



4004

ANNUAL REPORT

OF

Name: HILLSBORO TELEPHONE CO, INC.

Principal Office: 121 MILL ST
P.O. BOX 427
HILLSBORO, WI 54634-0427

For the Year Ended: DECEMBER 31, 2002

TELECOMMUNICATIONS UTILITY TO PUBLIC SERVICE COMMISSION OF WISCONSIN

P.O. Box 7854
Madison, WI 53707-7854
(608) 267-9504

This form is required under Wis. Stat. § 196.07. Failure to file the form by the statutory filing date can result in the imposition of a penalty under Wis. Stat. § 196.66. The penalty which can be imposed by this section of the statutes is a forfeiture of not less than \$25 nor more than \$5,000 for each violation. Each day subsequent to the filing date constitutes a separate and distinct violation. The filed form is available to the public and personally identifiable information may be used for purposes other than those related to public utility regulation.

GENERAL RULES FOR REPORTING

1. The annual report due date is April 1 of the following year. (Example: The 2001 report is due April 1, 2002.) If that date falls on a weekend or holiday, the annual report is due the following business day.
2. **Electronic filing via e-mail is required.** Go to the Public Service Commission of Wisconsin's web page at <http://psc.wi.gov>, click on Telecommunications and click on Annual Report for Incumbent Local Exchange Carriers (LECs).
3. LEC entities with no revenues for the report year are required to file a LEC annual report.
4. Unless otherwise indicated, the information requested in this report should be taken from the accounts and other records of the utility in conformity with the Uniform System of Accounts prescribed by the Public Service Commission in docket 05-US-102. The definitions and instructions contained therein should also apply to the report wherever applicable. A query or response concerning information contained in this report regarding any practice or transaction should not be construed as indicating conformity to accounting or other pertinent regulations.
5. Please follow all instructions and answer each question fully and accurately. Provide additional information as necessary to avoid misunderstandings or misleading responses. Abbreviations listed on page 6 may be used. However, please show the exact name of the respondent in full on the Identification and Ownership page.
6. Wherever information is requested in a "note," please show that information in the space provided, or make reference to the adjacent page or insert where the note may be found. Please also identify each note. Footnote capability is included in the annual report software program. Please use it where necessary to fully explain particulars in the annual report.
7. Numeric items are limited to digits (0-9). A minus sign "-" should be entered in the software program to indicate negative values. The program will convert the minus sign to parentheses if a hard copy of the annual report is printed. Negative values may not be allowed for certain entries in the annual report due to restrictions contained in the software program.
8. Please report all dollar amounts to the nearest whole dollar.
9. This annual report should be complete in all respects. Unless otherwise authorized, avoid references to returns of former years or to other reports.
10. Wherever schedules call for data from the previous year and such data were reported in the previous annual report, the previous year's data should be reported without modification. If modified, an appropriate footnote indicator and explanation should be included in the current year's annual report.
11. Where part or all of the report is prepared by other than utility personnel, a disclosure is required in the "Individual or firm, if other than utility employee, preparing this report" portion of the Identification and Ownership schedule, which describes the nature and extent of work performed.
12. The LEC annual report program incorporates provisional confidentiality capability for selected items, based on the Commission's confidentiality determination dated February 5, 2002.
13. It is not necessary to sign the signature page.
14. **Edit Check, Confidential Listing, Exported Annual Report, and Export Status Files;
Filing the Completed Report:**

GENERAL RULES FOR REPORTING

Program edit checks, which are located under the Admin dropdown menu, should be run at the completion of data entry. Each edit problem lists pertinent schedule(s) as well as the nature of the problem (such as "does not equal"). Edit items should be reviewed and corrected; unresolved problems should be footnoted in the report, if necessary. This screen automatically saves the edit checks to an .edt file that may be viewed and edited (for purposes of adding necessary notations) using a word processing package such as WordPad.

The confidential listing, which is located under the Admin dropdown menu, should also be run at the completion of data entry. This will create a .clf file.

Select the annual report to export from the Main-Report Selection window. Click Admin, Export Data to PSC to start the export process. This will create an .mdb file, which will subsequently be encrypted to a file with an .sen extension. An export status file is also created (with a .txt extension). The export status report file may also be viewed in a word processing package such as WordPad. If you encounter any export errors, please contact the Commission for assistance.

The .edt, .clf, .sen, and .txt files will be zipped to a file with a .zip extension. An e-mail message will be created, addressed to pscrcs@psc.state.wi.us. The .zip file is automatically attached to the e-mail message. After the e-mail is created, it will automatically be sent to the Commission.

Once received and processed by the Commission, you will receive a response indicating that your annual report has been received and is being processed. You will be notified if there are any problems with the annual report filing.

15. Name Changes:

If a name change is identified in the report, documents from the State of Wisconsin Department of Financial Institutions (DFI) also must be submitted to the Commission:

A domestic corporation should send a copy of the stamped page from its Articles of Amendment as filed with DFI. A foreign corporation should send a copy of their Amended Certificate of Authority as issued by DFI.

These documents can be obtained by:

1. Calling DFI at (608) 261-7577;
2. Contacting DFI on the web at www.wdfi.org; or
3. By writing to DFI at P.O. Box 7846, Madison, WI 53707-7846.

While the electronic annual report filing may detail the name change (i.e., date of the change and the affected entities with their respective four-digit Commission utility identification numbers), a name change is not effective in the Commission's records until a separate notification letter is sent to the Commission including documentation to confirm registration of that change with the State of Wisconsin Department of Financial Institutions.

16. Changes to the Annual Report Subsequent to Filing:

If making revisions to the report subsequent to filing with the Commission, resubmit the report via e-mail following the procedures set forth above in item number 14. New edit check, confidential listing, exported annual report, and export status files should be created as a result of the revisions.

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ANNUAL TELECOMMUNICATIONS REPORT GLOSSARY OF TERMS

Access Line	Central office line equipment, or equivalent, and all outside plant facilities, or equivalent, required to connect the serving central office with the customer premises via physical connection, frequency transmission, and/or time slot transmission. From an engineering perspective, a channel connection is at a DS0 level. A DS0 level is a 4 KHz voice channel or a 64 kilobits per second digital channel.
Analog Signal	A signal that varies in a continuous manner such as voice or music. An analog signal must be contrasted with a digital signal which can assume only discrete values.
Cellular System	A high capacity land mobile radio system in which an assigned frequency spectrum is divided into discrete channels that are assigned to a cellular geographic serving area.
Central Office	A switching unit in a telephone system providing service to the general public, having the necessary equipment and operating arrangements for terminating and interconnecting lines and trunks.
Centrex	A service for customers with many stations that permits station-to-station dialing, one listed directory number for the customer, direct inward dialing to a particular station and station identification on outgoing calls. The switching functions are performed in a central office (stand alone, host or remote).
Channel	An electrical communications path between two or more points. A single pair of wires may provide more than one channel. A channel may also be provided by microwave.
Customer	A person who uses a telephone as a subscriber.
Digital Signal	A signal that has a limited number of discrete states. This may be contrasted with an analog signal that varies in a continuous manner and may have an infinite number of states.
Equal Access	The ability of the subscriber to use any long distance service by dialing the same number of digits.
Exchange	A defined area served by one or more central offices regardless of technical serving arrangements within which the company furnishes service at rates and rules prescribed for that area in the company's filed tariffs. The area is not necessarily marked by political boundaries or the location of host or remote switching units.
Extended Area Service (EAS)	The ability of a customer to call customers in other exchanges at no additional charge or at an additional charge per tariff.
Extended Community Calling (ECC)	The ability of a customer to call customers in other exchanges at rates usually above EAS rates but below toll rates for comparable distances. Rates generally include a duration element.
Feature Group A	Line-side originating and terminating LATA access for which an originating subscriber dials an assigned telephone number that connects to a specific interexchange carrier (IC). The IC returns a tone to signal the caller to input additional generated digits of the called number.

ANNUAL TELECOMMUNICATIONS REPORT GLOSSARY OF TERMS

Feature Group B	Trunk-side originating and terminating LATA access for which an originating subscriber dials a 950-WXXX number (where W=0, 1 and XXX is the carrier access code (CAC)), which is translated to a specific XXX carrier trunk group. Optional rotary dial service and ANI may be available.
Feature Group C	Trunk-side LATA access for AT&T-Communications generally on a direct basis between each end office (EO) and an AT&T-C switching system.
Feature Group D	Also referred to as equal access. It is trunk-side LATA access affording call supervision of an interexchange carrier, a uniform access code (10XXXXX), optional calling party identification, recording of access-charge billing details and presubscription to a customer specified interexchange carrier.
FX-IN	A nonswitched service where the customer of the company is connected to and receives switching service through central office equipment located in another exchange area.
FX-OUT	A switched service where facilities are provided from the central office out to the exchange boundary where it meets the line from a foreign exchange subscriber.
Host Switching System	A switching system that provides centralized control over most of the switching functions of one or more remote switching units. The host switching system usually provides trunk access to the operating company intraLATA networks.
Local Access Transport Area (LATA)	A geographic area within which an operating company may offer its telecommunications services.
Mobile Telephone	A service which provides radio telephone communication from a mobile vehicle to another vehicle or to a regular telephone.
Paging	A service which provides one-way signal or voice communication over a radio channel to a miniature receiver carried by the customer.
Pair	Two wires of a single circuit.
Pay Station	A telephone which normally requires all users to deposit one or more coins or use a credit card to complete a call.
Private Line Service	Channel or circuit rented for private use and not intended to be connected to the general distribution system.
Private Branch Exchange (PBX)	A manually, or operator controlled switching system, usually on the customer's premises, which serves that customer's telephones over a common group of lines from the central office.
Radio Common Carrier (RCC)	A company which furnishes public telecommunications service using one or more radio channels.
Remote Switching Unit (RSU)	An electronic switching system that is remote from its host or control office. All of the central control equipment for the RSU is located in the host switching system.

