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ANNUAL REPORT

IDAHO PUBLIC
UTILITIES COMMISSION

OF

CTC TELECOM, INC.

NAME

P.O. Box 69, Cambridge, ID 83610

ADDRESS

TO THE

IDAHO PUBLIC

UTILITIES COMMISSION

FOR THE

YEAR ENDED

December 31, 2002



Kiesling Associates LLP

CERTIFIED PUBLIC ACCOUNTANTS

ACCOUNTANT'S COMPILATION REPORT

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

We have compiled the accompanying balance sheets of CTC Telecom, Inc. as of December 31, 2002, and the related income and retained earnings statement for the year ended December 31, 2002, included in the accompanying prescribed form, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. We have also compiled the supplementary information, except for pages 1, 2, 18, 19, and 20.

Our compilation was limited to presenting in the form prescribed by the Idaho Public Utilities Commission information that is the representation of management. We have not audited or reviewed the financial statements referred to above and, accordingly, do not express an opinion or any other form of assurance on them.

These financial statements and the supplementary information are presented in accordance with the requirements of the Idaho Public Utilities Commission, which differ from generally accepted accounting principles. Accordingly, the financial statements and supplementary information are not designed for those who are not informed about such differences.

The information contained on pages 1, 2, 18, 19, and 20 has not been audited, reviewed, or compiled by us, and, accordingly, we assume no responsibility for that information.

Colorado Springs, CO
April 28, 2003

**ANNUAL REPORT OF SMALL TELEPHONE COMPANIES TO
THE IDAHO PUBLIC UTILITIES COMMISSION
FOR THE YEAR ENDING December 31, 2002**

COMPANY INFORMATION

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

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

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

Organized under the laws of the State of: Idaho

Date of organization: 17-Feb-98

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

If a Subchapter S Corporation, please specify: _____

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

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

OFFICERS

Report below the title, name and office address of each general officer of the utility at the end of the year. If there were any changes during the year, show the name, title, and address of the previous officer and the date of change.

<u>Title</u>	<u>Name</u>	<u>Address</u>
President	Richard Wiggins	1745 Fariview Ave.- Weiser, ID 83672
Vice-President	Kermit Wiggins	P.O. Box 69, Cambridge, ID 83610
Secretary/Treasurer	Joana Wiggins	P.O. Box 69, Cambridge, ID 83610

DIRECTORS

List the name of each person who was a member of the Board of Directors at any given time during the year: (Fees related to meetings only.)

Name and Address	Term Expired or Current Term Will Expire	Meetings Attended This year	Fees Paid During Year
Richard Wiggins P.O. Box 69, Cambridge, ID 83610	Indefinite	1	None
Kermit Wiggins P.O. Box 69, Cambridge, ID 83610	Indefinite	1	None
Joana Wiggins P.O. Box 69, Cambridge, ID 83610	Indefinite	1	None

Name of Chairman of the Board: Richard Wiggins
 Name of Secretary (or Clerk) of Board: JoAnna Wiggins
 Number of Meetings of the Board during the year: 1

MANAGERS

List the name of each person who performed management duties for the Company during the year, and the total wages and bonuses paid to those persons: (Do not include Director fees in these amounts.)

Name	Title	Wages and Bonuses Paid
Dan Morris	Affiliate Manager	51,520

NOTES TO THE FINANCIAL STATEMENTS

Please provide important information such as changes in accounting or depreciation practices, extensions or additions to the system; disposal of any substantial portion of the property of the utility; reorganization, mergers, or consolidations with other companies; leases executed; other contracts or agreements entered into; changes made in articles of incorporation or amendments; the occurrence of contingency losses or gains.

1. In 1998, CTC Telecom, Inc., (CTC) a wholly-owned subsidiary of Cambridge Telephone Company, Inc. was incorporated, with an initial investment of \$100,000. CTC operates as a Competitive Local Exchange Carrier in the state of Idaho. Construction of plant facilities was completed in 1999 and began providing service on September 1, 1999. PCS wireless facilities were completed and service initiated in September, 2001. Additional paid-in capital of \$800,000 was invested by Cambridge Telephone Company, Inc. as of December 31, 2002.

2. In April, 1999, CTC secured a loan from CoBank, ACB in the amount of \$1,700,000, of which \$1,699,760 was advanced as of December 31, 2002. The loan is secured by a Leasehold Deed of Trust and Security Agreement covering all real and personal property. In addition, the loan is secured by Personal Guarantee of Payment Agreements by certain shareholders of Cambridge Telephone Company, and Pledge Agreements for stock of Cambridge Telephone Company owned by certain shareholders.

An additional loan from CoBank, ACB of \$800,000 was arranged for in 2001 of which \$799,000 was advanced as of December 31, 2002.

