

# DIVIDER

STATE OF NORTH DAKOTA  
INFORMATION TECHNOLOGY DEPARTMENT  
SFN 2053 (4-2002)

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## DESCRIPTION

PU-05-544  
Red River Rural Telephone Association  
Local Exchange  
Public Convenience & Nece  
Filed 9/29/2005      Closed 12/19/2005

05



Public Service Commission  
Receipt of Payment

Receipt# 6583

Received 6/7/2006 Check# 43706 for \$67 13

Subject Utility Valuation

**Docket # PU-05-544**

**Profile balance \$. Notify**

Red River Rural Telephone Association  
506 BDWY PO BOX 136  
Abercrombie ND 58001-0136

**APPROVED**

DATE: 5-24-06  
AS

MOTION

May 24, 2006

Red River Rural Telephone Association  
Local Exchange  
Public Convenience and Necessity

Case No PU-05-544

I move the Commission bill Red River Rural Telephone Association for costs incurred to date in Case No. PU-05-544, Red River Rural Telephone Association, Local Exchange, Public Convenience and Necessity.



# Public Service Commission

## State of North Dakota

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### COMMISSIONERS

Tony Clark, President  
Susan E. Wefald  
Kevin Cramer

Executive Secretary  
Ilona A. Jeffcoat-Sacco

600 E Boulevard Ave Dept 408  
Bismarck, North Dakota 58505-0480  
web www.psc.state.nd.us  
e-mail ndpsc@state.nd.us  
TDD 800-366-6888  
Fax 701-328-2410  
Phone 701-328-2400

May 24, 2006

Jeffrey Olson Manager  
Red River Rural Telephone Assn  
PO Box 136  
Abercrombie ND 58001

RE: Case No. PU-05-544  
Red River Rural Telephone Association  
Local Exchange  
Public Convenience and Necessity

Enclosed is a copy of the statement approved at the May 24, 2006 Public Service Commission meeting for the expenses incurred to date in Case No. PU-05-544.

Under N.D.C.C. 49-21-01.7, these expenses are billed through the Valuation Fund and must be paid for by the telecommunications company involved.

Please make your check payable to the *Public Service Commission*.

Sincerely,

A handwritten signature in cursive script, appearing to read "Gloria Geiger".

Gloria Geiger  
Admin Staff Officer  
701-328-2401

Enc.

c. Don Negaard  
Pringle & Herigstad  
PO Box 1000  
Minot ND 58702-1000

# Billing Statement

May 24, 2006

Red River Rural Telephone Association  
Local Exchange  
Public Convenience and Necessity

Case No. PU-05-544

**Bill To:**

Red River Rural Telephone Association .....\$67.13

**Expenses Incurred to Date:**

Advertising Costs 67.13

**Send Payment and a Copy of this Statement To:**

Public Service Commission  
600 E Boulevard Ave Dept 408  
Bismarck ND 58505-0480

**Federal Tax ID 45-0309764**



# Public Service Commission

## State of North Dakota

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### COMMISSIONERS

Tony Clark, President  
Susan E. Wefald  
Kevin Cramer

Executive Secretary  
Illona A. Jeffcoat-Sacco

600 E Boulevard Ave Dept 408  
Bismarck, North Dakota 58505-0480  
web www.psc.state.nd.us  
e-mail ndpsc@state.nd.us  
TDD 800-366-6888  
Fax 701-328-2410  
Phone 701-328-2400

December 16, 2005

Don Negaard  
Pringle & Herigstad  
P O Box 1000  
Minot ND 58702-1000

Dear Mr. Negaard:

On December 16, 2005, the Commission issued Certificate of Public Convenience and Necessity Nos. 5275, 5276, 5277 and 5278 to Red River Rural Telephone Association to provide local exchange telecommunications services, with facilities, in the Fairmount, Hankinson, Lidgerwood and Wyndmere, North Dakota exchanges, Case No. PU-05-544. The original certificates are enclosed for your files.

If you have any questions, please call me at 701-328-4076.

Sincerely,

A handwritten signature in black ink, appearing to read "Sharon Helbling".

Sharon Helbling  
Public Utilities Division

sdh

Enclosures

**Public Service Commission  
STATE OF NORTH DAKOTA**

**Certificate of Public Convenience and Necessity**

**Certificate Number 5275**

*This is to certify that public convenience and necessity require, and permission is granted for Red River Rural Telephone Association, a telecommunications public utility, to provide local exchange telecommunications services inside the Fairmount, North Dakota local exchange area.*

*This certificate is issued in Case No. PU-05-544 and is conditioned upon Red River Rural Telephone Association securing the franchise or other authority of the proper municipal or other authority for the exercise of these rights and privileges.*

*Bismarck, North Dakota, December 16, 2005.*

**ATTEST:**

**PUBLIC SERVICE COMMISSION**

  
\_\_\_\_\_  
**Executive Secretary**

  
\_\_\_\_\_  
**Commissioner**

**Public Service Commission**  
**STATE OF NORTH DAKOTA**

**Certificate of Public Convenience and Necessity**

**Certificate Number 5276**

*This is to certify that public convenience and necessity require, and permission is granted for Red River Rural Telephone Association, a telecommunications public utility, to provide local exchange telecommunications services inside the Hankinson, North Dakota local exchange area.*

*This certificate is issued in Case No. PU-05-544 and is conditioned upon Red River Rural Telephone Association securing the franchise or other authority of the proper municipal or other authority for the exercise of these rights and privileges.*

*Bismarck, North Dakota, December 16, 2005.*

**ATTEST:**

**PUBLIC SERVICE COMMISSION**

  
**Executive Secretary**

  
**Commissioner**

**Public Service Commission**  
**STATE OF NORTH DAKOTA**

**Certificate of Public Convenience and Necessity**

**Certificate Number 5277**

*This is to certify that public convenience and necessity require, and permission is granted for Red River Rural Telephone Association, a telecommunications public utility, to provide local exchange telecommunications services inside the Lidgerwood, North Dakota local exchange area.*

*This certificate is issued in Case No. PU-05-544 and is conditioned upon Red River Rural Telephone Association securing the franchise or other authority of the proper municipal or other authority for the exercise of these rights and privileges.*

*Bismarck, North Dakota, December 16, 2005.*

**ATTEST:**

**PUBLIC SERVICE COMMISSION**

  
\_\_\_\_\_  
**Executive Secretary**

  
\_\_\_\_\_  
**Commissioner**

**Public Service Commission**  
**STATE OF NORTH DAKOTA**

**Certificate of Public Convenience and Necessity**

**Certificate Number 5278**

*This is to certify that public convenience and necessity require, and permission is granted for Red River Rural Telephone Association, a telecommunications public utility, to provide local exchange telecommunications services inside the Wyndmere, North Dakota local exchange area.*

*This certificate is issued in Case No. PU-05-544 and is conditioned upon Red River Rural Telephone Association securing the franchise or other authority of the proper municipal or other authority for the exercise of these rights and privileges.*

*Bismarck, North Dakota, December 16, 2005.*

**ATTEST:**

**PUBLIC SERVICE COMMISSION**

  
\_\_\_\_\_  
Executive Secretary

  
\_\_\_\_\_  
Commissioner

DONALD A NEGAARD  
JAMES E NOSTDAHL  
CAROL K LARSON  
DAVID J HOGUE  
REED A SODERSTROM  
BRENT M OLSON  
DEBRA L HOFFARTH  
SCOTT M KNUDSVIG  
ERIKA L SLEGER  
RYAN D SANDBERG



LAW OFFICES OF  
**PRINGLE & HERIGSTAD, P.C.**

2525 ELK DRIVE  
POST OFFICE BOX 1000  
MINOT, NORTH DAKOTA 58702  
(701) 852-0381  
FAX (701) 857-1361  
E-mail pringle@srt.com

OF COUNSEL  
HERBERT L MESCHKE

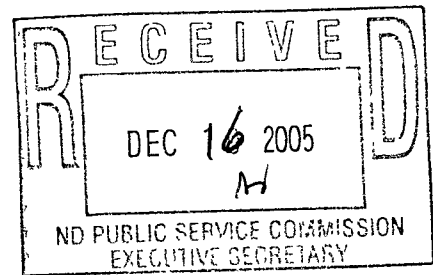
RETIRED  
THOMAS A WENTZ  
MARK F PURDY  
JAN M SEBBY

KENNETH G PRINGLE  
(1914-1983)  
MITCHELL H MAHONEY  
(1929-1996)  
ROGER O HERIGSTAD  
(1919-2003)

December 16, 2005

William Binek, Commerce Counsel  
PUBLIC SERVICE COMMISSION  
600 East Boulevard Avenue, Department 408  
Bismarck, ND 58505-0480

Jerry Lein, Utility Analyst  
PUBLIC SERVICE COMMISSION  
600 East Boulevard Avenue, Department 408  
Bismarck, ND 58505-0480



**RED RIVER RURAL TELEPHONE ASSOCIATION**  
**CASE NO. PU-05-544**  
**CASE NO. PU-05-545**

This letter is to advise you that all the assets of Red River Telecom, Inc., have been transferred to Red River Rural Telephone Association. Please issue new Certificates of Public Convenience and Necessity to Red River Rural Telephone Association as called for in the Commission's Order of December 14, 2005, regarding this transaction.

Thank you.

Don Negaard

jt

cc: Red River Rural Telephone Association, Attention Jeffrey Olson, Manager

**STATE OF NORTH DAKOTA**  
**PUBLIC SERVICE COMMISSION**

**Red River Rural Telephone Association  
Local Exchange  
Public Convenience and Necessity**

**Case No. PU-05-544**

**Red River Rural Telephone Association  
Designated Eligible Carrier  
Application**

**Case No. PU-05-545**

**AFFIDAVIT OF SERVICE BY CERTIFIED MAIL**

STATE OF NORTH DAKOTA  
COUNTY OF BURLEIGH

**Sharon Helbling** deposes and says that.

she is over the age of 18 years and not a party to this action and, on the **15th day of December, 2005**, she deposited in the United States Mail, Bismarck, North Dakota, **two** envelopes with certified postage, return receipt requested, fully prepaid, securely sealed and each containing a photocopy of

**Order**

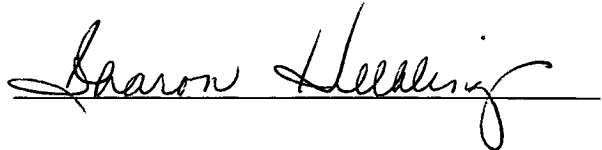
The envelopes were addressed as follows:

Don Negaard  
Pringle & Herigstad  
P O Box 1000  
Minot ND 58702-1000  
**Cert. No. 7003 2260 0001 3516 1218**

Jeffrey Olson Manager  
Red River Rural Telephone Assoc  
P O Box 136  
Abercrombie ND 58001  
**Cert. No. 7003 2260 0001 3516 1225**

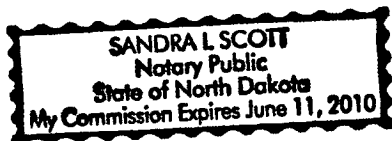
Each address shown is the respective addressee's last reasonably ascertainable post office address

Subscribed and sworn to before me  
this **15th day of December, 2005**

  
\_\_\_\_\_

  
\_\_\_\_\_  
Notary Public

SEAL



**APPROVED**

**MOTION**

DATE: 12-14-05  
KMF

**December 14, 2005**

**Red River Rural Telephone Association  
Local Exchange  
Public Convenience and Necessity**

**Case No. PU-05-544**

**Red River Rural Telephone Association  
Designated Eligible Carrier  
Application**

**Case No. PU-05-545**

I move the Commission adopt the Order approving the applications of Red River Rural Telephone Association for certificates of public convenience and necessity to provide local telecommunication services and for designation as an Eligible Telecommunications Carrier for receiving federal universal service support in the Fairmount, Hankinson, Lidgerwood and Wyndmere exchange areas of North Dakota, Case Nos. PU-05-544 and PU-05-545.

JRL/sdh

**STATE OF NORTH DAKOTA  
PUBLIC SERVICE COMMISSION**

**Red River Rural Telephone Association  
Local Exchange  
Public Convenience and Necessity**

**Case No. PU-05-544**

**Red River Rural Telephone Association  
Designated Eligible Carrier  
Application**

**Case No. PU-05-545**

**ORDER**

**December 14, 2005**

On September 29, 2005, in Case No. PU-05-544, Red River Rural Telephone Association (Red River) of Abercrombie, ND filed an application for certificates of public convenience and necessity (PC&N) to provide facilities-based incumbent local exchange telecommunication services in the Fairmount, Hankinson, Lidgerwood and Wyndmere exchanges in North Dakota.

Also on September 29, 2005, in Case No. PU-05-545, Red River filed a Petition for Designation as an Eligible Telecommunications Carrier (ETC) for receiving federal universal service support in the above noted North Dakota local exchanges.

Red River reports entering into an agreement with subsidiary Red River Telecom, Inc (Red River Telecom) for liquidation of the subsidiary and distribution of the assets to Red River. As of the anticipated December 16, 2005 closing date for the transaction, Red River Telecom intends to cease and Red River intends to commence doing business as a provider of local exchange service and exchange access in the Fairmount, Hankinson, Lidgerwood and Wyndmere exchanges.

On October 18, 2005 the Commission issued a Notice of Opportunity for Hearing and Notice of Informal Hearing, scheduling an informal hearing for November 30, 2005 and providing until November 29, 2005 for receiving written comments or formal hearing requests. No comments or requests for hearing have been received. The Notice identified the following issues to be considered

1. Fitness and ability of the applicant to provide service.
2. Adequacy of the proposed service.
3. Technical, financial and managerial ability of the applicant to provide service
4. Qualification of the applicant under the Telecommunications Act of 1996, Section 214(e) for designation as an ETC eligible to receive federal universal service funding.

5. Whether the Commission should order additional requirements for ETC designation recommended in the FCC's Report and Order released March 17, 2005 in CC Docket No. 96-45.
6. What ETC universal service support area should be designated.
7. Whether Red River Telecom's current certificate of public convenience and necessity should be relinquished to the Commission.
8. Whether upon designation of Red River as an eligible telecommunications carrier for the Fairmount, Hankinson, Lidgerwood and Wyndmere exchanges, Red River Telecom's designation as an eligible telecommunications carrier for these exchanges should be relinquished

On November 28, 2005, the Commission's Director of Accounting filed a memorandum indicating that Red River has the financial ability to provide service

On November 30, 2005 the Commission discussed the issues in these matters with the applicant and Commission staff at an informal hearing.

Red River, f/k/a The Barnesville Rural Telephone Association, Inc., is a rural telephone cooperative and a Minnesota business corporation with offices in Abercrombie, North Dakota Red River was established in 1951 and provides incumbent telecommunications services to approximately 2,397 members in the Abercrombie, Colfax, Great Bend and Mooreton, North Dakota exchanges.

Red River Telecom provides incumbent telecommunications services to approximately 2,778 access lines under certificates of public convenience and necessity previously issued by the Commission:

Exchange	Access Lines	PC&N No.
Fairmount	352	4900
Hankinson	971	3457
Lidgerwood	766	3477
Wyndmere	689	4901

Red River and Red River Telecom share the same offices with the same management and operating personnel.

Under an April 21, 2005 agreement, all subscribers served by Red River Telecom as of the effective date of the transaction will become cooperative members of Red River with voting rights and eligibility for capital credits.

Red River affirms that all Red River Telecom subscribers have been notified of the transaction in compliance with subsection 69-09-05-11(6) of the North Dakota Administrative Code.

Red River affirms that it will continue providing the same services currently provided by Red River Telecom and that no rate changes are planned.

To be designated as an eligible telecommunications carrier, a carrier must. (1) offer the services that are supported by federal universal service support mechanisms, and offer the services designated by the FCC for such federal support mechanisms for schools, libraries, and health care providers; and (2) advertise the availability of such services and the charges therefore using media of general distribution. Additionally, Lifeline and Link Up offerings must meet requirements established by the FCC.

For telecommunications customers, the services designated by the FCC for support by universal service support mechanisms include voice grade access to the public switched network, local usage, dual tone multi-frequency signaling or its functional equivalent, single-party service or its functional equivalent, access to emergency services, access to operator services, access to interexchange service, access to directory assistance and toll limitation for qualifying low-income consumers.

For schools and libraries, the services designated by the FCC for support by universal support mechanisms include all items listed on the Eligible Services List of the Schools and Libraries Support Mechanism of the Universal Service Administrative Company dated October 18, 2002. For health care providers, the services supported by universal service support mechanisms include any telecommunications service that is used primarily for the provision of health care

The Commission has initiated a rulemaking proceeding to consider adopting additional requirements for ETC designation recommended in the FCC's Report and Order released March 17, 2005 in CC Docket No. 96-45 and will not impose those additional requirements in this proceeding.

Red River affirms it will continue to meet all the criteria for ETC designation in the Fairmount, Hankinson, Lidgerwood and Wyndmere exchange areas.

Red River affirms that subsidiary Red River Telecom's existing ETC designations and existing PC&N Nos 3457, 2477, 4900 and 4901 should be relinquished .

The Commission finds Red River is fit, able, and has the technical, financial and managerial ability to provide service

The Commission finds that Red River's proposed service is adequate.

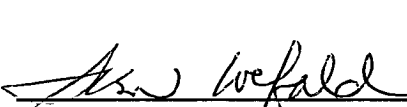
The Commission finds Red River is qualified under Section 214(e) of the Communications Act of 1934 as amended by the Telecommunications Act of 1996, for designation as an eligible telecommunications carrier for receiving federal universal service funding for the Fairmount, Hankinson, Lidgerwood and Wyndmere exchange areas.

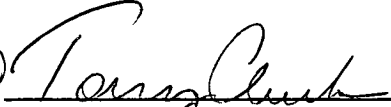
## Order


### The Commission Orders:

1. The application of Red River Rural Telephone Association for certificates of public convenience and necessity to provide incumbent local exchange telecommunications services in the Fairmount, Hankinson, Lidgerwood and Wyndmere exchange areas of North Dakota is approved, effective with the date that the asset acquisition transaction is complete. A certificate of public convenience and necessity will be issued upon notification by the applicants that the transaction is complete.
2. Red River Rural Telephone Association's application to expand its designated eligible carrier status is granted and Red River is designated as an eligible telecommunications carrier in the Fairmount, Hankinson, Lidgerwood and Wyndmere exchange areas effective with the issuance of certificates of public convenience and necessity.
3. Red River Telecom, Inc.'s certificates of public convenience and necessity for the Fairmount, Hankinson, Lidgerwood and Wyndmere exchange areas are relinquished and cancelled effective with the issuance of new certificates to Red River.
4. Red River Telecom, Inc. will no longer be designated as an ETC for the Fairmount, Hankinson, Lidgerwood and Wyndmere exchange areas effective upon relinquishing its certificates of public convenience and necessity.

### PUBLIC SERVICE COMMISSION

  
Susan E. Wefald  
Commissioner

  
Tony Clark  
President

  
Kevin Cramer  
Commissioner

**STATE OF NORTH DAKOTA  
PUBLIC SERVICE COMMISSION**

**INFORMAL HEARING  
November 30, 2005**

**Red River Rural Telephone Association  
Local Exchange  
Public Convenience and Necessity**

**Case No. PU-05-544  
Filed: 9/29/05**

**Red River Rural Telephone Association  
Designated Eligible Carrier  
Application**

**Case No. PU-05-545  
Filed: 9/29/05**

**Summary of Proposal:** Red River Rural Telephone Association (Red River) filed an application for certificates of Public Convenience and Necessity to provide facilities-based incumbent local exchange telecommunications service and for designation as an Eligible Telecommunications Carrier (ETC) for receiving federal universal service support in the Fairmont, Hankinson, Lidgerwood and Wyndmere exchanges of North Dakota. These exchanges are now served by subsidiary Red River Telecom, Inc. (Red River Telecom).

Red River reports entering into an agreement with subsidiary Red River Telecom for liquidation of the subsidiary and distribution of the assets to Red River. As of the anticipated December 16, 2005 closing date, Red River Telecom intends to cease and Red River intends to commence providing local exchange service and exchange access in the above referenced exchanges

**Recommendation:** I recommend the Commission issue an order granting certificates of Public Convenience and Necessity and ETC designation to Red River effective with the effective date of the transaction.

**Procedural History:** On October 18, 2005 the Commission issued a Notice of Opportunity for Hearing and Notice of Informal Hearing, scheduling an informal hearing for November 30, 2005 and providing until November 29, 2005 for receiving written comments or formal hearing requests. No comments or requests for hearing have been received.

**Discussion:** Red River, f/k/a The Barnesville Rural Telephone Association, Inc., is a rural telephone cooperative and a Minnesota business corporation with offices in Abercrombie, North Dakota. Red River was established in 1951 and currently provides incumbent telecommunications services to approximately 2,397 members in the Abercrombie, Colfax, Great Bend and Mooreton North Dakota exchanges.

Red River Telecom, currently provides incumbent telecommunications services to approximately 2,778 access lines under certificates of public convenience and necessity previously issued by the Commission:

Exchange	Access Lines	PC&N No.
Fairmont	352	4900
Hankinson	971	3457
Lidgerwood	766	3477
Wyndmere	689	4901

Red River and Red River Telecom share the same offices with the same management and operating personnel.

Pursuant to an April 21, 2005 agreement, all subscribers served by Red River Telecom as of the effective date of the transaction will be served by Red River. Red River Telecom would then relinquish its certificates of public convenience and Necessity. Red River intends to continue providing the same services at the same rates as currently provided by Red River Telecom.

Red River affirms it will continue to meet all the criteria for ETC designation in the Fairmont, Hankinson, Lidgerwood and Wyndmere exchanges. These criteria include offering all services supported by the federal universal service support mechanisms and advertising the availability of those services and the charges therefore using media of general distribution throughout the exchanges. Red River informs that an FCC study area waiver is not necessary because Red River's designated study area already includes the Fairmont, Hankinson, Lidgerwood and Wyndmere exchanges.

Red River Informs that all customers have been notified of the transaction and affirms that it has complied with all the requirements of Chapter 69-09-05 of the North Dakota Administrative Code

A limited staff financial review (see staff memo dated November 28, 2005) indicated that Red River has the financial ability to provide service.

**Prepared by:** Jerry Lein

November 29, 2005

ND Public Service Commission  
Attn: Jerry Lein  
State Capital 12<sup>th</sup> Floor  
600 East Boulevard  
Dept. 408  
Bismarck, ND 58505-0480

Re: Red River Rural Telephone Assn. Case No. PU-05-544  
Red River Rural Telephone Assn. Case No. PU-05-545

Dear Mr. Lein:

Attached please find the original copy of the Affidavit in Support of Petition. Don Negaard has forwarded the 10 copies requested to the Commission.

Sincerely,

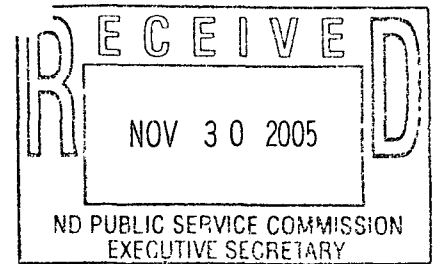


Jeffrey J. Olson  
General Manager

11 **PU-05-544** Pages 3  
Original signed Affidavit in Support of Petition  
by Red River Rural Telephone Association by  
11/30/2005 C Comm Legal Illona Jerry Annette

9 **PU-05-545** Pages 3  
Original signed Affidavit in Support of Petition  
by Red River Rural Telephone Association by  
11/30/2005 C Comm Legal Illona Jerry Annette

STATE OF NORTH DAKOTA  
PUBLIC SERVICE COMMISSION



Red River Rural Telephone Association  
Local Exchange  
Public Convenience and Necessity

Case No. PU-05-544

Red River Rural Telephone Association  
Designated Eligible Carrier  
Application

Case No. PU-05-545

AFFIDAVIT IN SUPPORT OF PETITION

Jeffrey Olson, being first duly sworn, does state under oath as follows:

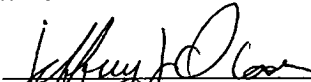
I am the General Manager of Red River Rural Telephone Association (Red River), a Minnesota Business Cooperative organized and operated as a cooperative association.

