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# ANNUAL REPORT

OF

Direct Communications Rockland, Inc.

**NAME**

P.O. Box 269 Rockland, Idaho 83271

**ADDRESS**

TO THE

**IDAHO PUBLIC**

**UTILITIES COMMISSION**

FOR THE

YEAR ENDED

December 2002

**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: 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.

<b>Title</b>	<b>Name</b>	<b>Address</b>
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.)

<b>Name and Address</b>	<b>Term Expired or Current Term Will Expire</b>	<b>Meetings Attended This year</b>	<b>Fees Paid During Year</b>
Leonard May P.O. Box 269 Rockland, Idaho 83271	May-03	12	
Marilyn May P.O. Box 269 Rockland, Idaho 83271	May-03	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.)

<b>Name</b>	<b>Title</b>	<b>Wages and Bonuses Paid</b>
Leonard May	President - Treasurer	\$ 91,359.90
Marilyn May	Vice Pres., - Secretary	\$ 45,102.30



DIRECT COMMUNICATIONS ROCKLAND, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

**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 Telecommunications 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 and 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 Utilities Commission.

**INVENTORIES**

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

DIRECT COMMUNICATIONS ROCKLAND, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

**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, 2002 AND 2001

**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 increases in the Consumer Price Index for the metropolitan area of Boise, Idaho. The amount paid under this contract was \$0 for 2002 and \$1,995 for 2001.

**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.

The Company has invested \$160,861 in the common stock of CIT, which approximates a 10.5% interest.

The Company has entered into the following related party transactions during 2002 and 2001:

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 2002 and 2001 amounted to \$48,000 and \$107,908 respectively. The Company also loaned \$13,685 during 2002 and \$50,000 during 2001. The balance outstanding at December 31, 2002, was \$49,397.

2 Direct Communications Long Distance, LC

The Company entered into an agreement with Direct Communications Long Distance, LC, which is 100% owned by Direct Communications Star West, Inc. The agreement is for long distance services to the Company. \$57,869 was paid in 2002 and \$54,523 was paid in 2001.

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 amounts paid during 2002 and 2001 were to \$123,012 and \$116,598, respectively.

4 Other transactions include rent, marketing services and computer consulting. The amounts spent in 2002 and 2001 were \$73,608 and \$22,655, respectively.

DIRECT COMMUNICATIONS ROCKLAND, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

**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 \$1,500,000 expiring November 2005. The credit line bears interest at prime plus 1.5%. During the years ended December 31, 2002 and 2001, there were borrowings of \$0 and \$0 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 each year based on the date of the first outstanding advance. At December 31, 2002, the balance was \$0.

**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:

	2002	2001
Total cash held (bank balance)	\$ 360,321	\$ 1,401,000
Portion insured by FDIC	(120,303)	(270,988)
Uninsured cash balances	<u>\$ 240,018</u>	<u>\$ 1,130,012</u>

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, 2002 and 2001:

	2002	2001
Unbilled amounts	\$ 19,790	\$ 19,790
Billed to customers	183,025	108,848
Bad debt reserve	(9,500)	(12,815)
	193,315	115,823
Interexchange carriers and other	741,418	443,564
	<u>\$ 934,733</u>	<u>\$ 559,387</u>

DIRECT COMMUNICATIONS ROCKLAND, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

**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.

	2002		2001	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Trading Securities	\$ 171,312	\$ 171,125	\$ 75,746	\$ 76,194

The unrealized gain (loss) on trading securities was \$(635) and \$55 for the years ended December 31, 2002 and 2001, respectively. Realized gains (losses) in 2002 and 2001 were \$0 and \$0.

**NOTE 12. COMPREHENSIVE INCOME**

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

**NOTE 13. SETTLEMENTS**

The Company participates in cost recovery pools nationally and in the State of Idaho. The Company has significantly invested in plant over the past three years and is expecting recoveries from the pools to cover the increased costs.

