
8	Blackfoot Telephone Coop	Interest	Cash	(20,761)		(20,761)
9	Blackfoot Telephone Coop	Miscellaneous	Cost	469		469
10						
11						
12						
13	Source: Inter-company transfer sheets					
14						
15						
16						
17						
18						
19						
20						
21						
22						
23						
24						
25						
26						
27						
28						
29						
30	TOTAL			\$7,264,561		\$7,264,561

Affiliate Transactions - Products & Services Provided by Utility

Year: 1999

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	Tel-com	A/R	Cash	6,442		6,442
2	Tel-com	Audit entries	Cost	(38,166)		(38,166)
3	Tel-com	Cash	Cash	185,000		185,000
4	Tel-com	Toll/CABS/B&C revenue	Cash	151,292		151,292
5	Tel-com	Miscellaneous	Cost	4,872		4,872
6	Tel-com	Interest	Cash	1,857		1,857
7	Tel-com	Parts	Cost	(1,065,305)		(1,065,305)
8	Tel-com	Rev interco accrual	Cost	1,089,514		1,089,514
9	Tel-com	In watts - Bell	Cost	(253)		(253)
10	Tel-com	800 Bell	Cost	(528)		(528)
11	Tel-com	Telephone license tax	Cost	(37,591)		(37,591)
12	Montana Wireless	A/R	Cash	(209,073)		(209,073)
13	Montana Wireless	Cash	Cash	630,000		630,000
14	Montana Wireless	Host switch	Cost	(446,787)		(446,787)
15	Montana Wireless	Fiber lease	Cost	5,244		5,244
16	Montana Wireless	Labor & benefits	Cost	(148)		(148)
17	Montana Wireless	Expense paid	Cash	63		63
18	Montana Wireless	Interest due	Cash	146		146
19	Montana Wireless	Miscellaneous	Cost	24,965		24,965
20	Blackfoot.net	Cash	Cash	15,000		15,000
21	Blackfoot.net	Interest	Cash	44		44
22						
23						
24						
25						
26	Source: Inter-company transfer sheets					
27						
28						
29						
30	TOTAL			\$316,588		\$316,588

Montana Intrastate Regulated Earned Rate of Return

Year: 1999

Line No.	Description Rate Base (a)	This Year (b)	Last Year (c)	Percent Change (d)
1		Information is not available at this time		
2	2001 Plant in Service		20,197,068	#VALUE!
3	2002 Prop. Held for Future Telecommunications Use			
4	3100-3200 (Less) Accumulated Depreciation		(6,659,105)	#VALUE!
5	Plant in Service		13,537,963	-100.00%
6				
7	Additions			
8	1220 Materials & Supplies			
9	1280 Prepayments			
10	Other Additions			
11	TOTAL Additions			
12				
13	Deductions			
14	4100 Current Deferred Operating Income Taxes			
15	4320 Unamortized Operating Investment Tax Credits			
16	4340 Noncurrent Deferred Operating Income Taxes			
17	Customer Advances for Construction		(54,042)	100.00%
18	Other Deductions			
19	TOTAL Deductions		(54,042)	100.00%
20	TOTAL Rate Base		13,592,005	-100.00%
21				
22	Net Earnings (Intrastate)		2,095,382	-100.00%
23				
24	Rate of Return on Average Rate Base		15.416%	-100.00%
25				
26	Rate of Return on Average Equity		6.737%	-100.00%
27				
28	Major Normalizing Adjustments & Commission			
29	<u>Ratemaking adjustments to Utility Operations</u>			
30				
31				
32				
33				
34				
35				
36				
37	From part 36 of the Cost study			
38				
39				
40				
41				
42				
43	Adjusted Rate of Return on Average Rate Base		15.416%	-100.00%
44				
45	Adjusted Rate of Return on Average Equity		6.737%	-100.00%

Other Taxes Paid

Year: 1999

Line No.	Description (a)	Last Year (b)	This Year (c)
1	Montana Telephone Company License Tax	36,756	41,704
2	Montana Public Service Commission Tax	4,538	5,639
3	Montana Consumer Counsel Tax	2,715	4,014
4	911 Emergency Telephone Fee	44,658	47,307
5	Montana Telecommunications Access Service (TDD)	8,865	9,422
6	Montana Corporate License Tax		
7	Personal Property Tax	Included w/ RE taxes - centrally assessed	
8	Real Property Tax	1,152,894	1,242,349
9	Universal Access Tax		2,670
10			
11			
12	Total	1,250,426	1,353,105

