

TELEPHONE & DATA SYSTEMS INC /DE/
Form 11-K
June 27, 2003

SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 11-K

**ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF
1934

For the fiscal year ended December 31, 2002

OR

TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT
OF 1934

For the transition period from _____ to _____

Commission file number: 1-14157 (Telephone and Data Systems, Inc.)
1-9712 (United States Cellular Corporation)

A. Full title of the plan and the address of the plan, if different from that of the issuer named below:

Telephone and Data Systems, Inc.
Tax-Deferred Savings Plan
30 North LaSalle Street
40th Floor
Chicago, IL 60602

B. Name of issuers of the securities held pursuant to the plan and the addresses of the principal executive office:

Telephone and Data Systems, Inc.
30 North LaSalle Street
40th Floor
Chicago, IL 60602

United States Cellular Corporation
8410 West Bryn Mawr Ave.
Suite 700
Chicago, IL 60631

Required Information

(a) **Financial Statements**

1. Independent Auditors Reports.
2. Audited Statements of Net Assets Available for Benefits as of December 31, 2002 and December 31, 2001.
3. Audited Statement of Changes in Net Assets Available for Benefits for the year ended December 31, 2002.
4. Notes to Financial Statements.
5. Schedule of Assets Held for Investment Purposes at End of Year.
6. Schedule of Reportable Transactions.

Schedules Omitted the following schedules were omitted because of the absence of conditions under which they are required:

- Assets Acquired and Disposed Within the Plan Year
- Party-In-Interest Transactions
- Obligations In Default
- Leases in Default

(b) **Exhibits**

<u>No.</u>	<u>Description</u>
<u>23.1</u>	<u>Consent of Independent Public Accountants</u>
<u>99.1</u>	<u>Chief Executive Officer certification pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code</u>
<u>99.2</u>	<u>Chief Financial Officer certification pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code</u>

Virchow, Krause & Company, LLP

INDEPENDENT AUDITORS REPORT

To the Investment Management Committee
Telephone and Data Systems, Inc. Tax-Deferred Savings Plan
Middleton, Wisconsin

We have audited the accompanying statements of net assets available for benefits of Telephone and Data Systems, Inc. Tax-Deferred Savings Plan as of December 31, 2002 and 2001 and the related statement of changes in net assets available for benefits for the year ended December 31, 2002. These financial statements are the responsibility of the plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the plan as of December 31, 2002 and 2001 and the changes in net assets available for benefits for the year ended December 31, 2002 in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information of Telephone and Data Systems, Inc. Tax-Deferred Savings Plan, as listed in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements but is supplementary information required by Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. The supplemental information is the responsibility of the plan's management. The supplemental information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/ Virchow, Krause & Company, LLP

Madison, Wisconsin
May 6, 2003

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**TELEPHONE AND DATA SYSTEMS, INC.
TAX DEFERRED SAVINGS PLAN**

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS
December 31, 2002 and 2001

	<i>ASSETS</i>	
	2002	2001
Investments, at fair value	\$ 111,355,127	\$ 120,001,618
Receivables		
Accrued income	1,325	3,715

Due from broker for securities sold	129,829	11,390,026
	<hr/>	<hr/>
Total Receivables	131,154	11,393,741
	<hr/>	<hr/>
TOTAL ASSETS	111,486,281	131,395,359
	<hr/>	<hr/>
LIABILITIES		
Due to broker for securities purchased	153,196	11,770,407
	<hr/>	<hr/>
TOTAL LIABILITIES	153,196	11,770,407
	<hr/>	<hr/>
NET ASSETS AVAILABLE FOR BENEFITS	\$ 111,333,085	\$ 119,624,952
	<hr/>	<hr/>

See accompanying notes to financial statements.

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TELEPHONE AND DATA SYSTEMS, INC.
TAX DEFERRED SAVINGS PLAN

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
Year Ended December 31, 2002

ADDITIONS

Additions to net assets attributed to		
Investment income		
Net depreciation in fair value of investments	\$	(33,652,166)
Interest and dividends		2,721,790
Contributions		
Participants'		19,540,286
Employers'		8,882,453
Participant rollovers		942,745
		<hr/>
Total Additions		(1,564,892)
		<hr/>

DEDUCTIONS

Deductions from net assets attributed to		
Benefits paid to participants		7,938,518
Investment expenses		39,381
		<hr/>
Total Deductions		7,977,899
		<hr/>

TRANSFER OF ASSETS FROM OTHER PLANS		1,250,924
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Net Decrease	8,291,867
NET ASSETS AVAILABLE FOR BENEFITS - Beginning of Year	119,624,952
NET ASSETS AVAILABLE FOR BENEFITS - END OF YEAR	\$ 111,333,085

See accompanying notes to financial statements.