1. Red River is a fit and proper entity to provide telecommunication services in the exchanges of Fairmount, Wyndmere, Hankinson and Lidgerwood. Red River has been providing such services for years in Abercrombie, Colfax, Great Bend and Mooreton. Red River has also been operating Red River Telecom, Inc. (RR Telecom) since RR Telecom began providing services in Fairmount, Wyndmere, Hankinson and Lidgerwood.
2. The services to be provided by Red River are the full range of services currently being offered by RR Telecom. No rate changes are planned. All services will to continue to be the same.
3. The technical, financial and managerial ability of Red River to provide the service are the same as those currently offered to support the services in the area and in fact will be enhanced by the pledge of the full assets of Red River and not just those of RR Telecom. All assets and liabilities of RR Telecom are being transferred to Red River.
4. Red River is currently designated as an ETC under Section 214(e) of the Telecommunications Act of 1996 to receive federal universal service funding and has been so for all the exchanges listed in section 1 above. Red River has been and will continue to meet all the criteria for such designation in the exchanges operated by RR Telecom, which are being transferred to Red River.
5. Red River has complied with all the requirements of Chapter 69-09-05 of the North Dakota Administrative Code. Red River is fully ready and capable of complying with all universal service requirements of the FCC and has met all required designation criteria of the FCC in the past and will do so in the future. The

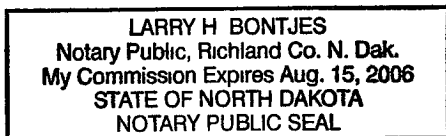
applicant will meet all designated criteria that may lawfully be established by the North Dakota Public Service Commission but it is our understanding that no final rules to implement the FCC's Report and Order released on March 17, 2005 had been adopted at the time of this application nor have any been finalized as of the date of this affidavit. The hearing date for those rules is set for January 1, 2006, and Red River will comply with legally adopted rules at that time.

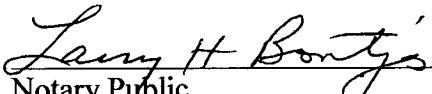
6. The ETC universal support area that should be designated for Red River should be the combined universal support area for Red River and RR Telecom that is being dissolved. They currently are all included in the Red River study area and approving this application will not change that designation. In short, no change is needed.
7. Red River Telecom's current certificate of public convenience and necessity should be relinquished. Red River and its subsidiary, RR Telecom, have provided notices by newsletters, publications and by direct letters to customers of RR Telecom in a manner and fashion that exceed the Commission's requirements of 30-day prior advance written notice under Administrative Code § 69-09-05-11(6). The customers of RR Telecom have received separate written notices by publication and direct mail, thirty days apart, prior to the date of this affidavit.
8. RR Telecom's designation as an eligible telecommunications carrier for the Fairmount, Hankinson, Lidgerwood and Wyndmere exchanges should be relinquished and instead should be transferred to Red River, as part of Red River's study area.

Further, all facts alleged and set forth in Red River's application filed on September 29, 2005 are incorporated by reference and are attested as true.

  
\_\_\_\_\_  
Jeffrey Olson  
General Manager  
Red River Rural Telephone Association  
and Red River Telecom, Inc.

Subscribed and sworn to before me this 28<sup>th</sup> day of Nov, 2005.



  
\_\_\_\_\_  
Notary Public  
For the State of North Dakota  
My commission expires: Aug 15, 2006

DONALD A NEGAARD  
JAMES E NOSTDAHL  
CAROL K LARSON  
DAVID J HOGUE  
REED A SODERSTROM  
BRENT M OLSON  
DEBRA L HOFFARTH  
SCOTT M KNUDSVIG  
ERIKA L SLEGER  
RYAN D SANDBERG

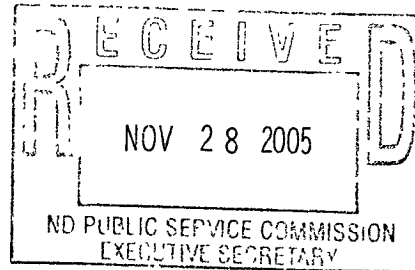
**PH**  
LAW OFFICES OF  
**PRINGLE & HERIGSTAD, P.C.**  
2525 ELK DRIVE  
POST OFFICE BOX 1000  
MINOT, NORTH DAKOTA 58702  
(701) 852-0381  
FAX (701) 857-1361  
E-mail pringle@srt.com

OF COUNSEL  
HERBERT L MESCHKE

RETIRED  
THOMAS A WENTZ  
MARK F PURDY  
JAN M SEBBY

KENNETH G PRINGLE  
(1914-1983)  
MITCHELL H MAHONEY  
(1929-1996)  
ROGER O HERIGSTAD  
(1919-2003)

November 28, 2005



Illona A. Jeffcoat-Sacco, Executive Secretary  
PUBLIC SERVICE COMMISSION  
600 East Boulevard Avenue, Department 408  
Bismarck, ND 58505-0480

**RED RIVER RURAL TELEPHONE ASSOCIATION**  
**CASE NO. PU-05-544**  
**CASE NO. PU-05-545**

Enclosed for filing are ten copies of an Affidavit in Support of Petition in regard to the above matters.

A handwritten signature in black ink, appearing to read "Don Negaard".

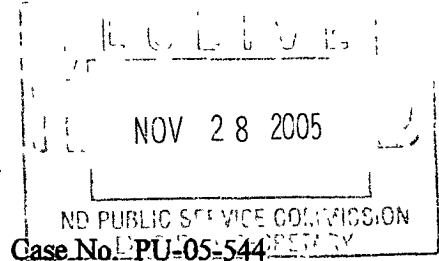
Don Negaard

jt

Enclosures

STATE OF NORTH DAKOTA

PUBLIC SERVICE COMMISSION



Red River Rural Telephone Association  
Local Exchange  
Public Convenience and Necessity

Case No. PU-05-544

Red River Rural Telephone Association  
Designated Eligible Carrier  
Application

Case No. PU-05-545

AFFIDAVIT IN SUPPORT OF PETITION

Jeffrey Olson, being first duly sworn, does state under oath as follows:

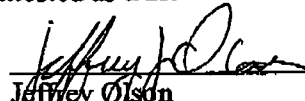
I am the General Manager of Red River Rural Telephone Association (Red River), a Minnesota Business Cooperative organized and operated as a cooperative association.

1. Red River is a fit and proper entity to provide telecommunication services in the exchanges of Fairmount, Wyndmere, Hankinson and Lidgerwood. Red River has been providing such services for years in Abercrombie, Colfax, Great Bend and Mooreton. Red River has also been operating Red River Telecom, Inc. (RR Telecom) since RR Telecom began providing services in Fairmount, Wyndmere, Hankinson and Lidgerwood.
2. The services to be provided by Red River are the full range of services currently being offered by RR Telecom. No rate changes are planned. All services will to continue to be the same.
3. The technical, financial and managerial ability of Red River to provide the service are the same as those currently offered to support the services in the area and in fact will be enhanced by the pledge of the full assets of Red River and not just those of RR Telecom. All assets and liabilities of RR Telecom are being transferred to Red River.
4. Red River is currently designated as an ETC under Section 214(e) of the Telecommunications Act of 1996 to receive federal universal service funding and has been so for all the exchanges listed in section 1 above. Red River has been and will continue to meet all the criteria for such designation in the exchanges operated by RR Telecom, which are being transferred to Red River.
5. Red River has complied with all the requirements of Chapter 69-09-05 of the North Dakota Administrative Code. Red River is fully ready and capable of complying with all universal service requirements of the FCC and has met all required designation criteria of the FCC in the past and will do so in the future. The

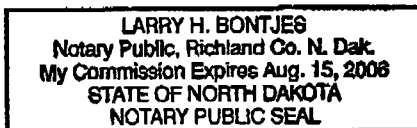
applicant will meet all designated criteria that may lawfully be established by the North Dakota Public Service Commission but it is our understanding that no final rules to implement the FCC's Report and Order released on March 17, 2005 had been adopted at the time of this application nor have any been finalized as of the date of this affidavit. The hearing date for those rules is set for January 1, 2006, and Red River will comply with legally adopted rules at that time.

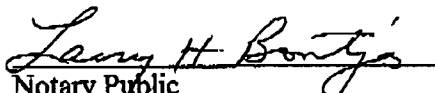
6. The ETC universal support area that should be designated for Red River should be the combined universal support area for Red River and RR Telecom that is being dissolved. They currently are all included in the Red River study area and approving this application will not change that designation. In short, no change is needed.
7. Red River Telecom's current certificate of public convenience and necessity should be relinquished. Red River and its subsidiary, RR Telecom, have provided notices by newsletters, publications and by direct letters to customers of RR Telecom in a manner and fashion that exceed the Commission's requirements of 30-day prior advance written notice under Administrative Code § 69-09-05-11(6). The customers of RR Telecom have received separate written notices by publication and direct mail, thirty days apart, prior to the date of this affidavit.
8. RR Telecom's designation as an eligible telecommunications carrier for the Fairmount, Hankinson, Lidgerwood and Wyndmere exchanges should be relinquished and instead should be transferred to Red River, as part of Red River's study area.

Further, all facts alleged and set forth in Red River's application filed on September 29, 2005 are incorporated by reference and are attested as true.

  
 Jeffrey Olson  
 General Manager  
 Red River Rural Telephone Association  
 and Red River Telecom, Inc.

Subscribed and sworn to before me this 28<sup>th</sup> day of Nov, 2005.



  
 Notary Public  
 For the State of North Dakota  
 My commission expires: Aug 15, 2006

**STATE OF NORTH DAKOTA**  
**PUBLIC SERVICE COMMISSION**

**Red River Rural Telephone Association  
Local Exchange  
Public Convenience and Necessity**

**Case No. PU-05-544**

**AFFIDAVIT OF SERVICE BY CERTIFIED MAIL**

STATE OF NORTH DAKOTA  
COUNTY OF BURLEIGH

**Sharon Helbling** deposes and says that:

she is over the age of 18 years and not a party to this action and, on the **29th day of November, 2005**, she deposited in the United States Mail, Bismarck, North Dakota, **two** envelopes with first class postage, fully prepaid, securely sealed and each containing a photocopy of:

**Staff Financial Memo**

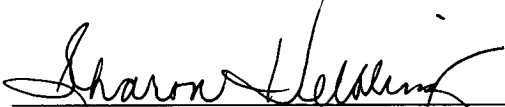
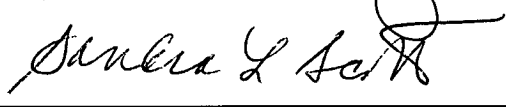
The envelopes were addressed as follows:

Don Negaard  
Pringle & Hergstad  
P O Box 1000  
Minot ND 58702-1000

Jeffrey Olson Manager  
Red River Rural Telephone Assoc  
P O Box 136  
Abercrombie ND 58001

Each address shown is the respective addressee's last reasonably ascertainable post office address

Subscribed and sworn to before me  
this **29th day of November, 2005**.

  
\_\_\_\_\_  
  
\_\_\_\_\_  
Notary Public

SEAL



Public Service Commission  
State of North Dakota

**Memorandum**

COMMISSIONERS

Tony Clark, President  
Susan E. Wefald  
Kevin Cramer

Executive Secretary  
Illona A. Jeffcoat-Sacco

**To:** Illona Jeffcoat-Sacco

**From:** Mike Diller

**Date:** November 28, 2005

**Re:** Red River Rural Telephone Association  
Local Exchange PC&N Application  
Case No. PU-05-544

600 E Boulevard Ave Dept 408  
Bismarck, North Dakota 58505-0480  
web www.psc.state.nd.us  
e-mail ndpsc@state.nd.us  
TDD 800-366-6888  
Fax 701-328-2410  
Phone 701-328-2400

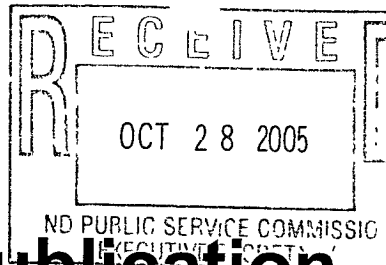
The following is written to provide the commission with a very limited review of this case regarding the applicant's financial ability to provide service.

Staff reviewed the applicant's financial information for the year ended 2004 noting positive consolidated members' equity of approximately \$11.7 million.

Based on its review, staff concludes that the applicant has access to sufficient equity to provide service in North Dakota.

Staff sees no reason to deny this application.

In accordance with the Commission's wishes, staff will serve this document on the applicant.



# Affidavit of Publication

Colleen Park, being duly sworn, state as follows:

1. I am the designated agent, under the provisions and for the purposes of, Section 31-04-06, NDCC, for the newspapers listed on the attached exhibits.

2. The newspapers listed on the exhibits published the advertisement of:

PSC, Red River Telephone

1 time(s) as required by law or ordinance.

3. All of the listed newspapers are legal newspapers in the State of North Dakota and, under the provisions of Section 46-05-01, NDCC, are qualified to publish any public notice or any matter required by law or ordinance to be printed or published in a newspaper in North Dakota.

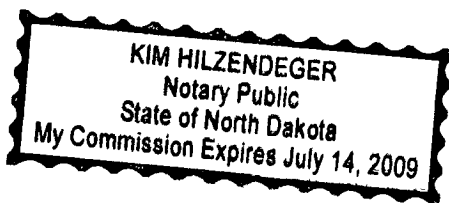
Signed: Colleen Park

State of ND

County of Burleigh

Subscribed and sworn to before me this 27 day of October 2005.

Kim Hilzeneger



6 **PU-05-544** Pages 2  
Affidavit of Publication  
by North Dakota Advertising Service Inc  
10/28/2005 C Comm Legal Illona, Jerry Annette

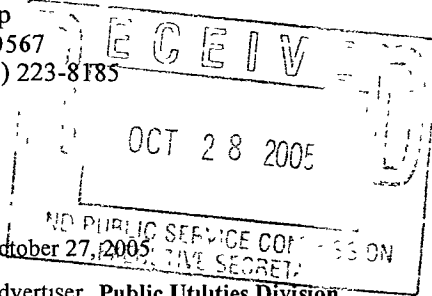
6 **PU-05-545** Pages 2  
Affidavit of Publication  
by North Dakota Advertising Service Inc  
10/28/2005 C Comm Legal Illona Jerry Annette



**North Dakota Newspaper Association**

1435 Interstate Loop  
 Bismarck, ND 58503-0567  
 Ph (701) 223-6397 • Fax (701) 223-8185

**INVOICE**



Order **21215-05104PP1** Invoice # **62134**

Attn: ILLONAA. JEFFCOAT-SACCO  
 PUBLIC SERVICE COMMISSION  
 600 E. BOULEVARD AVE.  
 STATE CAPITOL  
 BISMARCK, ND 58505  
 Voice 701-328-4076

October 27, 2005  
 Advertiser **Public Utilities Division**  
 P O.#  
 Amount Due **\$67.13**  
 Amount Paid

*Please detach and return this portion with your payment*

Public Utilities Division Invoice # 21215-05104PP1-62134

Ad Size	Rate Type	Rate	Total	Discount (%)	Caption	Page	Run Date
137 00	SPR2	0 49	67 13	0 00	Red River Telephone		10/23/05

**Wahpeton Daily News (Wahpeton ND)**

Gross Advertising	67.13	Total Misc	0 00	Amount Paid	0 00
Agency Discount		Tax	0 00	Adjustments	0 00
Other Discount	0 00	Total Billed	67 13	Payment Date	
Service Charge	0 00	Unbilled	0 00	Balance Due	67 13

**6 PU-05-544** Pages 2  
 Affidavit of Publication  
 by North Dakota Advertising Service, Inc  
 10/28/2005 C Comm Legal Illona Jerry Annette

**6 PU-05-545** Pages 2  
 Affidavit of Publication  
 by North Dakota Advertising Service, Inc  
 10/28/2005 C Comm Legal Illona Jerry Annette

CASE PU-05-544

NOTICE OF OPPORTUNITY FOR

HEARING AND NOTICE OF INFORMAL

HEARING

PUBLIC NOTICE

PUBLISHED 10/23 IN THE WAMPETER  
DAILY NEWS.

-2460  
5120  
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36-6888

909-911 Western Road  
New carpet, laundry on  
site, garages available  
from \$350 call Dallas  
642-2731

**SPACIOUS 2 BR**  
642-4942 or 642-8773

**WAHPETON**  
1 BR apts \$250, New ap-  
pliances & cabinets Close  
to college/across from  
Stop-N-Go 701-642-  
1582 or 952-446-9787

**825 Want To Rent**  
**WANT TO RENT**  
MinnDak beet stock for  
2006 season, also looking  
for land to rent  
Call 643-9447

**830 Homes for Rent/Minn.**  
3BR, 2 Ba Home  
in Breckenridge  
643-8422

**835 Homes for Rent/N. D.**  
6 BR home close to col-  
lege, available Nov 15th  
through May 15th 642-  
2460 or 640-5120

**FOR SALE or RENT**  
Small 2BR with washer,  
dryer, Stove, fridge & ga-  
rage 701-640-3256

**PUBLIC NOTICE**  
STATE OF NORTH DAKOTA  
PUBLIC SERVICE COMMIS-  
SION

Red River Rural Telephone  
Association  
Local Exchange  
Public Convenience and  
Necessity

Case No PU-05-544  
Red River Rural Telephone  
Association  
Designated Eligible Carrier  
Application

Case No PU-05-545  
**NOTICE OF OPPORTUNITY**  
**FOR HEARING AND**  
**NOTICE OF INFORMAL**  
**HEARING**  
October 18, 2005

On September 29, 2005, in  
Case No PU-05-544, Red  
River Rural Telephone  
Association (Red River) of  
Abercrombie, ND filed an ap-  
plication for certificates of public  
convenience and necessity to  
provide facilities-based incum-  
bent local exchange telecom-  
munication services in the  
Fairmount, Hankinson,  
Lidgerwood and Wyndmere  
exchanges in North Dakota

Also on September 29, 2005,  
in Case No PU-05-545, Red  
River filed a Petition for  
Designation as an Eligible  
Telecommunications Carrier  
(ETC) for receiving federal uni-  
versal service support in the  
above noted North Dakota local  
exchanges

Red River reports entering into  
an agreement with subsidiary  
Red River Telecom, Inc (Red  
River Telecom) for liquidation of  
the subsidiary and distribution  
of the assets to Red River. As  
of the anticipated December  
16, 2005 closing date for the  
transaction, Red River Telecom  
intends to cease and Red River  
intends to commence doing  
business as a provider of local  
exchange, service and  
exchange access in the  
Fairmount, Hankinson,  
Lidgerwood and Wyndmere  
exchanges

The issues to be considered in  
these matters are  
1 Fitness and ability of the  
applicant to provide service  
2 Adequacy of the proposed  
service  
3 Technical, financial and  
managerial ability of the appli-  
cant to provide service  
4 Qualification of the appli-

**COMMERCIAL SPACE**  
with 1400 sq ft in  
downtown Wahpeton  
Call 642-2126  
8am-5pm, Mon-Fri

**880 Office Space for rent**  
**OFFICE SPACE for Rent**  
Call Toll Free 888-770-  
6464 (days)218-495-2266  
(eve)

**910 Commercial Property**  
**8 PLEX** located in Mooreton  
ND Sealed bids, minimum  
bid \$151,000 Send to  
**Mooreton Enterprise,**  
**PO Box 677,**  
**Mooreton ND 58061**  
Call Doug 640-2422

**920 Farms for Sale**  
**GREAT 5.67** acre Farm-  
stead within 20 min of  
Wahpeton-Breckenridge  
All set up for horses, ma-  
ture trees, nice setting  
1600 sq ft, 1 1/2 story  
home, many improve-  
ments \$154,900 Call  
Ted duCharme 218-329-  
1991, Century 21 Gold  
Key Realty

cant under the  
Telecommunications Act of  
1996, Section 214(e) for desig-  
nation as an ETC eligible to  
receive federal universal ser-  
vice funding

5 Whether the Commission  
should order additional re-  
quirements for ETC designation re-  
commended in the FCC's Report  
and Order released March 17,  
2005 in CC Docket No 96-45

6 What ETC universal service  
support area should be design-  
ated

7 Whether Red River  
Telecom's current certificate of  
public convenience and neces-  
sity should be relinquished to  
the Commission

8 Whether upon designation  
of Red River as an eligible  
telecommunications carrier for  
the Fairmount, Hankinson,  
Lidgerwood and Wyndmere  
exchanges, Red River  
Telecom's designation as an  
eligible telecommunications  
carrier for these exchanges  
should be relinquished

Those interested are invited to  
comment on the application in  
writing Persons desiring a  
hearing must file a written  
request identifying their interest  
in the proceeding and the rea-  
sons for requesting a hearing  
Comments and requests for  
hearings must be received by  
November 29, 2005 If deemed  
appropriate, the Commission  
can determine the matter with-  
out a hearing

An informal hearing of these  
matters has been scheduled for  
November 30, 2005 at 1:30  
p.m. CST in the Commission  
Hearing Room on the 12th  
Floor of the State Capitol in  
Bismarck

For more information contact  
the Public Service Commission,  
State Capitol, Bismarck, North  
Dakota 58505, 701-328-2400,  
or Relay North Dakota 1-800-  
366-6888 TTY If you require  
any auxiliary aids or services,  
such as readers, signers, or  
Braille materials please notify  
Ilona Jeffcoat-Sacco,  
Executive Secretary  
**PUBLIC SERVICE COMMIS-  
SION**  
Susan E Wefald,  
Commissioner  
Tony Clark, President  
Kevin Cramer, Commissioner  
Legal No 14709 - Published  
Sunday, October 23, 2005

**HOME FOR SALE**  
**In Abercrombie**  
**OPEN HOUSE**  
**Sunday 10/23/05**  
**Noon - 4:00 PM**  
Built 1998 on corner lot,  
2180 sq ft, 4 BR, 1 1/2 Ba,  
split entry, gas F P, C/A,  
wet bar, 2 level deck  
\$150,000 701-553-8777 or  
701-640-0186



**Saving**  
**Bargains Are**  
**Found In**  
**The Classifieds**  
**642-8585**

**PUBLIC NOTICE**  
**NOTICE OF HEARING**  
STATE OF MINNESOTA  
COUNTY OF WILKIN

DISTRICT COURT  
EIGHTH JUDICIAL DISTRICT  
PROBATE DIVISION  
Court File No P2-05-215  
In Re Estate of MARION  
BARTH  
(deceased)

**NOTICE IS HEREBY GIVEN**  
that for **determination of**  
**descent dated September 9,**  
**2005** has been filed herein, and  
any objections thereto must be  
filed with the Court

The petition will be heard by  
the above named Court on the  
15th day of November, 2005, at  
8 15 o'clock A.M., at  
Breckenridge, Minnesota  
Dated 10-7-05  
(s) Peter Hoff  
Judge of District Court  
FLUEGEL, HELOSETH,  
MCCLAUGHLIN, ANDERSON &  
BRUTLAG, CHARTERED  
(s) Dennis J. Helseth #43850  
Attorney for Petitioner  
12 Central Avenue South PO  
Box 180  
Elbow Lake, Minnesota  
5531-0180  
Telephone (218) 685-5400  
Legal No 14291 - Published  
Sunday, October 16 & 23,  
2005

**PUBLIC NOTICE**

**NOTICE TO CREDITORS**  
IN THE DISTRICT COURT  
OF RICHLAND COUNTY,  
STATE OF NORTH DAKOTA  
In the Matter of the Estate of  
Vivan L. Hausauer a/k/a Vivan  
Hausauer, Deceased

Probate No 05P056  
**NOTICE IS HEREBY GIVEN**  
that the undersigned has been  
appointed personal representa-  
tive of the above estate. All  
persons having claims against  
the said deceased are required  
to present their claims within  
three months after the date of  
the first publication of mailing of  
this notice or said claims will be  
forever barred. Claims must  
either be presented to Candice  
Renee Hausauer, personal repre-  
sentative of the estate, at 903  
Western Rd #1, Eton, ND  
58075 or filed with the Court  
Dated this 17th day of  
October, 2005

(s) Candice Renee Hausauer  
Personal Representative  
903 Western Rd #1  
Wahpeton, ND 58075  
Christian M Anderson  
Attorney at Law  
824 Second Avenue North  
P O Box 548  
Wahpeton, ND 58074  
Attorney for Estate of Vivan L.  
Hausauer and Vivan  
Hausauer, Deceased  
First publication on the 16th  
day of October, 2005  
Legal No 14296 - Published  
Sunday, October 16, 23  
& 30, 2005

**ESSENTIAL TOOLS**  
available in  
**Tangen Addition**  
Breckenridge  
701-642-9113

**970 Mobile Homes for Sale**  
**1977 SCHULT** mobile-  
home, 2 BR, many up-  
dates Call 274-8859  
leave message

**www.nelsonhomes.net**  
Pictures, Prices, &  
Information  
Repossessions Single &  
Double wide homes  
Good deals  
See website or call  
Nelson Homes  
Toll free 866-910-1122

**PUBLIC NOTICE**

**NOTICE OF ENACTMENT OF CITY ORDINANCE**  
The City of Wahpeton hereby gives notice that on the 4th day of  
April, 2005, it enacted Ordinance No 863 which is titled  
**AN ORDINANCE AMENDING**  
**CHAPTER 22 - ARTICLE 2 ALCOHOLIC BEVERAGES**  
The Ordinance provides in part  
22-205 Liquor License Classifications  
22-212 Termination, Revocation and cancellation of Licenses  
22-213 General Rules of Operation  
22-218 Effective Date  
Penalty Violation of any of the terms or provisions of this arti-  
cle for which another penalty is not expressly provided shall be per-  
nished by a fine not to exceed \$500 00 or imprisonment not to exceed  
30 days, or both such fine and imprisonment. Violation of any of the  
terms or provisions of this article which may subject the licensee to  
revocation or suspension of license shall not preclude the imposition  
of the penalty stated in this section or any other section of this  
Article. Each day any violation of this article is permitted to contin-  
ue or continues shall be deemed a separate offense  
Dated this 18th day of October, 2005

CITY OF WAHPETON  
By: /s/ Shawn Kessel  
City Administrator  
Legal No 14707 - Published Sunday, October 23, 2005

**City of Wahpeton**  
**Summary of Minutes**

**PUBLIC NOTICE**

**Summary of City of**  
**Wahpeton Minutes**  
**October 17th, 2005**

Pursuant to due call and notice  
thereof, a regular meeting of  
the Wahpeton City Council was  
duly held at City Hall on the  
17th day of October 2005,  
beginning at 5 00 p.m.