ANNUAL TELECOMMUNICATIONS REPORT GLOSSARY OF TERMS

Route Miles	Total number of route miles (to the nearest mile) of operating plant facilities including drop wire in the exchange. One route mile may consist of: <ol style="list-style-type: none">1. One mile of roadway with any combination of outside plant facilities on any number of rights-of-way.2. One mile of a cross country route with any combination of outside plant facilities.3. One mile of point-to-point microwave or radio link.4. One mile of plant on either side of a limited access highway or natural barrier, such as a navigable waterway.5. One mile of joint use line where the utility either owns the facility or leases space.
Stand Alone Switch	A central office switch which has no remote switching units (RSUs) subtending it.
Trunk	A communications path connecting two switching systems in the establishment of an end-to-end connection.
Wide Area Telephone Service (WATS)	Customer leased access line or lines connected to the nationwide network over which an unlimited number of calls can be made for a fixed monthly charge.
Wire Center	The location of one or more local switching systems. A point at which customers' loops converge.

ABBREVIATIONS USED IN ANNUAL REPORTS

Acct	.....	Account
Accum	.....	Accumulated
Acq	.....	Acquisition
Admin	.....	Administrative
Alloc	.....	Allocation
Amort	.....	Amortization
CO	.....	Central Office
Depr	.....	Depreciation
Equip	.....	Equipment
Exp	.....	Expenses
EOY	.....	End of Year
FOY	.....	First of Year
Info	.....	Information
ITC	.....	Investment Tax Credit
Misc	.....	Miscellaneous
Nonoper	.....	Nonoperating
Nonreg	.....	Nonregulated
Oper	.....	Operating
Opns	.....	Operations
Orig	.....	Originating
Prop	.....	Property
Receiv	.....	Receivable
Reg	.....	Regulated
Rev	.....	Revenues
Svcs	.....	Services
Telecom	.....	Telecommunications
Term	.....	Terminating
TPIS	.....	Telecommunications Plant in Service
TPUC	.....	Telecommunications Plant Under Construction
Uncoll	.....	Uncollectible

IDENTIFICATION AND OWNERSHIP

Exact Utility Name: HILLSBORO TELEPHONE CO, INC.
Utility Location: 121 MILL ST
P.O. BOX 427
HILLSBORO, WI 54634-0427

Utility Web Site Address: www.hillsborotel.com

When was utility organized?: 06/30/1956

Report any change in name and the effective date:

Telephone numbers for potential customers to contact company:

Business Customers: (608) 489 - 3230 Ext:

Residential Customers: (608) 489 - 3230 Ext:

Officer in charge of correspondence concerning this report

Name: MR CHARLES HAMMER
Title: VICE PRESIDENT - MANAGER

Office Address: 121 MILL STREET
P.O. BOX 427
HILLSBORO , WI 54634

Fax Number: (608) 489 - 1111
Telephone Number: (608) 489 - 4413
Email Address: cehammer@hillsborotel.com

Individual or firm, if other than utility employee, preparing this report

Name: MR DENNIS E . HILDEBRANDT J
Title: CERTIFIED PUBLIC ACCOUNTANT
Firm: SIEPERT & CO. LLP
Office Address: 1920 WEST HART ROAD
BELOIT , WI 53511

Fax Number: (608) 364 - 8727
Telephone Number: (608) 365 - 2266
Email Address: dhildebrandt@siepert.com

Person responsible for financial information contained in report

Name: MRS CARLA SHAKER
Title: TREASURER
Office Address: 121 MILL STREET
P.O. BOX 427
HILLSBORO , WI 54634
Fax Number: (608) 489 - 1111
Telephone Number: (608) 489 - 4417
Email Address: cjshaker@hillsborotel.com

IDENTIFICATION AND OWNERSHIP

Person responsible for statistical information contained in report

Name: MR CHARLES HAMMER
Title: VICE PRESIDENT - MANAGER

Office Address: 121 MILL STREET
P.O. BOX 427
HILLSBORO , WI 54634

Fax Number: (608) 489 - 1111
Telephone Number: (608) 489 - 4413
Email Address: cehammer@hillsborotel.com

List names, addresses, and number of shares held by persons owning 5 percent or more of outstanding voting securities. If any stock is held by a nominee, give known particulars as to the beneficial owner (See Wis. Stat. § 196.795(1)(c), for definition of beneficial owner).

Name: CARLA SHAKER
Address: 121 MILL STREET
HILLSBORO , WI 54634

Number of Shares Held: 57
Beneficial Owner: NONE

Name: EDWARD & LILLIAN HAMMER
Address: 121 MILL STREET
HILLSBORO , WI 54634

Number of Shares Held: 417
Beneficial Owner: NONE

Name: EUGENE ROCKWEILER
Address: 850 HILLSBOROUGH AVENUE
HILLSBORO , WI 54634

Number of Shares Held: 52
Beneficial Owner: NONE

Name: UNIVERSAL TELEPHONE CO.
Address: 2615 EAST AVENUE SOUTH
LA CROSSE , WI 54602

Number of Shares Held: 250
Beneficial Owner: NONE

List companies owned, controlled, or operated and form and extent of such ownership, control or operation.

Company Name: VERNEAU NETWORKS, INC.
Form of Interest: EQUITY
Extent Of Interest: 100 % OWNERSHIP

OFFICERS AND DIRECTORS

Name, Title/Occupation and Business Address

Name: CARLA SHAKER Title/Occupation: SECRETARY AND TREASURER Business Address (1): 121 MILL STREET Business Address (2): Business Address (3): City State, Zip: HILLSBORO, WI 54634	1
<hr/>	
Name: CHARLES HAMMER Title/Occupation: VICE PRESIDENT AND GENERAL MANAGER Business Address (1): 121 MILL STREET Business Address (2): Business Address (3): City State, Zip: HILLSBORO, WI 54634	2
<hr/>	
Name: DONALD HAMMER Title/Occupation: DIRECTOR Business Address (1): 121 MILL STREET Business Address (2): Business Address (3): City State, Zip: HILLSBORO, WI 54634	3
<hr/>	
Name: EDWARD HAMMER Title/Occupation: PRESIDENT Business Address (1): 121 MILL STREET Business Address (2): Business Address (3): City State, Zip: HILLSBORO, WI 54634	4
<hr/>	
Name: LILLIAN HAMMER Title/Occupation: DIRECTOR Business Address (1): 121 MILL STREET Business Address (2): Business Address (3): City State, Zip: HILLSBORO, WI 54634	5

INCOME STATEMENT - TOTAL COMPANY

Particulars (a)	This Year (b)	Last Year (c)	
Operating Revenues (5000-5300)	1,491,928	1,451,288	1
Operating Expenses			
Plant Specific Operations Expense (6110-6410)	216,942	282,254	2
Plant Nonspecific Operations Expense	576,111	504,504	3
Customer Operations Expense (6610-6620)	181,071	159,687	4
Corporate Operations Expense (6710-6790)	222,750	214,686	5
Other Operating Income and Expense (7100)	0	0	6
Operating Taxes (7200)	117,273	116,637	7
Total Operating Expenses	1,314,147	1,277,768	8
Net Operating Income	177,781	173,520	9
Other Income			
Nonoperating Income and Expense (7300)	666,445	1,224,577	10
Nonoperating Taxes (7400)	272,593	497,515	11
Interest and Related Items (7500)	134,313	120,391	12
Extraordinary Items (7600)	0	0	13
Nonregulated Net Income (7990)	10,105	17,603	14
Total Nonoperating Income	269,644	624,274	15
Net Income	447,425	797,794	16

NOTES TO INCOME STATEMENT OR BALANCE SHEET

In the space provided below, disclose all material information not included elsewhere in this report that is necessary to make the financial statements clear and understandable. Included should be:

1. A summary of significant accounting policies. (The summaries should disclose, but not be limited to, the utility's accounting policies with regard to pension cost, unbilled revenues, depreciation, and income taxes.)

1. SIGNIFICANT ACCOUNTING POLICIES:

A. TELEPHONE PLANT IS RECORDED AT ORIGINAL COST. DEPRECIATION IS COMPUTED ON THE STRAIGHT-LINE BASIS BY APPLYING A RATE TO GROUP ACCOUNT ASSETS.

B. THE COMPANY HAS ELECTED TO DEFER INCOME TAX SAVINGS EARNED BY INVESTMENT TAX CREDIT AND IS AMORTIZING THOSE OVER THE SERVICE LIFE ON WHICH THE ITC WAS GENERATED.

C. FOR INCOME TAX PURPOSES, THE COMPANY UTILIZES ACCELERATED METHODS FOR DEPRECIATION. THE INCOME TAX SAVINGS ON THESE TIMING DIFFERENCES HAS BEEN NORMALIZED THROUGH INCOME TAX EXPENSE.

D. THE COMPANY HAS A DEFINED CONTRIBUTION PENSION PLAN WHICH IS ADMINISTERED BY A TRUSTEE AND COVERS ALL ELIGIBLE EMPLOYEES. PENSION PLAN EXPENSE FOR 2002 AMOUNTED TO \$42,312.