**BALANCE SHEET**  
**Assets and Other Debits**

Title of Account	Balance Beginning of Year	Balance at End of Year	Increase or (Decrease)
<b>Current Assets</b>			
1120 Cash and Equivalents			
1130 Cash	162,672	17,607	(145,065)
1140 Special Cash Deposits	6,401	6,586	185
1150 Working Cash Advances	300	300	0
1160 Temporary Investments	76,194	181,631	105,437
1180 Telecommunications Accts. Receivable	128,637	202,815	74,178
1181 Accts. Rec. Allow. -Telecommunications	(12,815)	(9,500)	3,315
1190 Other Accounts Receivable	442,331	772,925	330,594
1191 Accounts Receivable Allow. - Other		(32,658)	(32,658)
1200 Notes Receivable	44,889	49,397	4,508
1201 Notes Receivable Allowance			
1210 Interest & Dividends Receivable	1,233	1,150	(83)
1220 Material and Supplies	261,335	287,044	25,709
1280 Prepayments			
1290 Prepaid Rents			
1300 Prepaid Taxes	23,180	20,410	(2,770)
1310 Prepaid Insurance	45,013	55,565	10,552
1320 Prepaid Directory Expenses			
1330 Other Prepayments			
1350 Other Current Assets			
<b>Noncurrent Assets</b>			
1401 Investment in Affiliated Companies	708,005	923,510	215,505
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			
<b>Property, Plant and Equipment</b>			
2001 Telecommunications Plants in Service	19,455,923	20,032,058	576,135
2002 Prop. Held for Future Telecom. Use			
2003 Telecom. Plant under Constr. - Short Term	37,304	159,746	122,442
2004 Telecom. Plant under Constr. - Long Term			
2005 Telecom. Plant Adjustment			
2006 Nonoperating Plant	1,176,943	1,176,943	0
2007 Goodwill			
<b>Depreciation and Amortization Accounts</b>			
3100 Accumulated Depreciated	6,695,810	7,780,580	1,084,770
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			
<b>TOTAL ASSETS</b>	<b>15,871,524</b>	<b>16,074,737</b>	<b>203,213</b>

**BALANCE SHEET**  
**Liabilities & Stockholders' Equity**

Title of Account	Balance Beginning of Year	Balance at End of Year	Increase or (Decrease)
<b>Current Liabilities</b>			
4010 Accounts Payable	62,255	101,766	39,512
4020 Notes Payable			
4030 Advance Billings and Payments	39,044	34,782	(4,262)
4040 Customer Deposits	1,850	4,950	3,100
4050 Current Maturities - Long -Term Debt	3,955,889	2,404,559	(1,551,330)
4060 Current Maturities - Capital leases			
4070 Income Taxes - Accrued			
4080 Other Taxes - Accrued	46,756	68,728	21,972
4100 Net Current Defer. Oper. Income Taxes			
4110 Net Current Defer. Nonoper. Income Taxes			
4120 Other Accrued Liabilities	72,892	75,817	2,925
4130 Other Current Liabilities			
<b>Long-Term Debt</b>			
4210 Funded Debt	9,929,708	10,897,884	968,176
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	104,202	153,923	49,721
<b>Other Liabilities &amp; Deferred Credits</b>			
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	276,225	532,605	256,380
4350 Net Noncur. Defer. Nonoper. Income Taxes			
4360 Other Deferred Credits			
4370 Other Juris. Liab. & Def. Credits - Net			
<b>Stockholders' Equity</b>			
4510 Capital Stock	50,000	50,000	0
4520 Additional Paid-In Capital			
4530 Treasury Stock			
4540 Other Capital			
4550 Retained Earnings	1,332,704	1,749,723	417,019
<b>TOTAL LIAB. &amp; OTHER CREDITS</b>	<b>15,871,524</b>	<b>16,074,737</b>	<b>203,213</b>