The following members  
were present Mayor Schmitz,  
Council members Beyer,  
Hansey, Loberg, Mitskog,  
Otterson, Tollefson and  
Badgley. The following mem-  
bers were absent Schmidt  
Officers present City  
Administrator Kessel, Attorney  
Lies, Public Works Director  
Nelson, Economic  
Development Director Priebe,  
Librarian MacIver and Finance  
Officer Huwe. Others present.  
City Administrators Assistant  
Burchill and Finance Assistant  
Appell

**Motion and second approve**  
the minutes from the regular  
meeting held October 3rd,  
2005 Motion carried 7-0  
**Motion and second to approve**  
the following games of chance  
application

**Games of Chance**  
Rocky Mountain Elk  
Foundation  
Motion Passed 7-0

**Motion and second to approve**  
the third quarter visitor's com-  
mittee report as presented this  
evening Motion carried 7-0  
**Motion and second to**  
acknowledge receipt of the  
2004 State Auditors Report  
Motion carried 7-0

**Motion and second to approve**  
the revised FMLA policy as it  
was presented. Motion carried  
7-0

**Motion and second to approve**  
the revised Vehicle Use Policy  
as presented Motion carried 7-  
0

**Motion and second to approve**  
the purchase of two additional  
pool vehicles consisting of a  
used van and used sedan with  
the cost not exceeding \$25,000  
for both vehicles Motion car-  
ried 7-0

**ORDINANCES AND RESO-  
LUTIONS**  
Motion and second to adopt  
the following ordinance  
**ORDINANCE NO. 869**

**AN ORDINANCE AMENDING**  
**CHAPTER XVIII BUILDING**  
**CODE SECTIONS 18-301 (A)**  
**PERMITS REQUIRED AND**

**SECTION 18-303 (A) BUILD-  
ING PERMIT FEES**

**PRESENTATION AND**  
**APPROVAL OF BILLS AND**  
**REPORTS**

**BILLS** - General 42612 93,  
Water Operating 10665 33,  
Sanitary Sewer 5949 91, Vector  
Control 1009 80, Army operat-  
ing 162 79, Library Levy  
687 92, Advertising Levy 390,  
Capital Improvements 249 99,  
Special Street Maint Fund  
1024 84, Levee Maint 85 48,  
Codes Administration 290 26,  
Economic Development  
765 66, EDND Secretary  
Treasurer 4357 35, Sales Tax  
Mini Match RSRV 384 00,  
Revolving Loan 1740, 1-1-04  
Rosewood PH II 1167, 11th  
Street Water Tower 5340  
Motion and second to approve  
payment of the bills in the  
amount of \$76,883 26 Motion  
carried 7-0

**PRESENTATION OF COM-  
MUNICATION/REPORTS**

A Bois de Sioux Golf Board  
minutes and agenda  
B Wahpeton Mayor's  
Committee minutes 9-13-05  
C Leach Public Library Board  
of Trustees minutes 9-20-05  
D Lake Agassiz Water  
Authority Minutes 9-13-05  
E Fargo-Moorhead Chamber  
of Commerce newsletter "The  
Bridge"

F RSPV - Southern Valley  
newsletter

G LAWA Board of Directors  
meeting information

H Airport Authority Agenda  
10-12-05

I Letter from Attorney Lies  
clarifying liquor license ordi-  
nance

Motion and second to approve  
the reports sent in the mail.  
Motion carried 7-0

**SCHEDULING OF COMMIT-  
TEE MEETINGS**

The following Committee  
meetings were then sched-  
uled  
\* FINANCE & PERSONNEL  
October 24th, Noon  
\* PUBLIC WORKS  
October 25th, Noon  
\* VECTOR CONTROL  
None Scheduled  
\* FLOOD  
None Scheduled  
\* REC CENTER  
TBD  
\* REC CENTER BLDG  
2PM October 20th,  
2005  
Motion to adjourn  
Legal No 14711 - Published  
Sunday, October 23, 2005

**STATE OF NORTH DAKOTA**  
**PUBLIC SERVICE COMMISSION**

**Red River Rural Telephone Association  
Local Exchange  
Public Convenience and Necessity**

**Case No. PU-05-544**

**Red River Rural Telephone Association  
Designated Eligible Carrier  
Application**

**Case No. PU-05-545**

**AFFIDAVIT OF SERVICE BY CERTIFIED MAIL**

STATE OF NORTH DAKOTA  
COUNTY OF BURLEIGH

**Sharon Helbling** deposes and says that

she is over the age of 18 years and not a party to this action and, on the **19th day of October, 2005**, she deposited in the United States Mail, Bismarck, North Dakota, **two** envelopes with certified postage, return receipt requested, fully prepaid, securely sealed and each containing a photocopy of:

**Notice of Opportunity for Hearing and Notice of Informal Hearing**

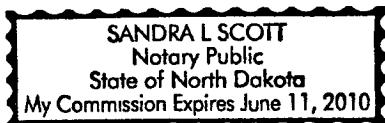
The envelopes were addressed as follows:

Don Negaard  
Pringle & Herigstad  
P O Box 1000  
Minot ND 58702-1000  
**Cert. No. 7005 0390 0001 4590 7480**

Jeffrey Olson Manager  
Red River Rural Telephone Assoc  
P O Box 136  
Abercrombie ND 58001  
**Cert. No. 7005 0390 0001 4590 7497**

Each address shown is the respective addressee's last reasonably ascertainable post office address.

Subscribed and sworn to before me  
this **19th day of October, 2005**.



SEAL

\_\_\_\_\_  
  
\_\_\_\_\_  
Notary Public

STATE OF NORTH DAKOTA  
PUBLIC SERVICE COMMISSION

Red River Rural Telephone Association  
Local Exchange  
Public Convenience and Necessity

Case No. PU-05-544

Red River Rural Telephone Association  
Designated Eiligious Carrier  
Application

Case No. PU-05-545

AFFIDAVIT OF SERVICE BY ORDINARY MAIL OR E-MAIL

STATE OF NORTH DAKOTA  
COUNTY OF BURLEIGH

**Sharon Helbling** deposes and says that:

she is over the age of 18 years and not a party to this action and, on the **19th day of October, 2005**, she deposited in the United States Mail, Bismarck, North Dakota, envelopes by first class mail, fully prepaid, securely sealed, and e-mailed, each containing a photocopy of:

**Notice of Opportunity for Hearing and Notice of Informal Hearing**

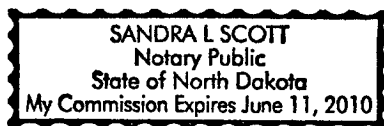
The envelopes were addressed as follows:

**See Attached List**

Each address shown is the respective addressee's last reasonably ascertainable post office address.

Subscribed and sworn to before me  
this **19th day of October, 2005**.

SEAL



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## Helbling, Sharon D.

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**From:** Helbling, Sharon D  
**Sent:** Wednesday, October 19, 2005 8 32 AM  
**To:** ndna  
**Subject:** Attached Notice of Opportunity for Hearing and Notice of Informal Hearing, Case Ns PU-05-544 and PU-05-545

Colleen Park  
North Dakota Newspaper Association

Colleen:

Please have the attached Notice of Opportunity for Hearing and Notice of Informal Hearing published as a legal publication in the next issue of the Wahpeton Daily News, and run it as a "News Item Only" article as well.

Send the bill to the Public Service Commission, along with a tear sheet for billing purposes.

If you have any questions please let me know.

Thank you.

Sharon Helbling  
Public Utilities Division



**10-18-05**  
**ce.doc (42**

4 **PU-05-544**

Pages 1

1

Notice e-mailed to NDNA requesting  
publication  
by Public Service Commission  
10/19/2005 C Comm Legal Ilona Jerry, Annette

**MOTION**

APPROVED

DATE: 10-18-05  
KMF

October 18, 2005

**Red River Rural Telephone Association  
Local Exchange  
Public Convenience and Necessity**

**Case No. PU-05-544**

**Red River Rural Telephone Association  
Designated Eligible Carrier  
Application**

**Case No. PU-05-545**

I move the Commission issue a Notice of Opportunity for Hearing and Notice of Informal Hearing in the captioned applications for certificates of public convenience and necessity to provide telecommunication services in North Dakota and for designation as an Eligible Telecommunications Carrier for receiving federal universal service support.

JRL/sdh

**STATE OF NORTH DAKOTA  
PUBLIC SERVICE COMMISSION**

**Red River Rural Telephone Association  
Local Exchange  
Public Convenience and Necessity**

**Case No. PU-05-544**

**Red River Rural Telephone Association  
Designated Eligible Carrier  
Application**

**Case No. PU-05-545**

**NOTICE OF OPPORTUNITY FOR HEARING AND  
NOTICE OF INFORMAL HEARING**

**October 18, 2005**

On September 29, 2005, in Case No. PU-05-544, Red River Rural Telephone Association (Red River) of Abercrombie, ND filed an application for certificates of public convenience and necessity to provide facilities-based incumbent local exchange telecommunication services in the Fairmount, Hankinson, Lidgerwood and Wyndmere exchanges in North Dakota.

Also on September 29, 2005, in Case No. PU-05-545, Red River filed a Petition for Designation as an Eligible Telecommunications Carrier (ETC) for receiving federal universal service support in the above noted North Dakota local exchanges.

Red River reports entering into an agreement with subsidiary Red River Telecom, Inc. (Red River Telecom) for liquidation of the subsidiary and distribution of the assets to Red River. As of the anticipated December 16, 2005 closing date for the transaction, Red River Telecom intends to cease and Red River intends to commence doing business as a provider of local exchange service and exchange access in the Fairmount, Hankinson, Lidgerwood and Wyndmere exchanges.

The issues to be considered in these matters are:

1. Fitness and ability of the applicant to provide service.
2. Adequacy of the proposed service.
3. Technical, financial and managerial ability of the applicant to provide service.
4. Qualification of the applicant under the Telecommunications Act of 1996, Section 214(e) for designation as an ETC eligible to receive federal universal service funding.
5. Whether the Commission should order additional requirements for ETC designation recommended in the FCC's Report and Order released March 17, 2005 in CC Docket No. 96-45.

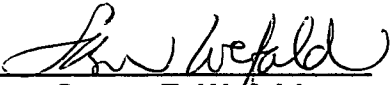
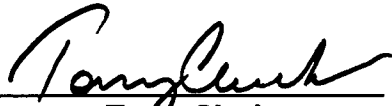
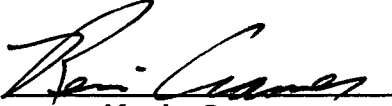
6. What ETC universal service support area should be designated.
7. Whether Red River Telecom's current certificate of public convenience and necessity should be relinquished to the Commission
8. Whether upon designation of Red River as an eligible telecommunications carrier for the Fairmount, Hankinson, Lidgerwood and Wyndmere exchanges, Red River Telecom's designation as an eligible telecommunications carrier for these exchanges should be relinquished

Those interested are invited to comment on the application in writing. Persons desiring a hearing must file a written request identifying their interest in the proceeding and the reasons for requesting a hearing. Comments and requests for hearings must be received by **November 29, 2005**. If deemed appropriate, the Commission can determine the matter without a hearing.

An **informal hearing** of these matters has been scheduled for **November 30, 2005 at 1:30 p.m. CST** in the Commission Hearing Room on the 12<sup>th</sup> Floor of the State Capitol in Bismarck.

For more information contact the Public Service Commission, State Capitol, Bismarck, North Dakota 58505, 701-328-2400, or Relay North Dakota 1-800-366-6888 TTY. If you require any auxiliary aids or services, such as readers, signers, or Braille materials please notify Illona Jeffcoat-Sacco, Executive Secretary.

**PUBLIC SERVICE COMMISSION**

		
Susan E. Wefald Commissioner	Tony Clark President	Kevin Cramer Commissioner

NALD A NEGAARD  
MES E NOSTDAHL  
AROL K LARSON  
DAVID J HOGUE  
REED A SODERSTROM  
BRENT M OLSON  
DEBRA L HOFFARTH  
SCOTT M KNUDSVIG  
ERIKA L SLEGER  
RYAN D SANDBERG



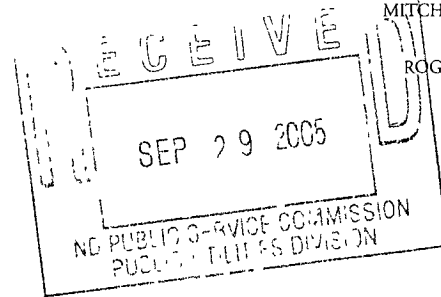
LAW OFFICES OF  
**PRINGLE & HERIGSTAD, P.C.**

2525 ELK DRIVE  
POST OFFICE BOX 1000  
MINOT, NORTH DAKOTA 58702  
(701) 852-0381  
FAX (701) 857-1361  
E-mail pringle@srt.com

OF COUNSEL  
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RETIRED  
THOMAS A WENTZ  
MARK F PURDY  
JAN M SEBBY

KENNETH G PRINGLE  
(1914-1983)  
MITCHELL H MAHONEY  
(1929-1996)  
ROGER O HERIGSTAD  
(1919-2003)



September 29, 2005

Illona A. Jeffcoat-Sacco, Executive Secretary  
PUBLIC SERVICE COMMISSION  
600 East Boulevard Avenue, Department 408  
Bismarck, ND 58505-0480

**RED RIVER RURAL TELEPHONE ASSOCIATION—APPLICATION FOR CERTIFICATES OF PC&N AND EXPANSION OF ETC DESIGNATED GEOGRAPHICAL SERVICE AREA**

Enclosed for filing are an original and seven copies of an Application of Red River Rural Telephone Association for Certificates of Public Convenience and Necessity and Expansion of Red River Rural Telephone Association's Eligible Telecommunications Carrier Designated Geographical Service Area together with the following attachments:

1. Certificate of Good Standing issued August 17, 2005.
2. Financial Statements as of December 31, 2004, and December 31, 2003, including Statement of Operations and Balance Sheet as of June 2005.

  
Don Negaard

jt

Enclosures

cc/enc: Red River Rural Telephone Association, Attention Jeffrey J. Olson

1 **PU-05-544** Pages 94

Application for Local Exchange PC&N

by Red River Rural Telephone Association by Don Negaard  
09/29/2005 C Comm Legal Illona Jerry Annette

1 **PU-05-545** Pages 94

Application for Designated Eligible Carrier

by Red River Rural Telephone Association by Don Negaard  
09/29/2005 C Comm Legal Illona Jerry Annette

**STATE OF NORTH DAKOTA**  
**PUBLIC SERVICE COMMISSION**

**Application of Red River Rural Telephone Association for Certificates of Public Convenience and Necessity and Expansion of Red River Rural Telephone Association's Eligible Telecommunications Carrier Designated Geographical Service Area**

**Case No. PU-\_\_\_\_\_**

**APPLICATION**

I.

Red River Rural Telephone Association (hereinafter "Red River"), a Minnesota business corporation, under Certificates of Public Convenience and Necessity issued by the North Dakota Public Service Commission (hereinafter the "Commission"), is engaged in the business of providing local exchange telecommunications service, exchange access, and other telecommunications activities in the following North Dakota exchanges, which shall hereinafter be collectively referred to as the "Red River Service Area": Abercrombie, Colfax, Great Bend, and Mooreton.

II

Red River Telecom, Inc., of Abercrombie, North Dakota, (hereinafter "Subsidiary"), a North Dakota corporation, under a Certificate of Public Convenience and Necessity issued by the Commission, is engaged in the business of providing local exchange telecommunications service, exchange access, and other telecommunications services in the following exchanges: Fairmount (PC&N No. 4900), Wyndmere (PC&N No. 4901), Hankinson (PC&N No. 3457), and Lidgerwood (PC&N No. 3477). The Subsidiary has approximately 352 North Dakota access lines in the Fairmount exchange, approximately 689 access lines in the Wyndmere exchange, 971 in the Hankinson exchange, and 766 in the Lidgerwood exchange.

III.

On April 21, 2005, Red River and the Subsidiary entered into an agreement for the liquidation of the Subsidiary and distribution of the assets to Red River, which includes current assets and facilities relating to the provision of local exchange telecommunications service, exchange access, and other telecommunications services in the Fairmount, Wyndmere, Hankinson, and Lidgerwood exchanges. As of the effective date of said transaction (December 16, 2005) (hereinafter, the "Closing Date"), the Subsidiary intends to cease doing business as a provider of local exchange telecommunications service and

exchange access in the Fairmount , Wyndmere, Hankinson, and Lidgerwood exchanges. In addition, as of the Closing Date, Red River intends to engage in the business of providing local exchange telecommunications service, exchange access, and other telecommunications activities in the Fairmount, Wyndmere, Hankinson, and Lidgerwood exchanges.

IV.

The Subsidiary wishes to relinquish its Certificate of Public Convenience and Necessity No. 4900 for the Fairmount exchange, No 4901 for the Wyndmere exchange, No. 3457 for the Hankinson exchange, and No 3477 for the Lidgerwood exchange effective as of the Closing Date.

V.

Red River has been designated by the Commission as an eligible telecommunications carrier to receive universal service support under §§ 214 and 254 of the federal Communications act of 1934, as amended by the federal Telecommunications Act of 1996 (hereinafter the "1996 Act") Red River's eligible telecommunications carrier designated geographical service area for the purpose of determining universal service obligations and support mechanisms under the 1996 Act is currently the Red River Service Area. Effective as of the Closing Date, Red River wishes to expand its designated geographical service area to include the Fairmount, Wyndmere, Hankinson, and Lidgerwood exchanges, for purposes of determining universal service obligations and support mechanisms under the 1996 Act.

VI.

All subscribers served by the Subsidiary in the Fairmount, Wyndmere, Hankinson, and Lidgerwood exchanges prior to the Closing Date will be served by Red River beginning on the Closing Date. Red River intends to charge the same rates for basic local service in the Fairmount, Wyndmere, Hankinson, and Lidgerwood exchanges as the Subsidiary is currently charging its subscribers in said exchanges.

VII.

There is a clear need for continuing quality telecommunications services in the Fairmount, Wyndmere, Hankinson, and Lidgerwood exchanges. The relinquishment of the Subsidiary's Certificates of Public Convenience and Necessity will have no effect on other public utilities providing similar services, as there are no other public utilities providing similar services in the Fairmount, Wyndmere, Hankinson, and Lidgerwood exchanges. Red River, having served the exchanges of Abercrombie, Colfax, Great Bend, and Mooreton and, through the Subsidiary, the exchanges of Fairmount, Wyndmere, Hankinson, and Lidgerwood for many years, has demonstrated that it has the technical, financial, and managerial fitness and ability to provide adequate essential and nonessential

telecommunications services in the four exchanges. The technical fitness and ability of Red River to provide services in these exchanges will be enhanced and facilitated by Red River's purchase of the assets that the Subsidiary is currently using to provide such services in the Fairmount, Wyndmere, Hankinson, and Lidgerwood exchanges. The provision of adequate essential and nonessential telecommunications service in the Fairmount, Wyndmere, Hankinson, and Lidgerwood exchanges will be facilitated and supported by the full current technical and financial capabilities of Red River, and by the full current technical and financial capabilities of the Subsidiary's parent, Red River Rural Telephone Association.

#### VIII

Beginning on the Closing Date, Red River will offer all services that are supported by federal universal service support mechanisms under § 254(c) of the 1996 Act and 47 C.F.R. §§ 54.101 and 54.401, using a combination of its own facilities and resale of other carriers' services, and will advertise the availability of such services and the charges therefore using media of general distribution, throughout all of the following exchanges: Abercombie, Colfax, Great Bend, Mooreton, Fairmount, Wyndmere, Hankinson, and Lidgerwood.

#### IX.

The Commission has: (1) authority under N.D.C.C. § 49-21-01.7(7) to act upon applications dealing with certificates of public convenience and necessity and (2) authority under N.D.C.C. § 49-21-01.7(13) to designate geographic service areas for designated eligible telecommunications carriers for the purpose of determining universal service obligations and support mechanisms under the 1996 Act.

#### X

WHEREFORE, the Subsidiary hereby applies to (1) contract its designated geographical service area to no longer include the Fairmount, Wyndmere, Hankinson, and Lidgerwood exchanges, pursuant to N.D.C.C. § 49-21-01.7(13), effective as of the Closing Date and (2) relinquish its Certificates of Public Convenience and Necessity No. 4900, No. 4901, No. 3457, and No. 3477, effective as of the Closing Date, pursuant to N.D.A.C. § 69-09-05-11(6).

#### XI.

WHEREFORE, Red River hereby applies to the Commission, pursuant to N.D.C.C. Ch. 49-03.1 and N.D.A.C. § 69-09-05-11, for Certificates of Public Convenience and Necessity for the Fairmount, Wyndmere, Hankinson, and Lidgerwood exchanges, effective as of the Closing Date.





# *State of North Dakota*

## SECRETARY OF STATE



### CERTIFICATE OF GOOD STANDING OF

RED RIVER RURAL TELEPHONE ASSOCIATION

The undersigned, as Secretary of State of the State of North Dakota, hereby certifies that RED RIVER RURAL TELEPHONE ASSOCIATION, a Minnesota corporation, authorized to transact business in the State of North Dakota on July 30, 1953, and according to the records of this office as of this date, has paid all fees due this office as required by North Dakota statutes governing foreign corporations.

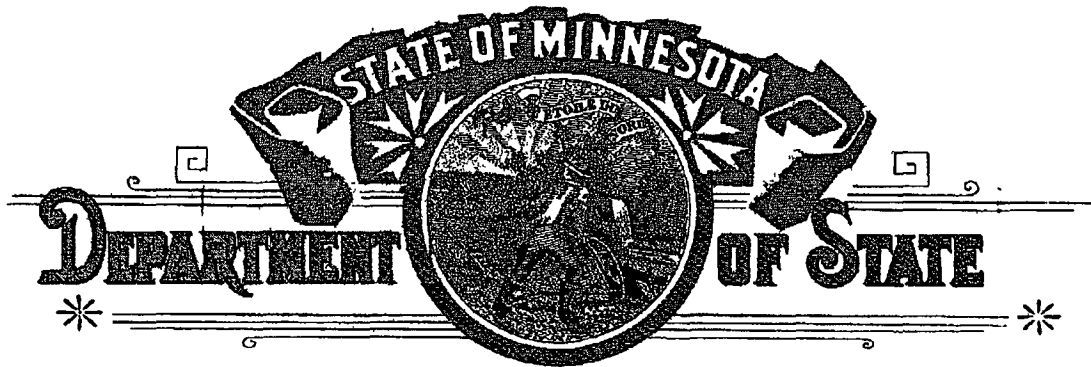
**ACCORDINGLY** the undersigned, as such Secretary of State, and by virtue of the authority vested in him by law, hereby issues this Certificate of Good Standing to

RED RIVER RURAL TELEPHONE ASSOCIATION

Issued: August 17, 2005

A handwritten signature in cursive script, reading "Alvin A. Jaeger".

