

RECEIVED
FILED

2001 APR 16 PM 3:15

IDAHO PUBLIC
UTILITIES COMMISSION

ANNUAL REPORT

OF

DIRECT COMMUNICATIONS ROCKLAND, INC.

NAME

150 SOUTH MAIN ROCKLAND, IDAHO 83271

ADDRESS

TO THE

IDAHO PUBLIC

UTILITIES COMMISSION

FOR THE

YEAR ENDED 2000

**ANNUAL REPORT OF SMALL TELEPHONE COMPANIES TO
THE IDAHO PUBLIC UTILITIES COMMISSION
FOR THE YEAR ENDING DECEMBER 31, 2000**

COMPANY INFORMATION

Exact name of utility: DIRECT COMMUNICATIONS ROCKLAND, INC.
 Address of principal office: 150 South Main Rockland, Idaho 83271
 Telephone Number (Area Code 208) 548 - 2345
 Cities or towns served: Rockland, Arbon, Paris, Bloomington, St. Charles, & Fish Haven

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

Address of office where corporate books are kept and phone number: _____
150 South Main Rockland, Idaho 83271 (208) 548 - 2345

Organized under the laws of the State of: Idaho

Date of organization: 1973

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

If a Subchapter S Corporation, please specify: _____

Name and address of controlling company, if any: _____

Names of affiliated companies. Give address and description of business: _____

OFFICERS

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

Title	Name	Address
President - Treasurer	Leonard May	P.O. Box 269 Rockland, Idaho 83271
Vice Pres. - Secretary	Marilyn May	P.O. Box 269 Rockland, Idaho 83271

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
Leonard May P.O. Box 269 Rockland, Idaho 83271	May-01	12	
Marilyn May P.O. Box 269 Rockland, Idaho 83271	May-01	12	

Name of Chairman of the Board: Leonard May
 Name of Secretary (or Clerk) of Board: Marilyn May
 Number of Meetings of the Board during the year: 12

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
Leonard May	President - Treasurer	\$ 82,698.91
Marilyn May	Vice Pres. - Secretary	\$ 40,757.57

DIRECT COMMUNICATIONS ROCKLAND, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2000 and 1999

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION

Direct Communications Rockland, Inc. (Company) is a full service telecommunications provider whose main office is located in Rockland, Idaho. The service area of the Company consists of Southeastern Idaho and South Central Idaho. The Company provides local exchange service as well as providing access services for intrastate and interstate carriers.

The mission of the Company is to provide its customers with reliable, convenient and equitable telecommunications service, delivered by employees who are dedicated to customer satisfaction.

BASIS OF ACCOUNTING

The Company is subject to the accounting and reporting rules and regulations of the Rural Utilities Service (RUS). The Company follows the Federal Communications Commission's Uniform System of Accounts prescribed for Class B Telecommunication Utilities as modified by RUS. The accounting policies conform to generally accepted accounting principles as applied in the case of regulated telecommunication utilities.

Rates charged to customers are established by the Board of Directors and approved by the Idaho Public Utility Commission. The Idaho Public Utility Commission regulates all utility activity in the State of Idaho.

PLANT, EQUIPMENT AND DEPRECIATION

Plant is recorded at cost. The cost of additions to plant includes contracted work, direct labor, materials and allocable overheads. When units of property are retired, sold or otherwise disposed of in the ordinary course of business, their average book cost less net salvage is charged to accumulated depreciation. Repairs and the replacement and renewal of items determined to be less than units of property are charged to maintenance.

The provision for depreciation is based upon a straight-line method which is applied to groups of assets according to class. The rate is determined by RUS recommendation which is based on an estimation of useful lives for each asset group. The final rates are approved by the Idaho Public Utility Commission.

DIRECT COMMUNICATIONS ROCKLAND, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2000 and 1999

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

PLANT CONSTRUCTION AND RETIREMENT

Overhead costs are charged each month to construction and retirement on a prorated basis. These directly related overhead costs include indirect labor, payroll taxes, insurance, transportation charges and storage expense.

REVENUE RECOGNITION

Local and toll services are billed or accrued currently. Revenue is recognized using the accrual basis of accounting in that revenue is recognized when the earning process is complete.

INCOME TAXES

In accordance with SFAS 109, deferred tax liabilities have been adjusted to reflect deferred tax consequences at current enacted rates versus historical rates as required under previous accounting standards. Also SFAS 109 resulted in the establishment of certain regulatory liabilities to recognize the cumulative effect of rate making activity.

Under SFAS 109 income taxes are provided for the tax effects of transactions reported in the financial statements and include taxes currently due and deferred taxes. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax assets and liabilities at December 31, 2000 and 1999, include the effects of accelerated depreciation, bad debt reserve and other liabilities. The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled.

ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION

The Company is required to calculate an amount to be capitalized to Plant Under Construction for funds used during construction. The calculation is made by averaging the funds used during construction and capitalizing the used funds at an average rate of 6.35% which is the Company's borrowing rate from Rural Telephone Finance Cooperative and RUS. The amount recorded in 2000 was \$250,358 and \$88,037 in 1999.