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

BALANCE SHEET
Assets and Other Debits

Title of Account	Balance Beginning of Year	Balance at End of Year	Increase or (Decrease)
Current Assets			
1120 Cash and Equivalents			-
1130 Cash	(8,197)	3,600	11,797
1140 Special Cash Deposits			-
1150 Working Cash Advances			-
1160 Temporary Investments			-
1180 Telecommunications Accts. Receivable	30,127	62,057	31,930
1181 Accts. Rec. Allow. -Telecommunications			-
1190 Other Accounts Receivable	52,169	33,779	(18,390)
1191 Accounts Receivable Allow. - Other			-
1200 Notes Receivable			-
1201 Notes Receivable Allowance			-
1210 Interest & Dividends Receivable			-
1220 Material and Supplies	31,308	40,435	9,127
1280 Prepayments			-
1290 Prepaid Rents			-
1300 Prepaid Taxes			-
1310 Prepaid Insurance	741	-	(741)
1320 Prepaid Directory Expenses			-
1330 Other Prepayments			-
1350 Other Current Assets			-
Noncurrent Assets			
1401 Investment in Affiliated Companies			-
1402 Investment in Nonaffiliated Companies	70,557	164,721	94,164
1406 Nonregulated Investments			-
1407 Unamortized Debt Issuance Expense			-
1408 Sinking Funds			-
1410 Other Noncurrent Assets	155,142	194,913	39,771
1438 Deferred Maintenance & Retirements			-
1439 Deferred Charges	31,947	7,900	(24,047)
1500 Other Jurisdiction Assets - Net			-
Property, Plant and Equipment			
2001 Telecommunications Plants in Service	3,008,099	2,997,844	(10,255)
2002 Prop. Held for Future Telecom. Use			-
2003 Telecom. Plant under Constr. - Short Term	9,333	4,892	(4,441)
2004 Telecom. Plant under Constr. - Long Term			-
2005 Telecom. Plant Adjustment			-
2006 Nonoperating Plant			-
2007 Goodwill			-
Depreciation and Amortization Accounts			
3100 Accumulated Depreciated	332,160	412,746	80,586
3200 Accum. Depre. - Held for Future Use			-
3300 Accumulated Depreciation - Nonoperating			-
3400 Accumulated Amortization - Tangible			-
3410 Accum. Amort. - Capitalized Leases			-
3420 Accum. Amort. - Leasehold Improvements	3,512	5,269	1,757
3500 Accumulated Amortization - Intangible			-
3600 Accumulated Amortization - Other			-
TOTAL ASSETS	3,045,554	3,092,126	46,572

BALANCE SHEET
Liabilities & Stockholders' Equity

Title of Account	Balance Beginning of Year	Balance at End of Year	Increase or (Decrease)
Current Liabilities			
4010 Accounts Payable	473,622	272,572	(201,050)
4020 Notes Payable			-
4030 Advance Billings and Payments	31,816	46,875	15,059
4040 Customer Deposits			-
4050 Current Maturities - Long -Term Debt	79,209	208,334	129,125
4060 Current Maturities - Capital leases			-
4070 Income Taxes - Accrued	14,665	19,820	5,155
4080 Other Taxes - Accrued			-
4100 Net Current Defer. Oper. Income Taxes			-
4110 Net Current Defer. Nonoper. Income Taxes			-
4120 Other Accrued Liabilities	10,279	8,825	(1,454)
4130 Other Current Liabilities			-
Long-Term Debt			
4210 Funded Debt	2,419,550	2,195,981	(223,569)
4220 Premium on Long-Term Debt			-
4230 Discount on Long-Term Debt			-
4240 Reacquired Debt			-
4250 Obligations Under Capital Leases			-
4260 Advances from Affiliated Companies			-
4270 Other Long-Term Debt			-
Other Liabilities & Deferred Credits			
4310 Other Long-Term Liabilities			-
4320 Unamort. Oper. Invest. Tax Credits - Net			-
4330 Unamort. Nonoper. Invest. Tax Credits - Net			-
4340 Net Noncurrent Defer. Oper. Income Taxes	(13,520)	79,729	93,249
4350 Net Noncur. Defer. Nonoper. Income Taxes	522	17,499	16,977
4360 Other Deferred Credits	20,750	14,000	(6,750)
4370 Other Juris. Liab. & Def. Credits - Net			-
Stockholders' Equity			
4510 Capital Stock	100,000	100,000	-
4520 Additional Paid-In Capital	460,000	800,000	340,000
4530 Treasury Stock			-
4540 Other Capital	-	12,893	12,893
4550 Retained Earnings	(551,339)	(684,402)	(133,063)
TOTAL LIAB. & OTHER CREDITS	3,045,554	3,092,126	46,572