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**TELEPHONE AND DATA SYSTEMS, INC.
TAX DEFERRED SAVINGS PLAN**

NOTES TO FINANCIAL STATEMENTS
December 31, 2002 and 2001

NOTE 1 Description of the Plan

The following description of the Telephone and Data Systems, Inc. Tax-Deferred Savings Plan (the plan) provides only general information. Participants should refer to the Telephone and Data Systems, Inc. Tax-Deferred Savings Plan summary plan description for a more complete description of the plan's provisions.

General

The plan is a contributory tax-exempt profit-sharing plan established by Telephone and Data Systems, Inc. (TDS, the company) and is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA). The company is the administrator and sponsor of the plan and has appointed The Bank of New York as directed trustee of the plan. The Bank of New York is the asset custodian of the plan, and they provide record keeping and reporting services to the plan in conjunction with Hewitt Associates, the plan's third-party administrator. The plan qualifies under Section 401 and 501 of the Internal Revenue Code. All employees of Telephone and Data Systems, Inc. and its subsidiaries which have adopted the plan (the company and such subsidiaries being referred to as employers), including United States Cellular Corporation (USCC), that are age 21 or older are eligible to participate. The plan allows participants to enter the plan upon the latter of their first day of employment or twenty-first birthday. Participation is completely voluntary.

The plan's assets are administered by an investment management committee appointed by TDS. The investment management committee is authorized to invest plan assets as directed by the participants.

Contributions

Participants may contribute up to 15% of pretax annual compensation (salary reduction contributions), as defined in the plan. Participants may also contribute amounts representing distributions from other qualified plans (rollover contributions).

Each employer's matching contribution is 100% of the first 2% of a participant's salary reduction contributions and 40% of the next 4% of salary reduction contributions.

During 2002 the plan was amended so that an employer's matching contributions is no longer required to be invested in TDS or USCC stock. Employer contributions are now allocated to an employee's account based on the employee's elected allocation percentages.

Contributions are subject to certain limitations.

**TELEPHONE AND DATA SYSTEMS, INC.
TAX DEFERRED SAVINGS PLAN**

NOTES TO FINANCIAL STATEMENTS
December 31, 2002 and 2001

NOTE 1 Description of the Plan (cont.)

Participants' Accounts and Investment Options

Each participant's account is credited with the participant's salary reduction contributions and allocations of the employer's matching contributions and plan earnings. Allocations are based on participant contributions and account balances, as defined in the plan. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

Participants may invest their salary reduction contributions, any rollover account balances, and employer matching contributions into a variety of investment options as more fully described in the plan's literature. Participants may change their investment options via telephone or internet at any time.

During 2002 two investment funds changed their names. The LaSalle National Pooled Income Fund became the ABN AMRO Income Plus Fund and the Mercury Select Growth Fund became the Turner Large Cap Growth Fund which was replaced by the RCM Pimco Large Cap Growth Fund.

Vesting

Participants are immediately vested in their salary reduction and rollover contributions plus actual earnings thereon. Vesting in employer matching contributions plus actual earnings thereon is based on years of vesting service and is subject to a three-year graded vesting schedule as follows:

<u>Vesting Years of Service</u>	<u>Percentage Vested</u>
1	34%
2	67%

A participant also becomes 100% vested in employer matching contributions plus actual earnings thereon upon termination of employment after attaining age 65, death or disability.

Forfeited Accounts

During the year ended December 31, 2002, forfeited non-vested accounts were used to reduce employer contributions by \$157,059.

Payment of Benefits

Vested benefits may be paid to the participant upon termination of employment, as defined in the plan. The total vested portion of a participant's account balance is distributed in the form of a lump-sum payment or installments. Annuity payments are also available for some employees of various acquired companies. Participants experiencing financial hardship may withdraw a portion of their account balance as defined in the plan.

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**TELEPHONE AND DATA SYSTEMS, INC.
TAX DEFERRED SAVINGS PLAN**

**NOTES TO FINANCIAL STATEMENTS
December 31, 2002 and 2001**

NOTE 1 Description of the Plan (cont.)