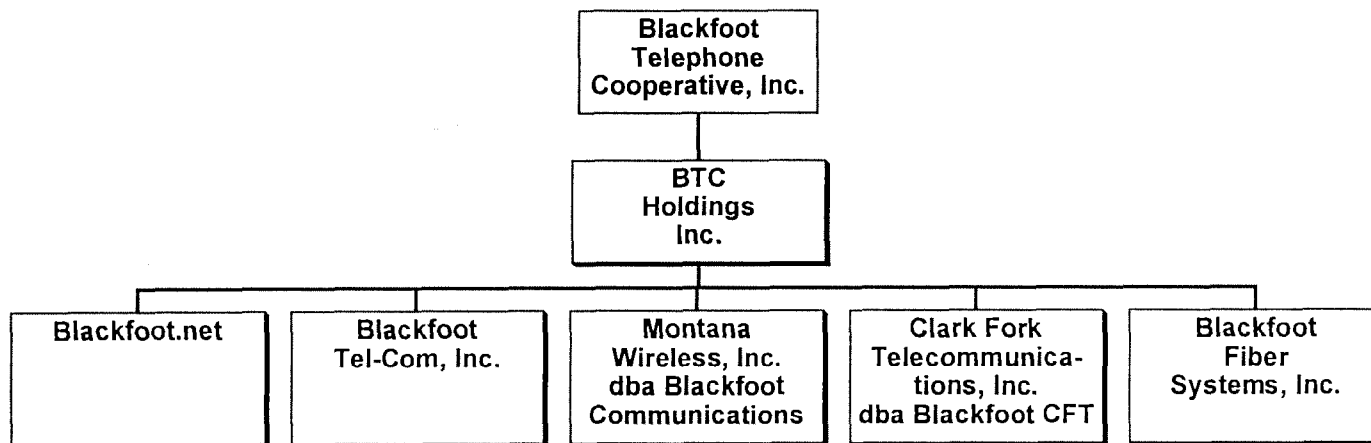
Company Name: Clark Fork Telecommunications, Inc.

Universal Service Funds Received

Year: 1999

Line No.	Description (a)	Last Year (b)	This Year (c)
13	Funds received from Montana Sources		
14	Funds received from Federal Sources	2,751,516	3,146,808
15			
16			
17			
18			
19			
20			
21			
22			
23			
24	Total	2,751,516	3,146,808

Blackfoot Telephone Cooperative, Inc. Corporate Structure





Clark Fork
Telecommunications Inc.

**INDEPENDENT AUDITOR'S REPORT
and
FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998**

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Clark Fork Telecommunications, Inc.
Missoula, Montana

We have audited the accompanying balance sheets of Clark Fork Telecommunications, Inc., a wholly owned subsidiary of BTC Holding, Inc., as of December 31, 1999 and 1998, and the related statements of income, stockholder's equity, and cash flows for the years then ended. These financial statements are the responsibility of Clark Fork Telecommunications, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards 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 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 Clark Fork Telecommunications, Inc. as of December 31, 1999 and 1998, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 11, 2000, on our consideration of Clark Fork Telecommunications, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.



Spokane, Washington
February 11, 2000

CLARK FORK TELECOMMUNICATIONS, INC.
BALANCE SHEET

ASSETS

	December 31,	
	1999	1998
CURRENT ASSETS		
Cash and cash equivalents	\$ 3,649,525	\$ 4,068,570
Subscriber receivables	675,602	531,389
Other accounts receivable	1,389,633	861,910
Accounts receivable, affiliates	553,701	16,728
Other current assets	8,124	6,022
Total current assets	<u>6,276,585</u>	<u>5,484,619</u>
NONCURRENT ASSETS		
Investment in nonaffiliates	1,225,074	1,165,642
Other non-current assets	3,467	3,348
	<u>1,228,541</u>	<u>1,168,990</u>
PROPERTY, PLANT, AND EQUIPMENT		
Telecommunications plant in service	34,804,868	31,944,413
Telecommunications plant under construction	402,345	1,810,712
Telephone plant adjustment, net of amortization	7,463,858	7,684,117
	<u>42,671,071</u>	<u>41,439,242</u>
Less accumulated depreciation	<u>13,470,226</u>	<u>11,414,698</u>
	<u>29,200,845</u>	<u>30,024,544</u>
	<u>\$ 36,705,971</u>	<u>\$ 36,678,153</u>