ANALYSIS OF TELECOMMUNICATIONS PLANT IN SERVICE

TOTAL Company Basis

	Balance Beginning of Year	Additions During year	Plant Retired or Sold	Transfers and Adjustments	Balance End of Year
Analysis of Telecommunications Plant in Service					
2111 Land	57,586				57,586
2112 Motor Vehicles	60,250				60,250
2113 Aircraft					-
2114 Special Purpose Vehicles					-
2115 Garage Work Equipment					-
2116 Other Work Equipment					-
2121 Buildings	458,670	44,379			503,049
2122 Furniture	335				335
2123 Office Equipment					-
2124 General Purpose Computers	14,129	1,475			15,604
2211 Analog Electronic Switching	432,084	526,691	(326,456)		632,319
2212 Digital Electronic Switching					-
2215 Electro-Mechanical Switching					-
2220 Operator Systems					-
2231 Radio Systems					-
2232 Circuit Equipment	1,068,473	13,835	(262,253)		820,055
2311 Station Apparatus					-
2321 Customer Premises Wiring					-
2341 Large Private Branch Exchanges					-
2351 Public Telephone Terminal Equipment					-
2362 Other Terminal Equipment					-
2411 Poles					-
2421 Aerial Cable					-
2422 Underground Cable					-
2423 Buried Cable	885,644	146,349		(154,275)	877,718
2424 Submarine Cable					-
2426 Intrabuilding Network Cable					-
2431 Aerial Wire					-
2441 Conduit Systems	13,365				13,365
2681 Capital Leases					-
2682 Leasehold Improvements	17,563				17,563
2690 Intangibles					-
TOTAL PLANT ACCOUNTS	3,008,099	732,729	(588,709)	(154,275)	2,997,844

ANALYSIS OF TELECOMMUNICATIONS PLANT ACCOUNTS
IDAHO Operations Only

	Balance Beginning of Year	Additions During Year	Plant Retired or Sold	Transfers and Adjustments	Balance End of Year
Analysis of Telecommunications Plant in Service					
2111 Land		SAME AS TOTAL COMPANY			
2112 Motor Vehicles					
2113 Aircraft					
2114 Special Purpose Vehicles					
2115 Garage Work Equipment					
2116 Other Work Equipment					
2121 Buildings					
2122 Furniture					
2123 Office Equipment					
2124 General Purpose Computers					
2211 Analog Electronic Switching					
2212 Digital Electronic Switching					
2215 Electro-Mechanical Switching					
2220 Operator Systems					
2231 Radio Systems					
2232 Circuit Equipment					
2311 Station Apparatus					
2321 Customer Premises Wiring					
2341 Large Private Branch Exchanges					
2351 Public Telephone Terminal Equipment					
2362 Other Terminal Equipment					
2411 Poles					
2421 Aerial Cable					
2422 Underground Cable					
2423 Buried Cable					
2424 Submarine Cable					
2426 Intrabuilding Network Cable					
2431 Aerial Wire					
2441 Conduit Systems					
2681 Capital Leases					
2682 Leasehold Improvements					
2690 Intangibles					
TOTAL PLANT ACCOUNTS					

ANALYSIS OF ENTRIES IN ACCUMULATED DEPRECIATION
Account 3100

	TOTAL Company Basis			Credits During Year	Retirements and Adjustments	Balance End of Year
	Balance Beginning of Year	Depreciation Rate*				
Analysis of Entries in Accumulated Depreciation						
2112 Motor Vehicles	35,161	20.00%	6,697		41,858	
2113 Aircraft					-	
2114 Special Purpose Vehicles					-	
2115 Garage Work Equipment					-	
2116 Other Work Equipment					-	
2121 Buildings	14,597	3.00, 6.67%	20,930		35,527	
2122 Furniture					-	
2123 Office Equipment					-	
2124 General Purpose Computers	2,515	20.00%	3,084		5,599	
2211 Analog Electronic Switching					-	
2212 Digital Electronic Switching	107,958	12.00, 12.50%	59,631	(124,053)	43,536	
2215 Electro-Mechanical Switching					-	
2220 Operator Systems					-	
2231 Radio Systems					-	
2232 Circuit Equipment	77,802	10.00%	120,550	(52,457)	145,895	
2311 Station Apparatus					-	
2321 Customer Premises Wiring					-	
2341 Large Private Branch Exchanges					-	
2351 Public Telephone Terminal Equipment					-	
2362 Other Terminal Equipment					-	
2411 Poles					-	
2421 Aerial Cable					-	
2422 Underground Cable					-	
2423 Buried Cable	67,863	8.00%	58,510	(26,806)	99,567	
2424 Submarine Cable					-	
2426 Intrabuilding Network Cable					-	
1410 Internet	23,908	20.00%	13,431		37,339	
2441 Conduit Systems	2,356	8.00%	1,069		3,425	
TOTAL	332,160		283,902	(203,316)	412,746	

*Please list individual depreciation rate for each account.