2. A summary of significant contingent assets and liabilities existing at year end, including a brief explanation of any action initiated by the Internal Revenue Service, Wisconsin Department of Revenue, or the utility involving a possible assessment or refund of taxes.

3. A summary of significant contingent assets and liabilities existing at year end, including a brief explanation of any action initiated by the Internal Revenue Service, Wisconsin Department of Revenue, or the utility involving a possible assessment or refund of taxes.

3. RETAINED EARNINGS RESTRICTIONS:

UNDER THE MOST RESTRICTIVE PROVISIONS OF THE COMPANY'S RURAL UTILITIES SERVICE (RUS) LOAN AGREEMENT, APPROXIMATELY \$2,015,000 OF THE RETAINED EARNINGS IS AVAILABLE FOR DIVIDENDS.

BALANCE SHEET - ASSETS (CLASS B USE ACCOUNTS DESIGNATED BY *)

Particulars (a)	Balance--EOY (b)	Balance--FOY (c)	
CURRENT ASSETS			
CASH AND EQUIVALENTS			
Cash and Equivalents (1120)*	668,387	1,039,251	1
Cash (1130)			2
Special Cash Deposits (1140)			3
Working Cash Advances (1150)			4
Temporary Investments (1160)			5
TOTAL CASH AND EQUIVALENTS	668,387	1,039,251	
RECEIVABLES AND ALLOWANCES FOR DOUBTFUL ACCOUNTS			
Telecommunications Accounts Receivable (1180)*	15,475	10,341	6
Accounts Receivable Allowance-Telecom (1181)*			7
Net: Telecommunications Accounts Receivable	15,475	10,341	
Other Accounts Receivable (1190)*	308,885	106,150	8
Accounts Receivable Allowance--Other (1191)*			9
Net: Other Accounts Receivable	308,885	106,150	
Notes Receivable (1200)*			10
Notes Receivable Allowance (1201)*			11
Net: Notes Receivable	0	0	
Interest and Dividends Receivable (1210)*	3,916	7,561	12
TOTAL REC AND ALLOW FOR DOUBTFUL ACCOUNTS	328,276	124,052	
SUPPLIES			
Inventories (1220)*	45,774	47,408	13
TOTAL SUPPLIES	45,774	47,408	
PREPAYMENTS			
Total Prepayments (1280)*	149,522	12,429	14
Prepaid Rents (1290)			15
Prepaid Taxes (1300)			16
Prepaid Insurance (1310)			17
Prepaid Directory Expenses (1320)			18
Other Prepayments (1330)			19
TOTAL PREPAYMENTS	149,522	12,429	
OTHER CURRENT ASSETS			
Other Current Assets (1350)*			20
TOTAL OTHER CURRENT ASSETS	0	0	
TOTAL CURRENT ASSETS	1,191,959	1,223,140	
NONCURRENT ASSETS			
INVESTMENTS			
Investment in Affiliated Companies (1401)*	479,139	469,433	21
RTB Class B Stock (1402)*	4,900		22
Other Investments in Nonaffiliated Companies (1402)*			23
Nonregulated Investments (1406)*	27,041	32,639	24
Unamortized Debt Issuance Expense (1407)*	12,428	13,202	25

BALANCE SHEET - ASSETS (CLASS B USE ACCOUNTS DESIGNATED BY *)

Particulars (a)	Balance--EOY (b)	Balance--FOY (c)	
NONCURRENT ASSETS			
INVESTMENTS			
Sinking Funds (1408)*			26
Other Noncurrent Assets (1410)*	607,195	607,195	27
TOTAL INVESTMENTS	1,130,703	1,122,469	
DEFERRED CHARGES			
Deferred Tax Regulatory Asset (1437)*	0	0	28
Deferred Maintenance and Retirements (1438)*			29
Deferred Charges (1439)*			30
TOTAL DEFERRED CHARGES	0	0	
TOTAL NONCURRENT ASSETS	1,130,703	1,122,469	
PLANT			
TELECOMMUNICATIONS PLANT IN SERVICE			
Telecommunications Plant in Service (2001)*	8,040,513	7,111,299	31
Less: Accumulated Depreciation (3100)*	4,212,813	3,886,888	32
Less: Accumulated Amortization--Capitalized Leases (3410)*			33
Less: Accumulated Amortization--Leasehold Improvements (3420)*			34
Less: Accumulated Amortization--Intangible (3500)*			35
NET TELECOMMUNICATIONS PLANT IN SERVICE	3,827,700	3,224,411	
PROPERTY HELD FOR FUTURE USE			
Prop. Held for Future Telecommun. Use (2002)*	3,601	71,350	36
Less: Accumulated Depreciation--Held for Future Telecommunications Use (3200)*			37
NET PROPERTY HELD FOR FUTURE USE	3,601	71,350	
NONOPERATING PLANT			
Nonoperating Plant (2006)*			38
Less: Accumulated Depreciation--Nonoperating (3300)*			39
NET NONOPERATING PLANT	0	0	
TPUC			
TPUC (2003)*		157,974	40
TOTAL TPUC	0	157,974	
TELECOMMUNICATIONS PLANT ADJUSTMENT			
Telecommunications Plant Adjustment (2005)*			41
Less: Accumulated Amortization--Other (3600)*			42
NET TELECOMMUNICATIONS PLANT ADJUSTMENT	0	0	
TOTAL PLANT	3,831,301	3,453,735	
TOTAL ASSETS AND OTHER DEBITS	6,153,963	5,799,344	

BALANCE SHEET - LIABILITIES (CLASS B USE ACCOUNTS DESIGNATED BY *)

Particulars (a)	Balance--EOY (b)	Balance--FOY (c)	
CURRENT LIABILITIES			
Accounts Payable (4010)*	38,420	220,551	1
Notes Payable (4020)*			2
Advance Billing and Payments (4030)*	22,970	23,240	3
Customer Deposits (4040)*	350	150	4
Current Maturities--Long-Term Debt (4050)*	147,300	140,500	5
Current Maturities--Capital Leases (4060)*			6
Income Taxes--Accrued (4070)*		26,149	7
Other Taxes--Accrued (4080)*			8
Net Current Deferred Operating Income Taxes (4100)*	0	0	9
Net Current Deferred Nonoperating Income Taxes (4110)*			10
Other Accrued Liabilities (4120)*	5,257	5,825	11
Other Current Liabilities (4130)*			12
TOTAL CURRENT LIABILITIES	214,297	416,415	
LONG-TERM DEBT			
Funded Debt (4210)*	2,443,103	2,191,822	13
Premium on Long-Term Debt (4220)*			14
Discount on Long-Term Debt (4230)*			15
Reacquired Debt (4240)*			16
Obligations Under Capital Leases (4250)*			17
Advances from Affiliated Companies (4260)*	0	0	18
Other Long-Term Debt (4270)*			19
TOTAL LONG-TERM DEBT	2,443,103	2,191,822	
OTHER LIABILITIES AND DEFERRED CREDITS			
Other Long-Term Liabilities (4310)*	35,512	57,941	20
Unamortized Operating ITC--Net (4320)*	1,449	3,462	21
Unamortized Nonoperating ITC--Net (4330)*			22
Net Noncurrent Deferred Operating Income Taxes (4340)*	56,394	(21,308)	23
Net Deferred Tax Liability Adjustments (4341)*	0	0	24
Net Noncurrent Deferred Nonoperating Income Taxes (4350)*	(539,739)	(350,726)	25
Other Deferred Credits (4360)*			26
Deferred Tax Regulatory Liability (4361)*	11,431	11,431	27
TOTAL OTHER LIABILITIES AND DEFERRED CREDITS	(434,953)	(299,200)	
STOCKHOLDERS' EQUITY			
Capital Stock (4510)*	108,900	108,900	28
Additional Paid-in Capital (4520)*			29
Treasury Stock (4530)*	5,300	5,300	30
Other Capital (4540)*			31
Retained Earnings (4550)*	3,827,916	3,386,707	32
TOTAL STOCKHOLDERS' EQUITY	3,931,516	3,490,307	
TOTAL LIABILITIES AND OTHER CREDITS	6,153,963	5,799,344	

IMPORTANT CHANGES DURING THE YEAR

1. Estimated increase or decrease in annual revenues due to important rate changes, giving bases of estimates.

NONE

2. Additional matters of fact (not elsewhere provided for) which respondent may desire to include in its report.

NONE

AFFILIATE ABBREVIATIONS

In column (b) provide the abbreviation for the name of the affiliate shown in column (a). Limit abbreviations to 10 characters or less. Use these abbreviations when completing the affiliated interest schedules. Insert "Other" in the Abbreviations column if the activity to be reported for a particular record in the Affiliated Interest Transactions or Affiliated Assets and Liabilities schedule represents an aggregation of activity not exceeding the dollar or percentage limits set forth in the header of that schedule.

Name of Affiliate (a)	Abbreviations (b)	
COMPUTER SYSTEMS, LLC	CS	1
VERNEAU NETWORKS, INC.	VNI	2

AFFILIATED INTEREST TRANSACTIONS

Provide a summary of transactions under established affiliated interest contracts and arrangements (see Wis. Stat. § 196.52, for "affiliated interest" definitions). Use the space below to report transactions with individual affiliates and multiple affiliated interest agreements or, at the utility's option, with individual affiliates and a single agreement. Activity associated with affiliated contracts or arrangements not in excess of \$25,000 or 5 percent of the equity of the utility, whichever is smaller, may be aggregated in a single record. For utilities whose intrastate gross operating revenues of the previous year exceeded \$100,000,000, individual contracts or arrangements not exceeding \$100,000 may be aggregated in a single record. Where an affiliate is both providing and receiving service use one record to show billings to and a second record for billings from. When billings to or from an affiliate are recorded on the books of the utility, the records underlying such billings shall be sufficient to show all the detail maintained to identify the associated accounts related to the billing.