DIRECT COMMUNICATIONS ROCKLAND, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2000 and 1999

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

PREPAID EXPENSES

- Prepaid expenses are expenses that are paid in advance or provide a benefit that extends beyond December 31. Such expenses include property insurance, employee insurance and workman's compensation insurance.

INVENTORIES

- Inventories of materials and supplies are valued at moving average cost. Items determined to be obsolete are written off.

PROVISION FOR DOUBTFUL ACCOUNTS

- A provision for doubtful accounts is maintained. Additions are estimated based on historical analysis of write-offs and collections as a percentage of sales and accounts receivable balances.

CLEARING ACCOUNTS

- Transportation, heavy work equipment and stores expense are cleared each month of actual expenses. Transportation equipment is cleared by miles used and heavy equipment and stores are cleared by hours used.

ACCRUALS

Taxes are accrued each month with energy sales and individual purchases.

ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

FINANCIAL INSTRUMENTS

- The Company follows Statement of Financial Accounting Standards No. 107, *Disclosures about Fair Value of Financial Instruments*. The Statement extends fair value disclosure practices by requiring all entities to disclose the fair value of financial instruments, both assets and liabilities, recognized and not recognized in the balance sheets, for which it is practicable to estimate fair value. The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than a forced or liquidation sale.

DIRECT COMMUNICATIONS ROCKLAND, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2000 and 1999

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

FINANCIAL INSTRUMENTS (continued)

The fair value of the Company's financial instruments approximates carrying value. Fair values were estimated based on quoted market prices and on current rates offered to the Company for debt with similar terms and maturities.

CREDIT RISK

Financial instruments which potentially subject the Company to concentrations of credit risk consist principally of debt agreements. Concentrations of credit risk with respect to trade receivables are limited due to the Company's large number of customers.

DEFERRED CREDITS

Deferred credits consist entirely of deferred tax liabilities which are considered to be long-term.

INVESTMENT IN AFFILIATED COMPANIES

Investment in affiliated companies represents an investment in stock of the CIT Communications Inc., System Seven, RTFC Capital Certificates, NRTC 220 MHZ Wire, and other items. The investments are recorded at cost.

CASH AND CASH EQUIVALENTS

All highly liquid investments with a maturity of six months or less from date of purchase are considered cash equivalents.

Such items include money market savings accounts and certificates of deposit.

TEMPORARY INVESTMENTS

All investments are reported in accordance with SFAS 115 and are classified as trading securities. Trading securities are debt and equity securities that are held principally for the purpose of selling them in the near future. The Company reports these securities at fair market value, with unrealized gains and losses included in earnings.

DIRECT COMMUNICATIONS ROCKLAND, INC.
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEARS ENDED DECEMBER 31, 2000 and 1999

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

BUSINESS COMBINATIONS

On October 17, 1996, Direct Communications Lakeside, Inc., a wholly-owned subsidiary of Direct Communications Rockland, Inc. acquired service areas from US WEST Inc. The purchase of these areas included the ability to service existing and future subscribers along with the plant associated with such service areas. The purchase price was \$2,960,904, in addition to \$137,416 for RTFC Certificates, and \$5,121 for property taxes for a total cost of \$3,103,441. To finance the purchase, Direct Communications Lakeside, Inc. entered into a note agreement with Rural Telephone Finance Corporative (RTFC) for \$2,748,324 with the remaining amount being paid by Direct Communications Lakeside, Inc. The acquisition was treated as a purchase and the accounts have been recorded in the books of Direct Communications Lakeside, Inc. at the fair market value at the date of purchase. Effective January 1, 1999, the two companies were legally merged, with Direct Communications Rockland, Inc. being the surviving company.

NOTE 2. PROPERTY AND EQUIPMENT

Telephone plant includes the following:

	<u>2000</u>	<u>1999</u>
Construction in process	\$ 517,114	\$ 1,728,745
Inservice:		
Land	98,236	80,955
Buildings	1,440,658	461,534
Switching equipment	2,516,287	2,331,495
Outside plant	11,291,362	6,874,131
Furniture and office equipment	414,319	301,664
Vehicles and work equipment	<u>895,959</u>	<u>745,704</u>
	17,173,935	12,524,228
Non-operating plant:		
Subscriber lists, rights of way, etc.	<u>1,176,943</u>	<u>1,176,943</u>
 Total plant	 <u>\$18,350,878</u>	 <u>\$13,701,171</u>

Non-operating plant is amortized over a period of 5 to 15 years.

DIRECT COMMUNICATIONS ROCKLAND, INC.
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEARS ENDED DECEMBER 31, 2000 and 1999

NOTE 3. LONG-TERM DEBT

Long-term debt consists of:

	<u>2000</u>	<u>1999</u>
Case Finance	\$ 42,777	\$ 50,610
First Security Bank	11,457	15,598
Caterpillar Finance Co.	25,708	37,894
Rural Telephone Finance Cooperative- Construction Loan (LOC)	4,293,070	3,765,922
Rural Telephone Finance Cooperative	2,575,027	2,740,173
Rural Telephone Finance Cooperative	408,455	428,292
2% RUS mortgage note	793,930	845,594
5% RUS mortgage note	4,835,592	407,009
Unadvanced funds	(21,115)	(21,115)
Stockholder note	71,849	
	<u>13,036,750</u>	<u>8,269,977</u>
Less current maturity	<u>(4,851,476)</u>	<u>(4,273,358)</u>
	<u>\$ 8,185,274</u>	<u>\$3,996,619</u>