ANALYSIS OF ENTRIES IN ACCUMULATED DEPRECIATION
Account 3100

IDAHO Operations Only

	Balance Beginning of Year	Depreciation Rate*	Credits During Year	Retirements and Adjustments	Balance End of Year
Analysis of Entries in Accumulated Depreciation					
2112 Motor Vehicles		SAME AS TOTAL	COMPANY		
2113 Aircraft					
2114 Special Purpose Vehicles					
2115 Garage Work Equipment					
2116 Other Work Equipment					
2121 Buildings					
2122 Furniture					
2123 Office Equipment					
2124 General Purpose Computers					
2211 Analog Electronic Switching					
2212 Digital Electronic Switching					
2215 Electro-Mechanical Switching					
2220 Operator Systems					
2231 Radio Systems					
2232 Circuit Equipment					
2311 Station Apparatus					
2321 Customer Premises Wiring					
2341 Large Private Branch Exchanges					
2351 Public Telephone Terminal Equipment					
2362 Other Terminal Equipment					
2411 Poles					
2421 Aerial Cable					
2422 Underground Cable					
2423 Buried Cable					
2424 Submarine Cable					
2426 Intrabuilding Network Cable					
2431 Aerial Wire					
2441 Conduit Systems					
TOTAL					

*Please list individual depreciation rate for each account.

INVESTMENTS

Report below the investments in Accounts 1401, 1402 and 1406. Identify each investment as to the account in which included. Minor amounts in Account 1406 may be grouped by classes.

<u>Description</u>	<u>Date Acquired</u>	<u>Book Cost of Investments Disposed of This year</u>	<u>Book Cost of Investments Held at End of Year</u>
CoBank patronage	various		35,501
Info USA Stock	11/27/2002		129,220
Totals			164,721

RECEIVABLES

Itemize amounts show in Accounts 1180, 1190 and 1200. For notes receivable list each note separately and include the maturity date and interest rate. Minor amounts in Account 1210 may be combined.

<u>Name of Company</u>	<u>Amount at End of Year</u>	
	<u>Notes Receivable</u>	<u>Accounts Receivable</u>
Customer accounts receivable		62,057
Interexchange carriers		27,326
CoBank		6,405
CTC Construction, LLC		48
Totals		95,836

NOTES PAYABLE

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

<u>Name of Creditor</u>	<u>Date of Note</u>	<u>Interest Rate</u>	<u>Due Date</u>	<u>Face Amount</u>
NONE				
Totals				

ACCOUNTS PAYABLE

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

<u>Name of Creditor</u>	<u>Amount</u>
Cambridge Telephone Company	200,979
Martell Construction	40,287
Farmer's Mutual Telephone Co.	6,755
Herb Hetherington	7,200
Other, various	17,351
Totals	272,572

LONG - TERM DEBT

Accounts 4210, 4240, 4250, 4260, 4270 and 4310

List the required data for each obligation included in these accounts, grouping them by account number and showing totals for each account. If any obligations mature serially or otherwise at various dates, give particulars in a note.

<u>Class & Series of Obligation</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Fact Amount Authorized</u>	<u>Outstanding Year-End</u>	<u>Premium/ Total</u>	<u>Discount Year Amortized</u>	<u>Interest for year Rate</u>	<u>Amount</u>
CoBank note	4/15/1999	4/20/2014	1,700,000	1,605,315			variable	117,179
CoBank note	5/1/2001	5/20/2011	800,000	799,000			variable	
less current maturity				(208,334)				
Total				2,195,981				

See Accountant's Compilation Report

CAPITAL STOCK

Report below the particulars called for concerning common and preferred stock at end of year, designating separate series of any general class. Show totals separately for common and preferred.

For each class of preferred stock, show the dividend rate and whether dividends are cumulative or noncumulative.

Show details in a footnote of capital stock sold during the year. Include number of shares, consideration received, premium or discount, and expenses incurred.

