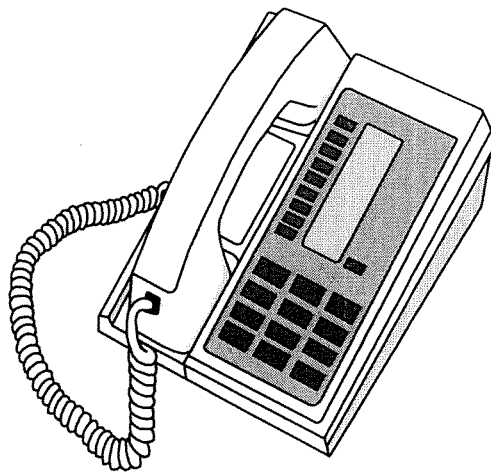


YEAR 2002

ANNUAL REPORT
OF
Valley Telecommunications

TELEPHONE UTILITY



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PUBLIC SERVICE
COMMISSION

TO THE
PUBLIC SERVICE COMMISSION
STATE OF MONTANA
1701 PROSPECT AVENUE
P.O. BOX 202601
HELENA, MT 59620-2601

Telephone Annual Report

Instructions

General

1. A Microsoft EXCEL 2000 workbook of the annual report is being provided on computer disk for your convenience. The workbook contains the schedules of the annual report. Each schedule is on the worksheet named that schedule. For example, Schedule 1 is on the sheet titled "Schedule 1". By entering your company name in the cell named "Company" of the first worksheet, the spreadsheet will put your company name on all the worksheets in the workbook. The same is true for inputting the year of the report in the cell named "YEAR". You can "GOTO" the proper cell by using the F5 key and selecting the name of the cell.
2. The workbook contains input sections that are unprotected, and non-input sections that are protected. Cell protection can be disabled or enabled through "TOOLS – PROTECTION – UNPROTECT SHEET" on your toolbar. Formulas and checks are built into most of the templates.
3. Use of the disk is optional. The disk and the report cover shall be returned when the report is filed. There are macros built into the workbook to assist you with the report. An explanation of the macros is on the "Control" worksheet at the front of the workbook. The explanations start at cell A1.
4. All forms must be filled out in permanent ink and be legible. Note: Even if the computer disk is used, a printed version of the report shall be filed. **Please submit one unbound copy of the annual report along with the regular number of annual reports that you submit.** This aids in scanning the report so that it may be published on our web site. The orientation and margins are set up on each individual worksheet and should print on one page. If you elect not to use the disk, please format your reports to fit on one 8.5" by 11" page with the left binding edge (top if landscaped) set at .85", the right edge (bottom if landscaped) set at .4", and the remaining two margins at .5". You may select specific schedules to print – See the worksheet "CONTROL".
5. Unless otherwise indicated, all information required in these schedules shall be from the accounts prescribed in 47 C.F.R. Part 32 and the definitions and instructions therein will apply to this report wherever applicable.
6. Information on financial schedules may be rounded to thousands of dollars for companies with over 5,000 access lines. Companies submitting schedules rounded to thousands should so indicate at the top of the schedule.
7. Where more space is needed or more than one schedule is needed additional schedules may be attached and should be included directly behind the original schedule to which it pertains and be labeled accordingly (for example, Schedule 1A).

8. The information required with respect to any statement shall be furnished as a minimum requirement to which shall be added such further information as is necessary to make the required schedules not misleading.

9. The following schedules should be filled out with information on a total company basis:

Schedules 1 - 4
Schedule 10
Schedules 13 - 17
Schedule 19
Schedule 20, Page 1 of 2
Schedules 33 and 34

All other schedules should be filled out with Montana specific data. Financial schedules should include all amounts originating in Montana or allocated to Montana from other jurisdictions.

10. All companies owned by another company shall attach a corporate structure chart of the holding company.

11. The following schedules are not required to be filled out or submitted by companies with less than 5,000 access lines:

Schedule 6
Schedules 17 and 18
Schedule 21

12. Schedules that have no activity during the year or are not applicable to the respondent should be marked as not applicable and submitted with the report.

13. Companies with under 5,000 lines may use summary accounts and should leave lines for subaccounts blank. Summary accounts are noted with an asterisk and subaccounts that are not required are noted with a caret.

14. Companies with over 5,000 lines must complete schedules to all required subaccount detail.

15. FCC Form M sheets may not be substituted in lieu of completing annual report schedules.

16. Common sense must be used when filling out all schedules.

Specific Instructions

Schedules 3 through 9

1. **Schedules 3, 4, and 9** should include all notes to the financial statements required by the FCC or included in the financial statements issued as audited financial statements. These notes should be included in the report directly behind the schedules and should be labeled appropriately (Schedule 3A, etc.).

2. **Schedule 5** may be omitted for companies doing business only in Montana.
3. **Schedule 6** is not required for companies with under 5,000 lines.
4. **Schedule 7** must be completed by all companies. For companies under 5,000 lines, this schedule may be completed on a total state basis. Any such company completing the form on a total state basis shall indicate this fact clearly on the form.
5. **Schedule 8** - Companies with less than 5,000 lines are not required to fill out the intrastate portion. The regulated rate base must be separated from the deregulated rate base but this may be done on a total state basis. Any company so doing shall clearly indicate this on the form.
6. Only accounts designated on **Schedule 8** may be included in rate base. Only companies who have specifically been authorized in a Commission order to include cash working capital in rate base may fill out line 8 on Schedule 8. Cash working capital must be calculated using the methodology approved in the Commission order. The most recent Commission Order, and Docket, specifying cash working capital shall be noted on the schedule.
7. **Schedule 9** - Instructions to complete are similar to those used for the Statement of Cash Flows in the FCC Form M.

Schedule 10

1. For the purpose of this schedule, nonofficial companies shall include any company in which the respondent has an ownership interest which does not meet the definition of an affiliated company set out in 47 C.F.R. Section 32.9000. This schedule shall not include telecommunications accounts receivable from other customers.

Schedule 11

1. All amounts listed in Column f that represent individual items for which the higher of cost or market value was in excess of \$50,000 for companies with under 5,000 lines and in excess of \$100,000 for companies with over 5,000 lines must be fully explained in notes to this schedule. The explanation must include the plant description and location, the original cost, the net book cost, the market value, the value at which it was transferred or the price at which it was sold, and the party to which it was transferred or sold.

Schedule 12

1. Respondents shall list each item amounting individually to \$100,000 or more and report all others in the aggregate.
2. Amounts in Column f relating to individual items exceeding \$50,000 shall be fully explained.

Schedule 15

1. Line 1 must be completed by all companies for the most recent calendar year. The retention and price/earnings ratios shall be calculated on a year end basis. Enter the actual year end market price in the "Year Ended" row. If the computer disk is used, enter the year end market price in the "High" column.
2. Lines starting at 9 shall be completed for each of the twelve months of the report year for all companies with over 5,000 access lines. Earnings per share and dividends per share shall be

Schedule 19

1. All companies are required to submit this form. Companies with more than one plan (for example, both a retirement plan and a deferred savings plan) shall complete a schedule for each plan.
2. Companies with defined benefit plans must complete the entire form using FASB 87 and 132 guidelines.
3. Interest rate percentages shall be listed to two decimal places.

Schedule 20

1. All changes to the employee benefit plans shall be explained in a narrative on lines 15 and 16. All cost containment measures implemented in the reporting year shall be explained and quantified in a narrative on lines 15 & 16. All assumptions used in quantifying cost containment results shall be disclosed.
2. The schedule shall be filled out using FASB 106 and 132 guidelines.

Schedule 21

1. Respondents shall disclose all payments made during the year where the aggregate payment to the recipient was \$25,000 or more. Payments must include fees, retainers, commissions, gifts, contributions, assessments, bonuses, subscriptions, allowances for expenses or any other form of payment for services or as a donation.

Schedule 23

1. Respondents shall provide an attached sheet detailing the type and corresponding number of access lines for all entries in Column L (Other).

Schedule 24

1. Column (b). For each wire center that has a configuration of "Remote", Column (b) shall also reflect the respective "Host".
2. Column (c). Examples of Types of Switches are: Digital, Step by Step, and Crossbar.

Schedule 25

1. This schedule must be completed by all companies for the year following the reporting year.

Schedule 26

1. Respondents shall either report construction technicians and splicers as separate categories or footnote the appropriate categories and indicate the number of (1) construction technicians; and (2) splicers.