Alvin A. Jaeger  
Secretary of State



MRS.  
*I, Mike Holm, Secretary of State  
of the State of Minnesota,*

*do hereby certify that I have compared the annexed copy with  
record of the original -Instruments- in my office of*

Articles of Incorporation of Barnesville Rural Telephone Association, as  
filed in this office on the 17th day of September, 1951, and contained in  
Cooperative File #2993; and all Amendments thereto as filed in this office  
on the 6th day of August, 1952; and the 23rd day of March, 1953- - - - -

*and that said copy is a true and correct transcript of said*

-Instruments-

*and of the whole thereof*

*In Testimony Whereof I have hereunto set my  
hand and affixed the Great Seal of the State at the*



United States of America



I, Mrs. Mike Holm, Secretary of State of the State of Minnesota, keeper of the Great Seal of said State, and the custodian of the documents pertaining to the formation of cooperative corporations under the laws of the State of Minnesota, do hereby certify:

That Barnesville Rural Telephone Association is a cooperative corporation of the State of Minnesota, created, organized and existing under and by virtue of and in full and complete compliance with the laws of said State made by filing Articles of Incorporation on the 17th day of September, 1951, and that said authority is now in force and has not been cancelled or revoked, and that said corporation is engaged in, or is authorized to engage in active business as a cooperative corporation of the State of Minnesota upon the date hereof.

Witness my official signature here-  
unto subscribed and the Great Seal  
of the State of Minnesota hereunto  
affixed, this 22nd day of July, A. D.  
1953.



*Mrs. Mike Holm*

Secretary of State

# APPLICATION OF FOREIGN CORPORATION FOR A CERTIFICATE OF AUTHORITY TO TRANSACT BUSINESS IN NORTH DAKOTA

TO THE SECRETARY OF STATE,  
State of North Dakota, Bismarck, N. Dak.

The Barnesville Rural Telephone Association, Inc., a corporation incorporated and existing under the laws of the State of Minnesota, in compliance with the provisions of Chapter 10-17, North Dakota Revised Code of 1943, governing Foreign Corporations, does hereby certify and set forth with respect to said corporation:

- (1) Its name is Barnesville Rural Telephone Association and the state or country of organization is Minnesota
- (2) It agrees to add "Inc." to its name for use in the State of North Dakota so that the name of this corporation which it will use in the State of North Dakota is The Barnesville Rural Telephone Association, Inc. (See instructions below.)
- (3) The date of its incorporation was September 17, 1951, and the period of its duration is fifty years.
- (4) The address of its principal office in the state or country of organization is Barnesville, Minnesota (See instructions below.)
- (5) The address of its proposed registered office in the State of North Dakota is Abercrombie, North Dakota (See instruction below); and the name of its proposed resident agent in the State of North Dakota is Peter Borman whose address is identical with that of its proposed registered office above set forth.
- (6) It irrevocably consents to service of process upon it as set forth in section 10-1733 of the North Dakota Revised Code of 1943 or any amendment thereto.
- (7) The names and respective addresses of its officers and directors are as follows:

NAME	ADDRESS	OFFICE
(See instructions below)		
<u>Joseph Briks</u>	<u>Rural Route, Rothsay, Minn.</u>	<u>President &amp; Direc</u>
<u>Walter W. Garven</u>	<u>Barnesville, Minnesota</u>	<u>Vice President</u>
<u>Geo. L. Janecky</u>	<u>Barnesville Minnesota</u>	<u>Sec- Treas.</u>
<u>Benjamin Gorder</u>	<u>Galchutt, North Dakota</u>	<u>Director</u>
<u>Peter Borman</u>	<u>Abercrombie North Dakota</u>	<u>Director</u>

(8) Its authorized aggregate number of shares having par value is thirty thousand of the par value of \$ 5.00 per share and its authorized aggregate number of shares without par value is none, which authorized shares are itemized by classes and series as follows:

(9) The issued or allotted aggregate number of its par value shares is 880 of the par value of \$ 5.00 per share and the issued or allotted aggregate number of its shares without par value is none, which shares are itemized by classes and series as follows:

(10) The officers executing this application for a certificate of authority to transact business in the State of North Dakota have been duly authorized so to do by its Board of Directors.

IN WITNESS WHEREOF, Said corporation has caused this application to be executed by its President and its Secretary and its corporate seal to be hereunto affixed this 23rd day of July, A. D. 1953.

AFFIX

CORPORATE

SEAL

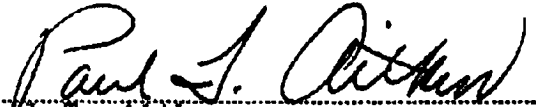
STATE OF Minnesota

County of Clay

Joseph Briks President.  
Geo. L. Janecky Secretary.  
} ss.

On this 23rd day of July, A. D. 1953, before me personally appeared Joseph Briks and Geo. L. Janecky

instrument was executed in behalf of said corporation by authority of its Board of Directors; that they have read the foregoing application subscribed by them and know the contents thereof, and that the same is true of their own knowledge; and said Joseph Briks and Geo. L. Janekcy acknowledge said instrument to be the free act and deed of said corporation.

  
Paul T. Aitken  
Notary Public, Clay County,  
State of Minnesota  
My Commission expires Oct 2, 1957

AFFIX  
NOTARIAL  
SEAL

**INSTRUCTIONS**

Item (2)—If the name of the corporation ends with the word "Corporation" or the word "Incorporated" or the abbreviation "Inc." or contains the word "Company" or the abbreviation "Co." not immediately preceded by the word "and" or the character "&," this item may be disregarded by the applicant corporation; otherwise, the first blank in Item (2) must be filled in with the word "Incorporated" or abbreviation "Inc." and the second blank must be filled in with the name of the applicant corporation with the added word or abbreviation which it agrees to use in the State of North Dakota.

Items (4), (5) and (7)—The addresses given must include the name of the post office, street and number, if any, or name of building and room or office number therein when customarily used as part of a mailing address.

- Fees—Initial License Fee \$50.00.
- For filing application \$5.00.
- For issuing Certificate \$2.00.
- For remittance with certificate of authority to the register of deeds of county registered office in North Dakota \$1.00.

**FOR RECORD BY THE SECRETARY OF STATE OF THE STATE OF NORTH DAKOTA**

All fees and charges paid on JULY 30, 1953  
Certificate issued and recorded No. 1496  
Certificate transmitted with fee of \$1.00 to register of deeds,  
County, on  
ANNE FRANSEN Clerk.

FOREIGN CORPORATION  
FILE NUMBER 1496

Nº 1496

United States of America



State of North Dakota

To All to Whom these Presents shall Come,

I, THOMAS HALL, Secretary of State of the State of North Dakota do hereby certify that

THE BARNESVILLE RURAL TELEPHONE ASSOCIATION,  
whose corporate name in North Dakota is

THE BARNESVILLE RURAL TELEPHONE ASSOCIATION, INC.,

a corporation of the State of MINNESOTA, incorporated on the

SEVENTEENTH day of SEPTEMBER, 19 51, with FIFTY YEARS existence

therefrom, and which maintains a registered office in the State of North Dakota at

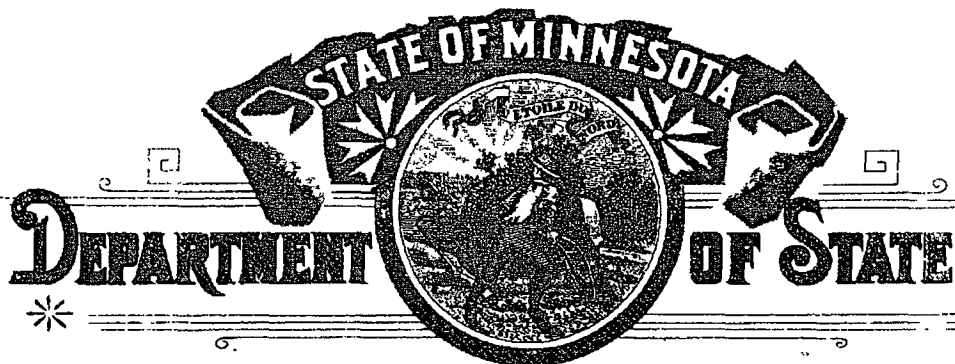
\_\_\_\_\_ in the City of

ABERCROMBIE, County of RICHLAND, has

duly complied with the provisions of Chapter 10-17, North Dakota Revised Code of 1943, governing Foreign Corporations, and is authorized to do business herein with all the powers, rights, and privileges, and subject to the limitations, duties, and restrictions which by law appertain thereto.

In Testimony Whereof, I have hereunto set my hand and affixed the Great Seal of the State, at the Capitol in the

UNITED STATES OF AMERICA



I, Joseph L. Donovan, Secretary of State of the State of Minnesota, do hereby certify that I have compared the annexed copy with record of the original \_\_\_\_\_ -instrument-  
in my office of Certificate of Amendment to the Articles of Incorporation of Barnesville Rural Telephone Association, as filed in this office on the 27th day of January, 1958, whereby the name of the corporation was changed to Red River Rural Telephone Association, and which certificate is contained in Cooperative File No. 2993 of the files of this office - - - -

and that said copy is a true and correct transcript of said \_\_\_\_\_  
-instrument-  
and of the whole thereof \_\_\_\_\_

IN TESTIMONY WHEREOF I have hereunto set my  
hand and affixed the Great Seal of the

Nº 1843

United States of America

DEPARTMENT



OF STATE

# State of North Dakota

*To All to Whom these Presents shall Come,*

I, ~~THOMAS HALL~~ <sup>THOMAS HALL</sup>, Secretary of State of the State of North Dakota do hereby certify that

THE BARNESVILLE RURAL TELEPHONE ASSOCIATION, INC.,

A CORPORATION OF THE STATE OF MINNESOTA, INCORPORATED ON SEPTEMBER 17, 1951 WITH FIFTY YEARS EXISTENCE, AND WHICH MAINTAINS A REGISTERED OFFICE IN THE STATE OF NORTH DAKOTA, ABERCROMBIE, AND WHICH WAS AUTHORIZED TO DO BUSINESS IN THE STATE OF NORTH DAKOTA, UNDER THE NORTH DAKOTA FOREIGN CORPORATION ACT, CHAPTER 10-17, NORTH DAKOTA REVISED CODE OF 1943, HAS BY PROPER INSTRUMENT FILED IN THIS OFFICE AMENDMENT CHANGING ITS CORPORATE NAME TO

RED RIVER RURAL TELEPHONE ASSOCIATION, INC.,

AND IS HEREBY AUTHORIZED TO DO BUSINESS HEREIN UNDER SUCH NAME WITH ALL THE POWERS, RIGHTS, AND PRIVILEGES, AND SUBJECT TO THE LIMITATIONS, DUTIES AND RESTRICTIONS WHICH BY LAW APPERTAIN THERETO.

In Testimony Whereof, I have hereunto set my hand  
and affixed the Great Seal of the State, at the Capitol in the

(APPLICABLE TO BOTH DOMESTIC AND FOREIGN CORPORATIONS)

FEE \$5.00

STATEMENT OF CHANGE OF REGISTERED OFFICE

OR REGISTERED AGENT, OR BOTH

OF

Red River Rural Telephone Association, Inc.

To the Secretary of State

of the State of North Dakota:

Pursuant to the provisions of Sections 10-19-10 or 10-22-09 of the North Dakota Century Code, the undersigned corporation, organized under the laws of the State of North Dakota, submits the following statement for the purpose of changing its registered office or its registered agent, or both, in the State of North Dakota:

First: The name of the corporation is Red River Rural Telephone Association, Inc.

Second: The address of its present registered office is Abercrombie, North Dakota

Third: The address to which its registered office is to be changed is Same

Fourth: The name of its present registered agent is Peter Bonman

Fifth: The name of successor registered agent is Wayne V. Holmquist

Sixth: The address of its registered office and the address of the business office of its registered agent as changed will be identical.

Seventh: Such change was authorized by resolution duly adopted by its board of directors.

Dated March 30 1966

Red River Rural Telephone Association, Inc.  
(Exact Corporate Name)

By X W.W. Garven Pres  
(Signature of President or Vice-President)

W.W. GARVEN  
President being first duly sworn says that he is the  
and that he has read the foregoing application and  
knows the contents thereof, and verily believes the statements made therein to be true.

By X W.W. Garven Pres  
(Signature of Executing Officer) (Same As Above)

Subscribed and sworn to before me this 30<sup>th</sup> day of March 1966

Wayne H. [Signature]  
Notary Public

State of North Dakota

My Commission Expires 2-17 1971

NOTARIAL SEAL

Filing Date 4-5 1966  
Ben Meier  
Secretary of State CB

Deputy

COOPERATIVE ASSOCIATION  
REGISTERED AGENT/REGISTERED OFFICE  
PRINCIPAL PLACE OF BUSINESS  
STATEMENT OF CHANGE

ID # 3,660,400

File # 1,496FC

WO # 385718  
Filed: 4-11-95 By

RECEIVED  
MAR 27 1995  
SEC. OF STATE

FEE: \$20.00

385718

The undersigned, submits the following statements to establish or change the name of a registered agent, the address of a registered agent, or the address of the principal place of business. This change is made according to the provisions of North Dakota Century Code Sections 10-15-12, 10-15-12.1, and 10-15-53.

1. The name of the cooperative is:

RED RIVER RURAL TELEPHONE ASSOCIATION

2. This statement is submitted to achieve the following: (check applicable purposes)

- { } a. To establish a registered agent and office of registered agent for a cooperative which has never maintained a registered agent.  
{x} b. To change a registered agent for a cooperative which has continuously maintained a registered agent.  
{ } c. To change the address of a registered agent for a cooperative which has continuously maintained a registered agent.  
{ } d. To eliminate the registered agent for a cooperative which has continuously maintained a registered agent.  
{ } e. To establish the address of the principal place of business in lieu of a registered agent, or to change the address of the principal place of business.

3. The name of the registered agent shall be: (Complete if items 2a or 2b are checked.)

Ardon M. Doran

- 4A. The complete address of the registered agent shall be: (Complete if items 2a or 2c are checked.)

506 Broadway, Abercrombie ND 58001-0136  
(Complete street or rural address, city, state and zip code is required. A po box number may be added.)

The address of its registered office and the address of the business office of its registered agent as changed will be identical.

- 4B. Does this address also serve as the principal place of business of the cooperative?  
\_\_\_yes \_\_\_no

5. The address of the principal place of business shall be: (Complete for all items checked in item 2.)

506 Broadway, Abercrombie, ND 58001-0136

(Complete street or rural address, city, state and zip code is required. A po box number may be added.)

6. These changes were authorized by resolution duly adopted by its board of directors.

7. The undersigned, as a member of the board, has read the foregoing, knows the contents thereof and verily believes the statements made therein to be true.

Date: 3/17, 19 95

Philip C. Polme / Vice President  
(Signature and Title)

MINNESOTA 565  
RED RIVER RURAL TELEPHONE ASSOCIATION  
AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS  
TOGETHER WITH  
INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2004

**MINNESOTA 565**  
**RED RIVER RURAL TELEPHONE ASSOCIATION AND SUBSIDIARIES**

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**INDEPENDENT AUDITORS' REPORT**

Board of Directors  
Red River Rural Telephone Association  
Abercrombie, North Dakota

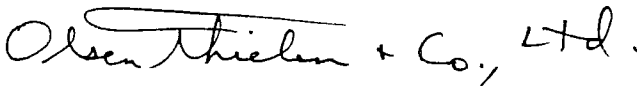
We have audited the accompanying consolidated balance sheet of Red River Rural Telephone Association and subsidiaries as of December 31, 2004 and 2003, and the related consolidated statements of operations, members' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Red River Rural Telephone Association and subsidiaries as of December 31, 2004 and 2003, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 24, 2005 on our consideration of Red River Rural Telephone Association and subsidiaries' internal control over financial reporting and our tests of their compliance with certain provisions of laws, regulations, contracts and grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

February 24, 2005



**MINNESOTA 565  
RED RIVER RURAL TELEPHONE ASSOCIATION AND SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEET  
DECEMBER 31, 2004 AND 2003**

ASSETS		
	2004	2003
<b>CURRENT ASSETS</b>		
Cash	\$ 1,108,362	\$ 2,001,675
RUS Construction Fund	69,425	-
Temporary Cash Investments	1,305,727	766,570
Due from Customers	32,501	49,539
Other Accounts Receivable	413,445	422,095
Income Taxes Receivable	354,132	94,540
Materials and Supplies	164,362	250,361
Inventory	31,101	24,142
Prepaid Expenses	15,289	289
Total Current Assets	3,494,344	3,609,211
<b>INVESTMENTS AND OTHER ASSETS</b>		
Investment Securities	605,424	639,730
Other Investments	2,613,866	2,411,949
Nonregulated Equipment, Net of Accumulated Depreciation of \$535,124 and \$509,867	139,963	339,797
Cooperative Stock Investments	190,171	166,276
Excess of Cost Over Net Assets Acquired	2,175,998	2,175,998
Deferred Charges	123,291	133,416
Total Investments and Other Assets	5,848,713	5,867,166
<b>TELECOMMUNICATIONS PLANT</b>		
In Service	22,732,100	20,902,892
Under Construction	1,334,098	241,319
Total	24,066,198	21,144,211
Less Accumulated Depreciation	14,479,921	13,260,428
Net Telecommunications Plant	9,586,277	7,883,783
<b>TOTAL ASSETS</b>	<b>\$ 18,929,334</b>	<b>\$ 17,360,160</b>

*The accompanying notes are an integral part of the consolidated financial statements*

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LIABILITIES AND MEMBERS' EQUITY

	2004	2003
<b>CURRENT LIABILITIES</b>		
Current Portion of Long-Term Debt	\$ 456,000	\$ 447,000
Accounts Payable	157,137	332,078
Other Accrued Liabilities	76,872	81,196
Customer Deposits	31,073	31,663
Total Current Liabilities	721,082	891,937
 <b>LONG-TERM LIABILITIES</b>		
Long-Term Debt	5,260,456	4,408,181
Deferred Income Taxes	1,141,399	865,480
Other Deferred	101,902	93,932
Total Long-Term Liabilities	6,503,757	5,367,593
 <b>MEMBERS' EQUITY</b>		
Patronage Capital	7,095,437	6,999,464
Retained Earnings of Subsidiaries	4,401,546	3,815,487
Accumulated Other Comprehensive Income	207,512	285,679
Total Members' Equity	11,704,495	11,100,630
 <b>TOTAL LIABILITIES AND MEMBERS' EQUITY</b>	<b>\$ 18,929,334</b>	<b>\$ 17,360,160</b>

**MINNESOTA 565**  
**RED RIVER RURAL TELEPHONE ASSOCIATION AND SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF OPERATIONS**  
**YEARS ENDED DECEMBER 31, 2004 AND 2003**

	<u>2004</u>	<u>2003</u>
<b>OPERATING REVENUES</b>		
Local Network	\$ 1,186,032	\$ 1,103,916
Network Access	3,160,764	3,315,150
Billing and Collection	10,759	22,430
Miscellaneous	113,321	100,516
Uncollectibles, Net	(23,973)	41
<b>Total Operating Revenues</b>	<u><b>4,446,903</b></u>	<u><b>4,542,053</b></u>
<b>OPERATING EXPENSES</b>		
Plant Specific	1,019,288	926,809
Depreciation	1,323,210	1,246,422
Plant Support	158,720	175,153
Customer	477,091	478,672
Corporate	729,365	662,723
Income Taxes	206,854	323,253
Other Taxes	15,970	15,488
<b>Total Operating Expenses</b>	<u><b>3,930,498</b></u>	<u><b>3,828,520</b></u>
<b>OPERATING MARGINS</b>	<u><b>516,405</b></u>	<u><b>713,533</b></u>
<b>OTHER INCOME AND (EXPENSES)</b>		
Investment Income	76,428	81,410
Partnership and LLC Earnings	511,125	478,054
Gain on Sale of Investment Securities	55,707	120,067
Miscellaneous, Net	(6,065)	(5,655)
Nonregulated Activities, Net	334,521	380,242
Income Taxes	(295,041)	(279,174)
<b>Net Other Income and (Expenses)</b>	<u><b>676,675</b></u>	<u><b>774,944</b></u>
<b>INTEREST EXPENSE</b>	<u><b>(196,934)</b></u>	<u><b>(247,186)</b></u>
<b>NET MARGINS</b>	<u><b>\$ 996,146</b></u>	<u><b>\$ 1,241,291</b></u>

*The accompanying notes are an integral part of the consolidated financial statements*

**MINNESOTA 565  
RED RIVER RURAL TELEPHONE ASSOCIATION AND SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF MEMBERS' EQUITY  
YEARS ENDED DECEMBER 31, 2004 AND 2003**

	<u>Patronage Capital</u>	<u>Retained Earnings of Subsidiaries</u>	<u>Accumulated Other Comprehensive Income</u>	<u>Total</u>
BALANCE on December 31, 2002	\$ 6,575,409	\$ 3,039,179	\$ 74,776	\$ 9,689,364
Comprehensive Income				
Net Margins	464,983	776,308		1,241,291
Net Unrealized Holding Gain			210,903	210,903
Total Comprehensive Income				<u>1,452,194</u>
Estate Credits Retired	<u>(40,928)</u>			<u>(40,928)</u>
BALANCE on December 31, 2003	6,999,464	3,815,487	285,679	11,100,630
Comprehensive Income				
Net Margins	410,087	586,059		996,146
Net Unrealized Holding Loss			(78,167)	(78,167)
Total Comprehensive Income				<u>917,979</u>
Retirement of Patronage Capital	<u>(277,209)</u>			<u>(277,209)</u>
Estate Credits Retired	<u>(36,905)</u>			<u>(36,905)</u>
BALANCE on December 31, 2004	<u>\$ 7,095,437</u>	<u>\$ 4,401,546</u>	<u>\$ 207,512</u>	<u>\$ 11,704,495</u>

*The accompanying notes are an integral part of the consolidated financial statements*

**MINNESOTA 565**  
**RED RIVER RURAL TELEPHONE ASSOCIATION AND SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2004 AND 2003**

	<b>2004</b>	<b>2003</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net Margins	<b>\$ 996,146</b>	<b>\$ 1,241,291</b>
Adjustments to Reconcile Net Margins to Net Cash Provided By Operating Activities		
Depreciation of Telecommunications Plant	<b>1,323,210</b>	1,246,422
Depreciation of Nonregulated Equipment	<b>74,644</b>	105,621
Partnership and LLC Earnings	<b>(511,125)</b>	(478,054)
Partnership and LLC Distributions	<b>222,673</b>	92,961
Gain on Sale of Investment Securities	<b>(55,707)</b>	(120,067)
Changes in Assets and Liabilities		
Due from Customers	<b>17,038</b>	(6,809)
Other Accounts Receivable	<b>8,650</b>	69,569
Income Taxes Receivable	<b>(259,592)</b>	(80,985)
Inventory	<b>(6,959)</b>	10,078
Prepaid Expenses	<b>(15,000)</b>	(217)
Accounts Payable	<b>(20,236)</b>	(15,387)
Other Accrued and Deferred Liabilities	<b>3,646</b>	6,285
Deferred Income Taxes	<b>326,488</b>	128,412
Net Cash Provided By Operating Activities	<b>2,103,876</b>	<b>2,199,120</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Additions to Telecommunications Plant in Service and Under Construction	<b>(2,902,016)</b>	(833,284)
Purchase of Nonregulated Equipment	<b>(15,153)</b>	(98,666)
Salvage, Net of Cost of Removal	<b>21,930</b>	18,914
Decrease (Increase) in Materials and Supplies	<b>85,999</b>	(9,504)
Change in RUS Construction Fund	<b>(69,425)</b>	-
Change in Temporary Cash Investments	<b>(444,157)</b>	787,433
Purchases of Investments	<b>(135,558)</b>	(91,788)
Sale of Investment Securities	<b>64,476</b>	133,560
Decrease (Increase) in Deferred Charges	<b>10,125</b>	(23,544)
Net Cash Used In Investing Activities	<b>(3,383,779)</b>	<b>(116,879)</b>

*The accompanying notes are an integral part of the consolidated financial statements*

**CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)**  
**YEARS ENDED DECEMBER 31, 2004 AND 2003**

	<b>2004</b>	<b>2003</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in Customer Deposits	\$ (590)	\$ 5,641
Principal Payments of Long-Term Debt	(306,706)	(909,916)
Proceeds from Long-Term Debt	1,008,000	-
Retirement of Patronage Capital	(314,114)	(40,928)
Net Cash Provided By (Used In) Financing Activities	386,590	(945,203)
 NET INCREASE (DECREASE) IN CASH	 (893,313)	 1,137,038
CASH at Beginning of Year	2,001,675	864,637
CASH at End of Year	\$ 1,108,362	\$ 2,001,675
 <b>SUPPLEMENTAL CASH FLOW INFORMATION - NONCASH TRANSACTIONS</b>		
Change in Plant in Service and Plant Under Construction from (Increase) Decrease in Construction Payables Included in Accounts Payable	\$ 154,702	\$ (154,702)
Increase in Construction Payables Included in Long-Term Debt	\$ (159,981)	\$ -

**MINNESOTA 565**  
**RED RIVER RURAL TELEPHONE ASSOCIATION AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Operations**

The Company's principal line of business is providing local telephone service, internet, and access to long distance telephone service through its local exchange network. The revenues reported on the statement of operations and in Note 6 reflect the relative importance of each type of service. The principal market for these telecommunications services are local residential and business customers residing in each of the exchanges the Company serves.