Particulars (a)	(b)	(c)	(d)	(e)
Docket	2560AT000100	Various		
Name of Affiliate	CS	VNI		1
Designate whether billed to or from:	FROM	TO		2
Cost Based (C), Market Price (M), Prevailing Price (P), Tariff (T), Other (O)	M	C		3
Total Dollar Activity	116,764	25,762		4
Percent of affiliate's business billed to all affiliated regulated utilities	42.86			5
If cost based, rate of return on equity or markup incorporated in billings				6
Footnotes				

AFFILIATED ASSETS AND LIABILITIES

This schedule should be used to report affiliated activity concerning balances at the end of the year for the following accounts: 1120, Cash and Equivalents; 1160, Temporary Investments; 1180, Telecommunications Accounts Receivable; 1190, Other Accounts Receivable; 1200, Notes Receivable; 1210, Interest and Dividends Receivable; 1401, Investment in Affiliated Companies; 1408, Sinking Funds; 4010, Accounts Payable; 4020, Notes Payable; and 4260, Advances from Affiliated Companies. Amounts at the end of the year for each affiliate should be identified by respective affiliate and account number. Report information below consecutively by respective account number; affiliated amounts of less than \$5,000 may be reported in aggregate as "other" for a particular account.

Name of Affiliate (a)	Account Number (b)	Balance EOY (c)	
VERNEAU NETWORKS, INC.	1190	252,017	1
COMPUTER SYSTEMS, LLC	1401	232,000	2
VERNEAU NETWORKS, INC.	1401	247,139	3

TELECOMMUNICATIONS PLANT IN SERVICE CLASS A & B

Plant Account (a)	Account (b)	Balance FOY (c)	Additions (d)	
GENERAL SUPPORT ASSETS				
Land	2111	49,379	51,206	1 A
Motor Vehicles	2112	461,862	34,435	2
Aircraft	2113	0		3
Special Purpose Vehicles	2114	0		4
Garage Work Equipment	2115	0		5
Other Work Equipment	2116	99,840		6
Buildings	2121	577,455	667,530	7
Furniture	2122	5,472	23,786	8
Office Equipment	2123	34,481	18,463	9
General Purpose Computers	2124	129,219	29,795	10
TOTAL--GENERAL SUPPORT ASSETS:		1,357,708	825,215	
CENTRAL OFFICE ASSETS				
Analog Electronic Switching	2211	0		11
Digital Electronic Switching	2212	1,080,826	0	12
Electro-Mechanical Switching	2215	0	0	13
Operator Systems	2220	0		14
Radio Systems	2231	0	0	15
Circuit Equipment	2232	1,220,095	84,815	16 A
TOTAL--CENTRAL OFFICE ASSETS:		2,300,921	84,815	
INFORMATION ORIGATION/TERMINATION ASSETS				
Station Apparatus	2311	0		17
Customer Premises Wiring	2321	0		18
Large Private Branch Exchanges	2341	0		19
Public Telephone Terminal Equipment	2351	0		20
Other Terminal Equipment	2362	0		21
TOTAL--INFORMATION ORIG/TERM ASSETS:		0	0	
CABLE WIRE FACILITIES ASSETS				
Poles	2411	0		22
Aerial Cable	2421	0	0	23
Underground Cable	2422	79,996	10,498	24 A
Buried Cable	2423	3,328,902	109,401	25 A
Submarine Cable	2424	0	0	26
Deep Sea Cable	2425	0		27
Intrabuilding Network Cable	2426	0	0	28
Aerial Wire	2431	0		29
Conduit Systems	2441	43,334		30
TOTAL--CABLE WIRE FACILITIES ASSETS:		3,452,232	119,899	
AMORTIZABLE ASSETS				
Capital Leases	2681	0		31

TELECOMMUNICATIONS PLANT IN SERVICE CLASS A & B (cont.)

Account (e)	Retirements (f)	Transfers / Adjustments (g)	Balance EOY (h)	
2111		67,749	168,334	1 A
2112	21,895		474,402	2
2113			0	3
2114			0	4
2115			0	5
2116	24,532		75,308	6
2121	88,166		1,156,819	7
2122	5,473		23,785	8
2123	13,214	0	39,730	9
2124	636		158,378	10
	153,916	67,749	2,096,756	
2211			0	11
2212	0	0	1,080,826	12
2215	0	0	0	13
2220			0	14
2231	0	0	0	15
2232	0	(42,023)	1,262,887	16 A
	0	(42,023)	2,343,713	
2311			0	17
2321			0	18
2341			0	19
2351			0	20
2362			0	21
	0	0	0	
2411			0	22
2421	0	0	0	23
2422	1,804	36,378	125,068	24 A
2423	12,744	5,645	3,431,204	25 A
2424	0	0	0	26
2425			0	27
2426	0	0	0	28
2431			0	29
2441			43,334	30
	14,548	42,023	3,599,606	
2681			0	31

TELECOMMUNICATIONS PLANT IN SERVICE CLASS A & B

Plant Account (a)	Account (b)	Balance FOY (c)	Additions (d)
AMORTIZABLE ASSETS			
Leasehold Improvements	2682	0	32
Intangibles	2690	438	33
TOTAL--AMORTIZABLE ASSETS:		438	0
TOTAL TELECOM. PLANT IN SERVICE	2001	7,111,299	1,029,929
Less: Allocation to Nonregulated Activity - EOY	2001		34
NET REG. TOTAL TELE. PLANT IN SERV. - EOY	2001		

Explain all amounts shown in column (g).

TELECOMMUNICATIONS PLANT IN SERVICE CLASS A & B (cont.)

Account (e)	Retirements (f)	Transfers / Adjustments (g)	Balance EOY (h)	
2682			0	32
2690			438	33
	0	0	438	
	168,464	67,749	8,040,513	
2001			0	34
			8,040,513	

TELECOMMUNICATIONS PLANT IN SERVICE CLASS A & B (SUB-CLASS ACCOUNTS)

Report telecommunications plant data for each subaccount where primary plant accounts have subclassifications. Amounts pertaining to subaccount 2212.4, Test Equipment, should be reported in account 2212.2, Digital Switching - Central Office; amounts for subaccounts 2231.3, Microwave, 2231.4, Cellular, 2231.5, Mobile Radio, and 2231.6, Paging, should be included in 2231.2, Other Radio Facilities; amounts pertaining to subaccounts 2232.4, Digital Data Services, 2232.5, Digital Circuit - Subscriber, 2232.6, Digital Circuit - Trunk - Toll, and 2232.7, Concentrators, should be reported in 2232.1, Digital Circuit Equipment. Any other separate accounting for telephone plant at an individual telephone company should be consolidated and reported in the primary accounts as defined in the uniform system of accounts.

Plant Subaccount (a)	Subaccount (b)	Balance FOY (c)	Additions (d)	
Office Support Equipment	2123.1	21,018	18,463	1
Company Communications Equipment	2123.2	13,463		2
Software	2212.1	0		3
Digital Switching - Central Office	2212.2	1,080,826		4
Digital Switching - Remote	2212.3	0		5
Step by Step Switching	2215.1	0		6
Crossbar Switching	2215.2	0		7
Satellite and Earth Station Facilities	2231.1	0		8
Other Radio Facilities	2231.2	0		9
Digital Circuit Equipment	2232.1	840,489	81,017	10 A
Analog Circuit Equipment	2232.2	50,213		11
Light Wave Circuit Equipment	2232.3	329,393	3,798	12
Aerial Cable - Nonmetallic	2421.1	0		13
Aerial Cable - Metallic	2421.2	0		14
Underground Cable - Nonmetallic	2422.1	62,386	10,498	15 A
Underground Cable - Metallic	2422.2	17,610		16
Buried Cable - Nonmetallic	2423.1	985,641	49,683	17 A
Buried Cable - Metallic	2423.2	2,343,261	59,718	18 A
Submarine Cable - Nonmetallic	2424.1	0		19
Submarine Cable - Metallic	2424.2	0		20
Intrabuilding Cable - Nonmetallic	2426.1	0		21
Intrabuilding Cable - Metallic	2426.2	0		22

Explain all amounts shown in column (g).