Schedule 27

1. Include in column (d) ALL additional forms of compensation, including, but not limited to: deferred compensation, deferred savings plan, profit sharing, supplemental or non-qualified retirement plan, employee stock ownership plan, restricted stock, stock options, stock appreciation rights, performance share awards, dividend equivalent shares, mortgage payments, use of company cars or car lease payments, tax preparation consulting, financial consulting, home security systems, company-paid physicals, subscriptions to periodicals, memberships, association or club dues, tuition reimbursement, employee discounts, and spouse travel.
2. The above compensation items shall be listed separately. Where more space is needed additional schedules may be attached and shall be included directly behind the original schedule to which it pertains.
3. If respondent is claiming protected status of salary information both a proprietary and non-proprietary copy of this schedule shall be filed. On the non-proprietary copy respondent shall indicate which columns respondent maintains are proprietary. A note stating that such information is being provided separately shall be included on the schedule. In no case shall either Column (a) - Name/Position, or Column (g) - Percent Increase Total Compensation, be considered proprietary. Respondent shall provide all requested information on the proprietary copy.

Schedule 28

1. Respondents shall provide all executive compensation information in conformance with that required by the Securities and Exchange Commission (SEC) (Regulation S-K Item 402, Executive Compensation).
2. Include in column (d) ALL additional forms of compensation, including, but not limited to: deferred compensation, deferred savings plan, profit sharing, supplemental or non-qualified retirement plan, employee stock ownership plan, restricted stock, stock options, stock appreciation rights, performance share awards, dividend equivalent shares, mortgage payments, use of company cars or car lease payments, tax preparation consulting, financial consulting, home security systems, company-paid physicals, subscriptions to periodicals, memberships, association or club dues, tuition reimbursement, employee discounts, and spouse travel.
3. All items included in Column (d) - Other Compensation shall be listed separately. Where more space is needed additional schedules may be attached and shall be included directly behind the original schedule.
4. In addition, respondents shall attach a copy of the executive compensation information provided to the SEC.

Schedule 29

1. Information from this schedule is consolidated with information from other Utilities and reported to the National Association of Regulatory Utility Commissioners (NARUC). Your assistance in completing this schedule, even though information may be located in other areas of the annual report, expedites reporting to the NARUC and is appreciated.

Schedules 33 and 34

1. Respondents shall report all transactions with affiliated companies.
2. Column (c). Respondents shall indicate in column (c) the method used to determine the price. Respondents shall indicate if a contract is in place between the Affiliate and the Utility. If a contract is in place, respondents shall indicate the year the contract was initiated, the term of the contract and the method used to determine the contract price.
3. Column (c). If the method used to determine the price is different than the previous year, respondents shall provide an explanation, including the reason for the change.

Schedule 35

1. Respondents shall provide an attached sheet detailing the account and the amount for all entries made to Lines 9 and 16.
2. Only companies who have specifically been authorized in a Commission Order to include cash working capital in rate base may include cash working capital in lines 9 or 16. Cash working capital must be calculated using the methodology approved in the Commission Order. The Commission Order specifying cash working capital shall be noted on the attached sheet.
3. Respondents shall indicate, for each adjustment on lines 30 through 42, if the amount is updated or if it is from the last rate case. All adjustments shall be calculated using Commission methodology.

Schedule 36

1. Respondents shall list the amount of tax accrued or paid for the fiscal year attributable to Montana sources for each of the listed taxes

Schedule 37

1. Respondents shall list the amount of Universal Service Funds received from Montana and from the federal government.

Telephone Annual Report

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General Information

Year: 2002

1.	Legal Name of Respondent:	Valley Telecommunications, Inc.
2.	Name Under Which Respondent Does Business:	Valley Telecommunications, Inc.
3.	Date of Incorporation:	May 21, 1993
4.	Address to send Correspondence Concerning Report:	PO Box 600 Scobey, MT 59263
5.	Person Responsible for This Report:	Ross Fladager
5a.	Telephone Number:	(406) 783-5625
Control Over Respondent		
1.	If direct control over the respondent was held by another entity at the end of year provide the following:	
1a.	Name and address of the controlling organization or person: Nemont Telephone Cooperative, Inc. PO Box 600, Scobey MT 59263	
1b.	Means by which control was held: Stock Ownership	
1c.	Percent Ownership:	100%

Board of Directors		
Line No.	Name of Director and Address (City, State) (a)	Fees Paid During Year (b)
1	Robert H. Heikens, Box 342, Nashua MT 59248	550
2	Orvis Nelson, 534 Biglake Rd, Homestead MT 59242	550
3	Dayton Cherney, #90 Cherney Rd, Nashua MT 59248	550
4	Charles McVee, 182 McVee Rd, Glasgow MT 59230	500
5	Roy Neufeld, HC 67 Box 138, Larslan MT 59244	600
6	Pearl Hopkins, Box 803, Poplar MT 59255	
7	Colette Custer, 115 Broadmore St, Plentywood MT 59254	4100
8		
9		
10		
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17		
18	Chairman of the Board:	
19	Ben Boreson, Box 224, Opheim MT 59250	600
20		

Officers

Year: 2002

Line No.	Title of Officer (a)	Department Over Which Jurisdiction is Exercised (b)	Name and Address of Person Holding Office at Year End (c)
1	PRESIDENT		Ben Boreson, OPHEIM MT 59250
2	VICE PRESIDENT		Robert Heikens, NASHUA MT 59248
3	SECRETARY/TREASUER		Orvis Nelson, HOMESTEAD MT 59242
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Total Company Balance Sheet

Year: 2002

Line No.	Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
1		CURRENT ASSETS:		
2	1120	Cash and Equivalents	2,542,870	4,875,378
3	1180	Telecommunications Accounts Receivable - Net	255,245	268,899
4	1190	Other Accounts Receivable - Net	1,088,139	893,359
5	1200	Notes Receivable - Net		
6	1210	Interest and Dividends Receivable	2,026	7,346
7	1220	Materials and Supplies		
8	* 1280	Prepayments	10,704	21,235
9	^ 1290	Prepaid Rents		
10	^ 1300	Prepaid Taxes		
11	^ 1310	Prepaid Insurance		
12	^ 1320	Prepaid Directory Expenses		
13	^ 1330	Other Prepayments	10,704	21,235
14	1350	Other Current Assets		
15		Total Current Assets	3,898,984	6,066,217
16		NONCURRENT ASSETS:		
17	1401	Investments in Affiliated Companies	2,789,368	
18	1402	Investments in Nonaffiliated Companies	782,834	822,331
19	1406	Nonregulated Investments		
20	1407	Unamortized Debt Issuance Expense		
21	1408	Sinking Funds		
22	1410	Other Noncurrent Assets		
23	1438	Deferred Maintenance and Retirements		
24	1439	Deferred Charges		
25	1500	Other Jurisdictional Assets - Net		
26		Total Noncurrent Assets	3,572,202	822,331
27		PROPERTY, PLANT, & EQUIPMENT:		
28	2001	Telecommunications Plant in Service	17,430,777	16,467,252
29	2002	Property Held for Future Telecommunications Use		
30	2003	Plant Under Construction - Short Term	51,368	73,840
31	2004	Plant Under Construction - Long Term		
32	2005	Telecommunications Plant Adjustment	5,233,454	5,233,454
33	2006	Nonoperating Plant		
34	2007	Goodwill		
35	3100	Accumulated Depreciation	(4,989,966)	(4,157,731)
36	3200	Accumulated Depreciation - Held for Future Use		
37	3300	Accumulated Depreciation - Nonoperating		
38	3400	Accumulated Amortization	(2,965,624)	(2,616,727)
39		Net Property, Plant, & Equipment	14,760,009	15,000,088
40		TOTAL ASSETS	22,231,195	21,888,636

^ Subaccount of account marked with a *.