CLARK FORK TELECOMMUNICATIONS, INC.
BALANCE SHEET

LIABILITIES AND STOCKHOLDER'S EQUITY

	December 31,	
	1999	1998
CURRENT LIABILITIES		
Accounts payable	\$ 44,082	\$ 360,444
Advanced billing and customer deposits	305,373	274,523
Current maturities of long-term debt	1,459,708	1,195,304
Other accrued taxes	614,228	570,672
Other accrued liabilities	1,877	668
Accrued interest payable	182,461	192,408
Income taxes payable, parent cooperative	675,738	357,481
	3,283,467	2,951,500
 LONG-TERM DEBT	 25,984,927	 27,487,933
 OTHER DEFERRED CREDITS	 135,855	 -
 STOCKHOLDER'S EQUITY		
Capital stock	4,700,000	4,700,000
Retained earnings	2,601,722	1,538,720
	7,301,722	6,238,720
	\$ 36,705,971	\$ 36,678,153

See accompanying notes.

CLARK FORK TELECOMMUNICATIONS, INC.
STATEMENT OF INCOME

	Year Ended December 31,	
	1999	1998
Operating revenues		
Local network services	\$ 2,608,084	\$ 2,336,539
Interstate access revenue	7,439,357	6,815,258
Intrastate access revenue	1,490,745	1,563,684
Long distance network services	58,450	107,585
Carrier billing and collection	271,861	354,027
Miscellaneous	45,938	37,848
Nonregulated services	143,343	108,451
Uncollectible	(3,379)	(5,293)
	<u>12,054,399</u>	<u>11,318,099</u>
Operating expenses		
Plant specific operations	2,026,268	1,988,084
Plant nonspecific operations	439,926	336,354
Depreciation and amortization	2,906,442	2,543,771
Customer operations	626,405	491,458
Corporate operations	1,229,709	1,091,871
Other operating taxes	1,291,285	1,202,441
Nonregulated	57,438	48,291
	<u>8,577,473</u>	<u>7,702,270</u>
Operating income	3,476,926	3,615,829
Nonoperating income (expense)		
Interest and dividend income	448,046	78,959
Plant adjustment amortization	(220,259)	(220,259)
Interest expense	(1,838,817)	(1,737,028)
Allowance for funds used during construction	-	58,050
Other nonoperating income (expense)	(67,650)	(37,282)
	<u>1,798,246</u>	<u>1,758,269</u>
Income before income taxes	1,798,246	1,758,269
Income taxes	735,244	442,903
NET INCOME	<u>\$ 1,063,002</u>	<u>\$ 1,315,366</u>

CLARK FORK TELECOMMUNICATIONS, INC.
STATEMENT OF STOCKHOLDER'S EQUITY

	<u>Common Stock</u>	<u>Retained Earnings</u>	<u>Total Stockholder's Equity</u>
Balance, December 31, 1997	\$ 4,700,000	\$ 223,354	\$ 4,923,354
Net income	-	1,315,366	1,315,366
Balance, December 31, 1998	4,700,000	1,538,720	6,238,720
Net income	-	1,063,002	1,063,002
Balance, December 31, 1999	<u>\$ 4,700,000</u>	<u>\$ 2,601,722</u>	<u>\$ 7,301,722</u>

See accompanying notes.

CLARK FORK TELECOMMUNICATIONS, INC.
STATEMENT OF CASH FLOWS

	Year Ended December 31,	
	1999	1998
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 1,063,002	\$ 1,315,366
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	3,133,411	2,586,737
Changes in assets and liabilities:		
Subscriber receivables	(144,213)	15,793
Other receivables	(1,344,984)	(38,276)
Federal income taxes	-	6,543
Other assets	(2,221)	554
Accounts payable and accrued expenses	(316,362)	151,626
Advance billings and customer deposits	30,850	23,714
Accrued interest payable	(9,947)	(12,476)
Deferred credits	135,855	-
Federal income taxes payable	318,257	357,481
Other accrued liabilities	44,765	(11,550)
Net cash provided by operating activities	<u>2,908,413</u>	<u>4,395,512</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant, and equipment	(2,022,714)	(2,511,965)
Loans made	-	(50,000)
Payments received on loans	5,093	-
Purchase of investments	(114,206)	(88,470)
Proceeds from sale of investments	42,971	46,351
Net cash used by investing activities	<u>(2,088,856)</u>	<u>(2,604,084)</u>