**TELECOMMUNICATIONS PLANT IN SERVICE CLASS A & B (SUB-CLASS ACCOUNTS)
(cont.)**

Subaccount (e)	Retirements (f)	Transfers / Adjustments (g)	Balance EOY (h)	
2123.1	12,182		27,299	1
2123.2	1,032		12,431	2
2212.1			0	3
2212.2			1,080,826	4
2212.3			0	5
2215.1			0	6
2215.2			0	7
2231.1			0	8
2231.2			0	9
2232.1		(42,023)	879,483	10 A
2232.2			50,213	11
2232.3			333,191	12
2421.1			0	13
2421.2			0	14
2422.1		36,378	109,262	15 A
2422.2	1,804		15,806	16
2423.1		18,815	1,054,139	17 A
2423.2	12,744	(13,170)	2,377,065	18 A
2424.1			0	19
2424.2			0	20
2426.1			0	21
2426.2			0	22

ACCUMULATED DEPRECIATION CLASS A & B

Primary Plant Account (a)	Acct (b)	Balance FOY (c)	Depr Rate (d)	Annual Accrual (e)	Additional Accrual (f)
GENERAL SUPPORT ASSETS					
Motor Vehicles	2112	400,960	15.8	23,160	1
Aircraft	2113	0			2
Special Purpose Vehicles	2114	0			3
Garage Work Equipment	2115	0			4
Other Work Equipment	2116	95,501	10.0	4,338	5
Buildings	2121	166,721	3.33	17,160	6
Furniture	2122	5,205	10.0	367	7
Office Equipment	2123	28,013	15.0	4,127	8
General Purpose Computers	2124	115,395	25.0	27,963	9
Total-- GENERAL SUPPORT ASSETS		811,795		77,115	0
CENTRAL OFFICE ASSETS					
Analog Electronic Switching	2211	0			10
Digital Electronic Switching	2212	926,237	9.7	104,840	11
Electro-Mechanical Switching	2215	0			12
Operator Systems	2220	0			13
Radio Systems	2231	0			14
Circuit Equipment	2232	438,314	11.6	129,544	15
Total-- CENTRAL OFFICE ASSETS		1,364,551		234,384	0
INFORMATION ORIG/TERM ASSETS					
Station Apparatus	2311	0			16
Customer Premises Wiring	2321	0			17
Large Private Branch Exchanges	2341	0			18
Public Telephone Terminal Equipment	2351	0			19
Other Terminal Equipment	2362	0			20
Total-- INFORMATION ORIG/TERM ASSETS		0		0	0
CABLE WIRE FACILITIES ASSETS					
Poles	2411	0			21
Aerial Cable	2421	0			22
Underground Cable	2422	14,358	5.3	5,628	23
Buried Cable	2423	1,666,151	5.3	175,627	24
Submarine Cable	2424	0			25
Deep Sea Cable	2425	0			26
Intrabuilding Network Cable	2426	0			27
Aerial Wire	2431	0			28

ACCUMULATED DEPRECIATION CLASS A & B (cont.)

Acct (g)	Retired (h)	Cost of Removal (i)	Salvage (j)	Other (k)	Balance EOY (l)	
2112	21,895		1,000		403,225	1
2113					0	2
2114					0	3
2115					0	4
2116	24,532				75,307	5
2121	88,166				95,715	6
2122	5,473				99	7
2123	13,214				18,926	8
2124	636				142,722	9
	153,916	0	1,000	0	735,994	
2211					0	10
2212	0				1,031,077	11
2215	0				0	12
2220					0	13
2231	0				0	14
2232	0				567,858	15
	0	0	0	0	1,598,935	
2311					0	16
2321					0	17
2341					0	18
2351					0	19
2362					0	20
	0	0	0	0	0	
2411					0	21
2421	0				0	22
2422	1,804				18,182	23
2423	12,744	795			1,828,239	24
2424	0				0	25
2425					0	26
2426	0				0	27
2431					0	28

ACCUMULATED DEPRECIATION CLASS A & B

Primary Plant Account (a)	Acct (b)	Balance FOY (c)	Depr Rate (d)	Annual Accrual (e)	Additional Accrual (f)
CABLE WIRE FACILITIES ASSETS					
Conduit Systems	2441	30,033	3.3	1,430	29
Total-- CABLE WIRE FACILITIES ASSETS		1,710,542		182,685	0
Total Accumulated Depreciation	3100	3,886,888		494,184	0
Less: Allocation to Nonregulated Activity - Columns e, f and I	3100			0	0 30
Net Regulated Total Accum Depreciation - 3100 Columns e, f and I				494,184	0

ACCUMULATED DEPRECIATION CLASS A & B (cont.)

Acct (g)	Retired (h)	Cost of Removal (i)	Salvage (j)	Other (k)	Balance EOY (l)	
2441					31,463	29
	14,548	795	0	0	1,877,884	
3100	168,464	795	1,000	0	4,212,813	
3100					0	30
3100					4,212,813	

ACCUMULATED DEPRECIATION CLASS A & B (SUB-CLASS ACCOUNTS)

Where subclassifications of primary plant accounts are used, report below the accumulated depreciation details for each subaccount. Amounts pertaining to subaccount 2212.4, Test Equipment, should be reported in account 2212.2, Digital Switching - Central Office; amounts for subaccounts 2231.3, Microwave, 2231.4, Cellular, 2231.5, Mobile Radio, and 2231.6, Paging, should be included in 2231.2, Other Radio Facilities; amounts pertaining to subaccounts 2232.4, Digital Data Services, 2232.5, Digital Circuit - Subscriber, 2232.6, Digital Circuit - Trunk - Toll, and 2232.7, Concentrators, should be reported in 2232.1, Digital Circuit Equipment. Any other separate accounting for telephone accumulated depreciation at an individual telephone company should be consolidated and reported in the primary accounts as defined in the uniform system of accounts.

Plant Subaccount (a)	Subacct (b)	Balance FOY (c)	Depr Rate (d)	Annual Accrual (e)	Additional Accrual (f)	
Office Support Equipment	2123.1	17,284	15.0	1,439		1
Company Communications Equipment	2123.2	10,729	20.0	2,688		2
Software	2212.1	0				3
Digital Switching - Central Office	2212.2	926,237	9.7	104,840		4
Digital Switching - Remote	2212.3	0				5
Step by Step Switching	2215.1	0				6
Crossbar Switching	2215.2	0				7
Satellite and Earth Station Facilities	2231.1	0				8
Other Radio Facilities	2231.2	0				9
Digital Circuit Equipment	2232.1	265,216	11.6	97,908		10
Analog Circuit Equipment	2232.2	50,213	21.0			11
Light Wave Circuit Equipment	2232.3	122,885	9.5	31,636		12
Aerial Cable - Nonmetallic	2421.1	0				13
Aerial Cable - Metallic	2421.2	0				14
Underground Cable - Nonmetallic	2422.1	1,758	5.3	4,695		15
Underground Cable - Metallic	2422.2	12,600	5.3	933		16
Buried Cable - Nonmetallic	2423.1	181,232	5.3	52,640		17
Buried Cable - Metallic	2423.2	1,484,919	5.3	122,987		18
Submarine Cable - Nonmetallic	2424.1	0				19
Submarine Cable - Metallic	2424.2	0				20
Intrabuilding Cable - Nonmetallic	2426.1	0				21
Intrabuilding Cable - Metallic	2426.2	0				22

ACCUMULATED DEPRECIATION CLASS A & B (SUB-CLASS ACCOUNTS) (cont.)

Subacct (g)	Retired (h)	Cost of Removal (i)	Salvage (j)	Other (k)	Balance EOY (l)	
2123.1	12,182				6,541	1
2123.2	1,032				12,385	2
2212.1					0	3
2212.2					1,031,077	4
2212.3					0	5
2215.1					0	6
2215.2					0	7
2231.1					0	8
2231.2					0	9
2232.1					363,124	10
2232.2					50,213	11
2232.3					154,521	12
2421.1					0	13
2421.2					0	14
2422.1					6,453	15
2422.2	1,804				11,729	16
2423.1					233,872	17
2423.2	12,744	795			1,594,367	18
2424.1					0	19
2424.2					0	20
2426.1					0	21
2426.2					0	22

NET DEFERRED OPERATING INCOME TAXES (ACCT. 1350, 1410, 1437, 4100, 4340, 4341 & 4361)

This schedule should be used to report the deferred operating income tax portion of the stated accounts. Credit amounts should be shown in ().

Particulars (a)	Balance EOY (b)	
PROPERTY RELATED		
Other Current Assets (1350)		1
Other Noncurrent Assets (1410)		2
Deferred Tax Regulatory Asset (1437)		3
Net Current Deferred Operating Income Taxes (4100)		4
Net Noncurrent Deferred Operating Income Taxes (4340)	(63,572)	5
Net Deferred Tax Liability Adjustments (4341)		6
Deferred Tax Regulatory Liability (4361)	(13,360)	7
Net Property Related Deferred Operating Income Taxes	(76,932)	
Less: Allocation to Nonregulated Activity	0	8
Net Regulated Total Property Related Deferred Operating Income Taxes	(76,932)	
NONPROPERTY RELATED		
Other Current Assets (1350)		9
Other Noncurrent Assets (1410)		10
Deferred Tax Regulatory Asset (1437)		11
Net Current Deferred Operating Income Taxes (4100)		12
Net Noncurrent Deferred Operating Income Taxes (4340)	7,178	13
Net Deferred Tax Liability Adjustments (4341)		14
Deferred Tax Regulatory Liability (4361)	1,929	15
Total Nonproperty Related Deferred Operating Income Taxes	9,107	

RETAINED EARNINGS (ACCT. 4550)

Particulars (a)	This Year (b)	Last Year (c)	
Balance-First of Year	3,386,707	2,595,129	1
Changes:			
Balance Transferred from Income	447,425	797,794	2
Dividends Declared:			
Common	6,216	6,216	3
Preferred		0	4
Total Dividends Declared	6,216	6,216	
Miscellaneous Debits to Retained Earnings		0	5
Miscellaneous Credits to Retained Earnings		0	6
Balance--End of Year	<u>3,827,916</u>	<u>3,386,707</u>	

REVENUES - CLASS A & B (CLASS B USE ACCOUNTS DESIGNATED BY *)