Total Company Balance Sheet

Year: 2002

Line No.	Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
41		CURRENT LIABILITIES:		
42	4010	Accounts Payable	873,094	997,683
43	4020	Notes Payable		
44	4030	Advance Billing and Payments	164	505
45	4040	Customer Deposits	74,853	72,602
46	4050	Current Maturities - Long Term Debt	80,693	91,730
47	4060	Current Maturities - Capital Leases		
48	4070	Income Taxes - Accrued		
49	4080	Other Taxes - Accrued	265,745	233,493
50	4100	Net Current Deferred Operating Income Taxes		
51	4110	Net Current Deferred Nonoperating Income Taxes		
52	4120	Other Accrued Liabilities		
53	4130	Other Current Liabilities	189,517	169,769
54		Total Current Liabilities	1,484,066	1,565,782
55		LONG-TERM DEBT:		
56	4210	Funded Debt	7,192,642	8,176,595
57	4220	Premium on Long-Term Debt		
58	4230	Discount on Long-Term Debt		
59	4240	Reacquired Debt		
60	4250	Obligations Under Capital leases		
61	4260	Advances From Affiliated Companies		
62	4270	Other Long-Term Debt		
63		Total Long-Term Debt	7,192,642	8,176,595
64		OTHER LIABILITIES AND DEFERRED CREDITS:		
65	4310	Other Long-Term Liabilities		
66	4320	Unamort. Oper. Invest. Tax Credits - Net		
67	4330	Unamort. Nonoper. Invest. Tax Credits - Net		
68	4340	Net Noncurrent Deferred Oper. Income Taxes	1,416,524	1,309,400
69	4350	Net Noncurrent Deferred Nonoper. Income Taxes		
70	4360	Other Deferred Credits		
71	4370	Other Jurisdictional Liab. and Def. Credits		
72		Total Other Liabilities and Deferred Credits	1,416,524	1,309,400
73		STOCKHOLDERS' EQUITY:		
74	4510	Capital Stock	3,500,000	3,500,000
75	4520	Additional Paid-In Capital		
76	4530	Treasury Stock		
77	4540	Other Capital		
78	4550	Retained Earnings	8,637,963	7,336,859
79		Total Stockholders' Equity	12,137,963	10,836,859
80		TOTAL LIAB. AND STOCKHOLDERS' EQUITY	22,231,195	21,888,636

Total Company Income Statement

Year: 2002

Line No.	Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
1		REVENUES:		
2	5000	Basic Local Service Revenues	2,324,902	2,181,709
3	5080	Network Access Revenues	5,974,481	6,160,828
4	* 5100	Long Distance Message Revenue	193	540
5	^ 5110	Unidirectional Long Distance Revenue		
6	^ 5120	Long Distance Private Network Revenue		
7	^ 5160	Other Long Distance Revenue	193	540
8	^ 5169	Other Long Distance Revenue Settlements		
9	* 5200	Miscellaneous Revenue	601,830	624,781
10	^ 5230	Directory Revenue	30,672	23,086
11	^ 5240	Rent Revenue	444,168	443,352
12	^ 5250	Corporate Operations Revenue		
13	^ 5260	Miscellaneous Revenue	8,060	19,732
14	^ 5270	Carrier Billing and Collection Revenue	118,930	138,611
15	^ 5280	Nonregulated Revenue		
16	5300	Uncollectible Revenue	208,369	11,069
17		Total Revenues (L.2+L.3+L.4+L.9-L.16)	8,693,037	8,956,789
18		OPERATING EXPENSES:		
19	6110	Network Support Expense	46,326	35,342
20	6120	General Support Expense	544,535	514,094
21	6210	Central Office Switching Expense	431,805	359,667
22	6220	Operator Systems Expense		
23	6230	Central Office Transmission Expense	468,095	415,686
24	6310	Information Origination/Termination Expense		
25	* 6410	Cable and Wire Facilities Expense	973,031	901,820
26	^ 6431	Aerial Wire Expense		
27	^ 6441	Conduit Systems Expense		
28	6510	Other Property, Plant & Equipment Expense		
29	6530	Network Operations Expense	188,216	179,554
30	6540	Access Expense	59,724	36,841
31	6560	Depreciation and Amortization Expense	1,441,080	1,407,197
32	6610	Marketing	28,768	39,626
33	6620	Services	648,885	636,474
34	6710	Executive and Planning	179,846	209,447
35	6720	General and Administrative	748,096	746,375
36	6790	Provision for Uncollectible Notes Receivable		
37		Total Operating Expenses (Sum L.19 to L.36-L.26-L.27)	5,758,407	5,482,123
38	7100	Other Operating Income and Expense		
39	7200	Operating Taxes	962,089	1,442,903
40		Net Operating Income (L.17-L.37+L.38-L.39)	1,972,541	2,031,763
41	7300	Nonoperating Income and Expense	141,756	228,961
42	7400	Nonoperating Taxes	119,395	97,838
43	7500	Interest and Related Items	519,783	584,337
44	7600	Extraordinary Items	174,015	(38,624)
45	7910	Effects of Juris. Ratemaking Diff. - Net		
46	7990	Nonregulated Net Income		
47		NET INCOME (L.40+L.41-L.42-L.43-L.44+L.45-L.46)	1,301,104	1,617,173

^ Subaccount of the account marked with a *.

Montana Total State Income Statement

Year: 2002

Line No.	Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
1		REVENUES:		
2	5000	Basic Local Service Revenues	NOT APPLICABLE ALL BUSINESS IN MONTANA	
3	5080	Network Access Revenues		
4	* 5100	Long Distance Message Revenue		
5	^ 5110	Unidirectional Long Distance Revenue		
6	^ 5120	Long Distance Private Network Revenue		
7	^ 5160	Other Long Distance Revenue		
8	^ 5169	Other Long Distance Revenue Settlements		
9	* 5200	Miscellaneous Revenue		
10	^ 5230	Directory Revenue		
11	^ 5240	Rent Revenue		
12	^ 5250	Corporate Operations Revenue		
13	^ 5260	Miscellaneous Revenue		
14	^ 5270	Carrier Billing and Collection Revenue		
15	^ 5280	Nonregulated Revenue		
16	5300	Uncollectible Revenue		
17		Total Revenues (L.2+L.3+L.4+L.9-L.16)		
18		OPERATING EXPENSES:		
19	6110	Network Support Expense		
20	6120	General Support Expense		
21	6210	Central Office Switching Expense		
22	6220	Operator Systems Expense		
23	6230	Central Office Transmission Expense		
24	6310	Information Origination/Termination Expense		
25	* 6410	Cable and Wire Facilities Expense		
26	^ 6431	Aerial Wire Expense		
27	^ 6441	Conduit Systems Expense		
28	6510	Other Property, Plant & Equipment Expense		
29	6530	Network Operations Expense		
30	6540	Access Expense		
31	6560	Depreciation and Amortization Expense		
32	6610	Marketing		
33	6620	Services		
34	6710	Executive and Planning		
35	6720	General and Administrative		
36	6790	Provision for Uncollectible Notes Receivable		
37		Total Operating Expenses (Sum L.19 to L.36-L.26-L.27)		
38	7100	Other Operating Income and Expense		
39	7200	Operating Taxes		
40		Net Operating Income (L.17-L.37+L.38-L.39)	#VALUE!	

^ Subaccount of the account marked with a *.

Montana Intrastate Income Statement

Year: 2002

Line No.	Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
1		REVENUES:		
2	5000	Basic Local Service Revenues	2,324,902	2,181,709
3	5080	Network Access Revenues	1,729,100	1,812,065
4	* 5100	Long Distance Message Revenue	193	540
5	^ 5110	Unidirectional Long Distance Revenue		
6	^ 5120	Long Distance Private Network Revenue		
7	^ 5160	Other Long Distance Revenue	193	540
8	^ 5169	Other Long Distance Revenue Settlements		
9	* 5200	Miscellaneous Revenue	573,266	581,490
10	^ 5230	Directory Revenue	30,672	23,086
11	^ 5240	Rent Revenue	444,168	443,352
12	^ 5250	Corporate Operations Revenue		
13	^ 5260	Miscellaneous Revenue	8,060	19,732
14	^ 5270	Carrier Billing and Collection Revenue	90,366	95,320
15	^ 5280	Nonregulated Revenue		
16	5300	Uncollectible Revenue	208,369	11,069
17		Total Revenues (L.2+L.3+L.4+L.9-L.16)	4,419,092	4,564,735
18		OPERATING EXPENSES:		
19	6110	Network Support Expense	46,326	35,342
20	6120	General Support Expense	544,535	514,094
21	6210	Central Office Switching Expense	431,805	359,667
22	6220	Operator Systems Expense		
23	6230	Central Office Transmission Expense	468,095	415,686
24	6310	Information Origination/Termination Expense		
25	* 6410	Cable and Wire Facilities Expense	973,031	901,820
26	^ 6431	Aerial Wire Expense		
27	^ 6441	Conduit Systems Expense		
28	6510	Other Property, Plant & Equipment Expense		
29	6530	Network Operations Expense	188,216	179,554
30	6540	Access Expense	59,724	36,841
31	6560	Depreciation and Amortization Expense	1,441,080	1,407,197
32	6610	Marketing	28,768	39,626
33	6620	Services	648,885	636,474
34	6710	Executive and Planning	179,846	209,447
35	6720	General and Administrative	748,096	746,375
36	6790	Provision for Uncollectible Notes Receivable		
37		Total Operating Expenses (Sum L.19 to L.36-L.26-L.27)	5,758,407	5,482,123
38	7100	Other Operating Income and Expense		
39	7200	Operating Taxes	629,465	678,807
40		Net Operating Income (L.17-L.37+L.38-L.39)	(1,968,780)	(1,596,195)

^ Subaccount of the account marked with a *.