<u>Class & Series of Stock</u>	<u>Number of Shares Authorized</u>	<u>Par Value per Share</u>	<u>Outstanding per Balance Sheet</u>	
			<u>Shares</u>	<u>Amount</u>
Common	5,000,000	No Par	10,000	100,000

INCOME & RETAINED EARNINGS STATEMENT

Item	Total Company	Idaho Only
Total Operating Income (from page 16)	285,446	Same as Total
Total Operating Expenses (from page 18)	660,388	Company
7100 Other Operating Income and Expense		
7210 Operating Investment Tax Credits-Net	(4,777)	
7220 Operating Federal Income Taxes	(294,569)	
7230 Operating State and Local Income Taxes	(15,399)	
7240 Operating Other Taxes	39,639	
7250 Provision for Deferred Operating Income Taxes-Net	70,146	
7200 Operating Taxes (Total)	(204,960)	
7310 Dividend Income	23,914	
7320 Interest Income		
7330 Income from Sinking and Other Funds		
7340 Allowance for Funds Used During Construction	5,704	
7350 Gains/Losses from the Disposition of Certain Property	(100,596)	
7360 Other Nonoperating Income	347,317	
7370 Special Charges	(112)	
7300 Nonoperating Income and Expense	276,227	
7410 Nonoperating Investment Tax Credits-Net		
7420 Nonoperating Federal Income Taxes	123,120	
7430 Nonoperating State and Local Income Taxes	(9,534)	
7440 Nonoperating Other Taxes		
7450 Provision for Deferred Nonoperating Income Taxes-Net	33,475	
7400 Nonoperating Taxes	147,061	
7510 Interest on Funded Debt	117,179	
7520 Interest Expense-Capital Leases		
7530 Amortization of Debt Issuance Expense		
7540 Other Interest Deductions		
7500 Interest and Related Items	117,179	
7610 Extraordinary Income Credits		
7620 Extraordinary Income Charges		
7630 Current Income Tax Effect of Extraordinary Items-Net		

See Accountant's Compilation Report

OPERATING REVENUES

Item	Total Company	Idaho Only
Local Network Services Revenues		
5001 Basic Area Revenue	93,354	Same as Total
5002 Optional Extended Area Revenue		Company
5003 Cellular Mobile Revenue		
5004 Other Mobile Services Revenue		
5010 Public Telephone Revenue		
5040 Local Private Line Revenue		
5050 Customer Premises Revenue		
5060 Other Local Exchange Revenue	47,496	
5069 Other Local Exchange Settlements		
Network Access Services Revenues		
5081 End User Revenue (SLC)	25,013	
5082 Switched Access Revenue (Interstate)	38,291	
5083 Special Access Revenue		
5084 State Access Revenue (Intrastate)	9,241	
Long Distance Network Services Revenues		
5100 Long Distance Message Revenue - All	84,194	
Miscellaneous Revenues		
5230 Directory Revenue	445	
5240 Rent Revenue	2,400	
5250 Corporate Operations Revenue		
5261 Special Billing Arrangements Revenue		
5262 Customer Operations Revenue		
5263 Plant Operations Revenue		
5264 Other Incidental Regulated Revenue	668	
5269 Other Revenue Settlements		
5270 Carrier Billing & Collection Revenue		
Uncollectible Revenues		
5301 Uncollectible Revenue - Telecommunications	(15,656)	
5302 Uncollectible Revenue - Other		
TOTAL OPERATING REVENUES	285,446	

Please identify the following revenues:

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

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

OPERATING REVENUES

Item	Total Company	Idaho Only
Plant Specific Operations Expense		
6110 Network Support Expenses		Same as Total
6112 Motor Vehicle Expense	11,385	Company
6113 Aircraft Expense		
6114 Special Purpose Vehicles Expense		
6115 Garage Work Equipment Expense		
6116 Other Work Equipment Expense		
6120 General Support Expenses		
6121 Land and Building Expenses	13,324	
6122 Furniture and Artworks Expense		
6123 Office Equipment Expense		
6124 General Purpose Computers Expense	14,114	
6210 Central Office Switching Expenses		
6211 Analog Electronic Expense		
6212 Digital Electronic Expense	46,865	
6215 Electro-Mechanical Expense		
6220 Operators System Expense		
6230 Central Office Transmission Expenses		
6231 Radio Systems Expense		
6232 Circuit Equipment Expense	138,521	
6310 Information Origination/Termination Expense		
6311 Station Apparatus Expense		
6341 Large Private Branch Exchange Expense		
6351 Public Telephone Terminal Equipment Expense		
6362 Other Terminal Equipment Expense		
6410 Cable and Wire Facilities Expenses		
6411 Pole Expense		
6421 Aerial Cable Expense		
6422 Underground Cable Expense		
6423 Buried Cable Expense	26,246	
6424 Submarine Cable Expense		
6425 Deep Sea Cable Expense		
6426 Intrabuilding Network Cable Expense		
6431 Aerial Wire Expense		
6441 Conduit Systems Expense		
TOTAL PLANT SPECIFIC OPERATIONS EXPENSE	250,455	