Particulars (a)	This Year (b)	Last Year (c)	
LOCAL NETWORK SERVICES REVENUES			
Basic Local Service Revenue (5000)*	565,305	535,274	1
Basic Area Revenue (5001)			2
Optional Extended Area Revenue (5002)			3
Cellular Mobile Revenue (5003)			4
Other Mobile Services Revenue (5004)			5
Public Telephone Revenue (5010)			6
Local Private Line Revenue (5040)			7
Customer Premises Revenue (5050)			8
Other Local Exchange Revenue (5060)			9
Other Local Exchange Revenue Settlements (5069)			10
TOTAL BASIC LOCAL SERVICE REVENUE (5000)	565,305	535,274	
NETWORK INTERSTATE ACCESS SERVICES REV.			
End User Revenue (5081)*	136,474	86,040	11 B
Switched Access Revenue (5082)*	390,325	466,308	12
Special Access Revenue (5083)*	0		13
TOTAL INTERSTATE ACCESS REVENUES (5080)	526,799	552,348	
NETWORK INTRASTATE ACCESS SERVICES REV.			
End User Revenue (5084.1)*			14
Switched Access Revenue (5084.2)*	240,209	262,657	15
Special Access Revenue (5084.3)*	87,790		16 H
TOTAL INTRASTATE ACCESS REVENUES (5084)	327,999	262,657	
LONG DISTANCE NETWORK SERVICES MESSAGE REV.			
Long Distance Message Revenue (5100)*	0	572	17
Long Distance Inward-Only Revenue (5111)			18
Long Distance Outward-Only Revenue (5112)			19
Unidirectional Long Distance Revenue (5110)	0	0	
Long Distance Private Network Revenues			
Subvoice Grade Revenue (5121)			20
Voice Grade Revenue (5122)			21
Audio Program Grade Revenue (5123)			22
Video Program Grade Revenue (5124)			23
Digital Transmission Revenue (5125)			24
Switching Revenue (5126)			25
Other Revenue (5128)			26
Other Revenue Settlements (5129)			27
Total Long Distance Private Network Revenue	0	0	
Other Long Distance Revenue (5160)			28
Other Long Distance Revenue Settlements (5169)			29
TOTAL LONG DISTANCE NET. SERVICES MESSAGE REV.	0	572	

REVENUES - CLASS A & B (CLASS B USE ACCOUNTS DESIGNATED BY *)

Particulars (a)	This Year (b)	Last Year (c)	
MISCELLANEOUS REVENUES			
Directory Revenue (5230)*	9,621	10,884	30
Rent Revenue (5240)*	20,194	30,497	31 C
Corporate Operations Revenue (5250)*			32
Miscellaneous:			
Miscellaneous Revenue (5260)*	13,172	16,841	33
Special Billing Arrangements Revenue (5261)			34
Customer Operations Revenue (5262)			35
Plant Operations Revenue (5263)			36
Other Incidental Regulated Revenue (5264)			37
Other Revenue Settlements (5269)			38
Total Miscellaneous Revenue (5260)	13,172	16,841	
Interstate Billing and Collection Revenue*	2,859	5,632	39
Intrastate Billing and Collection Revenue*	35,230	37,698	40
Total Carrier Billing and Collection Revenue (5270)*	38,089	43,330	
Nonregulated Operating Revenue (5280)**			41
TOTAL MISCELLANEOUS REVENUES	81,076	101,552	
GROSS OPERATING REVENUES	1,501,179	1,452,403	
UNCOLLECTIBLE REVENUES			
Uncollectible Revenue (5300)*	9,251	1,115	42 I
Uncollectible Revenue--Telecommunications (5301)			43
Uncollectible Revenue--Other (5302)			44
TOTAL UNCOLLECTIBLE REVENUE (5300)	9,251	1,115	
TOTAL OPERATING REVENUES	<u>1,491,928</u>	<u>1,451,288</u>	

** Account 5280 is to be used only by those companies subject to dual jurisdiction.

EXPENSES - CLASS A & B

Particulars (a)	Total This Year (b)	Total Last Year (c)	
PLANT SPECIFIC OPERATIONS EXPENSE			
Total Network Support Expense (6110)		0	1
Less: Nonregulated		0	2
Net Regulated	0	0	3
Total General Support Expense (6120)	79,676	75,654	4
Less: Nonregulated		0	5
Net Regulated	79,676	75,654	6
Total Central Office Switching Expense (6210)	82,537	118,103	7
Less: Nonregulated		0	8 D
Net Regulated	82,537	118,103	9
Total Operator Systems Expense (6220)		0	10
Less: Nonregulated		0	11
Net Regulated	0	0	12
Total Central Office Transmission Expenses (6230)	12,020	32,918	13
Less: Nonregulated		0	14 E
Net Regulated	12,020	32,918	15
Total Information Orig. / Term. Expense (6310)		0	16
Less: Nonregulated		0	17
Net Regulated	0	0	18
Total Cable and Wire Fac. Expense (6410)	42,709	55,579	19
Less: Nonregulated		0	20 F
Net Regulated	42,709	55,579	21
TOTAL PLANT SPECIFIC OPERATIONS EXPENSE	216,942	282,254	
Less: Nonregulated	0	0	
Net Regulated	216,942	282,254	
PLANT NONSPECIFIC OPERATIONS EXPENSE			
Total Other Property, Plant and Equip. Exp. (6510)		0	22
Less: Nonregulated		0	23
Net Regulated	0	0	24
Total Network Operations Expense (6530)	77,131	68,568	25
Less: Nonregulated		0	26
Net Regulated	77,131	68,568	27
Access Expense (6540)	8,828	7,924	28
Less: Nonregulated		0	29
Net Regulated	8,828	7,924	30
Total Depreciation and Amortization Expense (6560)	494,184	430,401	31
Less: Nonregulated	4,032	2,389	32
Net Regulated	490,152	428,012	33
TOTAL PLANT NONSPECIFIC OPERATIONS EXP.	580,143	506,893	
Less: Nonregulated	4,032	2,389	
Net Regulated	576,111	504,504	

EXPENSES - CLASS A & B

Particulars (a)	Total This Year (b)	Total Last Year (c)	
CUSTOMER OPERATIONS EXPENSE			
Total Marketing (6610)	880	757	34
Less: Nonregulated		0	35
Net Regulated	880	757	36
<hr/>			
Total Services (6620)	180,191	158,930	37
Less: Nonregulated		0	38
Net Regulated	180,191	158,930	39
<hr/>			
TOTAL CUSTOMER OPERATIONS EXPENSE	181,071	159,687	
Less: Nonregulated	0	0	
Net Regulated	181,071	159,687	
<hr/>			
CORPORATE OPERATIONS EXPENSE			
Total Exec. and Planning (6710)	73,335	69,464	40
Less: Nonregulated		0	41
Net Regulated	73,335	69,464	42
<hr/>			
Total General and Administrative (6720)	149,415	145,222	43
Less: Nonregulated		0	44
Net Regulated	149,415	145,222	45
<hr/>			
Provision for Uncollectible Notes Receiv. (6790)		0	46
Less: Nonregulated		0	47
Net Regulated	0	0	48
<hr/>			
TOTAL CORPORATE OPERATIONS EXPENSE	222,750	214,686	
Less: Nonregulated	0	0	
Net Regulated	222,750	214,686	
<hr/>			
TOTAL EXPENSES	1,200,906	1,163,520	
Less: Nonregulated	4,032	2,389	
Net Regulated	1,196,874	1,161,131	

EXPENSES - CLASS A & B (DETAIL)

Particulars (a)	Total This Year (b)	Total Last Year (c)	
Property Held for Future Tele. Use Exp. (6511)		0	1
Provisioning Expense (6512)		0	2
Total: Reported in Account 6510	0	0	
Depreciat. Exp.--Tele. Plant in Service (6561)	494,184	430,401	3
Depreciat. Exp.--Prop. Held for Future Tele. Use (6562		0	4
Amortization Expense--Tangible (6563)		0	5
Amortization Expense--Intangible (6564)		0	6
Amortization Expense--Other (6565)		0	7
Total: Reported in Account 6560	494,184	430,401	

CALCULATION OF ASSESSABLE REVENUES FOR REMAINDER AND TELEPHONE RELAY ASSESSMENT PURPOSES

Currently, cooperatives are not billed for remainder assessment, but are subject to the telephone relay assessment.

Description (a)	This Year (b)	
Gross Operating Revenues	1,501,179	1
Plus: Collection of amounts previously written off	256	2
Less: Uncollectibles written off during the year	9,507	3
Plus: Total Other Operating Income and (Expense) (7100)	0	4
Less: Nonregulated Operating Revenue (included in Gross Oper. Rev. on Line 1)		5
Plus: Nonregulated Net Write Off Amount (included on lines 2 and 3)		6
Less: Out-of-State Operating Revenues (included in Gross Oper. Rev. on Line 1)		7
Plus (or Less) Other (please specify): NONE	0	8
Assessable Revenues for Remainder and Telephone Relay Assessment Purposes	1,491,928	

CALCULATION OF ASSESSABLE REVENUES FOR UNIVERSAL SERVICE FUND ASSESSMENT PURPOSES

Description (a)	This Year (b)	
Total Basic Local Service Revenue (5000)	565,305	1
Plus: Total Intrastate Access Revenues (5084)	327,999	2
Plus: Total Long Distance Network Services Revenue	0	3
Less: Out-of-State Operating Revenues (included in the above lines)		4
Plus: Intrastate Payphone Revenues		5
Plus (or Less) Other (please specify): NONE	0	6
Assessable Revenues for Universal Service Fund Assessment Purposes	893,304	

CALCULATION OF ASSESSABLE REVENUES FOR REMAINDER AND TELEPHONE RELAY ASSESSMENT PURPOSES

Currently, cooperatives are not billed for remainder assessment, but are subject to the telephone relay assessment.