Montana Intrastate Regulated Income Statement

Year: 2002

Line No.	Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
1		REVENUES:		
2	5000	Basic Local Service Revenues	2,324,902	2,181,709
3	5080	Network Access Revenues	1,729,100	1,812,065
4	* 5100	Long Distance Message Revenue	193	540
5	^ 5110	Unidirectional Long Distance Revenue		
6	^ 5120	Long Distance Private Network Revenue		
7	^ 5160	Other Long Distance Revenue	193	540
8	^ 5169	Other Long Distance Revenue Settlements		
9	* 5200	Miscellaneous Revenue	573,266	581,490
10	^ 5230	Directory Revenue	30,672	23,086
11	^ 5240	Rent Revenue	444,168	443,352
12	^ 5250	Corporate Operations Revenue		
13	^ 5260	Miscellaneous Revenue	8,060	19,732
14	^ 5270	Carrier Billing and Collection Revenue	90,366	95,320
15	^ 5280	Nonregulated Revenue		
16	5300	Uncollectible Revenue	208,369	11,069
17		Total Revenues (L.2+L.3+L.4+L.9-L.16)	4,419,092	4,564,735
18		OPERATING EXPENSES:		
19	6110	Network Support Expense	46,326	35,342
20	6120	General Support Expense	544,535	514,094
21	6210	Central Office Switching Expense	431,805	359,667
22	6220	Operator Systems Expense		
23	6230	Central Office Transmission Expense	468,095	415,686
24	6310	Information Origination/Termination Expense		
25	* 6410	Cable and Wire Facilities Expense	973,031	901,820
26	^ 6431	Aerial Wire Expense		
27	^ 6441	Conduit Systems Expense		
28	6510	Other Property, Plant & Equipment Expense		
29	6530	Network Operations Expense	188,216	179,554
30	6540	Access Expense	59,724	36,841
31	6560	Depreciation and Amortization Expense	1,441,080	1,407,197
32	6610	Marketing	28,768	39,626
33	6620	Services	648,885	636,474
34	6710	Executive and Planning	179,846	209,447
35	6720	General and Administrative	748,096	746,375
36	6790	Provision for Uncollectible Notes Receivable		
37		Total Operating Expenses (Sum L.19 to L.36-L.26-L.27)	5,758,407	5,482,123
38	7100	Other Operating Income and Expense		
39	7200	Operating Taxes	629,465	678,807
40		Net Operating Income (L.17-L.37+L.38-L.39)	(1,968,780)	(1,596,195)

^ Subaccount of the account marked with a *.

Average Rate Base - Total State

Year: 2002

Line No.	Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
1	2001	Telecommunications Plant in Service	17430777	16467252
2	3100	Accumulated Depreciation	4989966	4157732
3	2002	Property Held for Future Telecommunications Use		
4	3200	Accumulated Depreciation - 2002		
5	1220	Materials and Supplies		
6	4340	Noncurrent Deferred Operating Income Taxes	1416524	1309400
7		Pre-1971 Unamortized Investment Tax Credits		
8		Cash Working Capital (if allowed by Commission)		
9		Total Average Rate Base (L.1-L.2+L.3-L.4+L.5-L.6-L.7+L.8)	11024287	11000120

Average Rate Base - Intrastate

Line No.	Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
1	2001	Telecommunications Plant in Service	17430777	16467252
2	3100	Accumulated Depreciation	4989966	4157732
3	2002	Property Held for Future Telecommunications Use		
4	3200	Accumulated Depreciation - 2002		
5	1220	Materials and Supplies		
6	4340	Noncurrent Deferred Operating Income Taxes	1416524	1309400
7		Pre-1971 Unamortized Investment Tax Credits		
8		Cash Working Capital (if allowed by Commission)		
9		Total Average Rate Base (L.1-L.2+L.3-L.4+L.5-L.6-L.7+L.8)	11024287	11000120

Average Rate Base - Regulated Intrastate

Line No.	Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
1	2001	Telecommunications Plant in Service	17430777	16467252
2	3100	Accumulated Depreciation	4989966	4157732
3	2002	Property Held for Future Telecommunications Use		
4	3200	Accumulated Depreciation - 2002		
5	1220	Materials and Supplies		
6	4340	Noncurrent Deferred Operating Income Taxes	1416524	1309400
7		Pre-1971 Unamortized Investment Tax Credits		
8		Cash Working Capital (if allowed by Commission)		
9		Total Average Rate Base (L.1-L.2+L.3-L.4+L.5-L.6-L.7+L.8)	11024287	11000120

Statement of Cash Flows

Year: 2002

Line No.	Item Description (a)	Amount (b)	Amount (c)
1	Increase/(decrease) in Cash & Cash Equivalents		
2	Cash Flows from Operating Activities:		
3	Net Income		
4	Reconciliation Adjustments:		
5	Depreciation & Amortization		
6	Provision for Accounts Receivable Losses		
7	Deferred Income Taxes - Net		
8	Unamortized Investment Tax Credits (ITCs) - Net		
9	Allowance for Funds Used During Construction (AFUDC)		
10	Change in Operating Receivables - Net		
11	Change in Materials, Supplies & Inventories - Net		
12	Change in Operating Payables & Accrued Liabilities - Net		
13	Change in Other Assets & Deferred Credits - Net		
14	Change in Other Liabilities & Deferred Credits - Net		
15	Other (explained on back of this page)		
16	Total Adjustments		
17	Net Cash Provided by/(Used in) Operating Activities		
18	Cash Inflows/Outflows From Investing Activities:		
19	Construction/Acquisition of Property, Plant & Equipment (net of		
20	AFUDC & Capital Lease Related Acquisitions)		
21	Proceeds from Disposals of Property, Plant & Equipment		
22	Investments In & Advances to Affiliates		
23	Proceeds from Repayment of Advances		
24	Other Investing Activities (explained on back of this page)		
25	Net Cash Provided by/(Used in) Investing Activities		
26	Cash Flows from Financing Activities:		
27	Net Incr./(Decr.) in Short-Term Debt, Original maturity <= 3 mo.		
28	Advances from Affiliates		
29	Repayment of Advances from Affiliates		
30	Proceeds from Issuances of Long-Term Debt		
31	Repayment of Long-Term Debt		
32	Payment of Capital Lease Obligations		
33	Proceeds from Issuing Common Stock/Parent Co. Equity Investment		
34	Repurchase of Treasury Shares		
35	Dividends Paid		
36	Other Financing Activities (explained on back of this page)		
37	Net Cash Provided by Financing Activities		
38	Effect of Exchange Rate Changes on Cash		
39	Net Increase/(Decrease) in Cash & Cash Equivalents		
40	Cash & Cash Equivalents at Beginning of Period		
41	Cash & Cash Equivalents at End of Period		

Receivables and Investments-Affiliated & Nonaffiliated Companies

Year: 2002

Line No.	Name of Affiliate or Company (a)	Account 1160 Temporary Investments (b)	Account 1180 Telecom. Accounts Receivable (c)	Account 1181 Accts. Rec. Allowance (d)	Account 1190 Other Accounts Receivable (e)	Account 1191 Accounts Receivable Allow. - Other (f)	Account 1200 Notes Receivable (g)	Account 1201 Notes Receivable Allowance (h)	Account 1210 Interest and Dividends Receivable (i)	Account 1401 Investments in Affil. Companies (j)	Account 1402 Investments in Nonaffil. Companies (k)
1	NRUCFC	1087475							2027		
2	CUSTOMERS		284645	29400							
3	AT&T				185186						
4	QWEST				7239						
5	PROJECT TELEPHONE				984						
6	NEMONT COMM INC				124712					1594268	
7	NCRPC				3888						
8	NECA				230590						
9	SAGEBRUSH CELLUL				7612						6334
10	NEMONT TELEPHONE				294890						
11	MISC LD CARRIERS				231578						
12	METS POOL				293						
13	NTCA				1166					1195099	
14	MISSOURI VALLEY										3372
15	CAPITAL CREDITS										647697
16	RTFC										125432
17	NISC										
18											
19											
20											
21											
22											
23											
24											
25											
26											
27											
28											
29											
30	Totals	1087475	284645	29400	1088138				2027	2789367	782835