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	109,564		33,602		109,564
2112 Motor Vehicles	204,665	82,070			253,133
2113 Aircraft			7,210		34,485
2114 Special Purpose Vehicles	41,695			10,096	114,778
2115 Garage Work Equipment	105,454		50,849		653,401
2116 Other Work Equipment	670,182	34,068	6,337		1,517,778
2121 Buildings	1,514,277	9,838	2,594		65,180
2122 Furniture	64,117	3,656	43,888	2,181	144,757
2123 Office Equipment	174,914	11,550	133,386		206,073
2124 General Purpose Computers	322,698	16,761			
2211 Analog Electronic Switching					
2212 Digital Electronic Switching	1,526,104	8,919		(12,277)	1,522,746
2215 Electro-Mechanical Switching					
2220 Operator Systems					
2231 Radio Systems					
2232 Circuit Equipment	1,754,698	590,661			2,345,359
2311 Station Apparatus					
2321 Customer Premises Wiring					
2341 Large Private Branch Exchanges					
2351 Public Telephone Terminal Equipment	0				
2362 Other Terminal Equipment					
2411 Poles	0				
2421 Aerial Cable					
2422 Underground Cable					
2423 Buried Cable	12,967,555	97,249			13,064,804
2424 Submarine Cable					
2426 Intra-building Network Cable					
2431 Aerial Wire					
2441 Conduit Systems					
2681 Capital Leases					
2682 Leasehold Improvements	1,176,943				1,176,943
2690 Intangibles					
<b>TOTAL PLANT ACCOUNTS</b>	<b>20,632,866</b>	<b>854,773</b>	<b>278,637</b>	<b>0</b>	<b>21,209,001</b>

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
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Analysis of Telecommunications Plant in Service

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
<b>Analysis of Entries in Accumulated Depreciation</b>					
2112 Motor Vehicles	154,991	25.0%	32,408	(32,500)	154,899
2113 Aircraft	23,644	10.0%	2,729	(7,210)	19,162
2114 Special Purpose Vehicles	19,993	12.5%	10,681	(772)	29,902
2115 Garage Work Equipment	359,306	12.5%	78,041	(49,365)	387,982
2116 Other Work Equipment	196,039	3.0%	54,239	(5,274)	245,004
2121 Buildings	9,225	12.5%	8,103		17,328
2122 Furniture	78,519	12.5%	26,071	(43,888)	60,703
2123 Office Equipment	249,370	20.0%	20,306	(133,386)	136,290
2124 General Purpose Computers					
2211 Analog Electronic Switching	1,243,132	12.0%	176,785	(10,380)	1,409,537
2212 Digital Electronic Switching					
2215 Electro-Mechanical Switching					
2220 Operator Systems					
2231 Radio Systems					
2232 Circuit Equipment	774,182	12.0%	186,610		960,792
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	3,175,149	6.5%	693,567		3,868,716
2424 Submarine Cable					
2426 Intrabuilding Network Cable					
2431 Aerial Wire					
2441 Conduit Systems					
<b>TOTAL</b>	<b>6,283,550</b>		<b>1,289,538</b>	<b>(282,774)</b>	<b>7,290,314</b>

\*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
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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

SAME AS TOTAL  
 COMPANY

TOTAL

\*Please list individual depreciation rate for each account.

Name of Company		Notes Receivable	Accounts Receivable
		Amount at End of Year	
CUSTOMERS		193,315	741,418
INTERCHANGE CARRIERS AND OTHERS			
DIRECT INTERNET, APRIL 2006, 6%		49,397	
<b>Totals</b>		<b>49,397</b>	<b>934,733</b>

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.

**RECEIVABLES**

Description	Date Acquired	Book Cost of Investments Disposed of This year	Book Cost of Investments Held at End of Year
CIT COMMUNICATIONS	1991		160,861
RTFC CERTIFICATES	1993, 94, & 96		186,352
ASSOCIATED NETWORK PART	1998		9,800
NRTC'S 220 MHZ WIRELESS	1999		75,918
SYRINGA NETWORK	2000		407,409
NECA SERVICES	2000		8,000
NEWSTREETS, INC.	2002		20,000
RTB STOCK	2002		55,170
<b>Totals</b>			<b>923,510</b>

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.