The annual requirements for debt service on long-term debt are as follows:

	<u>Principal</u>	<u>Interest (estimated)</u>
2001	\$ 4,851,476	\$ 730,200
2002	379,221	725,100
2003	350,506	710,000
2004	367,708	700,000
2005	383,148	700,000
Thereafter	<u>6,704,691</u>	<u>3,352,345</u>
Total	<u>\$13,036,750</u>	<u>\$ 6,917,645</u>

Substantially all property and equipment of the Company are pledged as security for the long-term debt under certain loan agreements with the Rural Utility Service (RUS) and Rural Telephone Finance Cooperative. These mortgage notes are to be repaid in equal quarterly installments covering principal and interest expiring by 2012.

The mortgage to the United States of America, underlying the RUS notes, contains certain restrictions on the declaration or payment of cash dividends, redemption of capital stock, or investment in affiliated companies.

Cash paid for interest during the years ended December 31, 2000 and 1999, totaled \$728,808 and \$321,658, respectively.

DIRECT COMMUNICATIONS ROCKLAND, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2000 and 1999

NOTE 3. LONG-TERM DEBT (continued)

The Company has entered into a debt agreement with Rural Utility Services for \$9,062,600 in hardship loan funds to finance (1) connection of new subscribers, (2) upgrade central office equipment, (3) purchase and install a broadband switch, (4) construct fiber and copper outside plant, (5) construct new headquarter facilities, (6) construct new toll facilities, (7) purchase vehicles and work equipment, and (8) construct an ETV facility. The funding sources are to include Rural Utility Services (RUS) and Rural Telephone Bank (RTB). The funds loaned by the Rural Telephone Bank will require an advance sufficient to cover a 5% investment in RTB Class B stock. \$7,664,000 will be funded by RUS and \$1,398,000 will be funded by RTB. The interest rates will vary based on the timing of the loans with the first \$5,000,000 from RUS bearing a rate of 5%. The Company sought and received approval from RUS to obtain interim financing for the fiber project and headquarter facility construction from the Rural Telephone Finance Cooperative (RTFC) in the amount of \$4,900,000 at a variable rate. At December 31, 2000, the variable rate of the interim financing from RTFC was 7.7%. The amount outstanding at December 31, 2000, amounted to \$4,293,070. This amount is reported as current long term debt in the financial statements because it is expected to be paid off with the long term financing noted above. At December 31, 2000, \$4,475,923 of the RUS commitment has been drawn down. This amount has not been converted to long term debt with repayment terms. Only interest was paid in 2000. Since the repayment terms are unknown, they have been included in the thereafter category in the annual debt service section of this footnote.

The note payable to Rural Telephone Finance Cooperative in the amount of \$247,186 began October 1996 and ends April 2009. The interest rate is variable but is considered by the Cooperative to average 4.65%. This rate is secured by a shared first lien on all assets and revenues of the Company. The balance outstanding at December 31, 2000, was \$208,455. The Company also has a line of credit with RTFC of \$200,000, all of which is outstanding at December 31, 2000 and 1999. See Note 10.

The last note payable to Rural Telephone Finance Cooperative began in October 1996, and was used to purchase service area from US West. Payments began in 1997. The note has been broken down into five separate payment schedules because the interest rate varies for each schedule. The rate ranges from 6.3% - 7.5%. This note is secured by a shared lien on all assets and revenues of the Company. The maturity of the last payment schedule is December 31, 2012.

The note payable to First Security Bank is payable in monthly installments of \$507.14, including interest of 8%. Payments began May 1997 and ends April 2003.

The note payable to Caterpillar Finance Co. is payable in monthly installments of \$1,209.01, including interest of 7.14%. Payments began December 1997 and end November 2002. The note is secured by a backhoe.

The note payable to Case Financing is due in monthly installments of \$865, including interest of 8.9%. Payments began July 1999 and end June 2005. The note is secured by an MX 110 tractor with loader.

DIRECT COMMUNICATIONS ROCKLAND, INC.
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999

NOTE 3. LONG-TERM DEBT (continued)

The note payable to stockholder is due in monthly installments of \$3,216, including interest of 7.7%. Payments began February 2000 and end January 2003. The note is unsecured.

NOTE 4. INCOME TAXES

Income taxes reflected in the Statement of Income consist of the following:

	2000	1999
Operating income taxes		
Federal income taxes -		
Current tax expense (benefit)	\$ (33,970)	\$ 18,700
Deferred tax expense	22,019	6,401
State income taxes -		
Current tax expense (benefit)	(8,012)	7,504
Deferred tax expense	2,936	2,452
Investment tax credit, net	_____	(3,372)
Total income tax expense (benefit)	\$ (17,027)	\$ 31,685

Cash paid for income taxes or estimated income taxes for 2000 and 1999 totaled \$23,200 and \$36,538, respectively.

The Company has state investment credit carryovers of approximately \$374,983 which expire from 2004-2018.