Year:2002

Net Plant in Service - Detail

Line No.	Account (a)	Description (b)	Beginning of Year Balance (c)	Additions (d)	Retirements (e)	Sales & Transfers (f)	End of Year Account 2001 Balance (g)	Year End Accumulated Depreciation (h)	End of Year Net Plant Balance (i)
1	* 2110	Land and Support Assets	2567059	461426	30398		2998087		2998087
2	^ 2111	Land	111732				111732		111732
3	^ 2112	Motor Vehicles	392044	68317	30398		429963	371494	58469
4	^ 2113	Aircraft							
5	^ 2114	Special Purpose Vehicles	2820				2820	2820	
6	^ 2115	Garage Work Equipment		4500			4500	375	4125
7	^ 2116	Other Work Equipment	158942	10331			169273	90621	78652
8	^ 2121	Buildings	1826094	366188			2192282	340493	1851789
9	^ 2122	Furniture							
10	^ 2123	Office Equipment	75427	12090			87517	16202	71315
11	^ 2124	General Purpose Computers							
12	2211	Analog Electronic Switching							
13	2212	Digital Electronic Switching	3898607	443665	83548	12630	4271354	1690667	2580687
14	2215	Electro-Mechanical Switching							
15	2220	Operator Systems							
16	2231	Radio Systems							
17	2232	Circuit Equipment	1941484	315626	206943	-12557	2037610	424111	1613499
18	* 2310	Information Orig & Term Equip							
19	^ 2311	Station Apparatus							
20	^ 2321	Customer Premises Wiring							
21	^ 2341	Large Private Branch Exchanges							
22	^ 2351	Public Telephone Term. Equip.							
23	^ 2362	Other Terminal Equipment							
24	2411	Poles	183669				183669	110252	73417
25	* 2420	Cable and Wire Facilities	5390135	71482	13099		5448518		5448518
26	^ 2421	Aerial Cable	1042445	29437	10579		1061303	314782	746521
27	^ 2422	Underground Cable	1016874	4380			1021254	398884	622370
28	^ 2423	Buried Cable	3249795	37665	2520		3284940	725125	2559815
29	^ 2424	Submarine Cable							
30	^ 2425	Deep Sea Cable							
31	^ 2426	Intrabuilding Network Cable	81021				81021	18824	62197
32	2431	Aerial Wire	3586				3586	2542	1044
33	2441	Conduit Systems	2482711	6003		-763	2487951	482774	2005177
34		Totals	16467251	1298202	333988	-690	17430775	4989966	12440809

^ Subaccount of the account marked with a *.

Analysis of Plant Held for Future Use

Year: 2002

Line No.	Location and Description of Property (a)	Date Included in Account 2002 (b)	Book Cost of Property at Beginning of Year (c)	Additions During the Year (d)	Retirements During the Year (e)	Transfers and Adjustments Charges and (Credits) (f)	Book Cost of Property at End of Year (g)
1	NOT APPLICABLE						
2							
3							
4							
5							
6							
7							
8							
9							
10							
11							
12							
13							
14							
15							
16							
17							
18							
19							
20							
21							
22							
23							
24							
25							
26							
27							
28							
29							
30	Totals (Sum L.1 to L.29)						

Average Cost of Long Term Debt **Year:2002**

Line No.	Description (a)	Issue Date (b)	Maturity Date (c)	Principal Amount (d)	Gross Proceeds (e)	Net Proceeds (f)	Net Per \$100 (g)	Outstanding Per Balance Sheet (h)	Yield to Maturity (i)	Annual Net Cost (j)	Amortization of Premium or Discount (k)	Total Cost (%) (l)
1	RTFC - ACQUISITION	APRIL '94	APRIL '09	12572871				6361627				
2	RTFC - CONSTRUCTN	APRIL '94	AUGST '09	1349000				831016				
3												
4												
5												
6												
7												
8												
9												
10												
11												
12												
13												
14												
15												
16												
17												
18												
19												
20												
21												
22												
23												
24												
25												
26												
27												
28												
29												
30	Total			13921871				7192643				

Year: 2002

Cost of Preferred Stock

Line No.	Description (a)	Date of Issuance (b)	Method of Offering (c)	Call Redemption Price (d)	Par Value Of Issue (e)	Gross Proceeds Amounts (f)	Net Proceeds Amounts (g)	Net Proceeds Per \$100 (h)	Cost of Money (i)	Principal Outstanding (j)	Annual Cost (k)	Embedded Cost (l)
1	NOT APPLICABLE											
2												
3												
4												
5												
6												
7												
8												
9												
10												
11												
12												
13												
14												
15												
16												
17												
18												
19												
20												
21												
22												
23												
24												
25												
26												
27												
28												
29												
30	Totals (Sum L.1 to L.29)											

Analysis of Common Stock

Year: 2002

Line No.	(a)	Avg. Number of Shares Outstanding (b)	Book Value (per share) (c)	Earnings (per share) (d)	Dividends (per share) (e)	Retention Ratio (f)	Market Price High (g)	Market Price Low (h)	Price/Earnings Ratio (i)
1	Year Ended December 31:	350	10000						
2									
3									
4									
5									
6									
7									
8	Month by Month Data:								
9	January								
10	February								
11	March								
12	April								
13	May								
14	June								
15	July								
16	August								
17	September								
18	October								
19	November								
20	December								
21									
22									
23									

Capital Stock and Funded Debt Reacquired or Retired During the Year

Year: 2002

Line No.	Description of Security (a)	Call or Retirement Date (b)	Number of Shares (c)	Principal Amount (d)	Reacquisition or Retirement Cost (e)	Gain or (Loss) (f)	Retirement or Reacquisition (g)
1	NOT APPLICABLE						
2							
3							
4							
5							
6							
7							
8							
9							
10							
11							
12							
13							
14							
15							
16							
17							
18							
19							
20							
21							
22							
23							
24							
25							
26							
27							
28							
29							
30	Totals (Sum L.1 to L.29)						

Total Company Expense Matrix

Year: 2002

Line No.	Acct. No. (a)	Description (b)	Salaries and Wages (c)	Benefits (d)	Rents (e)	Other Expenses (f)	Clearances (g)	Total (h)
1	* 6110	Network Support Expense	7213	5432		129613	-95932	46326
2	^ 6112	Motor Vehicle Expense	4147	2850		79340	-79127	7210
3	^ 6113	Aircraft Expense						
4	^ 6114	Special Purpose Vehicles Expense				43	-43	
5	^ 6115	Garage Work Equipment Expense						
6	^ 6116	Other Work Equipment Expense	3066	2582		50230	-16762	39116
7	* 6120	General Support Expense	66179	42064	314977	121314		544534
8	^ 6121	Land and Building Expense	47288	27930	288253	71706		435177
9	^ 6122	Furniture and Artworks Expense				17454		17454
10	^ 6123	Office Equipment Expense	1203	860		23622		25685
11	^ 6124	General Purpose Computers Expense	17688	13274	26724	8532		66218
12	* 6210	Central Office Switching Expense	141752	96109		193944		431805
13	^ 6211	Analog Electronic Expense						
14	^ 6212	Digital Electronic Expense						
15	^ 6215	Electro-Mechanical Expense						
16	^ 6220	Operator Systems Expense						
17	* 6230	Central Office Transmission Expense	46889	34222	327312	59672		468095
18	^ 6231	Radio Systems Expense						
19	^ 6232	Circuit Equipment Expense	46889	34222	327312	59672		468095
20	* 6310	Information Origination/Termination Expense						
21	^ 6311	Station Apparatus Expense						
22	^ 6341	Large Private Branch Exchange Expense						
23	^ 6351	Public Telephone Terminal Equipment Exp.						
24	^ 6362	Other Terminal Equipment Expense						
25	* 6410	Cable and Wire Facilities Expense	233181	162375	460265	117210		973031
26	^ 6411	Poles Expense			8969	2298		11267
27	^ 6421	Aerial Cable Expense	71888	50202		30036		152126
28	^ 6422	Underground Cable Expense						
29	^ 6423	Buried Cable Expense						
30	^ 6424	Submarine Cable Expense						
31	^ 6425	Deep Sea Cable Expense						
32	^ 6426	Intrabuilding Network Cable Expense						
33	^ 6431	Aerial Wire Expense						
34		Subtotals	493,902	339,302	1,102,554	621,601	(95,932)	2461427

^ Subaccount of the account marked with a *.

