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ANNUAL REPORT

OF

Rural Telephone Company

NAME

892 W. Madison Ave., Glenns Ferry, Id. 83623

ADDRESS

TO THE

IDAHO PUBLIC

UTILITIES COMMISSION

FOR THE

YEAR ENDED December 31, 2003

**ANNUAL REPORT OF SMALL TELEPHONE COMPANIES TO
THE IDAHO PUBLIC UTILITIES COMMISSION
FOR THE YEAR ENDING December 31, 2003**

COMPANY INFORMATION

Exact name of utility: Rural Telephone Company
 Address of principal office: 892 West Madison Avenue
 Telephone Number (208) 366-2614
 Cities or towns served: Shoup, Boise River, Tipanuk, Three Creek, Atlanta, Prairie, ID

Name and title of officer having custody of the general corporate books of account: _____
James R. Martell, President

Address of office where corporate books are kept and phone number: _____
892 West Madison Avenue, Glens Ferry, Idaho 83623 (208) 366-2614

Organized under the laws of the State of: Idaho

Date of organization: 7/27/79

Form of organization (proprietorship, association, corporation): S-Corp.

If a Subchapter S Corporation, please specify: _____

Name and address of controlling company, if any: Martell Enterprises
892 West Madison Avenue, Glens Ferry, Idaho 83623

Names of affiliated companies. Give address and description of business: _____
Pend Oreille Telephone Company, 892 W. Madison Ave., Glens Ferry, ID 83623, Telecommunications
Martell Construction Company, 892 W. Madison Ave., Glens Ferry, ID 83623, Construction
Nehalem Telecommunications, Inc., 892 W. Madison Ave., Glens Ferry, ID 83623, Telecommunications

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	James R. Martell	892 W. Madison Ave., Glens Ferry, ID 83623
Vice-President	Michael J. Martell	Same as above
Sec./ Treasurer	Carmela M. Martell	Same as above

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
James R. Martell	Non-terminating	12	\$18,000
Carmela M. Martell	Non-terminating	12	\$12,000
Michael J. Martell	Non-terminating	12	\$13,600
Angela Carpenter	Non-terminating	12	\$12,000
Andrea Roberts	Non-terminating	12	\$18,000
Mark R. Martell	Non-terminating	12	\$12,000
Matthew J. Martell	Non-terminating	12	\$12,000

Name of Chairman of the Board: James R. Martell
 Name of Secretary (or Clerk) of Board: Carmela M. Martell
 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
James R. Martell	President	\$118,500
Michael J. Martell	Vice-President	\$79,100
Carmela M. Martell	Sec./ Treasurer	\$62,500

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	353479	729960	376481
1130 Cash	0	0	0
1140 Special Cash Deposits	0	0	0
1150 Working Cash Advances	101597	139608	38011
1160 Temporary Investments	1247	0	-1247
1180 Telecommunications Accts. Receivable	86679	66328	-20351
1181 Accts. Rec. Allow. -Telecommunications	0	0	0
1190 Other Accounts Receivable	344939	1169269	824330
1191 Accounts Receivable Allow. - Other	0	0	0
1200 Notes Receivable	0	0	0
1201 Notes Receivable Allowance	0	0	0
1210 Interest & Dividends Receivable	12500	0	-12500
1220 Material and Supplies	335774	318958	-16816
1280 Prepayments	0	0	0
1290 Prepaid Rents	3501	6326	2825
1300 Prepaid Taxes	0	0	0
1310 Prepaid Insurance	0	0	0
1320 Prepaid Directory Expenses	0	0	0
1330 Other Prepayments	0	0	0
1350 Other Current Assets	0	0	0
Noncurrent Assets			
1401 Investment in Affiliated Companies	0	4387385	4387385
1402 Investment in Nonaffiliated Companies	0	0	0
1406 Nonregulated Investments	604197	300100	-304097
1407 Unamortized Debt Issuance Expense	0	0	0
1408 Sinking Funds	0	0	0
1410 Other Noncurrent Assets	495303	264087	-231216
1438 Deferred Maintenance & Retirements	0	0	0
1439 Deferred Charges	0	88725	88725
1500 Other Jurisdiction Assets - Net	0	0	0
Property, Plant and Equipment			
2001 Telecommunications Plants in Service	16085105	17153772	1068667
2002 Prop. Held for Future Telecom. Use	4000	4000	0
2003 Telecom. Plant under Constr. - Short Term	543086	178522	-364564
2004 Telecom. Plant under Constr. - Long Term	0	0	0
2005 Telecom. Plant Adjustment	0	0	0
2006 Nonoperating Plant	0	0	0
2007 Goodwill	0	0	0
Depreciation and Amortization Accounts			
3100 Accumulated Depreciated	-7108119	-7906407	-798288
3200 Accum. Depre. - Held for Future Use	0	0	0
3300 Accumulated Depreciation - Nonoperating	0	0	0
3400 Accumulated Amortization - Tangible	0	0	0
3410 Accum. Amort. - Capitalized Leases	0	0	0
3420 Accum. Amort. - Leasehold Improvements	0	0	0
3500 Accumulated Amortization - Intangible	0	0	0
3600 Accumulated Amortization - Other	0	0	0
TOTAL ASSETS	11863288	16900633	5037345