CLARK FORK TELECOMMUNICATIONS, INC.
STATEMENT OF CASH FLOWS

	Year Ended December 31,	
	1999	1998
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term debt	\$ -	\$ 2,309,391
Principal payments on long-term debt	<u>(1,238,602)</u>	<u>(1,036,725)</u>
Net cash provided (used) by financing activities	<u>(1,238,602)</u>	<u>1,272,666</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS		
	(419,045)	3,064,094
Cash and cash equivalents, beginning of year	<u>4,068,570</u>	<u>1,004,476</u>
Cash and cash equivalents, end of year	<u>\$ 3,649,525</u>	<u>\$ 4,068,570</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION		
Cash paid during the year for:		
Interest	<u>\$ 1,858,712</u>	<u>\$ 1,891,596</u>

See accompanying notes.

CLARK FORK TELECOMMUNICATIONS, INC.

NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies

Clark Fork Telecommunications, Inc. is a wholly-owned subsidiary of BTC Holdings, Inc. which is a wholly-owned subsidiary of Blackfoot Telephone Cooperative, Inc. The Company provides local telephone exchange services to customers in western Montana.

The accounting policies relative to the carrying value of property and equipment are indicated in the caption on the accompanying balance sheet. Other significant accounting policies are as follows:

Accounting policies:

The financial statements of Clark Fork Telecommunications, Inc. have been prepared in conformity with generally accepted accounting principles applicable to regulated public utilities. Such accounting principles are consistent in all material respects with accounting prescribed by the Federal Communications Commission (FCC).

Cash and equivalents:

For purposes of the statement of cash flows, the Company considers all highly liquid investments with original maturity of three months or less when purchased to be cash equivalents.

Receivables:

The Company utilizes the direct write-off method of recognizing bad debts. Uncollectible accounts receivable are charged directly against earnings when they are determined to be uncollectible. Use of this method does not result in a material difference from the valuation method required by generally accepted accounting principles.

Concentration of credit risk:

At various times throughout the year the cash balances deposited in local institutions exceed federally insured limits. A possible loss exists for those amounts in excess of \$100,000. The Company minimizes this risk by utilizing numerous financial institutions for deposits of cash funds.

Property, plant, and equipment:

Property, plant, and equipment is 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.

CLARK FORK TELECOMMUNICATIONS, INC.
NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies (Continued)

Property, plant, and equipment (continued):

Property, plant, and equipment is depreciated using straight-line methods over their estimated useful lives, generally ranging from 6 to 45 years. 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 gross book value is charged to accumulated depreciation.

Nonregulated services:

The Company accounts for its nonregulated activities as follows:

Nonregulated activities involving the joint use of regulated assets are accounted for within the prescribed regulated system of accounts for telephone company operations. These activities include directory services and other income items incidental to the provision of regulated telephone services.

Nonregulated activities not involving the joint use of regulated assets are accounted for separately from regulated activities. Operating revenues and the related expenses are separately presented as nonregulated revenues and expenses. These activities include pay phone services, customer premise inside wiring, line backer services, and internet software.

Telecommunications plant adjustment:

A plant adjustment in the amount of \$8,740,435 was recorded representing the cost of the US West exchange properties in excess of the seller's historical cost of the plant acquired, net of accumulated amortization. The plant adjustment is amortized over 40 years to nonoperating expense using the straight-line method.

Software development costs:

In accordance with Statement of Financial Accounting Standards No. 86, *Accounting for the Costs of Computer Software to be Sold, Leased, or Otherwise Marketed*, the Company capitalizes the direct costs associated with the development of software products. Initial costs are charged to operations as research prior to the development of a detailed program design or a working model. Costs incurred subsequent to the product release, and research and development performed under contract are charged to operations.

CLARK FORK TELECOMMUNICATIONS, INC.
NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies (Continued)

Local service revenue:

Billings for local service revenue are rendered monthly in advance. Advance billings are recorded as a liability and subsequently transferred to income in the period earned.

Income taxes:

The Company is a member of a group that files consolidated federal and state tax returns. Accordingly, income taxes payable to (refundable from) the tax authorities are recognized on the financial statements of the parent company who is the taxpayer for income tax purposes. The members of the consolidated group allocate payments to any member of the group for the income tax reduction resulting from the member's inclusion in the consolidated return, or the member makes payments to the parent cooperative for its allocated share of the consolidated income tax liability. This allocation approximates the amounts that would be reported if the Company was separately filing its tax returns. The results of these allocations is reported on the accompanying balance sheets under the captions "Income taxes payable, parent cooperative" or "Refundable income taxes, parent cooperative".