Description (a)	This Year (b)	
Gross Operating Revenues	1,501,179	1
Plus: Collection of amounts previously written off	256	2
Less: Uncollectibles written off during the year	9,507	3
Plus: Total Other Operating Income and (Expense) (7100)	0	4
Less: Nonregulated Operating Revenue (included in Gross Oper. Rev. on Line 1)		5
Plus: Nonregulated Net Write Off Amount (included on lines 2 and 3)		6
Less: Out-of-State Operating Revenues (included in Gross Oper. Rev. on Line 1)		7
Plus (or Less) Other (please specify): NONE	0	8
Assessable Revenues for Remainder and Telephone Relay Assessment Purposes	<u>1,491,928</u>	

CALCULATION OF ASSESSABLE REVENUES FOR UNIVERSAL SERVICE FUND ASSESSMENT PURPOSES

Description (a)	This Year (b)	
Total Basic Local Service Revenue (5000)	565,305	1
Plus: Total Intrastate Access Revenues (5084)	327,999	2
Plus: Total Long Distance Network Services Revenue	0	3
Less: Out-of-State Operating Revenues (included in the above lines)		4
Plus: Intrastate Payphone Revenues		5
Plus (or Less) Other (please specify): NONE	0	6
Assessable Revenues for Universal Service Fund Assessment Purposes	<u>893,304</u>	

OTHER INCOME ACCOUNTS

Particulars (a)	This Year (b)	Last Year (c)	
OTHER OPERATING INCOME AND EXPENSE			
Total Other Oper. Income and (Expense) (7100)			1
OPERATING TAXES			
Operating Investment Tax Credits--Net (7210)	(2,013)	(3,455)	2
Operating Federal Income Taxes (7220)	25,768	34,908	3
Operating State and Local Income Taxes (7230)	10,670	5,679	4
Operating Other Taxes (7240)	83,561	72,720	5
Provision for Deferred Operating Income Taxes--Net (7250)	(713)	6,785	6
TOTAL OPERATING TAXES (7200)	117,273	116,637	
NONOPERATING INCOME AND EXPENSE			
Dividend Income (7310)			7
Interest Income (7320)	21,220	30,806	8
Income from Sinking and Other Funds (7330)			9
Allowance for Funds Used During Construction (7340)	16,629	20,995	10
Gains or (Losses) from the Disposition of Certain Property (7350)			11
Other Nonoperating Income (7360)	629,952	1,174,144	12
Special Charges (7370)	1,356	1,368	13
TOTAL NONOPERATING INCOME AND EXPENSE (7300)	666,445	1,224,577	
NONOPERATING TAXES			
Total Nonoperating Taxes (7400)	272,593	497,515	14
INTEREST AND RELATED ITEMS			
Total Interest and Related Items (7500)	134,313	120,391	15
EXTRAORDINARY ITEMS			
Extraordinary Items (7600)			16
NONREGULATED NET INCOME			
Nonregulated Net Income (7990)	10,105	17,603	17

NONREGULATED ACTIVITIES

List the type of nonregulated activities that the company is involved in.

Nonregulated Activity	
(a)	
PAYPHONE SERVICES	1
SALES AND LEASING OF TELECOMMUNICATIONS EQUIPMENT	2

DISTRIBUTION OF SALARIES AND WAGES

Description (a)	Amount (b)	
Regulated Expense	341,006	1
All Other Accounts	19,488	2
Total Salaries and Wages	360,494	3

EMPLOYEE DATA - END OF YEAR

Report employee data based on primary allocation of respective wages and salaries.

Particulars (a)	Employees (b)	
Plant Operations		
Supervisory & Management	1	1
Central Office	1	2
Outside Plant	1	3
Building & Service	1	4
Other		5
Customer Operations		
Supervisory & Management	1	6
Operators		7
Business Office	2	8
Other		9
Corporate Operations		
Executive & General Management	1	10
Accounting & Finance	1	11
External Relations		12
Human Resources		13
Information Management		14
Legal		15
Procurement		16
Research & Development		17
Other		18
Other		
All Other Employees, Not Listed Above		19
Total Employees	9	
Part-Time Employees	1	20
Full-Time Employees	8	21
Total Part-Time and Full-Time Employees	9	

TELEPHONE CALLS AND MINUTES OF USE PER MONTH

Enter average number, in thousands, of calls and minutes of use per month. The averages may be based on actual counts taken periodically during the year. Please provide level of detail available.

Item (a)	Telephone Calls (000's) (b)	Minutes of Use (000's) (c)	
LOCAL			
Intra-Exchange	100	222	1
Extended Area Service	123	161	2
Extended Community Calling	9	39	3
Other Local-Undefined	34	4	4
Total Local	266	426	
TOLL			
Toll	200	711	5
Total Toll	200	711	
Total Local & Toll	466	1,137	

ACCESS USAGE

Enter number, in thousands, of Billed Minutes.

Description (a)	Billed Minutes (000's)				
	Interstate InterLATA (b)	Intrastate InterLATA (c)	Intrastate IntraLATA (d)	Interstate IntraLATA (e)	
Feature Group A -- Orig.					1
Feature Group A -- Term.					2
Feature Group B -- Orig.					3
Feature Group B -- Term.					4
Feature Group C -- Orig.					5
Feature Group C -- Term.					6
Feature Group D -- Orig.	927	493	1,567		7
Feature Group D -- Term.	3,551	1,468	523		8

OUTSIDE PLANT STATISTICS AT END OF YEAR

Description of Item (a)	Amount (b)	
Sheath miles of plant - fiber optics	54	1
Strand miles of plant - fiber optics	1,038	2
Route miles of plant - microwave		3

SPECIAL ACCESS CIRCUITS IN USE AT END OF YEAR

Circuit Type (a)	InterLATA Chan. Terms. (b)	IntraLATA Chan. Terms. (c)	
Voice grade	0	3	1 G
56 kbps	4	2	2
64 kbps (DS0)	1	0	3 G
1.54 Mbps (DS-1)	13	0	4 G
45 Mbps (DS-3)	0	0	5 G
SONET OC-1			6
SONET OC-3			7
SONET OC-12			8
SONET OC-48			9
SONET OC-192			10

OUTSIDE PLANT STATISTICS AT END OF YEAR

Description of Item (a)	Amount (b)	
Sheath miles of plant - fiber optics	54	1
Strand miles of plant - fiber optics	1,038	2
Route miles of plant - microwave		3

SPECIAL ACCESS CIRCUITS IN USE AT END OF YEAR

Circuit Type (a)	InterLATA Chan. Terms. (b)	IntraLATA Chan. Terms. (c)	
Voice grade	0	3	1 G
56 kbps	4	2	2
64 kbps (DS0)	1	0	3 G
1.54 Mbps (DS-1)	13	0	4 G
45 Mbps (DS-3)	0	0	5 G
SONET OC-1			6
SONET OC-3			7
SONET OC-12			8
SONET OC-48			9
SONET OC-192			10

SERVICE DATA

Access Line--Central office line equipment, or equivalent, and all outside plant facilities, or equivalent, required to connect the serving central office with the customer premises via physical connection, frequency, and/or time slot. From an engineering perspective, a channel connection is at a DS0 level. A DS0 level is a 4 KHz voice or 64 Kilobits/second. Customer--A person who uses a telephone as a subscriber.

Item (a)	FOY (b)	EOY (c)	
Business			
1 Party	258	257	3
2 Party			4
4 Party			5
PBX Trunks/System Trunks	12	12	6
Centrex Trunks			7
Centrex Lines			8
Key System Trunks	132	113	9
Mobile (Utility Provided Service)			10
Paging (Utility Provided Service)			11
FX-Out (Switched)			12
Pay Telephone	7	13	13
Coin-Operated Pay Telephone			14
Independent Pay Telephone Provider			15
Other		108	16
Total Business Lines	409	503	17
Residential (Incl. Emp. Concess.)			
1 Party	1,306	1,306	18
2 Party			19
4 Party			20
FX-Out (Switched)			21
Other			22
Total Residential Lines	1,306	1,306	23
Total Bus & Res Lines	1,715	1,809	24
Company Used Lines	7	13	25
Total Lines Used	1,722	1,822	26
			27

SERVICE DATA (cont.)

Access Line--Central office line equipment, or equivalent, and all outside plant facilities, or equivalent, required to connect the serving central office with the customer premises via physical connection, frequency, and/or time slot. From an engineering perspective, a channel connection is at a DS0 level. A DS0 level is a 4 KHz voice or 64 Kilobits/second. Customer--A person who uses a telephone as a subscriber.

Item (a)	FOY (b)	EOY (c)	
Miscellaneous			
WATS Lines - OutWATS			3
WATS Lines - 800 Service			4
FX-In-intraLATA			5
Special Access-intraLATA			6
(expressed in equiv. access lines)	6	5	7
Special Access-interLATA			8
(expressed in equiv. access lines)	893	317	9
Feature Group A Lines			10
Feature Group B Trunks			11
Feature Group C Trunks			12
Feature Group D Trunks	96	96	13
TSPS - Trunks	7	7	14
EAS - Trunks	118	118	15
Cellular Trunks (Pub. Sw. Net.)			16
Video Distance Learning	1	1	17
- discounted (special tariff)			18
Customers			
Lifeline Customers	78		20
Linkup Customers	0		21
Other			
Total Company Square Miles	114	114	23
Total Company Route Miles	253	253	24
Footnotes			25

SERVICE DATA - END OF YEAR

Access Line--Central office line equipment, or equivalent, and all outside plant facilities, or equivalent, required to connect the serving central office with the customer premises via physical connection, frequency, and/or time slot. From an engineering perspective, a channel connection is at a DS0 level. A DS0 level is a 4 KHz voice or 64 Kilobits/second. Customer--A person who uses a telephone as a subscriber.