Termination of Plan

Although it has not expressed any intent to do so, the company has the right under the plan to terminate the plan at any time subject to the provisions of ERISA. In the event of plan termination, participants become 100% vested in their accounts.

Participant Loans

Participants may borrow from their fund accounts a minimum of \$1,000 up to a maximum equal to the lesser of \$50,000 or 50% of their account balance (excluding employer matching contributions). These loans are secured by the balance in the participant's account. The loans bear interest at the prime rate plus 1% as published in the Wall Street Journal on the first business day of the quarter in which the loan is approved. Principal and interest is paid ratably through after tax payroll deductions. The repayment period on the loan can range from one to five years. Loans will be considered in default if no loan payment is received during any 90-day period.

Plan Expenses

All administrative, recordkeeping and auditing fees are borne by TDS. Investment expenses are paid by plan participants.

NOTE 2 Summary of Significant Accounting Policies

Basis of Accounting and Use of Estimates

The accompanying financial statements have been prepared on the accrual basis of accounting. The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires the plan's management to use estimates and assumptions that affect the accompanying financial statements and disclosures. Actual results could differ from these estimates.

Investment Valuation and Income Recognition

The plan's investments are valued at fair value. Shares of registered investment companies, TDS Common Stock, and USCC Common Stock are valued at quoted market price. Shares held in bank common trust funds and money market funds are reported at fair value based on the unit prices quoted by the fund, representing the fair value of the underlying investments. Participant loans are valued at cost, which approximates fair value.

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**TELEPHONE AND DATA SYSTEMS, INC.
TAX DEFERRED SAVINGS PLAN**

NOTES TO FINANCIAL STATEMENTS
December 31, 2002 and 2001

NOTE 2 Summary of Significant Accounting Policies (cont.)

Investment Valuation and Income Recognition (cont.)

Net depreciation in fair value of investments included in the accompanying statement of changes in net assets available for benefits includes realized gains or losses from the sale of investments and unrealized appreciation or depreciation in fair value of investments. Net unrealized appreciation or depreciation in the fair value of investments represents the net change in the fair value of the investments held during the period. The net realized gains or losses on the sale of investments represent the difference between the sale proceeds and the fair value of the investment as of the beginning of the period or the cost of the investment if purchased during the year.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date.

Payment of Benefits

Benefits are recorded when paid.

NOTE 3 Investments

The following presents investments as of December 31, 2002 and 2001 and investment income for the year ended December 31, 2002.

	2002	2001
	<u> </u>	<u> </u>
Investments		
Bank common trust funds		
The Bank of New York	\$ 1,049,620	\$ 2,176,968
ABN AMRO Income Plus Fund	24,328,521*	17,412,241*
Common stock		
Telephone and Data Systems, Inc.	15,057,591*	28,773,671*
United States Cellular Corporation	10,196,225*	17,226,358*
Mutual funds		
Vanguard Institutional Index Fund	23,917,665*	27,675,531*
RCM Pimco Total Return Fund	14,258,817*	5,543,449
Putnam International Growth Fund	5,447,678	4,922,648
Selected American Shares	5,692,438*	4,759,611
RCM Pimco Large Cap Growth Fund	2,161,204	2,031,172
Turner Midcap Growth Fund	6,169,807*	6,584,348*
Participant loans	3,075,561	2,895,621
	<u> </u>	<u> </u>
Total Investments	\$ 111,355,127	\$ 120,001,618
	<u> </u>	<u> </u>

Investments that represent 5% or more of the plan's net assets are separately identified with an "*".

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TELEPHONE AND DATA SYSTEMS, INC.
TAX DEFERRED SAVINGS PLAN

NOTES TO FINANCIAL STATEMENTS
December 31, 2002 and 2001

NOTE 3 Investments (cont.)

During the year ended December 31, 2002, the plan's investments (including gains and losses on investments bought, sold, and held during the year) depreciated in value as follows:

Bank common trust funds	\$	--
Common stock		(21,583,528)
Mutual funds		(12,068,638)
		<u> </u>
Net Change in Fair Value	\$	(33,652,166)

The information presented above includes non-participant directed funds as discussed in Note 4.

The 2003 market volatility of equity-based investments is expected to substantially impact the value of such investments at any given time. It is possible that the value of the plan's investments, both in total and in individual participant accounts, has declined since December 31, 2002.