**Basis of Accounting**

The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America including certain accounting practices prescribed by the Federal Communications Commission (FCC) and the state regulatory commissions in the states where the telephone company and subsidiaries operate.

**Accounting Estimates**

The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Consolidation**

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Red River Telecom, Inc., CRW Communications, Inc. and Red River Technologies, Inc. All significant intercompany transactions and accounts have been eliminated.

**Temporary Cash Investments**

The Company considers all certificates of deposit with a maturity of greater than three months and less than one year when purchased to be temporary cash investments. These investments are readily convertible to cash and are stated at cost, which approximates fair value.

**Receivables**

Receivables are reported at the amount the Company expects to collect on balances outstanding at year end. The Company monitors outstanding balances and periodically writes off balances that are determined to be uncollectible. The Company has concluded that losses on balances outstanding at year end will be immaterial.

**Materials and Supplies**

Materials and supplies are recorded at average cost.

**Property and Depreciation**

Property and equipment are recorded at original cost. Additions, improvements or major renewals are capitalized. If the assets are sold, retired or otherwise disposed of in the ordinary course of business, the cost plus removal costs less salvage is charged to accumulated depreciation and the original cost is removed from the asset accounts. Any gains or losses on non-telecommunications property and equipment retirements are reflected in current year operations.

**MINNESOTA 565**  
**RED RIVER RURAL TELEPHONE ASSOCIATION AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Property and Depreciation (Continued)**

Depreciation is computed using the straight-line method based on estimated service or remaining useful asset lives. Composite depreciation rates are

	<u>2004</u>	<u>2003</u>
Telecommunications Plant	6.1%	6.1%
Nonregulated Equipment	9.8	13.2

**Patronage Capital**

Parent company revenues in excess of operating costs and expenses, excise tax refunds and cash dividends from subsidiaries are assigned to patrons on a patronage basis.

**Excess of Cost Over Net Assets Acquired**

These assets represent the excess of the purchase price of acquisitions over the fair value of the net assets acquired. The Company adopted the provisions of Statement of Financial Accounting Standards (SFAS) No. 142, "Goodwill and Other Intangible Assets," effective January 1, 2002. SFAS No. 142 requires that goodwill no longer be amortized, but instead be reviewed annually for possible impairment. In its reviews, the Company has determined that the goodwill is not impaired.

**Retirement Plan**

The Company has a pension plan covering employees who meet certain age and service requirements. Pension expense and the related accrual are not material to the financial statements.

**Revenue Recognition**

Revenues are recognized when earned. Interstate access service is based on average schedule settlements with the National Exchange Carrier Association and tariffs filed with the FCC. Local and intrastate access services are based on tariffs filed with state regulatory commissions.

**Income Taxes and Excise Tax Refunds**

The parent company is a cooperative organized and operated on a nonprofit basis, but files returns as a taxable cooperative based on a ruling by the IRS as explained in Note 5.

All subsidiaries are taxable entities which file on a consolidated basis with the parent company. Under the Internal Revenue Code, a telephone cooperative is entitled to a refund for overpayment of federal excise taxes by its patrons. The amount of the refund is limited to excise taxes paid which are attributable to net margins.

The provision for income taxes consists of an amount for taxes currently payable and a provision for tax consequences deferred to future periods. Deferred income taxes are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred income tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

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**RED RIVER RURAL TELEPHONE ASSOCIATION AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Investment Securities**

Investments in debt and equity securities are classified as available-for-sale. Investments are reported at fair value with unrealized gains and losses recorded in a separate component of members' equity. Investments accounted for using the equity method of accounting and investments which do not have readily determinable fair market values are not affected by this accounting principle. Unrealized losses are charged against earnings when a decline in fair value below the cost basis is determined to be other than temporary. Realized gains and losses on dispositions are based on the net proceeds and the adjusted book value of the securities sold, using the specific identification method. Realized losses are also based on declines in fair value judged by management to be other than temporary.

**Other Investments**

The Company follows the equity method of accounting for less than 20% ownership interests in investments in partnerships and limited liability companies because management believes they have influence over the operating and financial activities of these entities. Investments in other companies that are not intended for resale or are not readily marketable are valued at cost which does not exceed net realizable value.

**Credit Risk**

Financial instruments which potentially subject the Company to concentrations of credit risk consist principally of cash, temporary cash investments and other accounts receivable. The Company places its cash and temporary cash investments with high credit quality financial institutions and, by policy, generally limits the amount of credit exposure to any one financial institution. A significant portion of the Company's revenues are from long distance carriers in the telephone industry, and consequently, the Company is directly affected by the financial well-being of that industry. However, the credit risk associated with other accounts receivable is minimized due to the large number of long distance carriers, and historically, credit losses have not been significant.

**NOTE 2 - OTHER INVESTMENTS**

These investments consist of

Company	2004				2003 Total
	Cost	Cumulative Distri- butions	Cumulative Income (Losses)	Total	
Partnership and LLCs					
VAL-ED Joint Venture (17.4%)	\$ 558,971	\$ (311,140)	\$ 1,071,451	\$ 1,319,282	\$ 1,160,446
West Central Transport Group LLC (4.8%)	50,000	(151,379)	304,536	203,157	222,190
Dakota Carrier Network, LLC (7.4%)	843,135	(63,494)	(17,268)	762,373	593,395
Northwest MN Special Access LLC (5.3%)	55,232	(136,000)	128,163	47,395	67,724
Total	<u>\$ 1,507,338</u>	<u>\$ (662,013)</u>	<u>\$ 1,486,882</u>	<u>2,332,207</u>	2,043,755
Closely Held Companies				182,140	178,194
Certificate of Deposit				99,519	190,000
Total				<u>\$ 2,613,866</u>	<u>\$ 2,411,949</u>

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**RED RIVER RURAL TELEPHONE ASSOCIATION AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 2 - OTHER INVESTMENTS (Continued)**

The Company's share of partnership and LLC net income in 2004 and 2003 was \$511,125 and \$478,054, respectively, which is approximately 11% and 10% of the combined net income of all of these entities

**NOTE 3 - INVESTMENT SECURITIES AND COMPREHENSIVE INCOME**

The cost and fair values of investment securities available-for-sale at December 31, 2004 and 2003 were

Description	Cost	Gross Unrealized Gains	Fair Value
<b>2004:</b>			
Common Stocks	<u>\$ 263,672</u>	<u>\$ 341,752</u>	<u>\$ 605,424</u>
<b>2003</b>			
Common Stocks	<u>\$ 169,243</u>	<u>\$ 470,487</u>	<u>\$ 639,730</u>

Changes in other comprehensive income (loss) are as follows

	Before Tax	Tax Benefit (Expense)	Net-of-Tax Amount Amount
<b>2004:</b>			
Unrealized Loss on Available- for-Sale Securities	<u>\$ (73,028)</u>	<u>\$ 28,285</u>	<u>\$ (44,743)</u>
Reclassification Adjustment for Gains Recognized in Margins	<u>(55,707)</u>	<u>22,283</u>	<u>(33,424)</u>
Net Unrealized Losses	<u>\$ (128,735)</u>	<u>\$ 50,568</u>	<u>\$ (78,167)</u>
	Before Tax	Tax Benefit (Expense)	Net-of-Tax Amount Amount
<b>2003</b>			
Unrealized Gains on Available- for-Sale Securities	<u>\$ 467,404</u>	<u>\$(184,461)</u>	<u>\$ 282,943</u>
Reclassification Adjustment for Gains Recognized in Margins	<u>(120,067)</u>	<u>48,027</u>	<u>(72,040)</u>
Net Unrealized Gains	<u>\$ 347,337</u>	<u>\$(136,434)</u>	<u>\$ 210,903</u>

As of December 31, 2004 and 2003, the amount of unrealized gain on available-for-sale securities included in accumulated other comprehensive income is shown net of deferred income taxes of \$134,240 and \$184,808

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 4 - LONG-TERM DEBT**

Long-term debt is as follows

	2004	2003
RUS		
2%	\$ 610,122	\$ 687,371
5%	1,118,076	1,187,533
4 40%	608,000	-
2 25%	400,000	-
CoBank		
Matures 2014		
Variable Interest Rate, (6.05% at December 31, 2004)	320,277	980,277
Fixed Interest Rates (4.83% to 5.54%)	2,500,000	2,000,000
Construction Payables	159,981	-
Total	5,716,456	4,855,181
Less Amount Due Within One Year	456,000	447,000
Long-Term Debt	\$ 5,260,456	\$ 4,408,181

The mortgage notes payable to the Rural Utilities Service (RUS) are secured by substantially all assets of the Company. These notes are payable in equal monthly and quarterly installments of principal and interest beginning three years after the date of the issue and will be fully repaid at various times from 2006 to 2023. Unadvanced loan funds on RUS loan commitments of \$9,490,000 are available to the Company at December 31, 2004. The interest rate will be determined at the time of each advance. Portions of these funds will be used to finance construction contracts payable, which have been classified as long-term debt.

All government loan funds are deposited in the RUS Construction Fund and disbursements are restricted to construction costs and other expenditures authorized by the loan agreement, subject to RUS approval.

The mortgage notes payable to CoBank are secured by substantially all assets of Red River Telecom, Inc. These notes are payable in monthly installments of principal and quarterly interest payments. Red River Telecom, Inc. has purchased nonvoting equity in CoBank, which entitles the Company to patronage refunds.

Principal payments required during the next five years are: 2005 - \$456,000, 2006 - \$530,000, 2007 - \$564,000, 2008 - \$587,000, and 2009 - \$609,000. Cash payments for interest were \$215,209 in 2004 and \$257,014 in 2003.

Long-term debt agreements contain restrictions on dividends and redemptions of equity capital. Patronage capital available for dividend distribution totaled approximately \$7,000,000 as of December 31, 2004.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 5 - INCOME TAXES**

The Company's tax status is determined by whether or not 85% or more of its revenues are membership sourced as outlined by IRS rules. If the Company meets the 85% requirement, it is a tax-exempt cooperative, and the Company is subject to income tax only on net unrelated business income. Otherwise, as a non-exempt cooperative, income tax is paid on taxable income from non-patronage sources such as investment and directory advertising income. The Company generally will not pay income tax on net margins from patronage sources, provided the margins are allocated to members as capital credits on a timely basis. In certain circumstances, the Alternative Minimum Tax may be applied to patronage sources of income. For 2004 and 2003, the Company was a non-exempt cooperative. Cash paid for current income taxes was \$435,000 in 2004 and \$555,000 in 2003.

The provision for income tax expense includes the following components:

	<u>2004</u>	<u>2003</u>
Current Expense	\$ 175,407	\$ 474,015
Deferred Income Taxes	326,488	128,412
Total	<u>501,895</u>	<u>602,427</u>
Allocated to Other Income and Expenses	<u>(295,041)</u>	<u>(279,174)</u>
Operating Income Tax Expense	<u>\$ 206,854</u>	<u>\$ 323,253</u>

The effective income tax rate differs from the federal statutory rate due to nontaxable patronage sourced income.

The components of deferred income taxes at December 31, 2004 and 2003, are as follows:

	<u>2004</u>	<u>2003</u>
Deferred Tax Asset		
Accrued Liabilities	\$ 466	\$ 466
Total Deferred Tax Asset	<u>466</u>	<u>466</u>
Deferred Tax Liabilities		
Investment Securities	(134,240)	(184,808)
Other Investments	(423,394)	(271,385)
Goodwill	(350,713)	(287,857)
Fixed Assets and Depreciation	(233,518)	(121,896)
Total Deferred Tax Liabilities	<u>(1,141,865)</u>	<u>(865,946)</u>
Net Deferred Tax Liabilities	<u>\$ (1,141,399)</u>	<u>\$ (865,480)</u>

**MINNESOTA 565**  
**RED RIVER RURAL TELEPHONE ASSOCIATION AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**NOTE 6 - NONREGULATED ACTIVITIES**

The following is a summary of nonregulated activities, net included in other income and expenses:

	<u>2004</u>	<u>2003</u>
Internet Revenues	\$ 459,539	\$ 577,448
ITV Revenues	189,770	180,630
Leased Equipment Revenue	264,526	256,238
Other Revenues	162,318	173,040
Internet Expense	(291,900)	(391,332)
Other Expenses	(375,088)	(310,161)
Depreciation Expense	<u>(74,644)</u>	<u>(105,621)</u>
Net Revenues	<u>\$ 334,521</u>	<u>\$ 380,242</u>

**NOTE 7 - COMMITMENTS**

The Company has committed to telecommunications plant purchases of approximately \$1,845,000 in 2005

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

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Board of Directors  
Red River Rural Telephone Association  
Abercrombie, North Dakota

Our report on our audits of the basic consolidated financial statements of Red River Rural Telephone Association and subsidiaries as of December 31, 2004 and 2003, appears on page 1. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole.

The consolidating information on pages 16-25 is presented for purposes of additional analysis of the basic consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual companies. The consolidating information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

The supplementary information on page 26 is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. Such information is marked "not audited" and we express no opinion on it.

St Paul, Minnesota  
February 24, 2005

*Olsen Thielens + Co., Ltd.*

**RED RIVER RURAL TELEPHONE ASSOCIATION AND SUBSIDIARIES**

**CONSOLIDATING SCHEDULE OF BALANCE SHEET INFORMATION  
DECEMBER 31, 2004**

ASSETS		
	Consolidated	Eliminations
<b>CURRENT ASSETS</b>		
Cash	\$ 1,108,362	\$
RUS Construction	69,425	
Temporary Cash Investments	1,305,727	
Due from Customers	32,501	
Receivable from Affiliates	-	(173,495)
Current Portion of Notes Receivable from Affiliates	-	(100,000)
Other Accounts Receivable	413,445	
Income Taxes Receivable	354,132	
Materials and Supplies	164,362	
Inventory	31,101	
Prepaid Expenses	15,289	
Total Current Assets	3,494,344	(273,495)
<b>INVESTMENTS AND OTHER ASSETS</b>		
Investment Securities	605,424	
Other Investments	2,613,866	
Notes Receivable from Affiliates	-	(430,000)
Investments in Subsidiaries	-	(6,471,862)
Nonregulated Equipment, Net	139,963	
Cooperative Stock Investments	190,171	
Excess of Cost over Net Assets Acquired, Net	2,175,998	
Deferred Charges	123,291	
Total Investments and Other Assets	5,848,713	(6,901,862)
<b>TELECOMMUNICATIONS PLANT</b>		
In Service	22,732,100	
Under Construction	1,334,098	
Total	24,066,198	-
Less Accumulated Depreciation	14,479,921	
Net Telecommunications Plant	9,586,277	-
<b>TOTAL ASSETS</b>	<b>\$ 18,929,334</b>	<b>\$ (7,175,357)</b>

<u>Red River Rural Telephone Association</u>	<u>Red River Telecom, Inc</u>	<u>CRW Communications, Inc</u>	<u>Red River Technologies, Inc</u>
\$ 408,335	\$ 51,251	\$ 558,528	\$ 90,248
69,425			
541,217	95,000	669,510	
15,300	14,656		2,545
140,993		32,502	
		100,000	
278,760	134,685		
354,132			
164,362			
30,864		237	
7,289	8,000		
<u>2,010,677</u>	<u>303,592</u>	<u>1,360,777</u>	<u>92,793</u>
472,460			132,964
329,054			2,284,812
		430,000	
6,471,862			
60,968	47,693		31,302
	190,171		
	2,175,998		
86,624	36,667		
<u>7,420,968</u>	<u>2,450,529</u>	<u>430,000</u>	<u>2,449,078</u>
11,289,691	11,442,409		
1,312,754	21,344		
12,602,445	11,463,753	-	-
6,662,950	7,816,971		
<u>5,939,495</u>	<u>3,646,782</u>	-	-
<u>\$ 15,371,140</u>	<u>\$ 6,400,903</u>	<u>\$ 1,790,777</u>	<u>\$ 2,541,871</u>

**RED RIVER RURAL TELEPHONE ASSOCIATION AND SUBSIDIARIES**  
**CONSOLIDATING SCHEDULE OF BALANCE SHEET INFORMATION (Continued)**  
**DECEMBER 31, 2004**

LIABILITIES AND MEMBERS' EQUITY

	<u>Consolidated</u>	<u>Eliminations</u>
<b>CURRENT LIABILITIES</b>		
Current Portion of Long-Term Debt	\$ 456,000	\$ (100,000)
Accounts Payable	157,137	
Payable to Affiliates	—	(173,495)
Other Accrued Liabilities	76,872	
Customer Deposits	31,073	
Total Current Liabilities	<u>721,082</u>	<u>(273,495)</u>
<b>LONG-TERM LIABILITIES</b>		
Long-Term Debt	5,260,456	
Deferred Income Taxes	1,141,399	
Note Payable to Affiliate	—	(430,000)
Other Deferred	101,902	
Total Long-Term Liabilities	<u>6,503,757</u>	<u>(430,000)</u>
<b>MEMBERS' EQUITY</b>		
Common Stock	—	(150,000)
Paid-in Capital	—	(1,910,470)
Patronage Capital	7,095,437	
Retained Earnings of Subsidiaries	4,401,546	(4,401,546)
Accumulated Other Comprehensive Income	207,512	(9,846)
Total Members' Equity	<u>11,704,495</u>	<u>(6,471,862)</u>
<b>TOTAL LIABILITIES AND MEMBERS' EQUITY</b>	<u>\$ 18,929,334</u>	<u>\$ (7,175,357)</u>

Red River Rural Telephone Association	Red River Telecom, Inc	CRW Communications, Inc	Red River Technologies, Inc
\$ 199,000	\$ 297,000	\$	\$ 60,000
135,325	21,812		
14,302	22,367		136,826
61,549	15,323		
15,027	16,046		
<u>425,203</u>	<u>372,548</u>	<u>-</u>	<u>196,826</u>
2,737,179	2,523,277		
122,361	572,029		447,009
280,000			150,000
101,902			
<u>3,241,442</u>	<u>3,095,306</u>	<u>-</u>	<u>597,009</u>
	50,000	50,000	50,000
	1,450,000		460,470
7,095,437			
4,401,546	1,433,049	1,740,777	1,227,720
207,512			9,846
<u>11,704,495</u>	<u>2,933,049</u>	<u>1,790,777</u>	<u>1,748,036</u>
<u>\$ 15,371,140</u>	<u>\$ 6,400,903</u>	<u>\$ 1,790,777</u>	<u>\$ 2,541,871</u>

**RED RIVER RURAL TELEPHONE ASSOCIATION AND SUBSIDIARIES**  
**CONSOLIDATING SCHEDULE OF STATEMENT OF OPERATIONS INFORMATION**  
**YEAR ENDED DECEMBER 31, 2004**

	<u>Consolidated</u>	<u>Eliminations</u>
OPERATING REVENUES		
Local Network	\$ 1,186,032	\$
Network Access	3,160,764	
Billing and Collection	10,759	
Miscellaneous	113,321	(369,032)
Uncollectibles, Net	(23,973)	
Total Operating Revenues	<u>4,446,903</u>	<u>(369,032)</u>
OPERATING EXPENSES		
Plant Specific	1,019,288	(238,559)
Depreciation	1,323,210	
Plant Support	158,720	
Customer	477,091	
Corporate	729,365	
Income Taxes	206,854	
Other Taxes	15,970	
Total Operating Expenses	<u>3,930,498</u>	<u>(238,559)</u>
OPERATING MARGINS	<u>516,405</u>	<u>(130,473)</u>
OTHER INCOME AND (EXPENSES)		
Investment Income	76,428	(30,000)
Partnership and LLC Earnings	511,125	
Gain on Sale of Investment Securities	55,707	
Miscellaneous, Net	(6,065)	
Nonregulated Activities, Net	334,521	130,473
Income Taxes	(295,041)	
Net Other Income and (Expenses)	<u>676,675</u>	<u>100,473</u>
INTEREST EXPENSE	<u>(196,934)</u>	<u>30,000</u>
MARGINS BEFORE EQUITY IN EARNINGS OF SUBSIDIARIES	996,146	-
EQUITY IN EARNINGS OF SUBSIDIARIES	-	<u>(586,059)</u>
NET MARGINS	<u>\$ 996,146</u>	<u>\$ (586,059)</u>

Red River Rural Telephone Association	Red River Telecom, Inc	CRW Communications, Inc	Red River Technologies, Inc
\$ 389,469	\$ 796,563	\$	\$
1,710,527	1,450,237		
6,215	4,544		
448,706	33,647		
(11,398)	(12,575)		
<u>2,543,519</u>	<u>2,272,416</u>	<u>-</u>	<u>-</u>
721,470	536,377		
687,646	635,564		
118,772	39,948		
252,952	224,139		
457,303	272,062		
6,215	200,639		
5,881	10,089		
<u>2,250,239</u>	<u>1,918,818</u>	<u>-</u>	<u>-</u>
<u>293,280</u>	<u>353,598</u>	<u>-</u>	<u>-</u>
54,229	3,842	46,802	1,555
19,671			491,454
			55,707
(3,138)	(2,927)		
182,773	18,371	(5,656)	8,560
(42,668)	(7,894)	(13,993)	(230,486)
<u>210,867</u>	<u>11,392</u>	<u>27,153</u>	<u>326,790</u>
<u>(94,060)</u>	<u>(120,874)</u>	<u>-</u>	<u>(12,000)</u>
410,087	244,116	27,153	314,790
<u>586,059</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 996,146</u>	<u>\$ 244,116</u>	<u>\$ 27,153</u>	<u>\$ 314,790</u>

**RED RIVER RURAL TELEPHONE ASSOCIATION AND SUBSIDIARIES**  
**CONSOLIDATING SCHEDULE OF STATEMENT OF CASH FLOWS INFORMATION**  
**YEAR ENDED DECEMBER 31, 2004**

	<u>Consolidated</u>	<u>Eliminations</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net Margins	\$ 996,146	\$ (586,059)
Adjustments to Reconcile Net Margins to Net Cash Provided By Operating Activities		
Depreciation of Telecommunications Plant	1,323,210	
Depreciation of Nonregulated Equipment	74,644	
Equity in Earnings of Subsidiaries	-	586,059
Partnership and LLC Earnings	(511,125)	
Partnership and LLC Distributions	222,673	
Gain on Sale of Investment Securities	(55,707)	
Changes in Assets and Liabilities		
Due from Customers	17,038	
Receivable from Affiliates	-	(24,571)
Other Accounts Receivable	8,650	
Income Taxes Receivable	(259,592)	
Inventory	(6,959)	
Prepaid Expenses	(15,000)	
Accounts Payable	(20,236)	
Payable to Affiliates	-	24,571
Other Accrued and Deferred Liabilities	3,646	
Deferred Income Taxes	326,488	
Net Cash Provided By Operating Activities	<u>2,103,876</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Additions to Telecommunications Plant in Service and Under Construction	(2,902,016)	
Purchase of Nonregulated Equipment	(15,153)	
Salvage, Net of Cost of Removal	21,930	
Change in Materials and Supplies	85,999	
Change in RUS Construction Fund	(69,425)	
Change in Temporary Cash Investments	(444,157)	
Purchases of Investments	(135,558)	
Sale of Investment Securities	64,476	
Decrease in Notes Receivable	-	(140,000)
Decrease in Deferred Charges	10,125	
Net Cash Provided By (Used In) Investing Activities	<u>(3,383,779)</u>	<u>(140,000)</u>