OPERATING REVENUES

Item	Total Company	Idaho Only
Plant Nonspecific Operations Expense		
6510 Other Property/Plant/Equipment Expenses		Same as Total
6511 Property Held for Future Telecomm. Use Expenses		Company
6512 Provisioning Expense		
6530 Network Operations Expense		
6531 Power Expense	4,963	
6532 Network Administration Expense	46	
6533 Testing Expense	233	
6534 Plant Operations Administration Expense		
6535 Engineering Expense	1,580	
6540 Access Expense	50,895	
6560 Depreciation and Amortization Expenses		
6561 Depreciation Expense-Telecom. Plant in Service	184,365	
6562 Depreciation Expense-Property Held for Future Use		
6563 Amortization Expense - Tangible		
6564 Amortization Expense - Intangible		
6565 Amortization Expense - Other		
Total Plant Nonspecific Operations Expenses	242,082	
Customer Operations Expense		
6610 Marketing		
6611 Product Management		
6612 Sales		
6613 Product Advertising	10,458	
6620 Services		
6621 Call Completion Services	156	
6622 Number Services	2,790	
6623 Customer Services	64,587	
Total Customer Operations Expense	77,991	
Corporate Operations Expense		
6710 Executive and Planning		
6711 Executive	4,404	
6712 Planning		
6720 General and Administrative		
6721 Accounting and Finance	41,591	
6722 External Relations	1,845	
6723 Human Resources		
6724 Information Management		
6725 Legal	4,624	
6726 Procurement		
6727 Research and Development		
6728 Other General and Administrative	37,396	
6790 Provision for Uncollectible Notes Receivable		
Total Corporate Operations Expense	89,860	
TOTAL OPERATING EXPENSES	660,388	

CENTRAL OFFICE DATA
as of December 31, 2002 (unless otherwise indicated)

Name of Central Office Boise Central Office _____
Prefix (es): 229 _____
Central Office Switch _____ Type: Siemans EWSD _____

Check all that apply:
Stand Alone _____ **Check one:** Electronic_X _____
Host_X _____ Digital_X _____ Electro-Mechanical _____
Remote _____ Other: _____

Access Line Capacity
Design: 10,000 _____ **Access Lines in Use**
Customer Lines: 398 _____
(Include Centrex, PAL, Semi-Pub.)
Installed/Equipped: 1344 _____ Public Telephone Lines_0 _____
Company Official Lines_7 _____
Company Test Lines_15 _____

Classification of Customer Access

	Residence			Business			Total Residence & Business
	Multi- Line 1-Party	Single Line Multi- Party	Subtotal Residence	Multi- Line 1-Party	Single Line Multi- Party	Subtotal Business	
Beginning of Year		205			48		253
New Connects		168			31		199
Disconnects		28			26		54
End of Year		345			53		398

Foreign Exchange:
Dial Tone from this C.O.: 0 _____
Dial Tone from another C.O.: 0 _____

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

Custom Calling:
Number of customers with at least one feature: 261 _____
Total number of features subscribed to: 17 _____

NUMBER OF CALLS COMPLETED BY CUSTOMERS DURING (Year) 2002.

Local Exchange	Average # of Customer Lines in Use	Local Calls		Toll Calls Originated (Total of all Carriers)			Avg./ Line
		Number (1000s)	Avg./ Line	Intrastate	Interstate	Total	
1 229	398			18410	102052	120462	303
2							
3							
4							
5							
6							
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ANNUAL REPORT FOR SMALL TELEPHONE COMPANIES
YEAR ENDED DECEMBER 31, 2002.

CUSTOMER RELATIONS RULES COMPLIANCE

Rule IDAPA 31.21.01.603

Rule IDAPA 31.41.01.105

Please provide copies of:

Summary of Customer Relations Rules for Telephone Corporations

Idaho Telephone Solicitation Act Notification

Method of Notification:

Mailed separately to customers Yes No

Included in directory Yes No

Date of notification May 1, 2002

Alternate method of notification N/A

Rule IDAPA 31.41.01.403.02

Record of Complaints:

Number received by Company 5

Category of complaints (if known):

Deposit Disputes 0

Charges on Bill 3

Denial/Termination 0

Quality or Availability
of Service 2

Carrier Selection/Assignment 0

Miscellaneous 1

Rev 3/02

What if a Deposit is required?

If we require a deposit or deny you service, you may request a written explanation and will be given a chance to discuss that decision with us. If you pay a deposit, you have the right to a receipt. Interest will be paid from the date the deposit is taken and until refunded or applied. Deposits, with interest, will be refunded promptly when you maintain good credit for twelve consecutive months. If a deposit is required, you have two alternatives available. You can either pay the deposit in cash or present a guarantee from a third party.

The amount of the deposit shall not exceed two (2) months charges for basic local telephone service plus two (2) months estimated or average charges for long distance service.