Allowance for funds used during construction (AFUDC):

The Company records as income 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.

Accounting estimates:

The preparing of financial statements in conformity with generally accepted accounting principles 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. Significant estimates include depreciation expense and interstate access revenue settlements. Actual results could differ from those estimates.

Reclassifications:

Certain accounts have been classified differently than as originally reported on the 1998 financial statements. The effect of these reclassifications made to conform to 1999 classifications is immaterial.

CLARK FORK TELECOMMUNICATIONS, INC.
NOTES TO FINANCIAL STATEMENTS

Note 2 - Property, Plant, and Equipment

Property, plant, and equipment balances, together with accumulated depreciation and amortization, consist of the following at December 31, 1999 and 1998:

	<u>Plant Account</u>	<u>Accumulated Depreciation</u>	<u>1999 Net Balance</u>	<u>1998 Net Balance</u>
Plant in service	\$ 34,804,868	\$ 13,470,226	\$ 21,334,642	\$ 20,529,715
Plant under construction	402,345	-	402,345	1,810,712
Plant adjustment, net of amortization	7,463,858	-	7,463,858	7,684,117
TOTAL	\$ 42,671,071	\$ 13,470,226	\$ 29,200,845	\$ 30,024,544

Telecommunications plant balances, together with accumulated depreciation balances, consist of the following at December 31, 1999 and 1998:

	<u>Plant Account</u>	<u>Accumulated Depreciation/ Amortization</u>	<u>1999 Net Balance</u>	<u>1998 Net Balance</u>
General support assets:				
Land	\$ 33,643	\$ -	\$ 33,643	\$ 33,243
Buildings	734,738	368,049	366,689	380,108
Central office assets:				
Switching equipment	3,097,938	2,059,990	1,037,948	1,369,961
Circuit equipment	5,434,000	3,114,617	2,319,383	2,407,067
Cable and wire facilities assets:				
Poles	210,609	144,352	66,257	44,796
Aerial cable	1,027,432	468,677	558,755	569,080
Aerial fiber optic cable	29,999	12,538	17,461	17,858
Underground cable	53,566	9,896	43,670	46,369
Underground fiber optic cable	3,116	497	2,619	2,776
Buried cable	19,735,134	6,353,449	13,381,685	12,682,456
Buried fiber optic cable	3,989,040	665,487	3,323,553	2,932,472
Aerial wire	244,422	244,422	-	-
Conduit	47,620	6,797	40,823	42,984
Intangibles:				
Software	150,525	8,369	142,156	-
Other	13,086	13,086	-	545
	\$ 34,804,868	\$ 13,470,226	\$ 21,334,642	\$ 20,529,715

CLARK FORK TELECOMMUNICATIONS, INC.
NOTES TO FINANCIAL STATEMENTS

Note 3 - Investments in Nonaffiliates

Investments in nonaffiliated organizations are carried at cost and consist of the following:

	<u>1999</u>	<u>1998</u>
Rural Telephone Finance Company, capital certificates	\$1,112,898	\$1,067,426
Rural Economic Development loans	44,907	50,000
Rural Telephone Bank, C stock	9,891	9,891
Vision Net	57,378	38,325
	<u>\$1,225,074</u>	<u>\$1,165,642</u>

Note 4 - Long-Term Debt

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

	<u>Interest Rates</u>	<u>Maturity Dates</u>	<u>1999</u>	<u>1998</u>
Rural Telephone Finance Cooperative (RTFC) fixed	6.00-7.00%	2003-2014	\$16,669,017	\$17,575,828
Rural Utilities Service (RUS) fixed	4.77-7.00%	2017	10,530,635	10,850,851
RUS Economic Development loan	0.00%	2007	45,370	50,000
Rural Telephone Bank (RTB) variable	5.54%	2016	199,613	206,558
			<u>27,444,635</u>	<u>28,683,237</u>
Less current portion			<u>1,459,708</u>	<u>1,195,304</u>
			<u>\$25,984,927</u>	<u>\$27,487,933</u>

Substantially all assets of the Company are pledged as collateral on this debt. The loan agreement contain restrictions requiring the maintenance of defined amounts of equity debt service coverage and working capital.