The Company has a tax benefit from a state net operating loss carryover of \$5,501 expiring in 2020.

Deferred Federal and State tax liabilities and assets are comprised of the following:

	2000	1999
Total deferred tax liabilities	\$ 167,386	\$ 142,431
Total deferred tax assets	_____	_____
Net deferred tax liability	\$ 167,386	\$ 142,431
Long-term portion	\$ 167,386	\$ 142,431
Current portion	_____	_____
Net deferred tax liability	\$ 167,386	\$ 142,431

DIRECT COMMUNICATIONS ROCKLAND, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999

NOTE 4. INCOME TAXES

Included in deferred items reported in the balance sheet as follows:

Deferred credits	\$ 167,386	\$ 142,431
------------------	------------	------------

The tax provision differs from the expense that would result from applying the Federal statutory rates to income before income taxes because of permanent differences related to officer life insurance premiums, the effect of state income taxes, and amortization of investment tax credits and excess deferred taxes.

NOTE 5. RETIREMENT PLANS

The Company has a non-contributory defined benefit plan covering most employees. The multi-employer retirement programs are with the National Telephone Cooperative Association (NTCA) and have been approved by the Internal Revenue Service. Pension costs, expensed and capitalized, for 2000 and 1999 were \$34,806 and \$31,597, respectively. The Company makes annual contributions to the plan equal to amounts accrued for pension expense. The Company also participates in a profit sharing savings plan administered by NTCA. This plan is a contributory plan based on 11% of eligible salary. All eligible employees are covered by the plan. The annual contributions were \$55,718 in 2000 and \$60,256 in 1999.

NOTE 6. COMPENSATION AGREEMENT

In 1979 the Company entered into a compensation agreement with a former stockholder and employee, providing for payments of retirement benefits of \$4,800 annually, beginning January 1, 1980, and continuing for the lifetime of the employee, but, in any event, for a period certain of ten years. Such benefit shall be increased annually by the proportional increase in the Consumer Price Index for the metropolitan area of Boise, Idaho. The amount paid under this contract was \$7,980 for 2000 and \$7,315 for 1999.

NOTE 7. RELATED PARTY TRANSACTIONS

The Company had various transactions with CIT Communications, Inc. The Company's president and majority shareholder has an approximate 5.95% interest in CIT.

- a. The Company has invested \$160,861 in the common stock of CIT, which is an approximate 10.5% interest. \$2,814 for newsletters and satisfaction surveys was paid to CIT in 2000.

DIRECT COMMUNICATIONS ROCKLAND, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999

NOTE 7. RELATED PARTY TRANSACTIONS (continued)

The Company has entered into the following related party transactions during 2000 and 1999:

1. Direct Communications Internet, Inc.

This Company is a wholly-owned subsidiary of Direct Communications Star West, Inc. and charges the Company for internet services, which the Company in turn charges to its customers who have signed up for these services. The net effect on the Company is zero because the Companies record the income for the charges and expense the charges from the internet provider. The income and expense are eliminated at year end. The amount paid during 2000 and 1999 amounted to \$23,271 and \$34,422.

2. The Company entered into an agreement with Direct Communications Long Distance, LC, which is 100% owned by Direct Communications Starwest, Inc. The agreement is for long distance services to the Company. \$74,344 was paid in 2000 and \$66,111 was paid in 1999.

3. Direct Communications Star West, Inc.

This Company is owned 50% by the officers of the Company. Services are provided to the Company for after hours calling, personnel management, marketing and rent of the building used by the Company. The amount paid during 2000 and 1999 amounted to \$44,861 and \$47,821.

4. Other transactions include rent, marketing services and computer consulting. The amount spent in 2000 was \$42,445.

NOTE 8. LINE OF CREDIT

The Company has an unsecured line of credit from the Rural Telephone Finance Cooperative (RTFC) with a maximum limit of \$200,000 expiring September 2001. The credit line bears interest at prime plus 1.5%. During the years ended December 31, 2000 and 1999, there were borrowings of \$200,000 against this line of credit. The line of credit agreement provides that no payment of cash dividends can be made while a loan balance remains outstanding without RTFC approval, and the balance outstanding must be reduced to \$-0- for 5 working days of each year based on the date of the first outstanding advance. At December 31, 2000, the balance was \$200,000 and at December 31, 1999, the balance was \$200,000.

DIRECT COMMUNICATIONS ROCKLAND, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999

NOTE 9. CONCENTRATIONS OF CREDIT RISK - CASH BALANCES

The Company maintains most of its cash accounts in commercial banks located in Idaho. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. A summary of the total insured and uninsured cash balances follows:

	<u>2000</u>	<u>1999</u>
Total cash held (bank balance)	\$ 811,710	\$ 623,508
Portion insured by FDIC	<u>(438,553)</u>	<u>(419,364)</u>
Uninsured cash balances	<u>\$ 373,157</u>	<u>\$ 204,144</u>

NOTE 9. CONCENTRATIONS OF CREDIT RISK - CASH BALANCES (continued)

Credit sales are made to the Company's customers in the ordinary course of business. Generally, these sales are unsecured.

NOTE 10. ACCOUNTS RECEIVABLE

The Company had the following accounts receivable at December 31, 2000 and 1999.