NOTE 4 Nonparticipant-Directed Investments

As previously noted, the plan was amended in 2002 so that each employer's matching contributions are no longer required to be invested in TDS or USCC stock. In addition, plan participants can also reallocate amounts that were previously invested in TDS or USCC stock. As a result, all investments as of December 31, 2002 are now considered to be participant directed.

Information about the net assets and the significant components of the changes in net assets relating to the nonparticipant-directed investments as of December 31, 2001 is as follows:

	2001
	<hr/>
Investments	
Common stock	
Telephone and Data Systems, Inc.	\$ 12,651,276
United States Cellular Corporation	9,234,884
Bank common trust funds	
The Bank of New York	859,040
	<hr/>
Total Investments	22,745,200
Receivables	
Other	48,622
	<hr/>
Total Assets	22,793,822
Liabilities	237,479
	<hr/>
Total Nonparticipant-Directed Net Assets	\$ 22,556,343
	<hr/>

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**TELEPHONE AND DATA SYSTEMS, INC.
TAX DEFERRED SAVINGS PLAN**

NOTES TO FINANCIAL STATEMENTS
December 31, 2002 and 2001

NOTE 4 Nonparticipant-Directed Investments (cont.)

During the year ended December 31, 2001, the nonparticipant directed investments changed in value as follows:

Net depreciation in fair value of investments	\$ (3,201,655)
Interest and dividends	70,947
Contributions	7,662,950
Benefits paid to participants	(1,518,745)
	<hr/>
Net Increase	\$ 3,013,497
	<hr/>

NOTE 5 Amount Owed to Participants Withdrawing From the Plan

Amounts owed to participants who have withdrawn from the plan total \$128,316 as of December 31, 2002, and are included in net assets available for benefits.

NOTE 6 Parties In Interest

Certain plan investments are shares of a common trust fund sponsored by The Bank of New York. The Bank of New York is the directed trustee of the plan and, therefore, these transactions qualify as party-in-interest transactions.

United States Cellular Corporation is a subsidiary of Telephone and Data Systems, Inc.

All employer contributions prior to April 2002 were made in cash and used to purchase common stock of TDS and USCC.

NOTE 7 Tax Status

The plan obtained its latest determination letter on August 1, 2002 for the plan document as of November 2001, in which the Internal Revenue Service stated that the plan, as then designed, was in compliance with the applicable requirements of the Internal Revenue Code (IRC). The plan has been amended since receiving the determination letter. The plan administrator and the plan's tax counsel believe that the plan, as amended, is designed and being operated in compliance with the applicable requirements of the Internal Revenue Code. Therefore, they believe that the plan was qualified and the related trust was tax-exempt at the financial statement date.

NOTE 8 Plan Transfers

During 2002 approximately \$1,251,000 was transferred from UTELCO Employee Savings Plan into the plan.

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**TELEPHONE AND DATA SYSTEMS, INC.
TAX DEFERRED SAVINGS PLAN**

NOTES TO FINANCIAL STATEMENTS
December 31, 2002 and 2001

NOTE 9 Reconciliation of Financial Statements to Schedule H Form 5500

A reconciliation between the financial statements and Form 5500 as of December 31, 2002 and 2001, and for the year ended December 31, 2002 is as follows:

	2002	2001
	<u> </u>	<u> </u>
Total net assets per Form 5500, Schedule H	\$ 111,204,769	\$ 119,256,463
Benefits payable accrued for the 5500	128,316	368,489
	<u> </u>	<u> </u>
Net Assets Available for Benefits Per Financial Statements	\$ 111,333,085	\$ 119,624,952
	<u> </u>	<u> </u>
Decrease in net assets per Form 5500, Schedule H	\$ 8,051,694	
Decrease in benefits payable for the 5500	240,173	
	<u> </u>	
Decrease in Net Assets Available for Benefits Per Financial Statements	\$ 8,291,867	
	<u> </u>	