CLARK FORK TELECOMMUNICATIONS, INC.
NOTES TO FINANCIAL STATEMENTS

Note 4 - Long-Term Debt (Continued)

Maturities of long-term debt obligations for the five years following December 31, 1999, are as follows:

2000	\$ 1,459,708
2001	1,562,378
2002	1,669,310
2003	1,351,695
2004	1,291,230
Later years	<u>20,110,314</u>
	<u>\$27,444,635</u>

The notes are schedule to be repaid at various times. All assets of the Company are pledged as security for the long-term debt.

At December 31, 1999, the Company had \$6,225,642 in unadvanced authorized loan funds from RTB.

Note 5 - Related Party Transactions

During 1999 and 1998, the Company and Blackfoot Telephone Cooperative, Inc. (Blackfoot), participated in various related party transactions which are explained below.

Clark Fork relies solely on Blackfoot employees to operate. Those services are contracted for by Clark Fork on actual labor and related costs charged for time spent on Clark Fork activities by Blackfoot employees. Certain other costs of facilities and personnel are charged by Blackfoot to its subsidiary pursuant to a service agreement between the parties. RUS has reviewed and approved this agreement. Clark Fork's wireline switching services are provided by its affiliate Montana Wireless, Inc. The costs include the following:

	<u>1999</u>	<u>1998</u>
Labor and benefits	\$3,551,815	\$3,464,220
Other operating expenses	1,200,208	915,192
Switching services	<u>432,960</u>	<u>565,855</u>
	<u>\$5,184,983</u>	<u>\$4,945,267</u>

Additionally, supplies and other items are transferred between the entities at cost.

CLARK FORK TELECOMMUNICATIONS, INC.
NOTES TO FINANCIAL STATEMENTS

Note 5 - Related Party Transactions (Continued)

The balance sheets include the following amounts advanced to and from affiliates at December 31, 1999 and 1998:

	<u>1999</u>	<u>1998</u>
Current receivables		
Blackfoot Telephone Cooperative, Inc.	\$230,553	\$10,168
Montana Wireless	6,179	1,770
Blackfoot Tel-Com, Inc.	301,925	4,790
Blackfoot.NET	15,044	-
	<u>\$553,701</u>	<u>\$16,728</u>

Note 6 - Income Taxes

Components of provision for income tax (benefit) expense:

	<u>1999</u>	<u>1998</u>
Current:		
Federal	\$643,358	\$ 613,364
Prior year under accrual	59,506	14,862
Alternative minimum tax	32,380	(185,323)
	<u>\$735,244</u>	<u>\$ 442,903</u>

The income tax expense is reflected in the statement of income as follows:

	<u>1999</u>	<u>1998</u>
Operating income tax expense	\$729,124	\$388,541
Nonoperating income tax expense	(23,088)	33,908
Nonregulated income tax expense	29,208	20,454
	<u>\$735,244</u>	<u>\$442,903</u>

The provision for income taxes differs from the amount computed by applying the current statutory federal income tax rate to earnings before taxes due to the effect of nondeductible items and prior year over or under accruals.

The alternative minimum tax is due to accelerated depreciation methods used for income tax purposes. Deferred taxes result from temporary differences in the recognition of revenues and expenses for tax and financial reporting purposes. The temporary differences are primarily related to depreciation and amortization expenses. As of December 31, 1999 and 1998, deferred income taxes are offset by alternative minimum tax credits, therefore, there are no material deferred taxes.

Clark Fork files a consolidated federal tax return with Blackfoot Telephone Cooperative, Inc.

CLARK FORK TELECOMMUNICATIONS, INC.
NOTES TO FINANCIAL STATEMENTS

Note 7 - Network Access Service Revenue

The Company's access revenues are determined by industry-regulated procedures for originating and terminating long distance calls.

Intrastate:

The intrastate access revenues are based on a per minute charge negotiated with US West and other interexchange carriers. These rates are negotiated directly with the interexchange carrier.

Interstate:

Revenues for interstate toll services are based on the Company's participation in the revenue pools administered by the National Exchange Carrier Association (NECA) which is regulated by the FCC. Revenues are determined by annually prepared separations and interstate access cost studies. Revenues for the current year are based on estimates prior to the submission of the cost study reporting actual results of operations and network traffic measurements. Additionally, the studies are subject to a 24 month pool adjustment period and a final review and acceptance by the pool administrator. Management does not anticipate significant adjustments to recorded revenues for the years ended December 31, 1999 and 1998.