Guarantee in Lieu of Deposit

If you cannot pay the deposit, we will accept a guarantee from another customer who has twelve months of good credit. The third party must guarantee and is liable for an amount equal to the deposit that would otherwise be required. The guarantor is released from this obligation when you have established good credit.

Complaint Procedure

You may, at any time, file a complaint and request a conference with us. After we receive a complaint, we will start an investigation immediately. The results will be given to you and you will be given the opportunity to discuss the results. If you are still dissatisfied, a complaint may be taken to the Idaho Public Utilities Commission for review. Service will not be turned off during any part of this complaint procedure IF ALL UNDISPUTED BILLS ARE PAID.

Important Notice Concerning Purchase of Goods and Services by Telephone

You have important rights under the Idaho Telephone Solicitation Act. Under this Act, it is illegal for persons attempting to sell you goods or services by telephone (telephone solicitors):

- To intrude or harass you in connection with the attempted sale.
- To refuse to hang up and free your telephone line immediately once you request them to do so.
- To misstate the price, quality, or availability of goods or services, or to fail to reveal all material terms relating to the sale of goods or services.
- To advertise, represent or imply that they have the endorsement of any government office or agency when they do not.

■ To advertise, represent or imply that they have a valid registration number with the Attorney General when they do not.

■ To use any unfair method of competition or unfair or deceptive practice.

Any person not yet 18 years old who purchases goods or services pursuant to a telephone solicitation may cancel the purchase within a reasonable time after the purchase is made. No parent or legal guardian having custody of a person not yet 18 years old is liable for the purchase of goods or services by a person not yet 18 years old pursuant to telephone solicitation.

When you agree to purchase goods or services over the telephone, you may have a right to reconsider and cancel your agreement for three business days after receiving a written confirmation of the sale.

A person whose rights are violated by telephone solicitors may have the right to declare a contract of purchase null and void or invoke other remedies under the Idaho Consumer Protection Act.

If you believe that a telephone solicitor has done any unlawful acts, you may contact the Attorney General's office for assistance and information at:

**1-800-432-3545 (toll free) or
334-2424 (Boise area)**

Idaho Telecommunications Relay Service

The Idaho Telecommunications Relay Service allows individuals with a speech and/or hearing disability and hearing individuals to communicate via the telephone. Calls may be initiated by either text telephone or voice customers. Twenty-four hours a day and seven days a week, the Idaho Telecommunications Relay Service is ready to provide you with efficient, confidential communications services. If you would like more information about the Idaho Telecommunications Relay Service, please call 1-800-368-6185 (Voice or TT), or as of October 1, 2001, by dialing 711.

**To Access the Relay Toll-Free Dial:
1-800-377-3529 (TT)
1-800-377-1363 (Voice)
711 (After October 1, 2001)**

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The Residential Service

This is a summary of the Idaho Public Utility Commission's rules and regulations regarding customer relations.

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



CUSTOMER BILLING INFORMATION

The charge for monthly local telephone service is billed one month in advance. All charges for long distance, message units, installation and changes in service on file at the time the bill is printed will be shown on your current bill.

RULES FOR TERMINATION OF SERVICE

CTC Telecom must follow stringent guidelines before terminating basic local telephone service. Basic local service cannot be terminated for failure to pay long distance charges owed to other companies, which may appear on CTC Telecom's monthly bill, if measures to prevent access to the other companies' services are available. Whether such measures are available depends upon the type of CTC Telecom equipment serving the customer.

Basic local telephone service cannot be terminated if you let us know that you dispute any charges on your telephone bill until the dispute is resolved, but you must continue to pay the undisputed parts of the bill.

Telephone service can be disconnected with proper notification for one of the following reasons:

- Not paying undisputed delinquent charges or paying a delinquent bill with a check not honored by the bank.
- Failure to make a security deposit or failure to provide a deposit guarantee.
- Misrepresentation of identity to receive service.
- Failure to abide by the terms of a payment arrangement.
- Intentionally wasting or interfering with service through improper equipment or otherwise.
- Failure to apply for service with the telephone company.

PROPER NOTIFICATION

Service cannot be disconnected without first notifying you in writing at least seven (7) days in advance. We must diligently try to notify you in person or by telephone 24 hours before disconnecting service. Only 24 hour notice will be given if you pay a bill with an insufficient funds check in order to avoid termination, or as the initial payment of a payment arrangement, or if you do not make an initial payment according to a payment arrangement.