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SUPPLEMENTAL INFORMATION

TELEPHONE AND DATA SYSTEMS, INC.
TAX DEFERRED SAVINGS PLAN

SCHEDULE OF ASSETS HELD FOR INVESTMENT PURPOSES AT END OF YEAR

Plan 003

EIN 36-2669023

December 31, 2002

(a)	(b) Identity of Issue, Borrower, Lessor, or Similar Party	(c) Description of Investment Including Maturity Date, Rate of Interest, Collateral, Par or Maturity Value	(d) Cost	(e) Current Value
Common Stocks				
*	Telephone and Data Systems, Inc.	320,238 shares	**	\$ 15,057,591
*	United States Cellular Corporation	407,523 shares	**	10,196,225
Registered Investment Companies				
	Vanguard Institutional Index Fund	297,299 shares	**	23,917,665
	Selected American Shares	223,145 shares	**	5,692,438
	Turner Midcap Growth Fund	419,429 shares	**	6,169,807
	RCM Pimco Large Cap Growth Fund	213,981 shares	**	2,161,204
	RCM Pimco Total Return Fund	1,336,346 shares	**	14,258,817
	Putnam International Growth Fund	331,973 shares	**	5,447,678
Bank Common Trust Funds				
*	The Bank of New York	1,049,620 shares	1,049,620	1,049,620
	ABN AMRO Income Plus Fund	24,328,521 shares	**	24,328,521
Participant Loans				
	Loans to Participants	Loan term 1 - 5 years; Interest rates range from 5.25% to 10.5%	-0-	3,075,561
				\$111,355,127

- * Represents a party in interest
 ** Cost omitted for participant directed investments

SCHEDULE OF REPORTABLE TRANSACTIONS
 Plan 003
 EIN 36-2669023
 Year ended December 31, 2002

(a) Identity of Party Involved	(b) Description of Asset	(c) Purchase Price	(d) Selling Price	(g) Cost of Asset	(h) Current Value of asset on Transaction Date	(i) Net Gain or (Loss)
Series of Transactions:						
* Telephone and Data Systems, Inc.	Common Stock		\$ 7,054,768	\$ 8,243,780	\$ 7,054,768	\$ (1,189,012)
* Telephone and Data Systems, Inc.	Common Stock	\$ 6,980,618			6,980,618	
* United States Cellular Corporation	Common Stock		7,815,264	12,268,584	7,815,264	(4,453,320)
* United States Cellular Corporation	Common Stock	8,852,163			8,852,163	
ABN AMRO Income Plus Fund	Bank Common Trust Fund		9,488,225	9,488,225	9,488,225	--
ABN AMRO Income Plus Fund	Bank Common Trust Fund	16,404,507			16,404,507	
Vanguard Institutional Index Fund	Mutual Fund		4,758,362	6,148,252	4,758,362	(1,389,890)
Vanguard Institutional Index Fund	Mutual Fund	7,865,444			7,865,444	
Turner Midcap Growth Fund	Mutual Fund		2,661,471	3,773,341	2,661,471	(1,111,870)
Turner Midcap Growth Fund	Mutual Fund	4,881,574			4,881,574	

SCHEDULE OF REPORTABLE TRANSACTIONS
 Plan 003
 EIN 36-2669023
 Year ended December 31, 2002

(a) Identity of Party Involved	(b) Description of Asset	(c) Purchase	(d) Selling Price	(g) Cost of	(h) Current	(i) Net Gain or
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		Price	Asset	Value of asset on Transaction Date	(Loss)
Series of Transactions: (cont.)					
RCM Pimco Total Return Fund	Mutual Fund		\$ 1,873,111	\$ 1,846,777	\$ 1,873,111 \$ 26,334
RCM Pimco Total Return Fund	Mutual Fund	10,490,731		10,490,731	
* The Bank of New York	Bank Common Trust Fund		34,441,707	34,441,707	34,441,707 --
* The Bank of New York	Bank Common Trust Fund	33,314,358		33,314,358	
Single Transactions:					
None					
* Represents a party in interest					

Signatures

The Plan. Pursuant to the requirements of the Securities Exchange Act of 1934, Telephone and Data Systems, Inc., the Plan Administrator has duly caused this Annual Report on Form 11-K to be signed on its behalf by the undersigned hereunto duly authorized.

**TELEPHONE AND DATA SYSTEMS, INC.
TAX-DEFERRED SAVINGS PLAN**

**By: Telephone and Data Systems, Inc.,
Plan Administrator**

By /s/ LeRoy T. Carlson, Jr.

LeRoy T. Carlson, Jr., President and Chief
Executive Officer

By /s/ Sandra L. Helton

Sandra L. Helton, Executive Vice President and
Chief Financial Officer

By /s/ C. Theodore Herbert

C. Theodore Herbert, Vice President - Human
Resources

Dated: June 27, 2003