	<u>2000</u>	<u>1999</u>
Unbilled amounts	\$ 18,220	\$ 18,220
Billed to customers	116,247	88,414
Bad debt reserve	<u>(10,745)</u>	<u>(10,745)</u>
	123,722	95,889
Interexchange carriers and other	<u>381,952</u>	<u>328,881</u>
	<u>\$ 505,674</u>	<u>\$ 424,770</u>

NOTE 11. TEMPORARY INVESTMENTS

Temporary cash investments consist of amounts invested in certificates of deposit, mutual funds and stocks. They are categorized as trading securities.

	<u>2000</u>		<u>1999</u>	
	<u>Amortized Cost</u>	<u>Fair Value</u>	<u>Amortized Cost</u>	<u>Fair Value</u>
Trading securities	<u>\$ 61,692</u>	<u>\$ 61,692</u>	<u>\$ 54,364</u>	<u>\$ 54,364</u>

DIRECT COMMUNICATIONS ROCKLAND, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999

NOTE 11. TEMPORARY INVESTMENTS (continued)

The unrealized gain (loss) on trading securities was \$(8,750) and \$(4,296) for the years ended December 31, 2000 and 1999, respectively. Realized gains (losses) in 2000 and 1999 were \$5,787 and \$15,293.

NOTE 11. COMPREHENSIVE INCOME

The Company had no components of comprehensive income required to be disclosed under Statement of Financial Accounting Standards (SFAS) 130.

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	16,579	146,356	129,777
1140 Special Cash Deposits	2,415	478,222	475,807
1150 Working Cash Advances	90	90	0
1160 Temporary Investments	137,972	72,843	(65,129)
1180 Telecommunications Accts. Receivable	106,634	134,467	27,834
1181 Accts. Rec. Allow. -Telecommunications	(10,745)	(10,745)	0
1190 Other Accounts Receivable	328,527	381,603	53,076
1191 Accounts Receivable Allow. - Other			
1200 Notes Receivable			
1201 Notes Receivable Allowance			
1210 Interest & Dividends Receivable	354	349	(5)
1220 Material and Supplies	65,408	163,754	98,346
1280 Prepayments			
1290 Prepaid Rents			
1300 Prepaid Taxes	668	23,180	22,512
1310 Prepaid Insurance	31,609	8,454	(23,155)
1320 Prepaid Directory Expenses			
1330 Other Prepayments			
1350 Other Current Assets			
Noncurrent Assets			
1401 Investment in Affiliated Companies	542,694	578,174	35,480
1402 Investment in Nonaffiliated Companies			
1406 Nonregulated Investments			
1407 Unamortized Debt Issuance Expense			
1408 Sinking Funds			
1410 Other Noncurrent Assets	9,787	9,787	0
1438 Deferred Maintenance & Retirements			
1439 Deferred Charges			
1500 Other Jurisdiction Assets - Net			
Property, Plant and Equipment			
2001 Telecommunications Plants in Service	10,795,483	16,656,821	5,861,338
2002 Prop. Held for Future Telecom. Use			
2003 Telecom. Plant under Constr. - Short Term	1,728,745	517,114	(1,211,631)
2004 Telecom. Plant under Constr. - Long Term			
2005 Telecom. Plant Adjustment			
2006 Nonoperating Plant	1,176,943	1,176,943	0
2007 Goodwill			
Depreciation and Amortization Accounts			
3100 Accumulated Depreciated	4,898,353	5,689,056	790,703
3200 Accum. Depre. - Held for Future Use			
3300 Accumulated Depreciation - Nonoperating			
3400 Accumulated Amortization - Tangible			
3410 Accum. Amort. - Capitalized Leases			
3420 Accum. Amort. - Leasehold Improvements			
3500 Accumulated Amortization - Intangible			
3600 Accumulated Amortization - Other			
TOTAL ASSETS	10,034,809	14,648,357	4,613,548

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	205,405	58,478	(146,927)
4020 Notes Payable			
4030 Advance Billings and Payments	35,950	35,949	(1)
4040 Customer Deposits	1,250	1,750	500
4050 Current Maturities - Long -Term Debt	4,273,358	4,851,476	578,118
4060 Current Maturities - Capital leases			
4070 Income Taxes - Accrued	700		(700)
4080 Other Taxes - Accrued	30,647	29,357	(1,290)
4100 Net Current Defer. Oper. Income Taxes			
4110 Net Current Defer. Nonoper. Income Taxes			
4120 Other Accrued Liabilities	77,352	117,905	40,553
4130 Other Current Liabilities			
Long-Term Debt			
4210 Funded Debt	3,892,517	8,033,483	4,140,966
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	104,102	151,791	47,689
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	142,431	167,386	24,955
4350 Net Noncur. Defer. Nonoper. Income Taxes			
4360 Other Deferred Credits			
4370 Other Juris. Liab. & Def. Credits - Net			
Stockholders' Equity			
4510 Capital Stock	50,000	50,000	0
4520 Additional Paid-In Capital			
4530 Treasury Stock			
4540 Other Capital			
4550 Retained Earnings	1,221,097	1,150,782	(70,315)
TOTAL LIAB. & OTHER CREDITS	10,034,809	14,648,357	4,613,548