Red River Rural Telephone Association	Red River Telecom, Inc	CRW Communications Inc	Red River Technologies, Inc
\$ 996,146	\$ 244,116	\$ 27,153	\$ 314,790
687,646	635,564		
38,737	25,105		10,802
(586,059)			(491,454)
(19,671)			182,673
40,000			(55,707)
(2,726)	3,440		16,324
(53,771)	39,803	38,539	
(7,991)	16,641		
(259,592)			
(6,959)			
(7,000)	(8,000)		
(9,316)	(10,920)		
14,302	22,367		(61,240)
12,096	(8,450)		
833	175,738		149,917
<u>836,675</u>	<u>1,135,404</u>	<u>65,692</u>	<u>66,105</u>
(1,910,536)	(991,480)		
(2,544)	(12,609)		
11,400	9,468		1,062
85,999			
(69,425)			
146,481		(590,638)	
(8,465)	(23,895)		(103,198)
			64,476
6,459	3,666	140,000	
<u>(1,740,631)</u>	<u>(1,014,850)</u>	<u>(450,638)</u>	<u>(37,660)</u>

**CONSOLIDATING SCHEDULE OF STATEMENT OF CASH FLOWS INFORMATION (Continued)**  
**YEAR ENDED DECEMBER 31, 2004**

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	<u>Consolidated</u>	<u>Eliminations</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Change in Customer Deposits	\$ (590)	\$
Principal Payments of Long-Term Debt	(306,706)	140,000
Proceeds from Issuance of Long-Term Debt	1,008,000	
Retirement of Patronage Capital	(314,114)	
Net Cash Used In Financing Activities	<u>386,590</u>	<u>140,000</u>
 NET DECREASE IN CASH	 (893,313)	 -
 CASH at Beginning of Year	 <u>2,001,675</u>	 <u>-</u>
 CASH at End of Year	 <u>\$ 1,108,362</u>	 <u>\$ -</u>

<u>Telephone Association</u>	<u>Red River Telecom, Inc</u>	<u>Communications Inc</u>	<u>Red River Technologies, Inc</u>
\$ 350	\$ (940)	\$	\$
(226,706)	(160,000)		(60,000)
1,008,000			
(314,114)			
<u>467,530</u>	<u>(160,940)</u>	<u>-</u>	<u>(60,000)</u>
(436,426)	(40,386)	(384,946)	(31,555)
<u>844,761</u>	<u>91,637</u>	<u>943,474</u>	<u>121,803</u>
<u>\$ 408,335</u>	<u>\$ 51,251</u>	<u>\$ 558,528</u>	<u>\$ 90,248</u>

**MINNESOTA 565**  
**RED RIVER RURAL TELEPHONE ASSOCIATION - PARENT ONLY**

**STATISTICAL AND ANALYTICAL INFORMATION**  
**YEARS ENDED DECEMBER 31**  
*(Not Audited)*

	2004	2003	2002	2001	2000
<b>ACCESS LINES</b>					
Residence	1,832	1,807	1,817	1,825	1,769
Business	623	335	336	329	335
Total	<u>2,455</u>	<u>2,142</u>	<u>2,153</u>	<u>2,154</u>	<u>2,104</u>
<b>TELECOMMUNICATIONS PLANT STATISTICS</b>					
Total Investment in Service	\$11,289,691	\$ 10,545,069	\$ 9,949,696	\$ 9,485,670	\$ 8,937,674
Total Per Access Line	\$ 4,599	\$ 4,923	\$ 4,621	\$ 4,404	\$ 4,248
Total Per Dollar of Operating Revenue	\$ 4.44	\$ 4.27	\$ 4.32	\$ 4.25	\$ 4.67
Additions to Plant	\$ 1,910,536	\$ 626,284	\$ 581,518	\$ 529,411	\$ 1,698,800
Percent Depreciated to Date	59.0%	57.3%	55.9%	53.3%	50.8%
<b>FINANCIAL STATISTICS</b>					
Net Margins Per Access Line	\$ 406	\$ 580	\$ 511	\$ 385	\$ 1,289
Operating Revenues Per Access Line	\$ 1,036	\$ 1,152	\$ 1,071	\$ 1,037	\$ 910
Net Margins to Beginning Equity	9.0%	12.8%	11.4%	8.6%	26.9%
Equity to Total Assets	76.1%	79.5%	78.1%	74.6%	64.4%
Debt to Total Assets	20.9%	16.3%	19.6%	17.0%	15.7%
Current Ratio	4.9/1.0	3.9/1.0	5.2/1.0	5.4/1.0	1.6/1.0
Times Interest Earned Ratio	11.6	13.3	14.5	9.7	29.9
<b>SUMMARY OF STATEMENT OF OPERATIONS</b>					
Local Network Revenue	\$ 389,469	\$ 320,795	\$ 324,599	\$ 301,287	\$ 246,809
Network Access Revenue	1,710,527	1,819,513	1,726,769	1,709,053	1,465,909
Other Revenues	443,523	327,178	254,458	223,605	201,433
Total Operating Revenues	<u>2,543,519</u>	<u>2,467,486</u>	<u>2,305,826</u>	<u>2,233,945</u>	<u>1,914,151</u>
Total Operating Expenses	<u>2,250,239</u>	<u>2,181,385</u>	<u>2,029,268</u>	<u>1,901,770</u>	<u>1,680,040</u>
Operating Margins	293,280	286,101	276,558	332,175	234,111
Other Income, Net	796,926	1,055,851	904,764	593,147	2,572,384
Interest Expense	(94,060)	(100,661)	(81,263)	(95,265)	(93,806)
Net Margins	<u>\$ 996,146</u>	<u>\$ 1,241,291</u>	<u>\$ 1,100,059</u>	<u>\$ 830,057</u>	<u>\$ 2,712,689</u>
<b>NET MARGINS TO OPERATING REVENUES</b>					
	39.2%	50.3%	47.7%	37.2%	141.7%

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING  
STANDARDS**

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Board of Directors  
Red River Rural Telephone Association  
Abercrombie, North Dakota

We have audited the financial statements of Red River Rural Telephone Association and subsidiaries for the years ended December 31, 2004 and 2003, and have issued our report thereon dated February 24, 2005. We conducted our audits in accordance with U.S. 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.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Company'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. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Company's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

A fundamental concept in a good system of internal controls is the segregation of duties. Duties should be separated so that no one person performs incompatible duties or has complete control of any type of transaction. Due to the relatively small size of the Company's staff, the Company is not able to attain segregation of duties to the extent required for ideal internal control. This is not unusual in a company of this size, and generally it is not economically feasible to provide for complete adherence to the segregation of duties concept.

The Company's management is aware of this condition and believes that it is not economically feasible to attain the ideal segregation of duties. Management attempts to mitigate the associated risks by doing the following:

- (1) Identifies areas where the lack of segregation of duties exists and where there are higher risks of errors or fraud occurring
- (2) Implements limited segregation to the extent possible to reduce risks without impairing efficiency
- (3) Uses the knowledge that management and the Board of Directors have of operations by having them review certain accounting records and reports. Reviews are done on a recurring basis
- (4) Monitors the effectiveness of the above actions and makes changes as considered appropriate

A material weakness is a reportable 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 caused by error or fraud 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. The reportable condition described above is believed to be a material weakness. This material weakness was considered in determining the nature, timing, and extent of the audit tests applied in our audit of the financial statements for the years ended December 31, 2004 and 2003, and this report does not affect our report on those financial statements. We have not considered the internal control over financial reporting since the date of our report.

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Company'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 or other matters that are required to be reported under *Government Auditing Standards*.

We also noted other matters involving the internal control over financial reporting which we have reported to the management of the Company in a separate letter dated February 24, 2005.

This report is intended solely for the information and use of the Board of Directors, management and the Rural Utilities Service and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

St Paul, Minnesota  
February 24, 2005

*Olsen Thielen + Co., Ltd.*

**INDEPENDENT AUDITORS' MANAGEMENT LETTER  
FOR TELECOMMUNICATIONS BORROWERS**

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Board of Directors  
Red River Rural Telephone Association  
Abercrombie, North Dakota

We have audited the financial statements of Red River Rural Telephone Association and subsidiaries for the year ended December 31, 2004, and have issued our report thereon dated February 24, 2005. We conducted our audit in accordance with U.S. 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 the Company for the year ended December 31, 2004, 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.

Our consideration of internal control over financial reporting would not necessarily disclose all matters in 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 a matter involving the internal control over financial reporting, as set forth in our independent auditors' report on internal control over financial reporting and on compliance and other matters, that we consider to be a material weakness as defined above.

Section 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 Section 1773.33(e)(2), and related party transactions and investments. In addition, our audit of the financial statements also included the procedures specified in Sections 1773.38 through 1773.45 in all material respects. 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 auditors' report and our independent auditors' report on internal control over financial reporting and on compliance and other matters, all dated February 24, 2005) or summary of recommendations 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 Section 1773.33 are presented below.

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

We noted no matters regarding the Company'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 with the exception of a lack of segregation of duties due to a limited number of employees.

**II. COMMENTS ON COMPLIANCE WITH SPECIFIC RUS LOAN AND SECURITY INSTRUMENT PROVISIONS**

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:

- A Procedures performed with respect to the requirement for a borrower to obtain written approval of the mortgagee to enter into any contract, agreement or lease between the borrower and an affiliate of the Company for the year ended December 31, 2004 of the Company
  - 1 Obtained and read a borrower-prepared schedule of new written contracts, agreements or leases entered into during the year between the borrower and an affiliate as defined in Section 1773 33(e)(2)(i)
  - 2 Reviewed Board of Director minutes to ascertain whether board-approved written contracts are included in the borrower-prepared schedule
  - 3 Noted the existence of written RUS approval of each contract listed by the borrower
- B Procedure performed with respect to the requirement to submit RUS Form 479 to the RUS
  - 1 Agreed certain amounts reported in Form 479 to the Company's records

The results of our tests indicate that, with respect to the items tested, the Company complied, in all material respects, with the specific RUS loan and security instrument provisions referred to below. The specific provisions tested include the requirements that

- A The borrower has obtained written approval from the RUS to enter into any contract, agreement or lease with an affiliate as defined in Section 1773 33(e)(2)(i), and
- B The borrower has not submitted its Form 479, *Financial and Statistical Report*, to the RUS. When it is submitted, we will agree certain amounts reported in Form 479 to the Company's records and determine that the Form 479 is in agreement with the Company's audited records in all material respects.

### III. COMMENTS ON OTHER ADDITIONAL MATTERS

In connection with our audit of the financial statements of Red River Rural Telephone Association and subsidiaries, nothing came to our attention that caused us to believe that the Company failed to comply with respect to

- A The reconciliation of subsidiary plant records to the controlling general ledger plant accounts addressed at Section 1773 33(c)(1),
- B The clearing of the construction accounts and the accrual of depreciation on completed construction addressed at Section 1773 33(c)(2),
- C The retirement of plant addressed at Section 1773 33(c)(3) and (4),
- D The approval of the sale, lease or transfer of capital assets and disposition of proceeds for the sale or lease of plant, material, or scrap addressed at Section 1773 33(c)(5),

- E 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, 2004 in the financial statements referenced in the first paragraph of this report addressed at Section 1773 33(f), and,
- F The detailed schedule of investments

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The detailed schedule of investments required by 7 CFR 1773 33(i) (Exhibit A attached) is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Directors, management, and the Rural Utilities Service and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

St Paul, Minnesota  
February 24, 2005

*Olsen Thielken + Co., Ltd.*

**MINNESOTA 565  
RED RIVER RURAL TELEPHONE ASSOCIATION (RRRTA) AND SUBSIDIARIES**

**SCHEDULE OF INVESTMENTS  
DECEMBER 31, 2004**

	Red River Telecom, Inc (1)	CRW Communications, Inc (2)	Red River Technologies, Inc (3)	Northwest MN Special Access, LLC (4)	Other Cost-Based Investments	Total
Investment Cost	\$ 1,500,000	\$ 50,000	\$ 510,470	\$ 55,232	\$ 121,662	\$ 2,237,364
Cumulative Earnings as of December 31, 2003	1,188,933	1,713,624	912,930	108,492	-	3,923,979
Cumulative Distributions as of December 31, 2003	-	-	-	(96,000)	-	(96,000)
Accumulated Other Comprehensive Income	-	-	33,395	-	-	33,395
Book Value of Investment as of December 31, 2003	2,688,933	1,763,624	1,456,795	67,724	121,662	6,098,738
Investments in 2004	-	-	-	-	3,946	3,946
Earnings in 2004	244,116	27,153	314,790	19,671	-	605,730
Distributions in 2004	-	-	-	(40,000)	-	(40,000)
Subtraction from Accumulated Other Comprehensive Income	-	-	(23,549)	-	-	(23,549)
Book Value of Investment as of December 31, 2004	<u>\$ 2,933,049</u>	<u>\$ 1,790,777</u>	<u>\$ 1,748,036</u>	<u>\$ 47,395</u>	<u>\$ 125,608</u>	<u>\$ 6,644,865</u>

Company (1) is a 100% owned subsidiary of RRRTA that is accounted for on the equity method. This subsidiary is a telephone company.

Company (2) is a 100% owned subsidiary of RRRTA that is accounted for on the equity method. This subsidiary had DBS operations.

Company (3) is a 100% owned subsidiary of RRRTA that is accounted for on the equity method. This subsidiary provides fiber transport and E911 operations.

Company (4) is a 5.3% owned affiliate of RRRTA that is accounted for on the equity method. This subsidiary provides internet and video services to public schools.

MINNESOTA 565  
RED RIVER RURAL TELEPHONE ASSOCIATION  
AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS  
TOGETHER WITH  
INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2003

MINNESOTA 565  
RED RIVER RURAL TELEPHONE ASSOCIATION AND SUBSIDIARIES

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INDEPENDENT AUDITORS' REPORT

Board of Directors  
Red River Rural Telephone Association  
Abercrombie, North Dakota

We have audited the accompanying consolidated balance sheet of Red River Rural Telephone Association and subsidiaries as of December 31, 2003 and 2002, and the related consolidated statements of operations, members' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and *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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Red River Rural Telephone Association and subsidiaries as of December 31, 2003 and 2002, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 19, 2004 on our consideration of Red River Rural Telephone Association and subsidiaries' internal control over financial reporting and our tests of their compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

February 19, 2004

*Olsen Thielen & Co., Ltd.*

**MINNESOTA 565  
RED RIVER RURAL TELEPHONE ASSOCIATION AND SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEET  
DECEMBER 31, 2003 AND 2002**

ASSETS	<u>2003</u>	<u>2002</u>
<b>CURRENT ASSETS</b>		
Cash	\$ 2,001,675	\$ 864,637
Temporary Cash Investments	766,570	1,554,003
Due from Customers	49,539	42,730
Other Accounts Receivable	422,095	491,664
Income Taxes Receivable	94,540	13,555
Materials and Supplies	250,361	240,857
Inventory	24,142	34,220
Prepaid Expenses	<u>289</u>	<u>72</u>
Total Current Assets	<u>3,609,211</u>	<u>3,241,738</u>
<b>INVESTMENTS AND OTHER ASSETS</b>		
Investment Securities	639,730	303,626
Other Investments	2,411,949	1,954,046
Nonregulated Equipment, Net of Accumulated Depreciation of \$509,867 and \$402,246	339,797	346,747
Cooperative Stock Investments	166,276	149,561
Excess of Cost Over Net Assets Acquired, Net of Accumulated Amortization of \$451,963	2,175,998	2,175,998
Deferred Charges	<u>133,416</u>	<u>109,872</u>
Total Investments and Other Assets	<u>5,867,166</u>	<u>5,039,850</u>
<b>TELECOMMUNICATIONS PLANT</b>		
In Service	20,902,892	20,149,908
Under Construction	<u>241,319</u>	<u>232,784</u>
Total	21,144,211	20,382,692
Less Accumulated Depreciation	<u>13,260,428</u>	<u>12,221,558</u>
Net Telecommunications Plant	<u>7,883,783</u>	<u>8,161,134</u>
<b>TOTAL ASSETS</b>	<u>\$ 17,360,160</u>	<u>\$ 16,442,722</u>

*The accompanying notes are an integral part of the consolidated financial statements*

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LIABILITIES AND MEMBERS' EQUITY

	2003	2002
<b>CURRENT LIABILITIES</b>		
Current Portion of Long-Term Debt	\$ 447,000	\$ 422,000
Accounts Payable	332,078	192,763
Other Accrued Liabilities	81,196	88,498
Customer Deposits	31,663	26,022
Total Current Liabilities	891,937	729,283
 <b>LONG-TERM LIABILITIES</b>		
Long-Term Debt	4,408,181	5,343,097
Deferred Income Taxes	865,480	600,633
Other Deferred	93,932	80,345
Total Long-Term Liabilities	5,367,593	6,024,075
 <b>MEMBERS' EQUITY</b>		
Patronage Capital	6,999,464	6,575,409
Retained Earnings of Subsidiaries	3,815,487	3,039,179
Accumulated Other Comprehensive Income	285,679	74,776
Total Members' Equity	11,100,630	9,689,364
 <b>TOTAL LIABILITIES AND MEMBERS' EQUITY</b>		
	<b>\$ 17,360,160</b>	<b>\$ 16,442,722</b>

**MINNESOTA 565**  
**RED RIVER RURAL TELEPHONE ASSOCIATION AND SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF OPERATIONS**  
**YEARS ENDED DECEMBER 31, 2003 AND 2002**

	<u>2003</u>	<u>2002</u>
<b>OPERATING REVENUES</b>		
Local Network	\$ 1,103,916	\$ 840,870
Network Access	3,315,150	2,675,620
Billing and Collection	22,430	34,209
Miscellaneous	100,516	81,288
Uncollectibles, Net	41	(63,704)
Total Operating Revenues	<u>4,542,053</u>	<u>3,568,283</u>
<b>OPERATING EXPENSES</b>		
Plant Specific	926,809	802,568
Depreciation	1,246,422	947,580
Plant Support	175,153	125,847
Customer	478,672	407,244
Corporate	662,723	622,984
Income Taxes	323,253	227,066
Other Taxes	15,488	13,057
Total Operating Expenses	<u>3,828,520</u>	<u>3,146,346</u>
<b>OPERATING MARGINS</b>	<u>713,533</u>	<u>421,937</u>
<b>OTHER INCOME AND (EXPENSES)</b>		
Investment Income	81,410	112,058
Partnership and LLC Earnings	478,054	215,656
Loss on Investment	-	(16,674)
Gain on Sale of Investment Securities	120,067	-
Miscellaneous, Net	(5,655)	(2,100)
Nonregulated Activities, Net	380,242	311,014
Interest Expense	(247,186)	(204,467)
Income Taxes (Expense) Benefit	(279,174)	318,076
Net Other Income and (Expenses)	<u>527,758</u>	<u>733,563</u>
<b>MARGINS BEFORE EXTRAORDINARY ITEM</b>	<b>1,241,291</b>	<b>1,155,500</b>
<b>EXTRAORDINARY ITEM - Loss on Retirement of Debt, Net of Income Taxes</b>	<u>-</u>	<u>(55,441)</u>
<b>NET MARGINS</b>	<b><u>\$ 1,241,291</u></b>	<b><u>\$ 1,100,059</u></b>

*The accompanying notes are an integral part of the consolidated financial statements*

**MINNESOTA 565  
RED RIVER RURAL TELEPHONE ASSOCIATION AND SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF MEMBERS' EQUITY  
YEARS ENDED DECEMBER 31, 2003 AND 2002**

	Patronage Capital	Retained Earnings of Subsidiaries	Accumulated Other Comprehensive Income	Total
BALANCE on December 31, 2001	\$ 5,812,028	\$ 2,750,946	\$ 1,101,238	\$ 9,664,212
Comprehensive Income (Loss)				
Net Margins	811,826	288,233		1,100,059
Net Unrealized Holding Loss			(1,026,462)	(1,026,462)
Net Comprehensive Income				<u>73,597</u>
Excise Tax Refunds	2,532			2,532
Estate Credits Retired	<u>(50,977)</u>			<u>(50,977)</u>
BALANCE on December 31, 2002	6,575,409	3,039,179	74,776	9,689,364
Comprehensive Income				
Net Margins	464,983	776,308		1,241,291
Net Unrealized Holding Gain			210,903	210,903
Total Comprehensive Income				<u>1,452,194</u>
Estate Credits Retired	<u>(40,928)</u>			<u>(40,928)</u>
BALANCE on December 31, 2003	<u>\$ 6,999,464</u>	<u>\$ 3,815,487</u>	<u>\$ 285,679</u>	<u>\$ 11,100,630</u>

*The accompanying notes are an integral part of the consolidated financial statements*

**MINNESOTA 565  
RED RIVER RURAL TELEPHONE ASSOCIATION AND SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2003 AND 2002**

	2003	2002
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net Margins	\$ 1,241,291	\$ 1,100,059
Adjustments to Reconcile Net Margins to Net Cash Provided By Operating Activities		
Depreciation of Telecommunications Plant	1,246,422	947,580
Depreciation of Nonregulated Equipment	105,621	117,800
Partnership and LLC Earnings	(478,054)	(215,656)
Partnership and LLC Distributions	92,961	30,000
Loss on Investment	-	16,674
Gain on Sale of Investment Securities	(120,067)	-
Changes in Assets and Liabilities		
Due from Customers	(6,809)	(10,251)
Other Accounts Receivable	69,569	(41,200)
Income Taxes Receivable	(80,985)	126,011
Inventory	10,078	(5,729)
Prepaid Expenses	(217)	-
Accounts Payable	(15,387)	58,724
Other Accrued and Deferred Liabilities	6,285	12,359
Deferred Income Taxes	128,412	(103,098)
Net Cash Provided By Operating Activities	2,199,120	2,033,273
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Additions to Telecommunications Plant in Service and Under Construction	(833,284)	(2,717,858)
Purchase of Nonregulated Equipment	(98,666)	(118,480)
Salvage, Net of Cost of Removal	18,914	11,877
Increase in Materials and Supplies	(9,504)	(17,543)
Change in Temporary Cash Investments	787,433	(462,024)
Purchases of Investments	(91,788)	(206,538)
Sale of Investment Securities	133,560	-
Decrease in Note Receivable	-	19,971
Increase in Deferred Charges	(23,544)	(39,150)
Purchase of Goodwill	-	(587,088)
Net Cash Used In Investing Activities	(116,879)	(4,116,833)

*The accompanying notes are an integral part of the consolidated financial statements*

**CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)**  
**YEARS ENDED DECEMBER 31, 2003 AND 2002**

	<u>2003</u>	<u>2002</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in Customer Deposits	\$ 5,641	\$ 412
Principal Payments of Long-Term Debt	(909,916)	(2,296,669)
Proceeds from Long-Term Debt	-	3,793,277
Retirement of Patronage Capital	(40,928)	(50,977)
Excise Tax Refunds	-	2,532
Net Cash Provided By (Used In) Financing Activities	<u>(945,203)</u>	<u>1,448,575</u>
NET INCREASE (DECREASE) IN CASH	1,137,038	(634,985)
CASH at Beginning of Year	<u>864,637</u>	<u>1,499,622</u>
CASH at End of Year	<u>\$ 2,001,675</u>	<u>\$ 864,637</u>
<b>SUPPLEMENTAL CASH FLOW INFORMATION -</b>		
<b>NONCASH TRANSACTIONS</b>		
Change in Plant in Service and Plant Under Construction from		
Increase in Construction Payables included in Accounts Payable	<u>\$ (154,702)</u>	<u>\$ -</u>

MINNESOTA 565  
RED RIVER RURAL TELEPHONE ASSOCIATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Operations**

The Company's principal line of business is providing local telephone service, internet, and access to long distance telephone service through its local exchange network. The revenues reported on the statement of operations and in Note 6 reflect the relative importance of each type of service. The principal market for these telecommunications services are local residential and business customers residing in each of the exchanges the Company serves.

**Basis of Accounting**

The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America including certain accounting practices prescribed by the Federal Communications Commission (FCC) and the state regulatory commissions in the states where the telephone company and subsidiaries operate.

**Accounting Estimates**

The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Consolidation**

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Red River Telecom, Inc., CRW Communications, Inc. and Red River Technologies, Inc. All significant intercompany transactions and accounts have been eliminated.

**Temporary Cash Investments**

The Company considers all certificates of deposit with a maturity of greater than three months when purchased to be temporary cash investments. These investments are readily convertible to cash and are stated at cost, which approximates fair value.

**Receivables**

Receivables are reported at the amount the Company expects to collect on balances outstanding at year end. The Company monitors outstanding balances and periodically writes off balances that are determined to be uncollectible. The Company has concluded that losses on balances outstanding at year end will be immaterial.

**Materials and Supplies**

Materials and supplies are recorded at average cost.