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	-1571655	-923189	648466
4020 Notes Payable	-115894		115894
4030 Advance Billings and Payments	-13836	-17003	-3167
4040 Customer Deposits	-17037	-21507	-4470
4050 Current Maturities - Long -Term Debt	-3250	-454411	-451161
4060 Current Maturities - Capital leases			0
4070 Income Taxes - Accrued	180	0	-180
4080 Other Taxes - Accrued	838	1025	187
4100 Net Current Defer. Oper. Income Taxes			0
4110 Net Current Defer. Nonoper. Income Taxes			0
4120 Other Accrued Liabilities	-112587	-178189	-65602
4130 Other Current Liabilities	-191147	-7441	183706
Long-Term Debt			
4210 Funded Debt	-5788999	-5956041	-167042
4220 Premium on Long-Term Debt			0
4230 Discount on Long-Term Debt			0
4240 Reacquired Debt			0
4250 Obligations Under Capital Leases			0
4260 Advances from Affiliated Companies		-2929758	-2929758
4270 Other Long-Term Debt		-58941	-58941
Other Liabilities & Deferred Credits			
4310 Other Long-Term Liabilities			0
4320 Unamort. Oper. Invest. Tax Credits - Net			0
4330 Unamort. Nonoper. Invest. Tax Credits - Net			0
4340 Net Noncurrent Defer. Oper. Income Taxes			0
4350 Net Noncur. Defer. Nonoper. Income Taxes			0
4360 Other Deferred Credits			0
4370 Other Juris. Liab. & Def. Credits - Net			0
Stockholders' Equity			
4510 Capital Stock	-56900	-56900	0
4520 Additional Paid-In Capital		-10197	-10197
4530 Treasury Stock			0
4540 Other Capital	-389348	63391	452739
4550 Retained Earnings	-3603653	-6351472	-2747819
			0
TOTAL LIAB. & OTHER CREDITS	-11863288	-16900633	-5037345

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	176005.18				176005.18
2112 Motor Vehicles	348566.29			-11867.5	336698.79
2113 Aircraft	0.00				0
2114 Special Purpose Vehicles	0.00				0
2115 Garage Work Equipment	0.00			-10663.8	440506.54
2116 Other Work Equipment	433028.99	18141.35		-4643.63	827439.13
2121 Buildings	810897.44	21185.32		-2895.51	106038.2
2122 Furniture	106716.21	2217.5			106038.2
2123 Office Equipment	0.00				0
2124 General Purpose Computers	356823.79	54558.95		0.65	411383.39
2211 Analog Electronic Switching	0.00				0
2212 Digital Electronic Switching	2529260.40	25787.54		0.3	255048.24
2215 Electro-Mechanical Switching	0.00				0
2220 Operator Systems	0.00				0
2231 Radio Systems	0.00			9632.2	9632.2
2232 Circuit Equipment	2403453.79	589162.55	-35816.82	-930.6	2955868.92
2311 Station Apparatus	0.00				0
2321 Customer Premises Wiring	0.00				0
2341 Large Private Branch Exchanges	0.00				0
2351 Public Telephone Terminal Equipment	0.00				0
2362 Other Terminal Equipment	0.00				0
2411 Poles	0.00				0
2421 Aerial Cable	0.00	10265.1			10265.1
2422 Underground Cable	0.00				0
2423 Buried Cable	8786834.70	342173.5		-217899.82	8911108.38
2424 Submarine Cable	0.00				0
2426 Intrabuilding Network Cable	0.00				0
2431 Aerial Wire	0.00				0
2441 Conduit Systems	97089.07	52484.33		217900.07	367473.47
2681 Capital Leases	0.00				0
2682 Leasehold Improvements	40430.98	2335.83		7538.49	50305.3
2690 Intangibles	0.00				0
TOTAL PLANT ACCOUNTS	16089106.84	1118311.97	-35816.82	-13829.15	17157772.84