ANALYSIS OF TELECOMMUNICATIONS PLANT IN SERVICE

TOTAL Company Basis

Analysis of Telecommunications Plant in Service

	Balance Beginning of Year	Additions During year	Plant Retired or Sold	Transfers and Adjustments	Balance End of Year
2111 Land	80,955	17,281			98,236
2112 Motor Vehicles	204,741	15,000	15,500		204,241
2113 Aircraft					
2114 Special Purpose Vehicles	40,909				40,909
2115 Garage Work Equipment	8,358	90,884			99,242
2116 Other Work Equipment	491,695	59,871			551,566
2121 Buildings	461,534	979,124			1,440,658
2122 Furniture		53,700			53,700
2123 Office Equipment	67,552	9,297			76,849
2124 General Purpose Computers	234,112	49,658			283,770
2211 Analog Electronic Switching					
2212 Digital Electronic Switching	1,480,213	70,226			1,550,439
2215 Electro-Mechanical Switching					
2220 Operator Systems					
2231 Radio Systems					
2232 Circuit Equipment	851,283	114,565			965,848
2311 Station Apparatus					
2321 Customer Premises Wiring					
2341 Large Private Branch Exchanges					
2351 Public Telephone Terminal Equipment	61,064				61,064
2362 Other Terminal Equipment					
2411 Poles	20,946				20,946
2421 Aerial Cable					
2422 Underground Cable					
2423 Buried Cable					
2424 Submarine Cable	6,792,121	4,417,232			11,209,353
2426 Intrabuilding Network Cable					
2431 Aerial Wire					
2441 Conduit Systems					
2681 Capital Leases					
2682 Leasehold Improvements					
2690 Intangibles	1,176,943				1,176,943
TOTAL PLANT ACCOUNTS	11,972,428	5,876,838	15,500		17,833,766

ANALYSIS OF TELECOMMUNICATIONS PLANT ACCOUNTS
IDAHO Operations Only

Analysis of Telecommunications Plant in Service

	Balance Beginning of Year	Additions During Year	Plant Retired or Sold	Transfers and Adjustments	Balance End of Year
2111 Land					
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					

**SAME AS TOTAL
COMPANY**

ANALYSIS OF ENTRIES IN ACCUMULATED DEPRECIATION
Account 3100

TOTAL Company Basis

	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	139,700	25.0%	30,724	15,500	154,924
2113 Aircraft					
2114 Special Purpose Vehicles	17,685	10.0%	3,250		20,935
2115 Garage Work Equipment	8,358	12.5%	1,096		9,454
2116 Other Work Equipment	258,605	12.5%	45,815		304,420
2121 Buildings	133,728	3.0%	17,119		150,847
2122 Furniture			1,427		1,427
2123 Office Equipment	56,336	12.5%	2,457		58,793
2124 General Purpose Computers	228,574	20.0%	3,602		232,176
2211 Analog Electronic Switching					
2212 Digital Electronic Switching	882,474	12.0%	186,772		1,069,246
2215 Electro-Mechanical Switching					
2220 Operator Systems					
2231 Radio Systems					
2232 Circuit Equipment					
2311 Station Apparatus	665,450	12.0%	48,402		713,852
2321 Customer Premises Wiring					
2341 Large Private Branch Exchanges					
2351 Public Telephone Terminal Equipment	61,064				61,064
2362 Other Terminal Equipment					
2411 Poles	20,946	10.0%			20,946
2421 Aerial Cable					
2422 Underground Cable					
2423 Buried Cable					
2424 Submarine Cable	2,170,557	6.5%	386,161		2,556,718
2426 Intrabuilding Network Cable					
2431 Aerial Wire					
2441 Conduit Systems					
TOTAL	4,643,477		726,826	15,500	5,354,803

*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					
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					

**SAME AS TOTAL
COMPANY**

*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>
CIT COMMUNICATIONS	1991		160,861
RTFC CERTIFICATES	1993, 94, & 96		174,990
SYSTEM SEVEN	1994		19,688
ASSOCIATED NETWORK PART	1998		5,100
NRTC'S 220 MHz WIRELESS	1999		192,535
SYRINGA NETWORK	2000		17,000
NECA SERVICES	2000		8,000
Totals			578,174

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>Notes Receivable</u>	<u>Amount at End of Year Accounts Receivable</u>
CUSTOMERS		123,722
INTEREXCHANGE CARRIERS		381,952
Totals		505,674

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>
SEE ATTACHED LISTING	
Totals	

ACCOUNTS PAYABLE

<u>NAME OF CREDITOR</u>	<u>AMOUNT</u>
AT & T Pars	8,945.10
Bear Lake North RV Park	214.05
Bear Lake Motor Company	142.20
City of Soda Springs	202.92
Computer Technology, Inc.	1,305.57
Direct Internet	4,687.64
Direct Communications Long Distance	5,596.01
Phone Cards	320.20
Employee Flex Plan	980.36
Federal Excise Tax	1,811.30
Givens & Pursley	2,104.12
GVNW, Inc.	2,011.18
Global Equipment Co	189.23
Idaho State Tax Withholding	1,199.00
Idaho Universal Service Fund	441.54
Illuninet	724.25
Paris County Store	844.26
Power County Clerk (E911)	465.17
R.L. Taylor Excavating Co.	180.00
Schmidt Oil	2,391.78
Sprint North Supply	2,448.70
U.S. West	1,283.76
Unbilled Toll	18,220.00
V-1 Oil Company	278.86
Wiggins & Co.	1,325.00
All others under \$100	165.40
Total Accounts Payable	<u><u>58,477.60</u></u>