Item (a)	Exchange (b)	Exchange (c)	Exchange (d)	Exchange (e)	
PSCW Exchange ID	2370				1
Business					
1 Party	257				2
2 Party					3
4 Party					4
PBX Trunks/System Trunks	12				5
Centrex Trunks					6
Centrex Lines					7
Key System Trunks	113				8
Mobile (utility provided service)					9
Paging (utility provided service)					10
FX-Out (Switched)					11
Pay Telephone	13				12
Coin-Operated Pay Telephone					13
Independent Pay Telephone Provider					14
Other	108				15
Total Business Lines	503	0	0	0	16
Residential (Incl. Emp. Concess.)					
1 Party	1,306				17
2 Party					18
4 Party					19
FX-Out (Switched)					20
Other					21
Total Residential Lines	1,306	0	0	0	22
Total Bus & Res Lines	1,809	0	0	0	23
Company Used Lines	13				24
Total Lines Used	1,822	0	0	0	25

SERVICE DATA - END OF YEAR (cont.)

Access Line--Central office line equipment, or equivalent, and all outside plant facilities, or equivalent, required to connect the serving central office with the customer premises via physical connection, frequency, and/or time slot. From an engineering perspective, a channel connection is at a DS0 level. A DS0 level is a 4 KHz voice or 64 Kilobits/second. Customer--A person who uses a telephone as a subscriber.

Item (a)	Exchange (b)	Exchange (c)	Exchange (d)	Exchange (e)	
PSCW Exchange ID	2370				1
Miscellaneous					2
WATS Lines - OutWATS					3
WATS Lines - 800 Service					4
FX-In-intraLATA					5
Special Access-intraLATA					6
(equiv. access lines)	5				7
Special Access-interLATA					8
(equiv. access lines)	317				9
Feature Group A Lines					10
Feature Group B Trunks					11
Feature Group C Trunks					12
Feature Group D Trunks	96				13
TSPS - Trunks	7				14
EAS - Trunks	118				15
Cellular Trunks (Pub. Sw. Net.)					16
Video Distance Learning					17
- discounted (special tariff)	1				18
Other					19
Exchange Square Miles	114				20
Exchange Route Miles	253				21
Footnotes					22

MANUFACTURER ABBREVIATIONS

Use these abbreviations when completing the central office data schedule.

Manufacturer Name (a)	Abbreviation (b)	
Alcatel	AL	1
ATTC	ATT	2
GTE	GTE	3
ITT	ITT	4
Lucent	ATT/LUC	5
Nippon Electric	NEC	6
Northern Telecom	NTI	7
Siemens	SI	8
Stromberg-Carlson	SC	9
VIDAR	VI	10

EQUIPMENT ABBREVIATIONS

Use these abbreviations when completing the central office data schedule.

Equipment Type (a)	Abbreviation (b)	
Electromechanical	EM	1
Electronic--Analog	A	2
Electronic--Digital	D	3
Electronic--Video	V	4

MANUFACTURER ABBREVIATIONS

Use these abbreviations when completing the central office data schedule.

Manufacturer Name (a)	Abbreviation (b)	
Alcatel	AL	1
ATTC	ATT	2
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Northern Telecom	NTI	7
Siemens	SI	8
Stromberg-Carlson	SC	9
VIDAR	VI	10

EQUIPMENT ABBREVIATIONS

Use these abbreviations when completing the central office data schedule.

Equipment Type (a)	Abbreviation (b)	
Electromechanical	EM	1
Electronic--Analog	A	2
Electronic--Digital	D	3
Electronic--Video	V	4

CENTRAL OFFICE DATA - END OF YEAR

When an exchange has more than one central office, data must be reported for each central office.

Description (a)	Central Off. (b)	Central Off. (c)	Central Off. (d)	Central Off. (e)	
Exchange Name	HILLSBORO				1
PSCW Exchange ID	2370				2
Central Office Name	HILLSBORO				3
PSCW Central Office ID	1				4
Central Office CLLI Code	HLBOWIXA489				5
Manufacturer of COE (Page 54)	NTI				6
Year COE Installed	1985				7
Type of Equipment (Page 54)	D				8
(S)tandalone, (H)ost, (R)emote, (A)dv Fiber Comm	S				9
Remote Host PSCW Exchange ID					10
Remote Host PSCW Central Office ID					11
COE Generic Software Release No.	501				12
SS7?	Yes				13
9-1-1?	Yes				14
Access Lines - In Use	1,822				15
- Equipped	2,450				16
- Wired	2,450				17
Trunks - In Use	342				18
- Equipped	432				19
- Wired	624				20
ISDN Available?	Yes				21
ISDN Lines - In Use (BRI)	0				22
- In Use (PRI)	4				23
XDSL Available?	Yes				24
- In Use (# lines)	21				25
Switched 56 Service?	No				26
Switched 56 lines in use	0				27
Digital Transmission Facilities: DS-1 - In Use	9				28
DS-3 - In Use	1				29
Advanced Data Service Available:					
Packet Switching?	No				30
SMDS?	No				31
Frame Relay?	No				32
ATM (Asynchronous Trans. Mode)?	No				33
Video Information - Service Available?	No				34
- In Use (# lines) ¹	0				35
Fiber Transmission Facilities:					
No. of fiber strands entering C.O.	160				36
No. of fiber strands working (LIT) in C.O.	42				37
No. of fiber strands for interoffice use	26				38
Miles of fiber sheath in wire center	54				39
Access Tandem Serving this C.O.:					
- C.O. Name	MADISON				40
- PSCW C.O. ID	3080-01				41
Does this C.O. do access tandem switching?	No				42
Footnotes					43

¹ Teleco provided end-to-end facility.

GENERAL, SCHEDULE LEVEL AND SCHEDULE LINE FOOTNOTES

General Footnote

Schedule Footnotes

Schedule Line Footnotes

- A)** RECLASSIFICATION OF EQUIPMENT FROM DIGITAL CIRCUIT EQUIPMENT - (SUB. CKT.) AND BURIED CABLE TO BURIED CABLE - FIBER OPTIC, BURIED CABLE - DROPS, AND UNDERGROUND FIBER OPTIC CABLE FOR PROPER CLASSIFICATION. ALSO, RECLASSIFICATION OF \$67,749 FROM PROPERTY HELD FOR FUTURE TELECOMMUNICATIONS USE TO TELEPHONE PLANT IN SERVICE.
- B)** SUBSCRIBER LINE CHANGE INCREASED AT MIDPOINT OF YEAR.
- C)** DURING 2001 THE COMPANY RECEIVED LEASE REVENUES THAT WERE RETROACTIVE BACK TO 2000 WHICH WAS THE START DATE OF THE LEASES. 2002 REPRESENTS 12 MONTHS OF LEASE REVENUES.
- D)** 2001 HAD A COE SOFTWARE UPGRADE FOR APPROXIMATELY \$30,000. THERE WAS SUPPOSED TO BE SIMILAR COE SOFTWARE UPGRADE IN 2002 THAT HAS NOT YET OCCURRED.
- E)** PRIOR YEAR CO ADDED 5 DLC SITES TO MEET CAPACITY. PREVIOUSLY, THE COMPANY PURCHASED CARDS TO MEET DEMAND AND THEY ARE NOW PROPERLY EQUIPED.
- F)** LESS OUTSIDE PLANT PROJECTS IN 2002 AND THEREFORE A SUBSTANTIAL DECREASE IN CABLE LOCATING EXPENSES.
- G)** PAGE 49 - SPECIAL ACCESS CIRCUITS IN USE AT END OF YEAR - TELEPHONE COMPANY DID NOT HAVE ANY VOICE GRADE INTERLATA, 64KBPS (DSO) INTRALATA, 1.54 MBPS (DS-1) INTRALATA, OR 45 MBPS (DS-3) INTERLATA OR INTRALATA CIRCUITS AT THE END OF 2002.
- H)** INCREASE DUE TO A SUBSTANTIAL NUMBER OF SPECIAL CIRCUITS BEING USED DURING 2002.
- I)** INCREASE DUE TO WRITE-OFF ASSOCIATED WITH GLOBAL CROSSINGS AND WORLDCOM BANKRUPTCIES.

GENERAL, SCHEDULE LEVEL AND SCHEDULE LINE FOOTNOTES

J) Board of Directors
HILLSBORO TELEPHONE CO., INC.
Hillsboro, Wisconsin

The Balance Sheets of Hillsboro Telephone Company, Inc. as of December 31, 2002 and 2001 and the related statements of income and retained earnings for the years then ended included in the accompanying prescribed forms have been compiled by us. We have also compiled the financial and nonfinancial data included on pages 13 through 56 of the prescribed forms.

Our compilations were limited to presenting in the form prescribed by the Public Service Commission of Wisconsin information which is the representation of management. We have not audited or reviewed the financial statements or accompanying data referred to above and, accordingly, do not express an opinion or any other form of assurance on them.

These financial statements are presented in accordance with the requirement of the Public Service Commission of Wisconsin and do not include the statements of cash flows and all of the disclosures required by generally accepted accounting principles. Accordingly, these financial statements are not designed for those who are not informed about such matters.

SIEPERT & CO. LLP
Certified Public Accountants

Beloit, Wisconsin

March 25, 2003