ANALYSIS OF TELECOMMUNICATIONS PLANT ACCOUNTS

	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	126457.18				126457.18
2112 Motor Vehicles	348565.74			-11866.95	336698.79
2113 Aircraft	0				
2114 Special Purpose Vehicles	0				
2115 Garage Work Equipment	433028.91	18141.35		-10663.72	440506.54
2116 Other Work Equipment	436257.51	21185.32		2895	460337.83
2121 Buildings	106715.7	2217.5		-2895	106038.2
2122 Furniture	0				
2123 Office Equipment					
2124 General Purpose Computers	356823.79	54558.95		0.65	411383.39
2211 Analog Electronic Switching	0				
2212 Digital Electronic Switching	1032704.16	11220		-0.4	1043923.76
2215 Electro-Mechanical Switching	0				
2220 Operator Systems	0				
2231 Radio Systems	0			9632.2	9632.2
2232 Circuit Equipment	1270150	549416.09	-35816.82	-930.14	1782819.13
2311 Station Apparatus	0				
2321 Customer Premises Wiring	0				
2341 Large Private Branch Exchanges	0				
2351 Public Telephone Terminal Equipment	0				
2362 Other Terminal Equipment	0				
2411 Poles	0				
2421 Aerial Cable	0				
2422 Underground Cable	0				
2423 Buried Cable	4987384.39	61351.29			5048735.68
2424 Submarine Cable	0				
2426 Intrabuilding Network Cable	0				
2431 Aerial Wire	0				
2441 Conduit Systems	67867.01	21313.91			89180.92
2681 Capital Leases	0				
2682 Leasehold Improvements	47969.47	2335.83			50305.3
2690 Intangibles					
TOTAL PLANT ACCOUNTS	9213923.86	741740.24	-35816.82	-13828.36	9906018.92

ANALYSIS OF ENTRIES IN ACCUMULATED DEPRECIATION
Account 3100

	TOTAL Company Basis			Retirements and Adjustments	Balance End of Year
	Balance Beginning of Year	Depreciation Rate*	Credits During Year		
Analysis of Entries in Accumulated Depreciation					
2112 Motor Vehicles	349665.74	33.33		-12866.95	336698.79
2113 Aircraft	0				
2114 Special Purpose Vehicles	0				
2115 Garage Work Equipment	0				
2116 Other Work Equipment	437861.85	14.3	2644.69	-29696.53	440506.54
2121 Buildings	174968.06	Id=3.0, Nv=2.8	23766.13		169037.66
2122 Furniture	63385.33	12.5	13189.01		76574.34
2123 Office Equipment	0				
2124 General Purpose Computers	305950.93	20	74259.14	-9632.2	370577.87
2211 Analog Electronic Switching	0				
2212 Digital Electronic Switching	1660767.32	Id=12.0, Nv=5.26	90545.11		1751312.43
2215 Electro-Mechanical Switching	0				
2220 Operator Systems	0				
2231 Radio Systems	0	20			9632.2
2232 Circuit Equipment	1187092.41	Id=10.0, Nv=5.26	190391.24		1377483.65
2311 Station Apparatus	0				
2321 Customer Premises Wiring	0				
2341 Large Private Branch Exchanges	0				
2351 Public Telephone Terminal Equipment	0				
2362 Other Terminal Equipment	0				
2411 Poles	0				
2421 Aerial Cable	0	5	235.24		235.24
2422 Underground Cable	0				
2423 Buried Cable	2914698.76	Id=6.5&5, Nv=4	407120.83		3321819.59
2424 Submarine Cable	0				
2426 IntraBuilding Network Cable	0				
2431 Aerial Wire	0				
2441 Conduit Systems	13830.21	Id=7.0, Nv=4.0	7559.63		21389.84
2682 Leasehold Improvements	0	3	1442.94	29696.53	31139.47
TOTAL	7108120.61		811153.96	-12866.95	7906407.62