INCOME & RETAINED EARNINGS STATEMENT

Item	Total Company	Idaho Only
Total Operating Income (from page 15)	2,431,966	
Total Operating Expenses (from page 17)	1,978,841	
7100 Other Operating Income and Expense	15,059	
7210 Operating Investment Tax Credits-Net		
7220 Operating Federal Income Taxes	(33,970)	
7230 Operating State and Local Income Taxes	(8,012)	
7240 Operating Other Taxes	58,714	
7250 Provision for Deferred Operating Income Taxes-Net	24,955	
7200 Operating Taxes (Total)		
7310 Dividend Income	(25,023)	
7320 Interest Income	(8,259)	
7330 Income from Sinking and Other Funds		
7340 Allowance for Funds Used During Construction	(250,358)	
7350 Gains/Losses from the Disposition of Certain Property		
7360 Other Nonoperating Income	(3,417)	
7370 Special Charges	23,243	
7300 Nonoperating Income and Expense		
7410 Nonoperating Investment Tax Credits-Net		
7420 Nonoperating Federal Income Taxes		
7430 Nonoperating State and Local Income Taxes		
7440 Nonoperating Other Taxes		
7450 Provision for Deferred Nonoperating Income Taxes-Net		
7400 Nonoperating Taxes		
7510 Interest on Funded Debt	157,313	
7520 Interest Expense-Capital Leases		
7530 Amortization of Debt Issuance Expense		
7540 Other Interest Deductions	573,195	
7500 Interest and Related Items		
7610 Extraordinary Income Credits		
7620 Extraordinary Income Charges		
7630 Current Income Tax Effect of Extraordinary Items-Net		
7640 Provision for Deferred Income Tax Effect of Extraordinary Items-Net		
7600 Extraordinary Items		
7910 Income Effect of Jurisdictional Ratemaking Differences-Net		
7990 Nonregulated Net Income		
AMOUNT TRANSFERRED TO RETAINED EARNINGS	(70,315)	

**SAME
AS
TOTAL**

OPERATING REVENUES

Item	Total Company	Idaho Only
Local Network Services Revenues		
5001 Basic Area Revenue	446,687	
5002 Optional Extended Area Revenue		
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	39,153	
5069 Other Local Exchange Settlements		
Network Access Services Revenues		
5081 End User Revenue (SLC)	64,298	
5082 Switched Access Revenue (Interstate)	1,579,054	
5083 Special Access Revenue		
5084 State Access Revenue (Intrastate)	244,599	
Long Distance Network Services Revenues		
5100 Long Distance Message Revenue - All		
Miscellaneous Revenues		
5230 Directory Revenue		
5240 Rent Revenue		
5250 Corporate Operations Revenue		
5261 Special Billing Arrangements Revenue		
5262 Customer Operations Revenue		
5263 Plant Operations Revenue		
5264 Other Incidental Regulated Revenue	42,585	
5269 Other Revenue Settlements		
5270 Carrier Billing & Collection Revenue	23,636	
Uncollectible Revenues		
5301 Uncollectible Revenue - Telecommunications	(8,045)	
5302 Uncollectible Revenue - Other		
TOTAL OPERATING REVENUES	2,431,966	SAME AS TOTAL

Please identify the following revenues:

NECA USF \$ 1,331,120 . To what account were they booked?
 5082.11, 5082.21, & 5082.22

State USF \$ 221,847 . To what account were they booked?
 5084.60

OPERATING REVENUES

Item	Total Company	Idaho Only
Plant Specific Operations Expense		
6110 Network Support Expenses		
6112 Motor Vehicle Expense	3,378	SAME AS TOTAL
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	40,306	
6122 Furniture and Artworks Expense	1,068	
6123 Office Equipment Expense		
6124 General Purpose Computers Expense	34,586	
6210 Central Office Switching Expenses		
6211 Analog Electronic Expense		
6212 Digital Electronic Expense	99,270	
6215 Electro-Mechanical Expense		
6220 Operators System Expense		
6230 Central Office Transmission Expenses	5,812	
6231 Radio Systems Expense		
6232 Circuit Equipment Expense	49,109	
6310 Information Origination/Termination Expense		
6311 Station Apparatus Expense	4,462	
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	280,225	
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	518,216	