Restrictions on Terminations

Your telephone service cannot be disconnected if:

- A past due balance is less than \$50.00 or for two (2) months service, whichever is smaller.
- You are being charged for another customer's bill (unless you have a legal obligation to pay the other customer's bill or you are being charged for any other class of service).
- You fail to pay for purchase of services such as the following:
 - Directory advertising.
 - Services not provided by CTC Telecom even though they may be billed with CTC Telecom services (e.g., 900 charges, operator charges from another company).
 - Equipment payments.
 - Inside wire maintenance.
 - Written guarantee for another customer.
 - Long distance charges by other companies, if we can block access to the other companies' services.

Your telephone service can be disconnected between the hours of 8:00 a.m. and 4:00 p.m., Monday through Thursday, and before noon on Friday. Service cannot be turned off after noon on Fridays, weekends, legally recognized Idaho holidays, or after noon any day before a legally recognized Idaho holiday.

Termination Without Notification

CTC Telecom can terminate service without notification only under the five following conditions:

- A dangerous or hazardous condition exists.
- Service was obtained without authorization or knowledge of the telephone company.
- By order of any court, the Public Utilities Commission, or any other authorized public authority.
- If we have diligently tried to notify you but have been unsuccessful in our attempts to contact you.
- You have misrepresented your identity, have inadequate security with the company, and have an outstanding bill exceeding \$100.00.

PAYMENT ARRANGEMENTS/ PARTIAL PAYMENTS/DISPUTED CHARGES

If you cannot pay the entire bill, payment arrangements can be made with us to pay part of the amount immediately and the remainder in installments. A payment schedule will be developed that is individually tailored to your need and ability to pay.

If you cannot pay a bill in full, or if you dispute a portion of the charges, you may tell us how to apply your partial payment to charges for local service, long distance and other services. When you make partial payments without directing how they are to be applied, we automatically prorate your payment among all outstanding charges (including those disputed by you if

you have not notified us of the dispute). If you want to avoid disconnection of your local service, it is wise to direct that your partial payment first be applied to the charges for that service.

UNAUTHORIZED CHANGE TO ANOTHER LONG DISTANCE CARRIER

The Federal Communications Commission has revised the existing rules related to authorization and verification for changes in preferred long distance providers. If you have been slammed (unauthorized change of your long distance carrier) you may be absolved from paying unpaid charges for 30 days after an unauthorized change. The FCC rules prohibit CTC Telecom from verifying carrier changes submitted by long distance carriers. If you do not currently have a preferred carrier freeze, you may choose this option to eliminate an unauthorized change of your long distance carrier. If you do have a preferred carrier freeze and want to change your carrier, you must call our office or give written notice to lift any preferred carrier freeze. If you have any questions about these new rules you may contact our business office.

MEDICAL EMERGENCIES

You can delay termination of service for 30 days by obtaining a certificate from a doctor or public health official stating that a medical emergency exists or would be aggravated if your phone service were disconnected. A second extension may be granted if another certificate is presented. Payment arrangements must be made before the 30-day expiration date. The certificate must be signed by the person diagnosing the medical condition and must name the person affected.

RULES FOR DEPOSIT

We may ask you to pay a deposit if a deposit is required. A deposit is required only if:

- You have not paid an undisputed bill with any telephone company for service received in the past four years.
- Your service was terminated for one of the following reasons:

- Nonpayment of any undisputed delinquent bills.
- Misrepresentation of your identity for the purpose of obtaining telephone service.
- Failure to pay for damages caused by negligence.
- Obtaining or using service without authorization.
- You file bankruptcy.
- You do not have verifiable previous telephone service and do not pass objective credit screen.
- You provide materially false information on your application.
- You request service at a residence where a former customer still resides and a balance is past due or still owing on the former customer's bill.

CERTIFICATE

State of Idaho)
) ss
County of WASHINGTON)

WE, the undersigned RICHARD WIGGINS

and _____

of the CTC TELECOM, INC. utility,

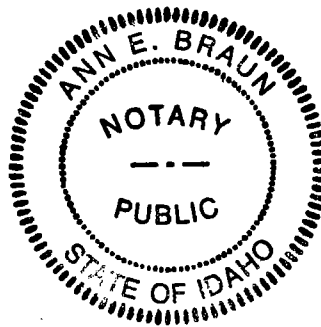
on our oath do severally say that the foregoing return has been prepared under our direction, from the original books, papers, and records of said utility; that we have carefully examined same, and declare the same to be a correct statement of the business affairs of said utility for the period covered by the return in respect to each and every matter and thing therein set forth, to the best of our knowledge, information and belief.

Richard Wiggins
(Chief Officer)

Richard Wiggins
(Officer in Charge of Accounts)

Subscribed and Sworn to Before Me this 28th day of April, (Year) 2003

Ann E. Braun
Notary Public



My Commission expires July 8, (Year) 2005

Rev 3/02

gdk/excel/jnelson/anulrpts/telannualrpt