*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	349565.74	33.33		-12866.95	336698.79
2113 Aircraft	0				
2114 Special Purpose Vehicles	0				
2115 Garage Work Equipment	0				
2116 Other Work Equipment	437861.85	14.3	2644.69	-29696.53	440506.54
2121 Buildings	87077.82	3	13487.29	-29696.53	70868.58
2122 Furniture	63385.33	12.5	13189.01	0	76574.34
2123 Office Equipment	0				
2124 General Purpose Computers	305950.93	20	74259.14	-9632.2	370577.87
2211 Analog Electronic Switching	0				
2212 Digital Electronic Switching	1032704.16	12	11219.6	0	1043923.76
2215 Electro-Mechanical Switching	0				
2220 Operator Systems	0				
2231 Radio Systems	0	20		9632.2	9632.2
2232 Circuit Equipment	771269.25	10	129972.42		901241.67
2311 Station Apparatus	0				
2321 Customer Premises Wiring	0				
2341 Large Private Branch Exchanges	0				
2351 Public Telephone Terminal Equipment	0				
2362 Other Terminal Equipment	0				
2411 Poles	0				
2421 Aerial Cable	0	5	235.24		235.24
2422 Underground Cable	0				
2423 Buried Cable	1297009.19	6.5	109526.25	-94523	1312012.44
2423 Buried Cable - Fiber Optic	0	5	165356.1	94523	259879.1
2424 Submarine Cable	0				
2426 IntraBuilding Network Cable	0				
2431 Aerial Wire	0				
2441 Conduit Systems	11877.69	7	4812.86		16690.55
2682 Leasehold Improvements	0	3	1442.94	29696.53	31139.47
TOTAL	4356701.96	151.63	526145.54	-12866.95	4869980.55

*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>
1406 - ANPI Investment			100
1406 - Syringa Partnership	2001		300000
1401 - Pend Oreille Telephone	March 1997		2524589.18
1401 - Nehalem Telecomm., Inc.	Dec. 2003		1862797.03
Totals			4687486.21

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		66328.45
NECA		24775
Carrier Accounts Receivable		523761.08
Idaho USF		26344
Employee		26605.64
Related Parties		559456.8
Cable TV - Customer		8324.96
Totals		1235595.93

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>
Ford Motor Credit	Nov. 2001	0.00%	Nov. 2004	36633.26
GMAC	Dec. 2001	0.00%	Dec. 2004	41856.84
Ida-Ore	Aug. 1994	7.25%	Aug. 2004	100000
Washington Mutual	Nov. 2002	5.50%	Nov. 2006	96000
Totals				274490.1

ACCOUNTS PAYABLE

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

<u>Name of Creditor</u>	<u>Amount</u>
Aldridge, Kilbride & Tatone	24,944.40
Elmore County Tax Collector	31,750.31
Falcon Communications, Inc.	23,133.00
Fidelity Investments	23,747.39
Fujitsu Network Communications	140,949.74
GVNW	26,670.81
Movaz Networks	167,439.72
Power & Telephone Supply	28,251.69
Washington Mutual	26,490.76
NECA	134,700.00
Martell Enterprises	83,801.38
Other General Trade Payables	211,309.30
Totals	923,188.50

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.

Class & Series of Obligation	Date of Issue	Date of Maturity	Face Amount Authorized	Outstanding Year-End	Premium/ Discount		Interest for year	
					Total	Year Amortized	Rate	Amount
RUS 12010	Sep-82	2017	60000	28918.5			2.00%	578
RUS 12020	Sep-82	2017	971000	493395.76			2.00%	9868
RUS 12030	Oct-84	2019	957000	651867.27			5.00%	32593
RUS 12040	May-86	2021	2380000	1725559.08			5.00%	86278
RUS 12041	Jun-89	2021	281000	212682.85			5.00%	10634
RUS 12051	May-86	2024	198000	141523.75			5.00%	7076
RUS12060	Dec-92	2027	1107000	468717.66			5.00%	23436
RUS 12070	Feb-94	2029	633000	518629.41			5.00%	25931
RUS 12080	Jul-95	2030	27000	19106.86			5.00%	955
RUS 12081	Nov-95	2030	132000	93411.37			5.00%	4671
RUS 12082	Dec-96	2031	294000	207539.81			5.00%	10377
RUS 12083	May-97	2010	89300	64364.13			5.00%	3218
RUS 12084	Oct-97	2014	141320	103391.15			5.00%	5170
RUS 12085	Apr-98	2014	160000	119340.21			5.00%	5967
RUS 12086	Sep-98	2014	182900	138699.6			5.00%	6935
RUS 12087	Nov-98	2014	223759	170846.83			5.00%	8542
RUS 12088	Sep-99	2015	45184	35877.5			5.00%	1794
RUS 12580	Sep-02	2014	485308	415775.5			5.00%	20789
RUS 12581	Sep-02	2014	261008	231724.08			5.00%	11586
RUS 12582	Jan-03	2014	546221	514367.11			5.00%	23575
GMAC	Nov-01	2005	41856.84	15114.97			0.00%	0
Ida-Ore	Dec-01	2004	100000	8739.62			7.25%	628
WAMU	Dec-01	2006	96000	66364.98			4.75%	3294
Ford	Nov-01	2005	36633.26	12211.1			0.00%	0