**Property and Depreciation**

Property and equipment are recorded at original cost. Additions, improvements or major renewals are capitalized. If the assets are sold, retired or otherwise disposed of in the ordinary course of business, the cost plus removal costs less salvage is charged to accumulated depreciation and the original cost is removed from the asset accounts. Any gains or losses on non-telecommunications property and equipment retirements are reflected in current year operations.

**MINNESOTA 565**  
**RED RIVER RURAL TELEPHONE ASSOCIATION AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Property and Depreciation (Continued)**

Depreciation is computed using the straight-line method based on estimated service or remaining useful asset lives. Composite depreciation rates are:

	<u>2003</u>	<u>2002</u>
Telecommunications Plant	6.1%	5.5%
Nonregulated Equipment	13.2	16.4

**Patronage Capital**

Parent company revenues in excess of operating costs and expenses, excise tax refunds and cash dividends from subsidiaries are assigned to patrons on a patronage basis.

**Excess of Cost Over Net Assets Acquired**

These assets represent the excess of the purchase price of acquisitions over the fair value of the net assets acquired and is shown net of accumulated amortization of \$451,963 as of December 31, 2003 and 2002. The Company adopted the provisions of Statement of Financial Accounting Standards (SFAS) No. 142, "Goodwill and Other Intangible Assets," effective January 1, 2002. SFAS No. 142 requires that goodwill no longer be amortized, but instead be reviewed annually for possible impairment. In its reviews, the Company has determined that the goodwill is not impaired.

**Revenue Recognition**

Revenues are recognized when earned. Interstate access service is based on average schedule settlements with the National Exchange Carrier Association and tariffs filed with the FCC. Local and intrastate access services are based on tariffs filed with state regulatory commissions.

**Income Taxes and Excise Tax Refunds**

The parent company is a cooperative organized and operated on a nonprofit basis, but files returns as a taxable cooperative based on a ruling by the IRS as explained in Note 5.

All subsidiaries are taxable entities which file on a consolidated basis with the parent company. Under the Internal Revenue Code, a telephone cooperative is entitled to a refund for overpayment of federal excise taxes by its patrons. The amount of the refund is limited to excise taxes paid which are attributable to net margins.

The provision for income taxes consists of an amount for taxes currently payable and a provision for tax consequences deferred to future periods. Deferred income taxes are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred income tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

MINNESOTA 565  
RED RIVER RURAL TELEPHONE ASSOCIATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Investment Securities**

Investments in debt and equity securities are classified as available-for-sale. Investments are reported at fair value with unrealized gains and losses recorded in a separate component of members' equity. Investments accounted for using the equity method of accounting and investments which do not have readily determinable fair market values are not affected by this accounting principle. Unrealized losses are charged against earnings when a decline in fair value below the cost basis is determined to be other than temporary. Realized gains and losses on dispositions are based on the net proceeds and the adjusted book value of the securities sold, using the specific identification method. Realized losses are also based on declines in fair value judged by management to be other than temporary.

**Other Investments**

The Company follows the equity method of accounting for less than 20% ownership interests in investments in partnerships and limited liability companies because management believes they have influence over the operating and financial activities of these entities. Investments in other companies that are not intended for resale or are not readily marketable are valued at cost which does not exceed net realizable value.

**Credit Risk**

Financial instruments which potentially subject the Company to concentrations of credit risk consist principally of cash, temporary cash investments and other accounts receivable. The Company places its cash and temporary cash investments with high credit quality financial institutions and, by policy, generally limits the amount of credit exposure to any one financial institution. A significant portion of the Company's revenues are from long distance carriers in the telephone industry, and consequently, the Company is directly affected by the financial well-being of that industry. However, the credit risk associated with other accounts receivable is minimized due to the large number of long distance carriers, and historically, credit losses have not been significant.

**Reclassifications**

Certain amounts in the 2002 financial statements have been reclassified to conform with the 2003 presentation. The reclassifications had no effect on members' equity or net margins for either period.

**MINNESOTA 565  
RED RIVER RURAL TELEPHONE ASSOCIATION AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 2 - OTHER INVESTMENTS**

These investments consist of

Company	2003			Total	2002 Total
	Cost	Cumulative Distri- butions	Cumulative Income (Losses)		
Partnership and LLCs					
VAL-ED Joint Venture (17.4%)	\$ 558,971	\$ (199,000)	\$ 800,475	\$ 1,160,446	\$ 923,581
West Central Transport Group LLC (4.8%)	50,000	(121,379)	293,569	222,190	213,691
Dakota Carrier Network, LLC (7.4%)	843,135	(22,961)	(226,779)	593,395	432,990
Northwest MN Special Access LLC (5.3%)	55,232	(96,000)	108,492	67,724	88,400
Total	<u>\$ 1,507,338</u>	<u>\$ (439,340)</u>	<u>\$ 975,757</u>	<u>2,043,755</u>	1,658,662
Closely Held Companies				178,194	103,047
Certificate of Deposit				190,000	192,337
Total				<u>\$ 2,411,949</u>	<u>\$ 1,954,046</u>

The Company's share of partnership and LLC net income in 2003 and 2002 was \$478,054 and \$215,656, respectively

**NOTE 3 - INVESTMENT SECURITIES AND COMPREHENSIVE INCOME (LOSS)**

The cost and fair values of investment securities available-for-sale at December 31, 2003 and 2002 were

Description	Cost	Gross Unrealized Gains	Fair Value
<b>2003</b>			
Common Stocks	<u>\$ 169,243</u>	<u>\$ 470,487</u>	<u>\$ 639,730</u>
<b>2002</b>			
Common Stocks	<u>\$ 180,476</u>	<u>\$ 123,150</u>	<u>\$ 303,626</u>

**MINNESOTA 565**  
**RED RIVER RURAL TELEPHONE ASSOCIATION AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 3 - INVESTMENT SECURITIES AND COMPREHENSIVE INCOME (LOSS) (Continued)**

Changes in other comprehensive income (loss) are as follows

	<u>Before Tax</u>	<u>Tax Benefit (Expense)</u>	<u>Net-of-Tax Amount Amount</u>
2003			
Unrealized Gains on Available- for-Sale Securities	\$ 467,404	\$ (184,461)	\$ 282,943
Reclassification Adjustment for Gains Recognized in Margins	<u>(120,067)</u>	<u>48,027</u>	<u>(72,040)</u>
Net Unrealized Gains	<u>\$ 347,337</u>	<u>\$ (136,434)</u>	<u>\$ 210,903</u>
	<u>Before Tax</u>	<u>Tax Benefit (Expense)</u>	<u>Net-of-Tax Amount Amount</u>
2002			
Unrealized Losses on Available- for-Sale Securities	\$ (1,707,157)	\$ 670,572	\$ (1,036,585)
Reclassification Adjustment for Loss Recognized in Margins	<u>16,674</u>	<u>(6,551)</u>	<u>10,123</u>
Net Unrealized Losses	<u>\$ (1,690,483)</u>	<u>\$ 664,021</u>	<u>\$ (1,026,462)</u>

As of December 31, 2003 and 2002, the amount of unrealized gain on available-for-sale securities included in accumulated other comprehensive income is shown net of deferred income taxes of \$184,808 and \$48,373

**NOTE 4 - LONG-TERM DEBT**

Long-term debt is as follows

	<u>2003</u>	<u>2002</u>
RUS		
2%	\$ 687,371	\$ 781,207
5%	1,187,533	1,253,613
CoBank		
Matures 2014		
Variable Interest Rate, (5.07% at December 31, 2003)	980,277	3,730,277
Fixed Interest Rates (4.72% to 4.99%)	<u>2,000,000</u>	<u>—</u>
Total	4,855,181	5,765,097
Less Amount Due Within One Year	<u>447,000</u>	<u>422,000</u>
Long-Term Debt	<u>\$ 4,408,181</u>	<u>\$ 5,343,097</u>

**MINNESOTA 565**  
**RED RIVER RURAL TELEPHONE ASSOCIATION AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**NOTE 4 - LONG-TERM DEBT (Continued)**

The mortgage notes payable to the Rural Utilities Service (RUS) are secured by substantially all assets of the Company. These notes are payable in equal monthly and quarterly installments of principal and interest beginning three years after the date of the issue and will be fully repaid at various times from 2006 to 2015.

All government loan funds are deposited in the RUS Construction Fund and disbursements are restricted to construction costs and other expenditures authorized by the loan agreement, subject to RUS approval.

The mortgage notes payable to CoBank are secured by substantially all assets of Red River Telecom, Inc. These notes are payable in monthly installments of principal and quarterly interest payments. Red River Telecom, Inc. has purchased nonvoting equity in CoBank, which entitles the Company to patronage refunds.

In 2002, the Company retired and refinanced its CoBank debt, incurring a loss of \$92,401. This is reported as an extraordinary item in the statement of margins.

Principal payments required during the next five years are: 2004 - \$447,000, 2005 - \$497,000, 2006 - \$518,000, 2007 - \$539,000, and 2008 - \$560,000. Cash payments for interest were \$257,014 in 2003 and \$203,963 in 2002.

Long-term debt agreements contain restrictions on dividends and redemptions of equity capital. Patronage capital available for dividend distribution totaled \$3,948,000 as of December 31, 2003, but is contingent on fluctuations in the fair market values of the Company's significant investment security holdings.

**NOTE 5 - INCOME TAXES**

Based on a ruling issued by the IRS, the method of determining the 85% revenue from members requirement for maintaining tax exempt status was changed. As a result, the Company lost its tax exempt status and now files income tax returns. As a non-exempt cooperative, income tax is paid on taxable income from non-patronage sources such as gains on sales of investments and LLC and partnership income or loss. The difference between the federal statutory rate of 34% and the effective rate reflected in the income tax provision is primarily the result of non-taxable, patronage sourced income. The Company generally will not pay income tax on net margins from patronage sources, provided the margins are allocated to members as capital credits on a timely basis. In certain circumstances, the Alternative Minimum Tax may be applied to patronage sources of income. Cash paid for current income taxes was \$555,000 in 2003 and \$247,700 in 2002. In 2002, amended tax returns were filed to reclassify a former non-patronage gain on the sale of investments to patronage sourced income as a result of an IRS ruling, resulting in refunds of \$398,583.

**MINNESOTA 565  
RED RIVER RURAL TELEPHONE ASSOCIATION AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 5 - INCOME TAXES (Continued)**

The provision for income tax expense includes the following components

	<u>2003</u>	<u>2002</u>
Current Expense	\$ 474,015	\$ 373,711
Deferred Income Taxes	128,412	(103,098)
Tax Benefit from Tax Rule Change	-	(398,583)
Total	<u>602,427</u>	<u>(127,970)</u>
Allocated to Other Income and Expenses	(279,174)	318,076
Allocated to Extraordinary Item	-	36,960
Operating Income Tax Expense	<u>\$ 323,253</u>	<u>\$ 227,066</u>

The components of deferred income taxes at December 31, 2003 and 2002, are as follows

	<u>2003</u>	<u>2002</u>
Deferred Tax Asset		
Accrued Liabilities	\$ 466	\$ 1,607
Total Deferred Tax Asset	<u>466</u>	<u>1,607</u>
Deferred Tax Liabilities		
Investment Securities	(184,808)	(48,373)
Other Investments	(271,385)	(230,539)
Goodwill	(287,857)	(225,022)
Fixed Assets and Depreciation	(121,896)	(98,306)
Total Deferred Tax Liabilities	<u>(865,946)</u>	<u>(602,240)</u>
Net Deferred Tax Liabilities	<u>\$ (865,480)</u>	<u>\$ (600,633)</u>

**NOTE 6 - NONREGULATED ACTIVITIES**

The following is a summary of nonregulated activities, net included in other income and expenses

	<u>2003</u>	<u>2002</u>
Internet and ITV Revenues	\$ 758,078	\$ 777,541
Leased Equipment Revenue	256,238	266,358
Other Revenues	173,040	127,392
Internet Expense	(391,332)	(420,087)
Other Expenses	(310,161)	(322,390)
Depreciation Expense	<u>(105,621)</u>	<u>(117,800)</u>
Net Revenues	<u>\$ 380,242</u>	<u>\$ 311,014</u>

**MINNESOTA 565**  
**RED RIVER RURAL TELEPHONE ASSOCIATION AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**NOTE 7 - ACQUISITION**

In 2002, the Company purchased plant and the rights to provide service to two local exchanges in North Dakota. In accordance with SFAS No. 141, this transaction was recorded using the purchase method of accounting. Pursuant to FCC Part 32 accounting rules, the purchase price and related purchase costs were allocated as follows:

Purchase Price	\$ 2,389,953
Acquisition Costs	<u>61,827</u>
Total Costs to Allocate	<u>2,451,780</u>
Telecommunications Plant In Service	
Original Book Cost	5,290,103
Accumulated Depreciation	<u>(3,437,962)</u>
Net Costs Allocated to Telecommunications Plant In Service	<u>1,852,141</u>
Excess of Costs Over Net Assets Acquired	<u>\$ 599,639</u>

## INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

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Board of Directors  
Red River Rural Telephone Association  
Abercrombie, North Dakota

Our report on our audits of the basic consolidated financial statements of Red River Rural Telephone Association and subsidiaries as of December 31, 2003 and 2002, appears on page 1. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole.

The consolidating information on pages 17-26 is presented for purposes of additional analysis of the basic consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual companies. The consolidating information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

The supplementary information on page 27 is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. Such information is marked "not audited" and we express no opinion on it.

St Paul, Minnesota  
February 19, 2004

*Olsen Thielen + Co., Ltd.*

RED RIVER RURAL TELEPHONE ASSOCIATION AND SUBSIDIARIES

CONSOLIDATING SCHEDULE OF BALANCE SHEET INFORMATION  
DECEMBER 31, 2003

ASSETS

	<u>Consolidated</u>	<u>Eliminations</u>
CURRENT ASSETS		
Cash	\$ 2,001,675	\$
Temporary Cash Investments	766,570	
Due from Customers	49,539	
Receivable from Affiliates	-	(198,066)
Current Portion of Note Receivable from Affiliate	-	(140,000)
Other Accounts Receivable	422,095	
Income Taxes Receivable	94,540	
Materials and Supplies	250,361	
Inventory	24,142	
Prepaid Expenses	289	
Total Current Assets	<u>3,609,211</u>	<u>(338,066)</u>
INVESTMENTS AND OTHER ASSETS		
Investment Securities	639,730	
Other Investments	2,411,949	
Note Receivable from Affiliate	-	(530,000)
Investments in Subsidiaries	-	(5,909,352)
Nonregulated Equipment, Net	339,797	
Cooperative Stock Investments	166,276	
Excess of Cost over Net Assets Acquired, Net	2,175,998	
Deferred Charges	133,416	
Total Investments and Other Assets	<u>5,867,166</u>	<u>(6,439,352)</u>
TELECOMMUNICATIONS PLANT		
In Service	20,902,892	
Under Construction	241,319	
Total	<u>21,144,211</u>	-
Less Accumulated Depreciation	<u>13,260,428</u>	-
Net Telecommunications Plant	<u>7,883,783</u>	-
TOTAL ASSETS	<u>\$ 17,360,160</u>	<u>\$ (6,777,418)</u>

Red River Rural Telephone Association	Red River Telecom Inc	CRW Communications, Inc	Red River Technologies, Inc
\$ 844,761 ✓	\$ 91,637	\$ 943,474	\$ 121,803
687,698 ✓		78,872	
12,574	18,096		18,869
← 87,222	39,803	71,041 ✓	
		140,000	
270,769	151,326		
94,540 - <i>11/16/21</i>			
250,361			
23,905		237	
289			
<u>2,272,119</u>	<u>300,862</u>	<u>1,233,624</u>	<u>140,672</u>
562,411	<i>QUEST + RCL</i>		77,319
340,918 ← <i>OTHA INV + 95,000</i>			1,976,031
		530,000	
5,909,352	<i>35k REL/PARA</i>		
183,876	112,754		43,167
	166,276		
	2,175,998		
93,083	40,333		
<u>7,089,640</u>	<u>2,590,361</u>	<u>530,000</u>	<u>2,096,517</u>
10,545,069	10,357,823		
91,352	149,967		
<u>10,636,421</u>	<u>10,507,790</u>	-	-
6,037,801	7,222,627		
<u>4,598,620</u>	<u>3,285,163</u>	-	-
<u>\$ 13,960,379</u>	<u>\$ 6,176,386</u>	<u>\$ 1,763,624</u>	<u>\$ 2,237,189</u>

RED RIVER RURAL TELEPHONE ASSOCIATION AND SUBSIDIARIES  
CONSOLIDATING SCHEDULE OF BALANCE SHEET INFORMATION (Continued)  
DECEMBER 31, 2003

LIABILITIES AND MEMBERS' EQUITY

	Consolidated	Eliminations
<b>CURRENT LIABILITIES</b>		
Current Portion of Long-Term Debt	\$ 447,000	\$ (140,000)
Accounts Payable	332,078	
Payable to Affiliates	-	(198,066)
Other Accrued Liabilities	81,196	
Customer Deposits	31,663	
Total Current Liabilities	891,937	(338,066)
 <b>LONG-TERM LIABILITIES</b>		
Long-Term Debt	4,408,181	
Deferred Income Taxes	865,480	
Note Payable to Affiliate	-	(530,000)
Other Deferred	93,932	
Total Long-Term Liabilities	5,367,593	(530,000)
 <b>MEMBERS' EQUITY</b>		
Common Stock	-	(150,000)
Paid in Capital	-	(1,910,470)
Patronage Capital	6,999,464	
Retained Earnings of Subsidiaries	3,815,487	(3,815,487)
Accumulated Other Comprehensive Income	285,679	(33,395)
Total Members' Equity	11,100,630	(5,909,352)
 <b>TOTAL LIABILITIES AND MEMBERS' EQUITY</b>	 <b>\$ 17,360,160</b>	 <b>\$ (6,777,418)</b>

Red River Rural Telephone Association	Red River Telecom, Inc	CRW Communications, Inc	Red River Technologies Inc
\$ 250,000 ✓	\$ 277,000	\$	\$ 60,000
261,952 ✓	70,126		198,066
57,423	23,773		
14,677	16,986		
<u>584,052</u>	<u>387,885</u>	<u>-</u>	<u>258,066</u>
1,704,904 ✓	2,703,277		
156,861 ✓	396,291		312,328
320,000 ✓			210,000
93,932 ✓			
<u>2,275,697</u>	<u>3,099,568</u>	<u>-</u>	<u>522,328</u>
	50,000	50,000	50,000
6,999,464 <sup>plus</sup> ✓	1,450,000		460,470
3,815,487 ✓	1,188,933	1,713,624	912,930
285,679			33,395
<u>11,100,630</u>	<u>2,688,933</u>	<u>1,763,624</u>	<u>1,456,795</u>
<u>\$ 13,960,379</u>	<u>\$ 6,176,386</u>	<u>\$ 1,763,624</u>	<u>\$ 2,237,189</u>

**RED RIVER RURAL TELEPHONE ASSOCIATION AND SUBSIDIARIES**  
**CONSOLIDATING SCHEDULE OF STATEMENT OF OPERATIONS INFORMATION**  
**YEAR ENDED DECEMBER 31, 2003**

	<u>Consolidated</u>	<u>Eliminations</u>
OPERATING REVENUES		
Local Network	\$ 1,103,916	\$
Network Access	3,315,150	
Billing and Collection	22,430	
Miscellaneous	100,516	(244,924)
Uncollectibles, Net	41	
Total Operating Revenues	<u>4,542,053</u>	<u>(244,924)</u>
 OPERATING EXPENSES		
Plant Specific	926,809	(114,782)
Depreciation	1,246,422	
Plant Support	175,153	
Customer	478,672	
Corporate	662,723	
Income Taxes	323,253	
Other Taxes	15,488	
Total Operating Expenses	<u>3,828,520</u>	<u>(114,782)</u>
 OPERATING MARGINS	<u>713,533</u>	<u>(130,142)</u>
 OTHER INCOME AND (EXPENSES)		
Investment Income	81,410	(43,500)
Partnership and LLC Earnings	478,054	
Gain on Sale of Investment Securities	120,067	
Miscellaneous, Net	(5,655)	
Nonregulated Activities, Net	380,242	130,142
Interest Expense	(247,186)	43,500
Income Taxes	(279,174)	
Net Other Income and (Expenses)	<u>527,758</u>	<u>130,142</u>
 MARGINS BEFORE EQUITY IN EARNINGS OF SUBSIDIARIES	<u>1,241,291</u>	<u>—</u>
 EQUITY IN EARNINGS OF SUBSIDIARIES	<u>—</u>	<u>(776,308)</u>
 NET MARGINS	<u>\$ 1,241,291</u>	<u>\$(776,308)</u>

Red River Rural Telephone Association	Red River Telecom, Inc	CRW Communications, Inc	Red River Technologies, Inc
\$ 320,795 ✓	\$ 783,121	\$	\$
1,819,513 ✓	1,495,637		
13,372 ✓	9,058		
<i>CAUTION WORK</i> 312,756 ✓	32,684		
1,050 ✓	(1,009)		
<u>2,467,486</u>	<u>2,319,491</u>	<u>-</u>	<u>-</u>
620,814 ✓	420,777		
638,408 ✓	608,014		
138,361 ✓	36,792		
269,170 ✓	209,502		
414,102 ✓	248,621		
95,132 ✓	228,121		
5,398 ✓	10,090		
<u>2,181,385</u>	<u>1,761,917</u>	<u>-</u>	<u>-</u>
<u>286,101 ✓</u>	<u>557,574</u>	<u>-</u>	<u>-</u>
45,788 ✓	4,125	74,477	520
19,324 ✓			458,730
88,435 ✓ <i>OTF</i>			31,632
(3,512) ✓ <i>NON-REG</i>	(2,143)		
163,982 ✓	9,815	(4,692)	80,995
(100,661) ✓	(153,825)		(36,200)
(34,474) ✓	(4,247)	(23,738)	(216,715)
<u>178,882</u>	<u>(146,275)</u>	<u>46,047</u>	<u>318,962</u>
464,983	411,299	46,047	318,962
<u>776,308</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 1,241,291</u>	<u>\$ 411,299</u>	<u>\$ 46,047</u>	<u>\$ 318,962</u>

RED RIVER RURAL TELEPHONE ASSOCIATION AND SUBSIDIARIES  
CONSOLIDATING SCHEDULE OF STATEMENT OF CASH FLOWS INFORMATION  
YEAR ENDED DECEMBER 31, 2003

	<u>Consolidated</u>	<u>Eliminations</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Margins	\$ 1,241,291	\$ (776,308)
Adjustments to Reconcile Net Margins to Net Cash Provided By Operating Activities		
Depreciation of Telecommunications Plant	1,246,422	
Depreciation of Nonregulated Equipment	105,621	
Equity in Earnings of Subsidiaries Partnership and LLC Income, Net	—	776,308
Partnership and LLC Distributions	(478,054)	
Gain on Sale of Investment Securities	92,961	
Gain on Sale of Investment Securities	(120,067)	
Changes in Assets and Liabilities		
Due from Customers	(6,809)	
Receivable from Affiliates	—	84,560
Other Accounts Receivable	69,569	
Income Taxes Receivable	(80,985)	
Inventory	10,078	
Prepaid Expenses	(217)	
Accounts Payable	(15,387)	
Payable to Affiliates	—	(84,560)
Other Accrued and Deferred Liabilities	6,285	
Deferred Income Taxes	128,412	
Net Cash Provided By Operating Activities	2,199,120	—
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to Telecommunications Plant in Service and Under Construction	(833,284)	
Purchase of Nonregulated Equipment	(98,666)	
Salvage, Net of Cost of Removal	18,914	
Change in Materials and Supplies	(9,504)	
Change in Temporary Cash Investments	787,433	
Purchases of Investments	(91,788)	
Sale of Investment Securities	133,560	
Decrease in Notes Receivable	—	(60,000)
Decrease (Increase) in Deferred Charges	(23,544)	
Net Cash Provided By (Used In) Investing Activities	(116,879)	(60,000)