OPERATING REVENUES

Item	Total Company	Idaho Only
Plant Nonspecific Operations Expense		
6510 Other Property/Plant/Equipment Expenses		
6511 Property Held for Future Telecomm. Use Expenses		SAME AS TOTAL
6512 Provisioning Expense	4,867	
6530 Network Operations Expense		
6531 Power Expense	16,308	
6532 Network Administration Expense		
6533 Testing Expense	998	
6534 Plant Operations Administration Expense		
6535 Engineering Expense	17,588	
6540 Access Expense	33	
6560 Depreciation and Amortization Expenses	79,377	
6561 Depreciation Expense-Telecom. Plant in Service	726,826	
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	845,998	
Customer Operations Expense		
6610 Marketing		
6611 Product Management		
6612 Sales		
6613 Product Advertising	9,255	
6620 Services		
6621 Call Completion Services		
6622 Number Services	2,915	
6623 Customer Services	138,652	
Total Customer Operations Expense	150,822	
Corporate Operations Expense		
6710 Executive and Planning		
6711 Executive	188,894	
6712 Planning		
6720 General and Administrative		
6721 Accounting and Finance	187,149	
6722 External Relations	4,101	
6723 Human Resources	13,399	
6724 Information Management		
6725 Legal	56,440	
6726 Procurement		
6727 Research and Development		
6728 Other General and Administrative	13,823	
6790 Provision for Uncollectible Notes Receivable		
Total Corporate Operations Expense	463,806	
TOTAL OPERATING EXPENSES	1,978,841	

CENTRAL OFFICE DATA
as of December 31, 2000 (unless otherwise indicated)

Name of Central Office: ARBON
Prefix (es): 335

Central Office Switch Type: SIEMENS STROMBERG - CARLSON DCO - RLS

Check all that apply:
Stand Alone _____
Host _____
Remote X

Check one:
Digital X
Analog _____
Other: _____

Access Line Capacity
Design: 180

Installed/Equipped: 138

Access Lines in Use
Customer Lines: 97
(Include Centrex, PAL, Semi-Pub.)
Public Telephone Lines 1
Company Official Lines 3
Company Test Lines 4

Classification of Customer Access

	Residence			Business			Total Residence & Business
	Multi-Line 1-Party	Single Line 1-Party	Multi-Party	Multi-Line 1-Party	Single Line 1-Party	Multi-Party	
Beginning of Year		92			7		99
New Connects	5				1		6
Disconnects	7				1		8
End of Year	90	92			7		97
		Subtotal Residence			Subtotal Business		
		92			7		
		5			1		
		7			1		
		90			7		

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: 3

Custom Calling:

Number of customers with at least one feature: 44
Total number of features subscribed to: 6

CENTRAL OFFICE DATA
as of December 31, 2000 (unless otherwise indicated)

Name of Central Office: ROCKLAND
Prefix (es): 548

Central Office Switch Type: SIEMENS STROMBERG - CARLSON DCO

Check all that apply:
Stand Alone X **Check one:**
Host X Digital X Electronic X
Remote _____ Analog _____ Electro-Mechanical _____
Other: _____

Access Line Capacity
Design: 720
Access Lines in Use
Customer Lines: 340
(Include Centrex, PAL, Semi-Pub.)
Public Telephone Lines 0
Company Official Lines 9
Company Test Lines 13

Classification of Customer Access

	Residence			Business			Total Residence & Business
	Multi-Line 1-Party	Single Line 1-Party	Multi-Party	Multi-Line 1-Party	Single Line 1-Party	Multi-Party	
Beginning of Year		277			96		373
New Connects		26			2		28
Disconnects		59			2		61
End of Year		244			96		340
			Subtotal Residence			Subtotal Business	
			277			96	
			26			2	
			59			2	
			244			96	

Foreign Exchange:
Dial Tone from this C.O.: _____
Dial Tone from another C.O.: 1

Directory Listings:
Number of Customers with Nonpublished or Nonlisted: 4

Custom Calling:
Number of customers with at least one feature: 116
Total number of features subscribed to: 10

NUMBER OF CALLS COMPLETED BY CUSTOMERS DURING (Year) 2000.

Local Exchange	Average # of Customer Lines in Use	Local Calls		Toll Calls Originated (Total of all Carriers)			
		Number (1000s)	Avg./ Line	Intrastate	Interstate	Total	Avg./ Line
1 ARBON	97			4,274	20,161	24,435	252
2 ROCKLAND	340			23,005	123,719	146,724	432
3 PARIS	928			18,694	393,225	411,919	444
4	1365						
5							
6							
7							
8							
9							
10							
11							
12							
13							
14							
15							
16							
17							
18							

ANNUAL REPORT FOR SMALL TELEPHONE COMPANIES
YEAR ENDED DECEMBER 31, 2000.

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 X

Included in directory Yes X No _____

Date of notification Paris in January, Rockland & Arbon in June

Alternate method of notification Local newspaper annually

Rule IDAPA 31.41.01.403.02

Record of Complaints:

Number received by Company 133

Category of complaints (if known):

Deposit Disputes _____

Charges on Bill 92

Denial/Termination _____

Quality or Availability
of Service 15

Carrier Selection/Assignment 26

Miscellaneous _____

CERTIFICATE

State of Idaho)
) ss
County of)

WE, the undersigned Leonard May

and Bruce Steed

of the Direct Communications Rockland, 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.

Leonard May
(Chief Officer)

Bruce Steed
(Officer in Charge of Accounts)



Subscribed and Sworn to Before Me this 11 day of April, (Year) 2001.

Lorri Robinson
Notary Public

My Commission expires 7-23, (Year) 2004.