**INVESTMENTS**



## ACCOUNTS PAYABLE

<u>NAME OF CREDITOR</u>	<u>AMOUNT</u>
Computer Technology, Inc.	3,103.63
Direct Internet	15,585.25
Employee Flex Plan	4,383.99
Federal Excise Tax	1,915.36
Givens & Pursley	342.00
Gundersen True Value	261.60
GVNW, Inc.	11,773.06
Idaho Child Support	189.58
Idaho Power	1,145.18
Idaho Sales Tax	602.97
Idaho Assistance Fund	261.29
Illuminet	710.40
K.V.S.I. - AM	125.00
Mid-State Consultants	26,249.75
Mower Office Systems	178.48
Neca Services	737.37
Paris County Store	841.14
Power County Clerk (E911)	417.24
Pro - Flame, Inc.	333.10
Schmidt Oil	1,811.44
Services Management Corp.	198.00
Telecom Consulting Services	1,293.00
Qwest	240.93
Unbilled Toll	19,790.00
Valley Office Systems	5,775.00
Vaughn Smith Construction	805.00
Vermeer Great Basin, Inc.	654.07
Wiggins & Co.	1,650.00
All others under \$100	392.45
	<u>101,766.28</u>





## INCOME & RETAINED EARNINGS STATEMENT

Item	Total Company	Idaho Only
Total Operating Income (from page 15)	4,847,661	_____
Total Operating Expenses (from page 17)	3,323,143	_____
7100 Other Operating Income and Expense	_____	SAME
7210 Operating Investment Tax Credits-Net	(24,065)	AS
7220 Operating Federal Income Taxes	24,456	TOTAL
7230 Operating State and Local Income Taxes	35,659	_____
7240 Operating Other Taxes	137,444	_____
7250 Provision for Deferred Operating Income Taxes-Net	213,136	_____
7200 Operating Taxes (Total)	386,630	_____
7310 Dividend Income	_____	_____
7320 Interest Income	5,929	_____
7330 Income from Sinking and Other Funds	_____	_____
7340 Allowance for Funds Used During Construction	(14,440)	_____
7350 Gains/Losses from the Disposition of Certain Property	(15,132)	_____
7360 Other Nonoperating Income	(1,299)	_____
7370 Special Charges	23,820	_____
7300 Nonoperating Income and Expense	(1,122)	_____
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	0	_____
7510 Interest on Funded Debt	711,984	_____
7520 Interest Expense-Capital Leases	_____	_____
7530 Amortization of Debt Issuance Expense	_____	_____
7540 Other Interest Deductions	4,166	_____
7500 Interest and Related Items	716,150	_____
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	0	_____
7910 Income Effect of Jurisdictional Ratemaking Differences-Net	_____	_____
7990 Nonregulated Net Income	5,841	_____
<b>AMOUNT TRANSFERRED TO RETAINED EARNINGS</b>	<b>417,019</b>	_____