Total Company Expense Matrix

Line No.	Acct. No. (a)	Description (b)	Salaries and Wages (c)	Benefits (d)	Rents (e)	Other Expenses (f)	Clearances (g)	Total (h)
35	^ 6441	Conduit Systems Expense	1312	900		152		2364
36	6510	Other Property Expenses	12804	9270		7979	-30053	
37	* 6530	Network Operations Expense	92987	61953		53945	-20670	188215
38	^ 6531	Power Expense				31836		31836
39	^ 6532	Network Administration Expense				1103		1103
40	^ 6533	Testing Expense	7762	6131		579		14472
41	^ 6534	Plant Operations Expense	73904	49043		19025	-18179	123793
42	^ 6535	Engineering Expense	11321	6779		1402	-2491	17011
43	6540	Access Expense				59724		59724
44	6561	Depreciation - Telecomm. Plant in Service				1092183		1092183
45	6562	Depreciation-Prop. for Future Telecom. Use						
46	6563	Amortization Expense - Tangible						
47	6564	Amortization Expense - Intangible						
48	6565	Amortization - Other						
49	* 6610	Marketing	11230	7983		348897		348897
50	^ 6611	Product Management				9554		28767
51	^ 6612	Sales				2189		2189
52	^ 6613	Product Advertising	11230	7983		7365		26578
53	6621	Call Completion Services				2304		2304
54	6622	Number Services	4706	3765		40565		49036
55	6623	Customer Services	131294	111694		354557		597545
56	6711	Executive	75624	36978		67243		179845
57	6712	Planning						
58	6721	Accounting and Finance	74587	49596		93180		217363
59	6722	External Relations	28209	18732		81967		128908
60	6723	Human Relations	10753	7559		17635		35947
61	6724	Information Management						
62	6725	Legal				7547		7547
63	6726	Procurement						
64	6727	Research and Development						
65	6728	Other General and Administrative	81267	63788		213276		358331
66	6790	Provision for Uncollectible Notes Receivable						
67		Totals	1,018,675	711,520	1,102,554	3,072,309	(146,655)	5758403

^ Subaccount of the account marked with a *.

Total State Expense Matrix

Line No.	Acct. No. (a)	Description (b)	Salaries and Wages (c)	Benefits (d)	Rents (e)	Other Expenses (f)	Clearances (g)	Total (h)
1	*	Network Support Expense	7213	5432		129613	-95932	46326
2	^	Motor Vehicle Expense	4147	2850		79340	-79127	7210
3	^	Aircraft Expense				43	-43	
4	^	Special Purpose Vehicles Expense						
5	^	Garage Work Equipment Expense						
6	^	Other Work Equipment Expense	3066	2582		50230	-16762	39116
7	*	General Support Expense	66179	42064	314977	121314		544534
8	^	Land and Building Expense	47288	27930	288253	71706		435177
9	^	Furniture and Artworks Expense				17454		17454
10	^	Office Equipment Expense	1203	860		23622		25685
11	^	General Purpose Computers Expense	17688	13274	26724	8532		66218
12	*	Central Office Switching Expense	141752	96109		193944		431805
13	^	Analog Electronic Expense						
14	^	Digital Electronic Expense						
15	^	Electro-Mechanical Expense						
16	^	Operator Systems Expense						
17	*	Central Office Transmission Expense						
18	^	Radio Systems Expense	46889	34222	327312	59672		468095
19	^	Circuit Equipment Expense	46889	34222	327312	59672		468095
20	*	Information Origination/Termination Expense						
21	^	Station Apparatus Expense						
22	^	Large Private Branch Exchange Expense						
23	^	Public Telephone Terminal Equipment Exp.						
24	^	Other Terminal Equipment Expense						
25	*	Cable and Wire Facilities Expense	233181	162375	460265	117210		973031
26	^	Poles Expense			8969	2298		11267
27	^	Aerial Cable Expense	71888	50202		30036		152126
28	^	Underground Cable Expense						
29	^	Buried Cable Expense						
30	^	Submarine Cable Expense						
31	^	Deep Sea Cable Expense						
32	^	Intrabuilding Network Cable Expense						
33	^	Aerial Wire Expense	159981	111273	451296	84724		807274
34		Subtotals	493,902	339,302	1,102,554	621,601	(95,932)	2461427

^ Subaccount of the account marked with a *.

Total State Expense Matrix

Line No.	Acct. No. (a)	Description (b)	Salaries and Wages (c)	Benefits (d)	Rents (e)	Other Expenses (f)	Clearances (g)	Total (h)
35	^	Conduit Systems Expense	1312	900		152		2364
36		Other Property Expenses	12804	9270		7979	-30053	
37	*	Network Operations Expense	92987	61953		53945	-20670	188215
38	^	Power Expense				31836		31836
39	^	Network Administration Expense				1103		1103
40	^	Testing Expense	7762	6131		579		14472
41	^	Plant Operations Expense	73904	49043		19025	-18179	123793
42	^	Engineering Expense	11321	6779		1402	-2491	17011
43		Access Expense				59724		59724
44		Depreciation - Telecomm. Plant in Service				1092183		1092183
45		Depreciation-Prop. for Future Telecom. Use						
46		Amortization Expense - Tangible						
47		Amortization Expense - Intangible						
48		Amortization - Other						
49	*	Marketing	11230	7983		348897		348897
50	^	Product Management				9554		28767
51	^	Sales				2189		2189
52	^	Product Advertising	11230	7983		7365		26578
53		Call Completion Services				2304		2304
54		Number Services	4706	3765		40565		49036
55		Customer Services	131294	111694		354557		597545
56		Executive	75624	36978		67243		179845
57		Planning						
58		Accounting and Finance	74587	49596		93180		217363
59		External Relations	28209	18732		81967		128908
60		Human Relations	10753	7559		17635		35947
61		Information Management						
62		Legal				7547		7547
63		Procurement						
64		Research and Development						
65		Other General and Administrative	81267	63788		213276		358331
66		Provision for Uncollectible Notes Receivable						
67		Totals	1,018,675	711,520	1,102,554	3,072,309	(146,655)	5758403

^ Subaccount of the account marked with a *.

Pension Costs

Year: 2002

1	Plan Name			
2	Defined Benefit Plan? _____	Defined Contribution Plan? _____		
3	Actuarial Cost Method? _____	IRS Code: _____		
4	Annual Contribution by Employer: _____	Is the Plan Over Funded? _____		
5				
	Item	Current Year	Last Year	% Change
6	Change in Benefit Obligation			
7	Benefit obligation at beginning of year	N/A	N/A	#VALUE!
8	Service cost			
9	Interest Cost			
10	Plan participants' contributions			
11	Amendments			
12	Actuarial Gain			
13	Acquisition			
14	Benefits paid			
15	Benefit obligation at end of year			
16	Change in Plan Assets			
17	Fair value of plan assets at beginning of year			
18	Actual return on plan assets			
19	Acquisition			
20	Employer contribution			
21	Plan participants' contributions			
22	Benefits paid			
23	Fair value of plan assets at end of year			
24	Funded Status			
25	Unrecognized net actuarial loss			
26	Unrecognized prior service cost			
27	Prepaid (accrued) benefit cost			
28				
29	Weighted-average Assumptions as of Year End			
30	Discount rate			
31	Expected return on plan assets			
32	Rate of compensation increase			
33				
34	Components of Net Periodic Benefit Costs			
35	Service cost	N/A	N/A	#VALUE!
36	Interest cost			
37	Expected return on plan assets			
38	Amortization of prior service cost			
39	Recognized net actuarial loss			
40	Net periodic benefit cost			
41				
42	Montana Intrastate Costs:			
43	Pension Costs			
44	Pension Costs Capitalized			
45	Accumulated Pension Asset (Liability) at Year End			
46	Number of Company Employees:			
47	Covered by the Plan			
48	Not Covered by the Plan			
49	Active			
50	Retired			
51	Deferred Vested Terminated			

Other Post Employment Benefits (OPEBS)

Item	Current Year	Last Year	% Change
1 Regulatory Treatment:			
2 Commission authorized - most recent			
3 Docket number: _____			
4 Order number: _____			
5 Amount recovered through rates			
6 Weighted-average Assumptions as of Year End			
7 Discount rate			
8 Expected return on plan assets	NOT APPLICABLE		#VALUE!
9 Medical Cost Inflation Rate			
10 Actuarial Cost Method			
11 Rate of compensation increase			
12 List each method used to fund OPEBs (ie: VEBA, 401(h)) and if tax advantaged:			
13			
14			
15 Describe any Changes to the Benefit Plan:			
16			
17 TOTAL COMPANY			
18 Change in Benefit Obligation			
19 Benefit obligation at beginning of year			
20 Service cost			
21 Interest Cost			
22 Plan participants' contributions			
23 Amendments			
24 Actuarial Gain			
25 Acquisition			
26 Benefits paid			
27 Benefit obligation at end of year			
28 Change in Plan Assets			
29 Fair value of plan assets at beginning of year			
30 Actual return on plan assets			
31 Acquisition			
32 Employer contribution			
33 Plan participants' contributions			
34 Benefits paid			
35 Fair value of plan assets at end of year			
36 Funded Status			
37 Unrecognized net actuarial loss			
38 Unrecognized prior service cost			
39 Prepaid (accrued) benefit cost			
40 Components of Net Periodic Benefit Costs			
41 Service cost			
42 Interest cost			
43 Expected return on plan assets	#VALUE!		#VALUE!
44 Amortization of prior service cost			
45 Recognized net actuarial loss			
46 Net periodic benefit cost	#VALUE!		#VALUE!
47 Accumulated Post Retirement Benefit Obligation			
48 Amount Funded through VEBA			
49 Amount Funded through 401(h)			
50 Amount Funded through Other _____			
51 TOTAL			
52 Amount that was tax deductible - VEBA			
53 Amount that was tax deductible - 401(h)			
54 Amount that was tax deductible - Other _____			
55 TOTAL			