Note 8 - Software Development Costs

The Company has developed and is marketing a new subscriber billing system, Subscriber Care System (SCS). The capitalized software costs included as a component of telecommunications plant in service at December 31 are as follows:

	<u>1999</u>	<u>1998</u>
Balance, beginning of year	\$ -	\$ -
Current year:		
Total expenditures	150,525	-
Less current year amortization	<u>(8,369)</u>	<u>-</u>
 NET CAPITALIZED SOFTWARE DEVELOPMENT COSTS	 <u>\$142,156</u>	 <u>\$ -</u>

The Company is marketing and selling SCS in its affiliate, Blackfoot Tel-Com, Inc. In management's opinion, the net realizable value of future sales exceeds the carrying value of unamortized software development costs; therefore, no adjustment to carrying value is required.

CLARK FORK TELECOMMUNICATIONS, INC.
NOTES TO FINANCIAL STATEMENTS

Note 9 - Deferred Credits

During 1998, US West notified the Company along with several other local exchange carriers in Montana that they were disputing terminating traffic access billings. US West's contention is that they were and continue to be improperly billed for access on traffic that belongs to other carriers. US West has withheld approximately \$138,855 in 1999 intrastate access payments related to this issue. The Company and other Montana carriers have filed a lawsuit against US West to resolve this issue. The proceedings are in initial stages and the Company is unable to assess the likely outcome. Pending resolution of the matter, Clark Fork has included the disputed and uncollected revenues as deferred credits at December 31, 1999.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Board of Directors
Clark Fork Telecommunications, Inc.
Missoula, Montana

We have audited the financial statements of Clark Fork Telecommunications, Inc. as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated February 11, 2000. We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Clark Fork Telecommunications, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit we considered Clark Fork Telecommunications, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the audit committee, management, the Rural Utilities Service, and supplemental lenders. However, this report is a matter of public record, and its distribution is not limited.

Moss Adams LLP
Spokane, Washington
February 11, 2000

INDEPENDENT AUDITOR'S MANAGEMENT LETTER

Board of Directors
Clark Fork Telecommunications, Inc.
Missoula, Montana

We have audited the financial statements of Clark Fork Telecommunications, Inc. for the year ended December 31, 1999, and have issued our report thereon dated February 11, 2000. We conducted our audit in accordance with generally accepted auditing standards, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and 7 CFR Part 1773, *Policy on Audits of Rural Utilities Service (RUS) Borrowers*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

In planning and performing our audit of the financial statements of Clark Fork Telecommunications, Inc. for the year ended December 31, 1999, we considered its internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

A description of the responsibility of management for establishing and maintaining the internal control over financial reporting and the objectives of and inherent limitations in such control is set forth in our independent auditor's report on compliance and on internal control over financial reporting dated February 11, 2000, and should be read in conjunction with this report.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control structure that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting that we consider to be material weaknesses.

7 CFR Part 1773.33 requires comments on specific aspects of the internal control over financial reporting, compliance with specific RUS loan and security instrument provisions, and other additional matters. We have grouped our comments accordingly. In addition to obtaining reasonable assurance about whether the financial statements are free from material misstatements, at your request, we performed tests of specific aspects of the internal control over financial reporting, of compliance with specific RUS loan and security instrument provisions, and of additional matters. The specific aspects of the internal control over financial reporting, compliance with specific RUS loan and security instrument provisions, and additional matters tested include, among other things, the accounting procedures and records, materials control, compliance with specific RUS loan and security instrument provisions set forth in 7 CFR Part 1773.33(e)(2) and related party transactions. In addition, our audit of the financial statements also included the procedures specified in 7 CFR Part 1773.38-.45. Our objective was not to provide an opinion on these specific aspects of the internal control over financial reporting, compliance with specific RUS loan and security instrument provisions, or additional matters, and accordingly, we express no opinion thereon.

No reports (other than our independent auditor's report, report on compliance and on internal control over financial reporting, all dated February 11, 2000) or summary of recommendations (other than the audit fieldwork exit conference) related to our audit have been furnished to management.

Our comments on specific aspects of the internal control over financial reporting, compliance with specific RUS loan and security instrument provisions, and other additional matters as required by 7 CFR Part 1773.33 are presented below.

COMMENTS ON CERTAIN SPECIFIC ASPECTS OF THE INTERNAL CONTROL OVER FINANCIAL REPORTING

We noted no matters regarding Clark Fork Telecommunications, Inc.'s internal control over financial reporting and its operation that we consider to be a material weakness as previously defined with respect to:

- the accounting procedures and records;
- the process for accumulating and recording labor, material, and overhead costs, and the distribution of these costs to construction, retirement, and maintenance or other expense accounts; and
- the materials control.

