

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

**In the matter of the Application)
of LE-RU TELEPHONE COMPANY)
for authority to borrow an amount)
not to exceed \$9,164,700 from the)
Rural Utilities Service, the Rural)
Telephone Bank and the Federal)
Financing Bank and in connection)
therewith to execute an Amending)
Telephone Loan Contract Amendment,)
Promissory Notes, and a Restated)
Mortgage, Security Agreement and)
Financing Statement.)**

Case No. TF-2000-428

**LE-RU TELEPHONE COMPANY
SURVEILLANCE REPORT**

Comes now Le-Ru Telephone Company ("Le-Ru") and for its Surveillance Report states to the Missouri Public Service Commission ("Commission") as follows:

1. In its Modified Order Approving Financing in this case, the Commission directed Le-Ru to file semi-annual Surveillance Reports with the Commission.
2. Marked as Exhibit A and attached to this pleading for filing with the Commission is Le-Ru's semi-annual Surveillance Report for the period ending June 30, 2004.

Wherefore Le-Ru respectfully requests that the Commission accept this Surveillance Report as full compliance with the Commission's Order.

Respectfully submitted,

Sandra B. Morgan

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Attorneys for Le-Ru Telephone Company

CERTIFICATE OF SERVICE

The undersigned certifies that a true and correct copy of the foregoing document was delivered, via U.S. Mail, and/or hand-delivered this 18th day of August, 2004, to:

Office of Public Counsel
Governor Office Building
200 Madison Street
P.O. Box 7800
Jefferson City, MO 65102

Mr. Denny Frey
Public Service Commission
200 Madison Street
P.O. Box 360
Jefferson City, MO 65102

Sandra Morgan

Sondra B. Morgan

LE-RU TELEPHONE COMPANY, INC.

Income Statement

**Six months ended
June 30,
2004**

Operating revenues:	
Local network service revenue	\$127,128
Network access service revenue	1,619,147
Miscellaneous revenues	34,701
Total operating revenues	<u>1,780,976</u>
Operating expenses:	
Plant specific	303,022
Plant non-specific:	
Network and other	51,698
Depreciation and amortization	379,963
Customer operations	214,715
Corporate operations	509,021
Total operating expenses	<u>1,458,419</u>
Net operating revenue	<u>322,557</u>
Operating taxes:	
Investment tax credits, net	0
Other operating taxes	45,291
Total operating tax (benefit) expense	<u>45,291</u>
Net income from operations	<u>277,266</u>
Other income (expense):	
Net non-regulated income	15,089
Miscellaneous expense	(768)
Interest and dividend income	6,175
Total other income	<u>20,496</u>
Income available for fixed charges	<u>297,762</u>
Fixed charges:	
Interest on LT debt, net of AFUDC	192,631
Amortization of debt discount	0
	<u>192,631</u>
Net income	<u><u>\$105,131</u></u>

Exhibit A

LE-RU TELEPHONE COMPANY, INC.

Balance Sheet

	June 30, 2004
Assets	
Current assets:	
Cash and cash equivalents	\$1,036,578
Cash - RUS construction fund	100
Telecommunications accounts receivable	87,627
Other accounts receivable	42,755
Materials and supplies	147,053
Prepaid expenses	209,484
Total current assets	<u>1,523,597</u>
Noncurrent assets:	
Cash surrender value of life insurance	331,854
Other long-term assets	655,067
Investments in RTB stock	50,581
Total noncurrent assets	<u>1,037,502</u>
Property, plant and equipment:	
Telecommunications plant in service	13,052,939
Telecommunications plant under construction	81,845
Non-operating plant	41,870
Less depreciation reserve	(4,207,237)
Net property, plant and equipment	<u>8,969,417</u>
Total assets	<u><u>\$11,530,516</u></u>
Liabilities and stockholders' equity	
Current Liabilities:	
Accounts payable	235,451
Accrued expenses	55,976
Total current liabilities excluding current portion of long-term debt	<u>291,427</u>
Long-term debt	8,563,200
Total long-term debt	<u>8,563,200</u>
Deferred investment tax credit	41,892
Total liabilities	<u>8,896,519</u>
Stockholders' equity:	
Common stock	20,400
Retained earnings	2,613,597
Less treasury stock	0
Total stockholders' equity	<u>2,633,997</u>
Total liabilities and stockholders' equity	<u><u>\$11,530,516</u></u>

Capital Structure

Long-term debt	8,563,200
Equity	2,633,997
Total capital structure	<u>11,197,197</u>
Long-term debt	76.48%
Equity	23.52%
Total capital structure	<u>100.00%</u>