**OPERATING REVENUES**

Item	Total Company	Idaho Only
<b>Local Network Services Revenues</b>		
5001 Basic Area Revenue	<u>435,947</u>	SAME AS TOTAL
5002 Optional Extended Area Revenue	<u>                    </u>	
5003 Cellular Mobile Revenue	<u>                    </u>	
5004 Other Mobile Services Revenue	<u>                    </u>	
5010 Public Telephone Revenue	<u>                    </u>	
5040 Local Private Line Revenue	<u>                    </u>	
5050 Customer Premises Revenue	<u>                    </u>	
5060 Other Local Exchange Revenue	<u>47,951</u>	
5069 Other Local Exchange Settlements	<u>                    </u>	
<b>Network Access Services Revenues</b>		
5081 End User Revenue (SLC)	<u>108,698</u>	
5082 Switched Access Revenue (Interstate)	<u>3,878,880</u>	
5083 Special Access Revenue	<u>39,795</u>	
5084 State Access Revenue (Intrastate)	<u>301,006</u>	
Long Distance Network Services Revenues		
5100 Long Distance Message Revenue - All	<u>306</u>	
<b>Miscellaneous Revenues</b>		
5230 Directory Revenue	<u>                    </u>	
5240 Rent Revenue	<u>                    </u>	
5250 Corporate Operations Revenue	<u>                    </u>	
5261 Special Billing Arrangements Revenue	<u>                    </u>	
5262 Customer Operations Revenue	<u>                    </u>	
5263 Plant Operations Revenue	<u>                    </u>	
5264 Other Incidental Regulated Revenue	<u>144,946</u>	
5269 Other Revenue Settlements	<u>                    </u>	
5270 Carrier Billing & Collection Revenue	<u>22,439</u>	
<b>Uncollectible Revenues</b>		
5301 Uncollectible Revenue - Telecommunications	<u>(132,307)</u>	
5302 Uncollectible Revenue - Other	<u>                    </u>	
<b>TOTAL OPERATING REVENUES</b>	<u>4,847,661</u>	

Please identify the following revenues:

NECA USF \$ 363,157. To what account were they booked?  
5082.22

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



**OPERATING REVENUES**

Item	Total Company	Idaho Only
<b>Plant Nonspecific Operations Expense</b>		
6510 Other Property/Plant/Equipment Expenses	_____	SAME AS TOTAL
6511 Property Held for Future Telecomm. Use Expenses	_____	
6512 Provisioning Expense	9,198	
6530 Network Operations Expense	_____	
6531 Power Expense	26,843	
6532 Network Administration Expense	_____	
6533 Testing Expense	_____	
6534 Plant Operations Administration Expense	_____	
6535 Engineering Expense	60,984	
6540 Access Expense	26	
6560 Depreciation and Amortization Expenses	_____	
6561 Depreciation Expense-Telecom. Plant in Service	1,270,383	
6562 Depreciation Expense-Property Held for Future Use	_____	
6563 Amortization Expense - Tangible	78,006	
6564 Amortization Expense - Intangible	_____	
6565 Amortization Expense - Other	_____	
Total Plant Nonspecific Operations Expenses	1,445,440	
<b>Customer Operations Expense</b>		
6610 Marketing	_____	
6611 Product Management	_____	
6612 Sales	_____	
6613 Product Advertising	19,789	
6620 Services	_____	
6621 Call Completion Services	_____	
6622 Number Services	2,197	
6623 Customer Services	184,223	
<b>Total Customer Operations Expense</b>	206,209	
<b>Corporate Operations Expense</b>		
6710 Executive and Planning	_____	
6711 Executive	254,231	
6712 Planning	_____	
6720 General and Administrative	_____	
6721 Accounting and Finance	269,131	
6722 External Relations	2,601	
6723 Human Resources	48,688	
6724 Information Management	_____	
6725 Legal	18,301	
6726 Procurement	_____	
6727 Research and Development	_____	
6728 Other General and Administrative	27,791	
6790 Provision for Uncollectible Notes Receivable	_____	
<b>Total Corporate Operations Expense</b>	620,743	
<b>TOTAL OPERATING EXPENSES</b>	3,323,143	

**CENTRAL OFFICE DATA**  
as of December 31, 2002 (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:**  
Electronic X  
Electro-Mechanical         
Other:       

**Access Line Capacity**  
Design: 180  
**Access Lines in Use**  
Customer Lines: 109  
(Include Centrex, PAL, Semi-Pub.)