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 Stock	2500	100	569	56900

INCOME & RETAINED EARNINGS STATEMENT

Item	Total Company	Idaho Only
Total Operating Income (from page 16)	<u>5415275.86</u>	<u>1872826.40</u>
Total Operating Expenses (from page 18)	<u>2696245.86</u>	<u>1470010.83</u>
7100 Other Operating Income and Expense	<u>-307450.47</u>	<u>-115585.98</u>
7210 Operating Investment Tax Credits-Net	<u> </u>	<u> </u>
7220 Operating Federal Income Taxes	<u> </u>	<u> </u>
7230 Operating State and Local Income Taxes	<u>111806.12</u>	<u>71879.08</u>
7240 Operating Other Taxes	<u>4933.96</u>	<u>2220.28</u>
7250 Provision for Deferred Operating Income Taxes-Net	<u> </u>	<u> </u>
7200 Operating Taxes (Total)	<u> </u>	<u> </u>
7310 Dividend Income	<u>-500.00</u>	<u>-225.00</u>
7320 Interest Income	<u>-5245.43</u>	<u>-2360.44</u>
7330 Income from Sinking and Other Funds	<u> </u>	<u> </u>
7340 Allowance for Funds Used During Construction	<u>-22571.00</u>	<u>-10156.95</u>
7350 Gains/Losses from the Disposition of Certain Property	<u> </u>	<u> </u>
7360 Other Nonoperating Income	<u> </u>	<u> </u>
7370 Special Charges	<u> </u>	<u> </u>
7300 Nonoperating Income and Expense	<u> </u>	<u> </u>
7410 Nonoperating Investment Tax Credits-Net	<u> </u>	<u> </u>
7420 Nonoperating Federal Income Taxes	<u> </u>	<u> </u>
7430 Nonoperating State and Local Income Taxes	<u> </u>	<u> </u>
7440 Nonoperating Other Taxes	<u> </u>	<u> </u>
7450 Provision for Deferred Nonoperating Income Taxes-Net	<u> </u>	<u> </u>
7400 Nonoperating Taxes	<u> </u>	<u> </u>
7510 Interest on Funded Debt	<u>313724.16</u>	<u>141175.87</u>
7520 Interest Expense-Capital Leases	<u> </u>	<u> </u>
7530 Amortization of Debt Issuance Expense	<u> </u>	<u> </u>
7540 Other Interest Deductions	<u>9698.45</u>	<u>4364.30</u>
7500 Interest and Related Items	<u> </u>	<u> </u>
7610 Extraordinary Income Credits	<u> </u>	<u> </u>
7620 Extraordinary Income Charges	<u> </u>	<u> </u>
7630 Current Income Tax Effect of Extraordinary Items-Net	<u> </u>	<u> </u>
7640 Provision for Deferred Income Tax Effect of Extraordinary Items-Net	<u> </u>	<u> </u>
7600 Extraordinary Items	<u> </u>	<u> </u>
7910 Income Effect of Jurisdictional Ratemaking Differences-Net	<u> </u>	<u> </u>
7990 Nonregulated Net Income	<u> </u>	<u> </u>
AMOUNT TRANSFERRED TO RETAINED EARNINGS	<u>2614634.80</u>	<u> </u>