Red River Rural Telephone Association	Red River Telecom, Inc	CRW Communications Inc	Red River Technologies, Inc
\$ 1,241,291	\$ 411,299	\$ 46,047	\$ 318,962
638,408	608,014		
61,990	32,863		10,768
(776,308)			
(19,324)			(458,730)
40,000			52,961
(88,435)			(31,632)
7,771	366		(14,946)
56,580	(104,199)	(36,941)	
16,278	53,239	52	
(80,985)			
10,078			
(217)			
21,165	(36,552)		
			84,560
17,857	(11,572)		
(5,354)	86,657		47,109
<u>1,140,795</u>	<u>1 040,115</u>	<u>9,158</u>	<u>9,052</u>
(626,284)	(207,000)		
(60,908)	(36,699)		(1,059)
22,712	(3,798)		
(9,504)			
89,152		698,281	
(75,073)	(16,715)		
98,435			35,125
(27,211)	3,667	60,000	
<u>(588,681)</u>	<u>(260,545)</u>	<u>758,281</u>	<u>34,066</u>

RED RIVER RURAL TELEPHONE ASSOCIATION AND SUBSIDIARIES

CONSOLIDATING SCHEDULE OF STATEMENT OF CASH FLOWS INFORMATION (Continued)  
YEAR ENDED DECEMBER 31, 2003

	<u>Consolidated</u>	<u>Eliminations</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Change in Customer Deposits	\$ 5,641	
Principal Payments of Long-Term Debt	(909,916)	60,000
Retirement of Patronage Capital	(40,928)	
Net Cash Used In Financing Activities	<u>(945,203)</u>	<u>60,000</u>
NET INCREASE IN CASH	1,137,038	-
CASH at Beginning of Year	<u>864,637</u>	<u>-</u>
CASH at End of Year	<u>\$ 2,001,675</u>	<u>\$ -</u>
SUPPLEMENTAL CASH FLOW INFORMATION - NONCASH TRANSACTIONS		
Change in Plant in Service and Plant Under Construction from Increase in Construction Payables included in Accounts Payable	\$ (154,702)	\$ -
Change in Other Investments from Transfer of Investment through Affiliate Receivables	-	-

<u>Red River Rural Telephone Association</u>	<u>Red River Telecom, Inc</u>	<u>CRW Communications Inc</u>	<u>Red River Technologies, Inc</u>
\$ 1,001	\$ 4,640	\$	\$
(159,916)	(750,000)		(60,000)
(40,928)			
<u>(199,843)</u>	<u>(745,360)</u>	<u>-</u>	<u>(60,000)</u>
352,271	34,210	767,439	(16,882)
<u>492,490</u>	<u>57,427</u>	<u>176,035</u>	<u>138,685</u>
<u>\$ 844,761</u>	<u>\$ 91,637</u>	<u>\$ 943,474</u>	<u>\$ 121,803</u>
\$ (117,308)	\$ (37,394)	\$ -	\$ -
(36,171)	-	36,171	-

**MINNESOTA 565**  
**RED RIVER RURAL TELEPHONE ASSOCIATION - PARENT ONLY**

**STATISTICAL AND ANALYTICAL INFORMATION**  
**YEARS ENDED DECEMBER 31**  
*(Not Audited)*

	2003	2002	2001	2000	1999
<b>ACCESS LINES</b>					
Residence	1,807	1,817	1,825	1,769	1,740
Business	335	336	329	335	336
Total	<u>2,142</u>	<u>2,153</u>	<u>2,154</u>	<u>2,104</u>	<u>2,076</u>
<b>TELECOMMUNICATIONS PLANT STATISTICS</b>					
Total Investment in Service	\$10,545,069	\$ 9,949,696	\$ 9,485,670	\$ 8,937,674	\$ 7,553,882
Total Per Access Line	\$ 4,923	\$ 4,621	\$ 4,404	\$ 4,248	\$ 3,639
Total Per Dollar of Operating Revenue	\$ 4 27	\$ 4 32	\$ 4 25	\$ 4 67	\$ 4 11
Additions to Plant	\$ 626,284	\$ 581,518	\$ 529,411	\$ 1,698,800	\$ 356,389
Percent Depreciated to Date	57.3%	55.9%	53.3%	50.8%	54.4%
<b>FINANCIAL STATISTICS</b>					
Net Margins Per Access Line	\$ 580	\$ 511	\$ 385	\$ 1,289	\$ 185
Operating Revenues Per Access Line	\$ 1,152	\$ 1,071	\$ 1,037	\$ 910	\$ 885
Net Margins to					
Beginning Equity	12.8%	11.4%	8.6%	26.9%	5.9%
Equity to Total Assets	79.5%	78.1%	74.6%	64.4%	63.7%
Debt to Total Assets	16.3%	19.6%	17.0%	15.7%	16.1%
Current Ratio	3 9/10	5 2/10	5 4/10	1 6/10	5 1/10
Times Interest Earned Ratio	13.3	14.5	9.7	29.9	5.0
<b>SUMMARY OF STATEMENT OF OPERATIONS</b>					
Local Network Revenue	\$ 320,795	\$ 324,599	\$ 301,287	\$ 246,809	\$ 248,271
Network Access Revenue	1,819,513	1,726,769	1,709,053	1,465,909	1,362,035
Other Revenues	327,178	254,458	223,605	201,433	226,375
Total Operating Revenues	<u>2,467,486</u>	<u>2,305,826</u>	<u>2,233,945</u>	<u>1,914,151</u>	<u>1,836,681</u>
Total Operating Expenses	<u>2,181,385</u>	<u>2,029,268</u>	<u>1,901,770</u>	<u>1,680,040</u>	<u>1,599,666</u>
Operating Margins	286,101	276,558	332,175	234,111	237,015
Other Income, Net	1,055,851	904,764	593,147	2,572,384	244,500
Interest Expense	<u>(100,661)</u>	<u>(81,263)</u>	<u>(95,265)</u>	<u>(93,806)</u>	<u>(96,427)</u>
Net Margins	<u>\$ 1,241,291</u>	<u>\$ 1,100,059</u>	<u>\$ 830,057</u>	<u>\$ 2,712,689</u>	<u>\$ 385,088</u>
<b>NET MARGINS TO</b>					
OPERATING REVENUES	50.3%	47.7%	37.2%	141.7%	21.0%

## INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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Board of Directors  
Red River Rural Telephone Association  
Abercrombie, North Dakota

We have audited the financial statements of Red River Rural Telephone Association and subsidiaries for the years ended December 31, 2003 and 2002, and have issued our report thereon dated February 19, 2004. We conducted our audits in accordance with U.S. 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 the Company'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 the Company'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. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Company's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Due to the relatively small size of the Company's staff, ideal internal control cannot be achieved. This is not unusual in a company of your size. Management and the Board of Directors should constantly be aware of this condition. Under these circumstances, the most effective controls lie in (1) striving to obtain as much segregation of duties as possible so that no one person has complete control of any type of financial transaction, and (2) knowledge of the financial operations by management and the Board of Directors.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. The reportable condition described above is believed to be a material weakness. This material weakness was considered in determining the nature, timing, and extent of the audit tests applied in our audit of the financial statements for the years ended December 31, 2003 and 2002, and this report does not affect our report on those financial statements. We have not considered the internal control over financial reporting since the date of our report.

We also noted other matters involving the internal control over financial reporting which we have reported to the management of the Company in a separate letter dated February 19, 2004.

This report is intended solely for the information and use of the Board of Directors, management and the Rural Utilities Service and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

St Paul, Minnesota  
February 19, 2004

*Olsen Thielen & Co., Ltd.*

INDEPENDENT AUDITORS' MANAGEMENT LETTER  
FOR TELECOMMUNICATIONS BORROWERS

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Board of Directors  
Red River Rural Telephone Association  
Abercrombie, North Dakota

We have audited the financial statements of Red River Rural Telephone Association and subsidiaries for the year ended December 31, 2003, and have issued our report thereon dated February 19, 2004. We conducted our audit in accordance with U.S. 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 the Company for the year ended December 31, 2003, 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.

Our consideration of internal control over financial reporting would not necessarily disclose all matters in 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 a matter involving the internal control over financial reporting, as set forth in our independent auditors' report on compliance and on internal control over financial reporting, that we consider to be a material weakness as defined above.

Section 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 Section 1773.33(e)(2), and related party transactions and investments. In addition, our audit of the financial statements also included the procedures specified in Sections 1773.38 through 1773.45 in all material respects. 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 auditors' report and our independent auditors' report on compliance and on internal control over financial reporting, all dated February 19, 2004) or summary of recommendations 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 Section 1773.33 are presented below.

#### **I. COMMENTS ON CERTAIN SPECIFIC ASPECTS OF THE INTERNAL CONTROL OVER FINANCIAL REPORTING**

We noted no matters regarding the Company'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 with the exception of a lack of segregation of duties due to a limited number of employees.

#### **II. COMMENTS ON COMPLIANCE WITH SPECIFIC RUS LOAN AND SECURITY INSTRUMENT PROVISIONS**

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:

- A Procedures performed with respect to the requirement for a borrower to obtain written approval of the mortgagee to enter into any contract, agreement or lease between the borrower and an affiliate of the Company for the year ended December 31, 2003 of the Company
  - 1 Obtained and read a borrower-prepared schedule of new written contracts, agreements or leases entered into during the year between the borrower and an affiliate as defined in Section 1773 33(e)(2)(i)
  - 2 Reviewed Board of Director minutes to ascertain whether board-approved written contracts are included in the borrower-prepared schedule
  - 3 Noted the existence of written RUS approval of each contract listed by the borrower
- B Procedure performed with respect to the requirement to submit RUS Form 479 to the RUS
  - 1 Agreed certain amounts reported in Form 479 to the Company's records

The results of our tests indicate that with respect to the items tested, the Company complied, in all material respects, with the specific RUS loan and security instrument provisions referred to below. The specific provisions tested include the requirements that

- A The borrower has obtained written approval from the RUS to enter into any contract, agreement or lease with an affiliate as defined in Section 1773 33(e)(2)(i), and
- B The borrower has not submitted its Form 479, *Financial and Statistical Report*, to the RUS. When it is submitted, we will agree certain amounts reported in Form 479 to the Company's records and determine that the Form 479 is in agreement with the Company's audited records in all material respects

### III. COMMENTS ON OTHER ADDITIONAL MATTERS

In connection with our audit of the financial statements of Red River Rural Telephone Association and subsidiaries, nothing came to our attention that caused us to believe that the Company failed to comply with respect to

- A The reconciliation of subsidiary plant records to the controlling general ledger plant accounts addressed at Section 1773 33(c)(1),
- B The clearing of the construction accounts and the accrual of depreciation on completed construction addressed at Section 1773 33(c)(2),
- C The retirement of plant addressed at Section 1773 33(c)(3) and (4),
- D The approval of the sale, lease or transfer of capital assets and disposition of proceeds for the sale or lease of plant, material, or scrap addressed at Section 1773 33(c)(5),

- E 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, 2003 in the financial statements referenced in the first paragraph of this report addressed at Section 1773 33(f), and,
- F The detailed schedule of investments

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The detailed schedule of investments required by 7 CFR 1773 33(i) (Exhibit A attached) is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Directors, management, and the Rural Utilities Service and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

St Paul, Minnesota  
February 19, 2004

*Olsen Thielson + Co., Ltd.*

**MINNESOTA 565  
RED RIVER RURAL TELEPHONE ASSOCIATION (RRRTA) AND SUBSIDIARIES**

**EXHIBIT A**

**SCHEDULE OF INVESTMENTS  
DECEMBER 31, 2003**

	Red River Telecom, Inc (1)	CRW Communications, Inc (2)	Red River Technologies, Inc (3)	Northwest MN Special Access, LLC (4)	Other Cost-Based Investments	Total
Investment Cost	\$ 1,500,000	\$ 50,000	\$ 510,470	\$ 55,232	\$ 46,849	\$ 2,162,551
Cumulative Earnings as of December 31, 2002	777,634	1,667,577	593,968	89,168	-	3,128,347
Cumulative Distributions as of December 31, 2002	-	-	-	(56,000)	-	(56,000)
Accumulated Other Comprehensive Income	-	-	44,114	-	-	44,114
Book Value of Investment as of December 31, 2002	2,277,634	1,717,577	1,148,552	88,400	46,849	5,279,012
Investments in 2003	-	-	-	-	74,813	74,813
Earnings in 2003	411,299	46,047	318,962	19,324	-	795,632
Distributions in 2003	-	-	-	(40,000)	-	(40,000)
Subtraction from Accumulated Other Comprehensive Income	-	-	(10,719)	-	-	(10,719)
Book Value of Investment as of December 31, 2003	<u>\$ 2,688,933</u>	<u>\$ 1,763,624</u>	<u>\$ 1,456,795</u>	<u>\$ 67,724</u>	<u>\$ 121,662</u>	<u>\$ 6,098,738</u>

Company (1) is a 100% owned subsidiary by RRRTA that is accounted for on the equity method This subsidiary is a telephone company

Company (2) is a 100% owned subsidiary by RRRTA that is accounted for on the equity method This subsidiary had DBS operations

Company (3) is a 100% owned subsidiary by RRRTA that is accounted for on the equity method This subsidiary provides fiber transport and E911 operations

Company (4) is a 5 3% owned affiliate by RRRTA that is accounted for on the equity method This subsidiary provides internet and video services to public schools

RED RIVER RURAL . . . PHONE ASSOCIATION

STATEMENT OF OPERATIONS

Balances as of 06/05

	THIS YEAR'S CURRENT PERIOD	LAST YEAR'S CURRENT PERIOD	THIS YEAR'S YEAR-TO-DATE	LAST YEAR'S YEAR-TO-DATE
Balances as of 06/05				
<b>OPERATING REVENUE</b>				
Local Network	124,424.37	110,642.91	229,150.90	192,732.72
Network Access	415,293.43	433,513.99	873,707.19	881,619.85
Miscellaneous	100,285.58	100,454.04	203,273.62	185,305.47
Uncollectibles	107.87	(11.64)	136.71	6,841.80
<b>TOTAL OPERATING REVENUE</b>	<b>640,111.25</b>	<b>644,599.30</b>	<b>1,306,268.42</b>	<b>1,266,499.84</b>
<b>OPERATING EXPENSE</b>				
Plant Specific	192,884.66	183,285.19	360,651.22	357,882.38
Depreciation	187,068.78	163,337.39	367,085.90	327,506.84
Plant Support	31,705.41	23,746.63	63,196.15	59,789.30
Customer	45,410.55	55,025.83	92,045.71	115,974.74
Corporate	107,744.42	87,171.17	227,189.55	224,048.41
Other Operating Expense/(Income)	(7,301.37)	(3,607.34)	(9,129.37)	(3,907.34)
Income Tax	14,280.00	23,790.00	28,560.00	47,580.00
Other Tax	1,827.21	1,376.53	3,519.87	2,800.53
<b>TOTAL OPERATING EXPENSE</b>	<b>573,619.66</b>	<b>534,125.40</b>	<b>1,133,119.03</b>	<b>1,131,674.86</b>
<b>OPERATING MARGINS</b>	<b>66,491.59</b>	<b>110,473.90</b>	<b>173,149.39</b>	<b>134,824.98</b>

RED RIVER RURAL TELEPHONE ASSOCIATION

STATEMENT OF OPERATIONS  
Balances as of 06/05

Balances as of 06/05	THIS YEAR'S CURRENT PERIOD	LAST YEAR'S CURRENT PERIOD	THIS YEAR'S YEAR-TO-DATE	LAST YEAR'S YEAR-TO-DATE
OTHER INCOME AND EXPENSE				
Dividend Income			58 327 29	6 172 20
Interest Income	4.996 03	12 686 32	12,508 42	17,307 71
Disposition of Property, Contributions	(2 330 46)	(1 117 03)	(4 368 64)	1 00 (2 042 24)
Social Memberships			(295 00)	
Nonoperating Federal Income Tax	(8 550 00)	(6 900 00)	(17 100 00)	(13 800 00)
Nonoperating State Income Tax	(2,130 00)	(1,725 00)	(4,260 00)	(3 450 00)
Interest of Funded Debt - RUS	(37 032 85)	(17 769 70)	(62 626 86)	(35 927 03)
Other Interest Expense	(131 26)	(147 75)	(305 21)	(20 302 00)
Sickleave to be Cleared		289 84		
Funeral / Misc to be Cleared		144 93		
OA To Be Cleared	(165 15)	5 00	(165 15)	
Benefits to be Cleared	(194 23)	(8,739 14)	962 B1	(6,336 95)
Misc Benefits to Clear	1 399 26	552 71		(434 77)
TOTAL OTHER INCOME AND EXPENSE	(44,138 66)	(22 719 82)	(17 322 34)	(58 812 08)
NON-REGULATED ACTIVITIES:				
Sales, Net	(271 79)	324 15	(117 94)	(1,968 48)
Leased CPE, Net	7,368 12	8,411 07	14,643 71	16,657 55
Install/Repair, Net	(3 117 21)	(5,405 89)	(7,414 84)	(8 881 98)
Cellular, Net	257 50	(1,380 89)	5 87	(2,250 32)
Payphone, Net	85.85	(360.92)	71 52	(510 75)
Internet, Net	17,287 60	26,755 61	67,725.51	93,710 35
Voice Mail, Net	(373 53)	235 72	139 89	735 73
Interactive TV, Net	(39 679 32)	23 602 11	73,985 34	67 416 70
Broadband, Net	(5,965 62)	(22,264 03)	(18,603 56)	(55,029 79)
Miscellaneous, Net	(2 058 02)	(1,524 09)	(9,222 42)	(3 029 74)
TOTAL NON-REGULATED ACTIVITIES	(26,466 42)	28,392 84	121,213 08	106,849 27
NET MARGINS	(4,113 49)	116,146 92	277,040 13	182,862 17

RED RIVER RURAL TELEPHONE ASSOCIATION

BALANCE SHEET  
Balances as of 06/05

	THIS YEAR	LAST YEAR
<b>CURRENT ASSETS</b>		
Cash and Equivalents	706,184 30	220,054 68
Money Market (Kinnard)	138,708 36	265,577 52
Certificates Of Deposit	1 031 803 10	838 473 21
Due From Customers	21,416 67	25 881 34
Receivable from CRW	(2,188 68)	(13 655 58)
Receivable from Telecom	60,482 93	27,218 08
Receivable from Technologies	125,517 51	205,195 95
Receivable From Carriers	106 086 35	94 125 39
Other Accounts Receivable	91 782 24	126 900 19
Material and Supplies	207,809 89	337,497 01
Prepayments	108 539 10	105,990 18
<b>TOTAL CURRENT ASSETS</b>	<b>2 596 061 77</b>	<b>2 233 257 97</b>
<b>NON-CURRENT ASSETS</b>		
Investment in CRW	1,790,777 39	1 763 624 17
Investment in Technologies	1 738 189 92	1 423 400 57
Investment in Telecom	2 933 051 09	2 688 935 25
Investment in Qwest	111 611 64	108 001 56
Investment in RCC	285 579 00	482 492 52
Other Investments	241,731 57	249 799 30
Other Assets	69 937 15	167 281 66
Deferred Charges		
<b>TOTAL NON-CURRENT ASSETS</b>	<b>7,170,877 76</b>	<b>6,883 535 01</b>
<b>PROPERTY, PLANT AND EQUIPMENT</b>		
General Support Assets	2 371 288 38	2 227 278 65
Central Office Assets	3,681,346 83	3,136,450 43
Cable & Wire Assets	5,509 159 93	5,246,762 42
Total Plant in Service	11,561 795 14	10 610 491 50
Less Depreciation	7 009 925 09	6 344,607 90
<b>NET PLANT IN SERVICE</b>	<b>4,551,870 05</b>	<b>4,265,883 60</b>
Amortizable Assets	1,582 26	1 582 26
<b>NET AMORTIZABLE ASSETS</b>	<b>1,582 26</b>	<b>1,582 26</b>
Plant Under Construction	2,752,136 92	350,847 49
<b>TOTAL PROPERTY PLANT AND EQUIPMENT</b>	<b>7 305 589 23</b>	<b>4 618 313 35</b>
<b>TOTAL ASSETS</b>	<b>17,072,528 76</b>	<b>13,735,106 35</b>

RED RIVER RURAL TELEPHONE ASSOCIATION

BALANCE SHEET  
Balances as of 06/05

	THIS YEAR	LAST YEAR
<b>LIABILITIES</b>		
Payable General	4 30	
Payable CRW		30 00
Payable Telecom	310 535 03	181 048 B5
Payable Fed Income Withholding	11 550 95	9 901 24
Payable ND Income Withholding	4 875 36	3 923 61
Payable MN Income Withholding	1,188 B9	454 66
Payable Fed Unemployment Tax	190 70	85 69
Payable State Unemployment Tax ND	1 224 23	965 92
Payable State Unemployment Tax MN	77 25	61 69
Payable Fed FICA Tax	12,673 32	11 526 64
Payable NTCA Savings	8,645 37	7 941 92
Payable Flex Dependent Care	548 00	1 438 00
Payable Flex Medical	10,281 96	8,490 98
Payable Pac-T Donation	50 68	
Payable Federal Excise Tax	2,098 26	1,975 49
Payable ND Sales Tax	4,233 86	3,106 68
Payable MN Sales Tax	2,442 78	2 214 41
Payable ND 911 Tax		7 20
Payable ND TRS Tax	220 50	207 45
Payable Qwest	16,104 83	2 221 01
Payable Onvoy	109 31	95 26
Payable Onvoy DBA RLD	12,588 35	12,114 24
Payable NECA/INS	9,380 44	624 05
Payable NECA/INS (MN)	647 26	(105 38)
Payable NECA Overearnings	86,700 00	
Customer Deposits	15,345 00	15,395 00
Customer Deposits - Internet	262 30	232 30
Accrued Fed Income Tax	(90 390 00)	1 155 00
Accrued State Income Tax	(70,056 00)	(15 155 00)
Accrued Property Tax	(915 87)	(1 177 87)
Accrued ND Gross Earnings Tax	5,486 36	4,867 88
Accrued Interest - RUS	5 011 30	5,011 30
Accrued Vacation	71 593 64	58 559 70
Accrued Interest - CRW	3 800 00	23 800 00
RUS Notes	4,798,214 13	1,811,075 99
RUS Notes - Prepayment	(9 576 75)	(9,090 96)
FFB Loan	(568,000 00)	
Loan - CRW	320,000 00	360,000 00
Postretirement Benefits	101,902 00	93,932 00
Deferred Tax - Invest Securities	122,361 00	156,861 00
<b>TOTAL LIABILITIES</b>	<b>5,201,408 24</b>	<b>2,753,795 95</b>
<b>EQUITY</b>		
Accumulated Gain/Loss - CRW	1,740,777 39	1 713,624 17
Accumulated Gain/Loss Telecom	1,433,051 09	1,188,935 25
Accumulated Gain/Loss - Tech	1,227,719 77	912,930 42
Capital Credit Assignable	414,807 94	475,851 33
Special WN Allocation	(291,062 00)	(291,062 00)
Capital Credit Assigned	6,946,389 29	6 517,800 68

Unrealized Gain/Loss Investments	122,396.91	280,368.38
NET PROFIT / (LOSS)	277,040.13	182,862.17
	-----	-----
TOTAL EQUITY	11,871,120.52	10,981,310
	-----	-----
TOTAL LIABILITIES AND EQUITY	17,072,528.76	13,735,105.95
	-----	-----

PU-05-544; PU-05-545

**SENDER: COMPLETE THIS SECTION**

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to  
 Don Negaard  
 Prentice & Christstad  
 PO Box 1000  
 Minot ND 58702-1000

**COMPLETE THIS SECTION ON DELIVERY**

A. Signature  Agent  Addressee  
 X Cheryl Hanson  
 B. Received by (Printed Name) C. Date of Delivery  
 Cheryl Hanson 10-30-05  
 D. Is delivery address different from item 1?  Yes  
 If YES, enter delivery address below  No

3. Service Type  
 Certified Mail  Express Mail  
 Registered  Return Receipt for Merchandise  
 Insured Mail  C.O.D.  
 4. Restricted Delivery? (Extra Fee)  Yes

2. Article Number (Transfer from service label) 7005 0390 0001 4590 7480

PU-05-544; PU-05-545

**SENDER: COMPLETE THIS SECTION**

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to  
 Jeffrey Olson  
 Red River Fund - Ill Assoc  
 PO Box 134  
 Adaircrombie ND 58001

**COMPLETE THIS SECTION ON DELIVERY**

A. Signature  Agent  Addressee  
 X Andrea Hammond  
 B. Received by (Printed Name) C. Date of Delivery  
 Andrea Hammond 10/21/05  
 D. Is delivery address different from item 1?  Yes  
 If YES, enter delivery address below:  No

3. Service Type  
 Certified Mail  Express Mail  
 Registered  Return Receipt for Merchandise  
 Insured Mail  C.O.D.  
 4. Restricted Delivery? (Extra Fee)  Yes

2. Article Number (Transfer from service label) 7005 0390 0001 4590 7497