Installed/Equipped: 138  
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	Subtotal Residence	Centrex N.A.R.	Multi-Line 1-Party	Multi-Party	
Beginning of Year		93	93			7	100
New Connects		8	8			3	11
Disconnects		2	2			0	2
End of Year		99	99			10	109

**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: 6

**Custom Calling:**  
Number of customers with at least one feature: 54  
Total number of features subscribed to: 6

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

Name of Central Office: PARIS  
Prefix (es): 945  
Central Office Switch Type: SIEMENS STROMBERG - CARLSON DCO

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

**Access Line Capacity**  
Design: 1520  
Installed/Equipped: 1442  
**Access Lines in Use**  
Customer Lines: 985  
(Include Centrex, PAL, Semi-Pub.)  
Public Telephone Lines 0  
Company Official Lines 3  
Company Test Lines 6

**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		833			108		941
New Connects		208			7		215
Disconnects		168			3		171
End of Year		873			112		985
			Subtotal Residence			Subtotal Business	
			833			108	
			208			7	
			168			3	
			873			112	

**Foreign Exchange:**  
Dial Tone from this C.O.: 1  
Dial Tone from another C.O.: 0  
**Directory Listings:**  
Number of Customers with Nonpublished or Nonlisted: 23

**Custom Calling:**  
Number of customers with at least one feature: 323  
Total number of features subscribed to: 12

**CENTRAL OFFICE DATA**  
as of December 31, 2002 (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:**      Electronic X  
Host X                      Digital X                      Electro-Mechanical  
Remote                      Analog                      Other:

**Access Line Capacity**  
Design: 720      **Access Lines in Use**  
Customer Lines: 311  
(Include Centrex, PAL, Semi-Pub.)

Installed/Equipped: 648  
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 Multi-Party	Subtotal Residence	Centrex N.A.R.	Multi-Line 1-Party	Single Line Multi-Party	
Beginning of Year		254	254			103	357
New Connects		22	22		0	0	22
Disconnects		40	40		28	28	68
End of Year		236	236		75	75	311

**Foreign Exchange:**  
Dial Tone from this C.O.: 0  
Dial Tone from another C.O.: 1

**Directory Listings:**  
Number of Customers with Nonpublished or Nonlisted: 7

**Custom Calling:**  
Number of customers with at least one feature: 127  
Total number of features subscribed to: 11

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 <u>ARBON</u>	<u>109</u>			<u>7,292</u>	<u>26,776</u>	<u>34,068</u>	<u>313</u>
2 <u>ROCKLAND</u>	<u>323</u>			<u>29,136</u>	<u>133,674</u>	<u>162,810</u>	<u>504</u>
3 <u>PARIS</u>	<u>1027</u>			<u>39,611</u>	<u>485,575</u>	<u>525,186</u>	<u>511</u>
4 _____							
5 _____							
6 _____							
7 _____							
8 _____							
9 _____							
10 _____							
11 _____							
12 _____							
13 _____							
14 _____							
15 _____							
16 _____							
17 _____							
18 _____							

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 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 264

Category of complaints (if known):

Deposit Disputes \_\_\_\_\_

Charges on Bill 220

Denial/Termination \_\_\_\_\_

Quality or Availability  
of Service 26

Carrier Selection/Assignment 12

Miscellaneous 6

CERTIFICATE

State of Idaho )  
 ) ss  
County of )

WE, the undersigned Leonard May

and Bruce Steed

of the Direct Communications Rockland, Inc. utility,

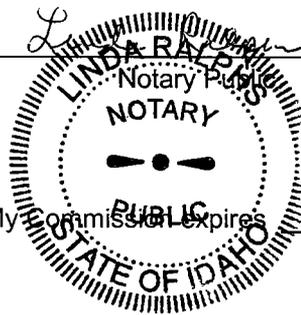
on our oath do severally say that the foregoing return has been prepared under our direction, from the original books, papers, and records of said utility; that we have carefully examined same, and declare the same to be a correct statement of the business affairs of said utility for the period covered 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 8<sup>th</sup> day of April, (Year) 2003.

Linda Ralph



My Commission Expires 12-16, (Year) 2006.

Rev 3/02