OPERATING REVENUES

Item	Total Company	Idaho Only
Local Network Services Revenues		
5001 Basic Area Revenue	412678.76	208385.43
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		
5069 Other Local Exchange Settlements	9504.27	8767.54
Network Access Services Revenues		
5081 End User Revenue (SLC)	126114.86	49678.62
5082 Switched Access Revenue (Interstate)	2541418.64	1210209.98
5083 Special Access Revenue	45351.38	8338.06
5084 State Access Revenue (Intrastate)	2148088.65	347625.14
Long Distance Network Services Revenues		
5100 Long Distance Message Revenue - All	3115.73	209.54
Miscellaneous Revenues		
5230 Directory Revenue	131.21	169
5240 Rent Revenue	30704.72	30704.72
5250 Corporate Operations Revenue		
5261 Special Billing Arrangements Revenue		
5262 Customer Operations Revenue		
5263 Plant Operations Revenue		
5264 Other Incidental Regulated Revenue		
5269 Other Revenue Settlements	6016.26	4095.38
5270 Carrier Billing & Collection Revenue	91678.38	4704.99
Uncollectible Revenues		
5301 Uncollectible Revenue - Telecommunications	473	-62
5302 Uncollectible Revenue - Other		
TOTAL OPERATING REVENUES	5415275.86	1872826.4

Please identify the following revenues:

NECA USF \$ _395,730.00____. To what account were they booked?

State USF \$ _361,128.00____. To what account were they booked?

OPERATING REVENUES

Item	Total Company	Idaho Only
Plant Specific Operations Expense		
6110 Network Support Expenses		
6112 Motor Vehicle Expense	2.87	1.29
6113 Aircraft Expense		
6114 Special Purpose Vehicles Expense		
6115 Garage Work Equipment Expense		
6116 Other Work Equipment Expense		
6120 General Support Expenses	56242.36	25309.06
6121 Land and Building Expenses	65914.87	58983.31
6122 Furniture and Artworks Expense		
6123 Office Equipment Expense		
6124 General Purpose Computers Expense		
6210 Central Office Switching Expenses	62034.78	50883.33
6211 Analog Electronic Expense		
6212 Digital Electronic Expense		
6215 Electro-Mechanical Expense		
6220 Operators System Expense		
6230 Central Office Transmission Expenses	102551.83	73778.28
6231 Radio Systems Expense		
6232 Circuit Equipment Expense		
6310 Information Origination/Termination Expense		
6311 Station Apparatus Expense		
6341 Large Private Branch Exchange Expense		
6351 Public Telephone Terminal Equipment Expense	1417.85	1417.85
6362 Other Terminal Equipment Expense		
6410 Cable and Wire Facilities Expenses	232691.42	101613.94
6411 Pole Expense		
6421 Aerial Cable Expense		
6422 Underground Cable Expense		
6423 Buried Cable Expense		
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	520855.98	311987.06

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		
6512 Provisioning Expense	35663.69	16866.09
6530 Network Operations Expense		
6531 Power Expense	30889.50	18222.72
6532 Network Administration Expense	75629.00	39674.77
6533 Testing Expense		
6534 Plant Operations Administration Expense		
6535 Engineering Expense	90714.22	49113.15
6540 Access Expense		
6560 Depreciation and Amortization Expenses		
6561 Depreciation Expense-Telecom. Plant in Service	780732.24	495723.82
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	1013628.65	619600.55
Customer Operations Expense		
6610 Marketing	295.8	133.11
6611 Product Management		
6612 Sales		
6613 Product Advertising		
6620 Services		
6621 Call Completion Services	3995.63	2050.67
6622 Number Services	1175.4	697.95
6623 Customer Services	88404.66	43801.93
Total Customer Operations Expense	93871.49	46683.66
Corporate Operations Expense		
6710 Executive and Planning	362215.00	162996.75
6711 Executive		
6712 Planning		
6720 General and Administrative	377439.32	173236.33
6721 Accounting and Finance	298847.05	151700.34
6722 External Relations		
6723 Human Resources		
6724 Information Management		
6725 Legal	29388.37	3806.14
6726 Procurement		
6727 Research and Development		
6728 Other General and Administrative		
6790 Provision for Uncollectible Notes Receivable		
Total Corporate Operations Expense	1067889.74	491739.56
TOTAL OPERATING EXPENSES	2175389.88	1158023.77

CENTRAL OFFICE DATA
as of December 31, 2003 (unless otherwise indicated)