Other Post Employment Benefits (OPEBS) Continued

	Item	Current Year	Last Year	% Change
1	Number of Company Employees:			
2	Covered by the Plan			
3	Not Covered by the Plan			
4	Active			
5	Retired			
6	Spouses/Dependants covered by the Plan			
7	Montana			
8	Change in Benefit Obligation			
9	Benefit obligation at beginning of year			
10	Service cost			
11	Interest Cost			
12	Plan participants' contributions			
13	Amendments			
14	Actuarial Gain			
15	Acquisition			
16	Benefits paid			
17	Benefit obligation at end of year			
18	Change in Plan Assets			
19	Fair value of plan assets at beginning of year			
20	Actual return on plan assets			
21	Acquisition			
22	Employer contribution			
23	Plan participants' contributions			
24	Benefits paid			
25	Fair value of plan assets at end of year			
26	Funded Status			
27	Unrecognized net actuarial loss			
28	Unrecognized prior service cost			
29	Prepaid (accrued) benefit cost			
30	Components of Net Periodic Benefit Cccosts			
31	Service cost			
32	Interest cost			
33	Expected return on plan assets	#VALUE!		#VALUE!
34	Amortization of prior service cost			
35	Recognized net actuarial loss			
36	Net periodic benefit cost	#VALUE!		#VALUE!
37	Accumulated Post Retirement Benefit Obligation			
38	Amount Funded through VEBA			
39	Amount Funded through 401(h)			
40	Amount Funded through other _____			
41	TOTAL			
42	Amount that was tax deductible - VEBA			
43	Amount that was tax deductible - 401(h)			
44	Amount that was tax deductible - Other			
45	TOTAL			
46	Montana Intrastate Costs:			
47	Pension Costs			
48	Pension Costs Capitalized			
49	Accumulated Pension Asset (Liability) at Year End			
50	Number of Montana Employees:			
51	Covered by the Plan			
52	Not Covered by the Plan			
53	Active			
54	Retired			
55	Spouses/Dependants covered by the Plan			

Payments for Services to Persons Other Than Employees

Year: 2002

Line No.	Name of Recipient (a)	Nature of Service (b)	Total Company Cost (c)	Total State Cost (d)	Intrastate Cost (e)
1	NISC	DATA SERVICES	310869	310869	310869
2	CLAUSEN & SONS	BUILDING CONSTRUCTION	222119	222119	222119
3					
4					
5					
6					
7					
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12					
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14					
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46					
47					
48					
49	Total				

Subscriber Line Usage Data

Year: 2002

Line No.	Description (a)	This Year (b)	% of Total (c)	Last Year (d)	% of Total (e)
1	Toll Usage:				
2	Interstate, InterLATA	25084287	58.74%	24782899	56.78%
3	Interstate, IntraLATA	11672	0.03%	12679	0.03%
4	Total Interstate Usage	25095959	58.77%	24795578	56.80%
5	Intrastate, InterLATA	6221833	14.57%	7078012	16.22%
6	Intrastate, IntraLATA	11384058	26.66%	11777384	26.98%
7	Total Intrastate Usage	17605891	41.23%	18855396	43.20%
8	Total Toll Usage	42701850	100.00%	43650974	100.00%
9	Centrex				
10	Local				
11	Total Minutes	42701850	100.00%	43650974	100.00%

Central Office and Access Line Statistics

Year: 2002

Line No.	Wire Center (a)	Type of Office (b)	Residential (c)	ISDN (d)	ADSL (e)	Lifeline Customers (f)	Residential LMS Customers (g)	Single Line Business (h)	Multi-Line Business (i)	Customer Owned Coin (j)	Company Owned Coin (k)	Other (l)	% of Lines w/ T. Tone (m)	Total Access Lines (n)
1	GLASGOW CDO	DIGITAL	1842		120	89		789	21					2772
2	WOLF POINT CDO	DIGITAL	1501		49	377		589	7					2146
3	PLENTYWOOD CDO	DIGITAL	983		46	29		322	3					1354
4	POPLAR CDO	DIGITAL	873		44	349		492	2					1411
5														
6														
7														
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29														
30														
31														
32														
33	Total		5199		259	844		2192	33					7683

NOTE: Additional blank schedules are being provided for your convenience.

Central Office and Switch Information

Year: 2002

Line No.	Wire Center (a)	Office Configuration (Host, Remote, Stand alone) (b)	Type of Switch (c)	Switch Vendor/Manufacturer (d)	Switch Model No. (e)	Switch Line Capacity (f)	Year Deployed (g)
1	GLASGOW	HOST	DIGITAL	NORTEL	DMS-10	2,890	1995
2	WOLF POINT	HOST	DIGITAL	NORTEL	DMS-10	2,041	1995
3	PLENTYWOOD	HOST	DIGITAL	NORTEL	DMS-10	1,456	1994
4	POPLAR	HOST	DIGITAL	NORTEL	DMS-10	1,312	1995
5	WOLF POINT	REMOTE	DIGITAL	NORTEL	RSC-S		1997
6							
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47							
48							

NOTE: Additional blank schedules are being provided for your convenience.

Construction Budget - Montana

Year: 2003

Line No.	Description (a)	2003 (b)
1	Central Office Assets:	
2		
3		
4		
5		
6		
7		
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9		
10		
11		
12		
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23		
24		
25		
26		
27	Total Switching and Central Office Projects over \$500,000	
28	Miscellaneous Central Office Projects not over \$500,000	250000
29	Total Central Office Budget (Total of Line 27 & Line 28)	250000
30	Other Projects over \$500,000:	
31		
32		
33		
34		
35		
36		
37		
38		
39		
40		
41	Total Other Projects over \$500,000	
42	Miscellaneous projects not over \$500,000	250000
43	Total Construction Budget (Total of Lines 29, 41 & 42)	500000

Montana Employee Counts

Year: 2002

Line No.	Category (a)	Beginning of Year (b)	End of Year (c)
1	N/A		
2			
3			
4			
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42			
43	Totals (Sum of Lines 1 through 42)		

Compensation of Top 10 Montana Based Employees

Year: 2002

Line No.	Name/Title (a)	Base Salary (b)	Bonuses (c)	Other Compensation (d)	Total Compensation (e)	Total Compensation Last Year (f)	% Increase Total Compensation (g)
1	Valley Telecommunications, Inc. has no employees. Employee services are provided through service agreements with Nemont Telephone Cooperative, Inc.						
2							
3							
4							
5							
6							
7							
8							
9							
10							
11	Totals (Sum L.1 to L.10)						

Compensation of Top 5 Corporate Employees - SEC Information

Line No.	Name/Title (a)	Base Salary (b)	Bonuses (c)	Other Compensation (d)	Total Compensation (e)	Total Compensation Last Year (f)	% Increase Total Compensation (g)
1	NOT APPLICABLE						
2							
3							
4							
5							
6	Totals (Sum L.1 to L.5)						

Montana Composite Statistics

Year: 2002

Line No.	Account No.	Description (a)	Amount (b)
1		Plant (Intrastate Only) (000 Omitted)	
2	2001	Plant in Service	17430777
3	2003 - 2004	Construction Work in Progress	51368
4	2005	Plant Acquisition Adjustments	5233454
5	2002	Plant Held for Future Use	
6	1220	Materials & Supplies	
7		(Less):	
8	3100 - 3400	Depreciation & Amortization Reserves	-7955590
9	4360.2	Contributions in Aid of Construction	
10		NET BOOK COSTS	14760009
11		Revenues & Expenses (Intrastate Only) (000 Omitted)	
12	5000 - 5300	Operating Revenues	8693037
13	6560	Depreciation & Amortization Expenses	1441080
14		Federal & State Income Taxes	403309
15		Other Taxes	558780
16		Other Operating Expenses	4317327
17		TOTAL Operating Expenses	6720496
18		Net Operating Income	1972541
19		Other Income	57626
20		Other Deductions	729063
21		NET INCOME	1301104
22		Access Lines in Service (Intrastate Only)	
23		Residential Access Lines	5199
24		Business Access Lines	2484
25		PBX Access Lines	
26		Other Access Lines	
27		Total Number of Access Lines	7683
28		Average Number of Calls Per Access Line	
29		Local Calls	
30		Toll Calls (Intra- or Interstate)	
31		Total Number of Calls Per Access Line (Total of Line 29 & Line 30)	
32		Other Statistics (Intrastate Only)	
33		Average Residential Monthly Bill	
34		Gross Plant Investment per Access Line	1921