COMMENTS ON COMPLIANCE WITH SPECIFIC RUS LOAN AND SECURITY INSTRUMENT PROVISIONS

Management's responsibility for compliance with laws, regulations, contracts, and grants is set forth in our independent auditor's report on compliance and on internal control over financial reporting dated February 11, 2000, and should be read in conjunction with this report. At your request, we have performed the procedures enumerated below with respect to compliance with certain provisions of laws, regulations, contracts, and grants. The procedures we performed are summarized as follows:

- Procedure performed with respect to the requirement to maintain all funds in institutions whose accounts are insured by an agency of the federal government:
 - Obtained information from financial institutions with which Clark Fork Telecommunications, Inc. maintains funds that indicated that the institutions are insured by an agency of the federal government.
- Procedures performed with respect to the requirement for a borrower to obtain written approval of the mortgagee to enter into any contract for the operation or maintenance of property, or for the use of mortgaged property by others, or for services pertaining to toll traffic, operator assistance, or switching for the year ended December 31, 1999, of Clark Fork Telecommunications, Inc.:
 - Obtained and read a borrower-prepared schedule of new written contracts entered into during the year for the operation or maintenance of its property, or for the use of its property by others, or for services pertaining to toll traffic, operator assistance, or switching as defined in §1773.33(e)(2)(i).
 - Reviewed Board of Directors' minutes to ascertain whether board-approved written contracts are included in the borrower-prepared schedule.
 - Noted the existence of written RUS approval of each contract listed by the borrower.
- Procedure performed with respect to the requirement to submit RUS Form 479 to the RUS:
 - Agreed amounts reported in Form 479 to Clark Fork Telecommunications, Inc.'s records.
- Procedure performed with respect to funded reserve and net plant to secured debt ratio requirement:
 - Reviewed loan security instrument to ascertain which condition was elected by the borrower.

- If the funded reserve option was selected, review financial institution records to verify the existence of a separate bank account for the reserve, and determine that it was funded within one year of approval of release of funds and that it remained funded over the composite economic life of the facilities financed.
- If the net plant to secured debt ratio option was selected, calculate the ratio and confirm that the 1.2 ratio was achieved one year following the first advance of loan funds.

The results of our tests indicate that, with respect to the items tested, Clark Fork Telecommunications, Inc. complied, in all material respects, with the specific RUS loan and security instruments provisions referred to below. The specific provisions tested, as well as any exceptions noted, include the requirements that:

- the borrower maintains all funds in institutions whose accounts are insured by an agency of the federal government;
- the borrower has obtained written approval of the RUS to enter into any contract for the operation or maintenance of property, or for the use of mortgaged property by others, or for services pertaining to toll traffic, operator assistance, or switching as defined in §1773.33(e)(2)(i); and
- the borrower has submitted its Form 479 to the RUS and the Form 479, *Financial and Statistical Report* as of December 31, 1999, represented by the borrower as having been submitted to RUS, is in agreement with the Clark Fork Telecommunications, Inc.'s audited records in all material respects, appears reasonable based upon the audit procedures performed.

COMMENTS ON OTHER ADDITIONAL MATTERS

In connection with our audit of the financial statements of Clark Fork Telecommunications, Inc., nothing came to our attention that caused us to believe that the Company failed to comply with respect to:

- the reconciliation of subsidiary plant records to the controlling general ledger plant accounts addressed at 7 CFR Part 1773.33(c)(1);
- the clearing of construction accounts and the accrual of depreciation on completed construction addressed at 7 CFR Part 1773.33(c)(2);
- the retirement of plant addressed at 7 CFR Parts 1773.33(c)(3) and (4);
- sales of plant, material, or scrap addressed at 7 CFR Part 1773.33(c)(5);

- the disclosure of material related party transactions in accordance with Statement of Financial Accounting Standards No. 57, *Related Party Transactions*, for the year ended December 31, 1999, in the financial statements referenced in the first paragraph of this report addressed at 7 CFR Part 1773.33(f).

This report is intended solely for the information and use of the Board of Directors, management, and the RUS and supplemental lenders. However, this report is a matter of public record, and its distribution is not limited.


MOSS ADAMS LLP

Spokane, Washington
February 11, 2000