Name of Central Office: Shoup
 Prefix (es): 208-394

Central Office Switch Type: Redcom MDX

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

Check one:
 Digital X
 Analog _____
 Other: _____

Access Line Capacity
 Design: __1200 _____
 Installed/Equipped: __92/124 _____

Access Lines in Use
 Customer Lines: __57 _____
 (Include Centrex, PAL, Semi-Pub.)
 Public Telephone Lines: __5 _____
 Company Official Lines: __3 _____
 Company Test Lines: __2 _____

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		40		40	4	10		14	54
New Connects		6		6				3	6
Disconnects					3			3	3
End of Year		46		46	1	10		11	57

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

Directory Listings:
 Number of Customers with Nonpublished or Nonlisted: __3 _____

Custom Calling:
 Number of customers with at least one feature: __1 _____
 Total number of features subscribed to: __1 _____

CENTRAL OFFICE DATA
as of December 31, 2003 (unless otherwise indicated)

Name of Central Office: Tipanuk
 Prefix (es): 208-796

Central Office Switch Type: Redcom MDXI

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

Access Line Capacity
 Design: 1200
 Installed/Equipped: 152/152

Access Lines in Use
 Customer Lines: 122
 (Include Centrex, PAL, Semi-Pub.)
 Public Telephone Lines: 0
 Company Official Lines: 2
 Company Test Lines: 1

Classification of Customer Access

	Residence		Subtotal Residence	Centrex N.A.R.	Business		Subtotal Business	Total Residence & Business
	Multi- Line 1-Party	Single Line Multi- Party			Multi- Line 1-Party	Single Line Multi- Party		
Beginning of Year		112	112		4	3	7	119
New Connects		2	2		2		2	4
Disconnects						1	1	1
End of Year		114	114		6	2	8	122

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

Directory Listings:
 Number of Customers with Nonpublished or Nonlisted: 1

Custom Calling:
 Number of customers with at least one feature: 16
 Total number of features subscribed to: 6

CENTRAL OFFICE DATA
as of December 31, 2003 (unless otherwise indicated)

Name of Central Office: Three Creek
 Prefix (es): 208-857

Central Office Switch Type: Redcom MDX

Check all that apply:
 Stand Alone: X **Check one:**
 Host _____ Digital: X
 Remote _____ Analog _____

Check one:
 Electronic: X
 Electro-Mechanical _____
 Other: _____

Access Line Capacity
 Design: 1200

Access Lines in Use
 Customer Lines: 53
 (Include Centrex, PAL, Semi-Pub.)

Installed/Equipped: 80/120

Public Telephone Lines: 1

Company Official Lines: 3

Company Test Lines: 0

Classification of Customer Access

	Residence		Business		Total Residence & Business
	Multi- Line 1-Party	Single Line Multi- Party	Multi- Line 1-Party	Single Line Multi- Party	
Beginning of Year		38	6	9	15
New Connects		3	3	6	6
Disconnects					6
End of Year		41	9	3	12

Foreign Exchange:

Dial Tone from this C.O.: _____

Dial Tone from another C.O.: _____

Directory Listings:

Number of Customers with Nonpublished or Nonlisted: 0

Custom Calling:

Number of customers with at least one feature: 4

Total number of features subscribed to: 1

CENTRAL OFFICE DATA
as of December 31, 2003 (unless otherwise indicated)

Name of Central Office: Atlanta
 Prefix (es): 208-864

Central Office Switch Type: Redcom MDX

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

Check one:
 Electronic: X
 Electro-Mechanical _____
 Other: _____

Access Line Capacity
 Design: 1200

Access Lines in Use
 Customer Lines: 45
 (Include Centrex, PAL, Semi-Pub.)

Installed/Equipped: 68/68

Public Telephone Lines: 3

Company Official Lines: 2

Company Test Lines: 3

Classification of Customer Access

	Residence			Business			Total Residence & Business
	Multi- Line 1-Party	Single Line	Multi- Party	Multi- Line 1-Party	Single Line	Multi- Party	
Beginning of Year		33		1	4		38
New Connects		1		1	5		7
Disconnects							
End of Year		34		2	9		45
		Subtotal	Residence	Centrex N.A.R.	Subtotal Business		
			33		5		
			1		6		
			34		11		

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

Directory Listings:
 Number of Customers with Nonpublished or Nonlisted: 0

Custom Calling:
 Number of customers with at least one feature: 2
 Total number of features subscribed to: 1

CENTRAL OFFICE DATA
as of December 31, 2003 (unless otherwise indicated)

Name of Central Office: **Prairie**
 Prefix (es): **208-868**

Central Office Switch _____ Type: **Redcom MDX**

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

Check one:
 Electronic: **X**
 Electro-Mechanical _____
 Other: _____

Access Line Capacity
 Design: **1200**

Access Lines In Use
 Customer Lines: **51**
 (Include Centrex, PAL, Semi-Pub.)