Depreciation - Montana Intrastate Regulated

Year: 2002

Line No.	Acct No. (a)	Description (b)	Composite Rate % (c)	Total Expense \$ (d)
1	2112	Motor Vehicles	25.0%	74,976
2	2114	Special Purpose Vehicles		
3	2115	Garage Work Equipment	20.0%	375
4	2116	Other work Equipment	8.0%	9,265
5	2121	Buildings	3.1%	59,681
6	2122	Furniture		
7	2123.1	Office Support Equipment		
8	2123.2	Company Communications Equipment	7.5%	7,845
9	2124	General Purpose Computers		
10	2211	Analog Electronic Switching Equipment		
11	2212	Digital Electronic Switching Equipment	8.2%	342,084
12	2215	Step By Step Switching Equipment		
13	2215	Crossbar Switching Equipment		
14	2220	Operator System		
15	2231	Radio Systems		
16	2232	Circuit DDS	8.2%	139,094
17	2232	Circuit Digital		
18	2232	Circuit Analog		
19	2351	Public Telephone Terminating Equipment		
20	2362	Other Terminal Equipment		
21	2411	Poles	9.2%	18,367
22	2421	Aerial Cable Metallic	9.2%	103,715
23	2421	Aerial Cable Nonmetallic	9.2%	1,892
24	2422	Underground Cable Metallic	9.2%	96,446
25	2422	Underground Cable Nonmetallic	9.2%	5,400
26	2423	Buried Cable Metallic	4.0%	129,559
27	2423	Buried Cable Nonmetallic	4.0%	1,046
28	2424	Submarine Cable Metallic		
29	2424	Submarine Cable Nonmetallic		
30	2426	Intrabuilding Network Cable Metallic	3.3%	2,682
31	2426	Intrabuilding Network Cable Nonmetallic	3.3%	19
32	2431	Aerial Wire	10.3%	359
33	2441	Conduit Systems	4.0%	99,391
34				
35		COMPOSITE TOTAL		
36				
37	Have these rates been approved by the Commission? _____ YES <u> X </u> NO			
38				
39	If yes: _____ Docket Number _____ Order Number			
40				

Montana Regulatory Capital Structure & Costs

Year: 2002

Line No.	Description (a)	% Cap. Str. (b)	% Cost Rate (c)	Weighted Cost (d)
	Commission Accepted - Most Recent			
1	Docket Number _____			
2	Order Number _____			
3				
4	Common Equity			
5	Preferred Stock			
6	Long Term Debt			
7	Other			
8	Total			
9				
10	Actual at Year End			
11				
12	Common Equity	54.50%		
13	Preferred Stock			
14	Long Term Debt	32.35%		
15	Other	13.15%		
16	Total	100.00%		

Network Access - Charges and Revenues

Year: 2002

Line No.	Description (a)	Access Charges Paid (b)	Access Revenues Received (c)
1	Montana - Total State		1729100
2			
3	Montana - Intrastate		1729100
4			
5	Montana - Intrastate Regulated		1729100
6			
7			
8			
9			
10			
11			
12			
13			

Affiliate Transactions - Products & Services Provided to Utility Year: 2002

Line No.	Affiliate Name (a)	Products & Services (b)	Method to Determine Price (c)	Charges to Utility (d)	% Total Affil. Revenues (e)	Charges to MT Utility (f)
1	NEMONT TELEPHONE COOP	TANDEM SWITCHING	LEASE AGREEMENT	60,312		
2		TOOLS & EQUIPMENT	LEASE AGREEMENT	17,724		
3		FURNITURE & OFFICE EQUIP	LEASE AGREEMENT	19,452		
4		VEHICLES	LEASE AGREEMENT	40,416		
5						
6	NEMONT COMMUNICATIONS	BUILDING RENT	LEASE AGREEMENT	264,072		
7		COMPUTER LEASE	LEASE AGREEMENT	26,724		
8		FIBER LEASE	LEASE AGREEMENT	778,608		
9						
10						
11						
12						
13						
14						
15						
16						
17						
18						
19						
20						
21						
22						
23						
24						
25						
26						
27						
28						
29						
30	TOTAL			\$1,207,308		

Affiliate Transactions - Products & Services Provided by Utility Year: 2002

Line No.	Affiliate Name (a)	Products & Services (b)	Method to Determine Price (c)	Charges to Affiliate (d)	% Total Affil. Revenues (e)	Charges to MT Utility (f)
1	NEMONT TELEPHONE COOP	SWITCHING CHARGES	LEASE AGREEMENT	384,528		
2		VEHICLES	LEASE AGREEMENT	9,888		
3						
4	NEMONT COMMUNICATIONS	OFFICE RENTAL	LEASE AGREEMENT	11,400		
5		VEHICLES	LEASE AGREEMENT	2,424		
6		CDO & BAY RENTAL	LEASE AGREEMENT	6,036		
7						
8	SAGEBRUSH CELLULAR	VEHICLES	LEASE AGREEMENT	1,212		
9		OFFICE RENTAL	LEASE AGREEMENT	8,100		
10		BAY & ANTENNA RENTAL	LEASE AGREEMENT	6,972		
11						
12						
13						
14						
15						
16						
17						
18						
19						
20						
21						
22						
23						
24						
25						
26						
27						
28						
29						
30	TOTAL			\$430,560		

Montana Intrastate Regulated Earned Rate of Return

Year: 2002

Line No.	Description Rate Base (a)	This Year (b)	Last Year (c)	Percent Change (d)
1				
2	2001 Plant in Service	17,430,777	16,467,252	5.85%
3	2002 Prop. Held for Future Telecommunications Use			
4	3100-3200 (Less) Accumulated Depreciation	(4,989,966)	(4,157,732)	-20.02%
5	Plant in Service	12,440,811	12,309,520	1.07%
6				
7	Additions			
8	1220 Materials & Supplies			
9	1280 Prepayments	10,704	21,235	-49.59%
10	Other Additions			
11	TOTAL Additions	10,704	21,235	-49.59%
12				
13	Deductions			
14	4100 Current Deferred Operating Income Taxes			
15	4320 Unamortized Operating Investment Tax Credits			
16	4340 Noncurrent Deferred Operating Income Taxes	1,416,524	1,309,400	8.18%
17	Customer Advances for Construction			
18	Other Deductions			
19	TOTAL Deductions	1,416,524	1,309,400	8.18%
20	TOTAL Rate Base	11,034,991	11,021,355	0.12%
21				
22	Net Earnings	1,301,104	1,616,927	-19.53%
23				
24	Rate of Return on Average Rate Base	11.790%	14.671%	-19.64%
25				
26	Rate of Return on Average Equity	10.720%	14.920%	-28.15%
27				
28	Major Normalizing Adjustments & Commission			
29	Ratemaking adjustments to Utility Operations			
30				
31				
32				
33				
34				
35				
36				
37				
38				
39				
40				
41				
42				
43	Adjusted Rate of Return on Average Rate Base			
44				
45	Adjusted Rate of Return on Average Equity			

Other Taxes Paid

Year: 2002

Line No.	Description (a)	Last Year (b)	This Year (c)
1	Montana Telephone Company License Tax		
2	Montana Public Service Commission Tax	10412	9454
3	Montana Consumer Counsel Tax	3331	3426
4	911 Emergency Telephone Fee	42561	43033
5	Montana Telecommunications Access Service (TDD)	8524	8605
6	Montana Corporate License Tax		
7	Personal Property Tax	602136	525198
8	Real Property Tax		
9			
10			
11			
12	Total	666964	589716

Company Name: Valley Telecommunications, Inc.

Universal Service Funds Received

Year: 2002

Line No.	Description (a)	Last Year (b)	This Year (c)
13	Funds received from Montana Sources	51456	19358
14	Funds received from Federal Sources	990551	1046865
15			
16			
17			
18			
19			
20			
21			
22			
23			
24	Total	1042007	1066223