Installed/Equipped: **64/72**

Public Telephone Lines: **2**

Company Official Lines: **2**

Company Test Lines: **4**

Classification of Customer Access

	Residence				Business				Total Residence & Business
	Multi- Line 1-Party	Single Line 1-Party	Multi- Party	Subtotal Residence	Multi- Line 1-Party	Single Line 1-Party	Multi- Party	Subtotal Business	
Beginning of Year	_____	39	_____	39	4	_____	_____	4	43
New Connects	_____	9	_____	9	_____	3	_____	3	12
Disconnects	_____	_____	_____	_____	4	_____	_____	4	4
End of Year	_____	48	_____	48	_____	3	_____	3	51

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

Directory Listings:
 Number of Customers with Nonpublished or Nonlisted: **2**

Custom Calling:
 Number of customers with at least one feature: **5**
 Total number of features subscribed to: **1**

NUMBER OF CALLS COMPLETED BY CUSTOMERS DURING 2003.

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. 394 - Shoup	62	not available		18053	31307	49360	796.13
2. 653 - Boise River	306	not available		25749	65285	91034	297.50
3. 796 - Tipanuk	122	not available		4890	27461	32351	265.17
4. 857 - Three Creek	54	not available		17417	24419	41836	774.74
5. 864 - Atlanta	48	not available		16364	21597	37961	790.85
6. 868 - Prairie	53	not available		3063	10351	13414	253.09
7. _____	_____	_____	_____	_____	_____	_____	_____
8. _____	_____	_____	_____	_____	_____	_____	_____
9. _____	_____	_____	_____	_____	_____	_____	_____
10. _____	_____	_____	_____	_____	_____	_____	_____
11. _____	_____	_____	_____	_____	_____	_____	_____
12. _____	_____	_____	_____	_____	_____	_____	_____
13. _____	_____	_____	_____	_____	_____	_____	_____
14. _____	_____	_____	_____	_____	_____	_____	_____
15. _____	_____	_____	_____	_____	_____	_____	_____
16. _____	_____	_____	_____	_____	_____	_____	_____
17. _____	_____	_____	_____	_____	_____	_____	_____
18. _____	_____	_____	_____	_____	_____	_____	_____

**ANNUAL REPORT FOR SMALL TELEPHONE COMPANIES
YEAR ENDED DECEMBER 31, 2003.**

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 X No _____

Included in directory Yes _____ No X

Date of notification March 30, 2004

Alternate method of notification Newspaper

Rule IDAPA 31.41.01.403.02

Record of Complaints:

Number received by Company 0

Category of complaints (if known):

Deposit Disputes _____

Charges on Bill _____

Denial/Termination _____

Quality or Availability
of Service _____

Carrier Selection/Assignment _____

Miscellaneous _____

Rev 3/02

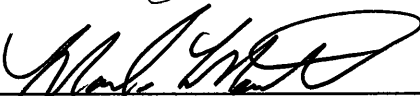
CERTIFICATE

State of Idaho)
) ss
County of Elmore)

WE, the undersigned Michael J. Martell, Vice-President
and Mark R. Martell, Assistant Manager
of the Rural Telephone Company 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.



(Chief Officer)

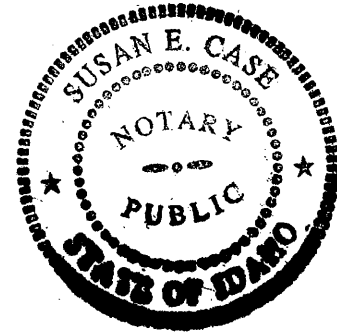


(Officer in Charge of Accounts)

Subscribed and Sworn to Before Me this 28th day of May , 2004.



Notary Public



My Commission expires 4-28 , (Year) 2006 .

Rev 3/02

gdk/excel/jnelson/anulrpts/telannualrpt