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CITIZENS COMMUNICATIONS CO
Form 11-K
June 29, 2001

CITIZENS 401(k) SAVINGS PLAN
Financial Statements and Schedules
December 31, 2000 and 1999
(With Independent Auditors' Report Thereon)

UNITED STATES
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

or

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

For the fiscal year ended December 31, 2000

Commission file number 001-11001

CITIZENS 401(k) SAVINGS PLAN
CITIZENS COMMUNICATIONS COMPANY
A Delaware Corporation

IRS Employer Identification Number 06-0619596

3 High Ridge Park
P.O. Box 3801
Stamford, CT 06905
Telephone (203) 614-5600

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CITIZENS 401(k) SAVINGS PLAN

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Signature

* Schedules required by Form 5500 that are not applicable have not been included.

Independent Auditors' Report

Citizens Communications Company, Plan Administrator of the
Citizens 401(k) Savings Plan:

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We have audited the accompanying statements of net assets available for benefits of the Citizens 401(k) Savings Plan (the Plan) as of December 31, 2000 and 1999, and the related statement of changes in net assets available for benefits for the year ended December 31, 2000. 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, 2000 and 1999 and the changes in net assets available for benefits for the year ended December 31, 2000 in conformity with accounting principles generally accepted in the United States of America.

Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedules of assets held at end of year, schedule of reportable transactions, and schedule of non-exempt transactions are presented for the purposes of additional analysis and are not a required part of the basic financial statements but are supplementary information required by the Department of Labor Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. These supplemental schedules are the responsibility of the Plan's management. These supplemental schedules have been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

June 27, 2001

CITIZENS 401(k) SAVINGS PLAN

Statements of Net Assets Available for Benefits

December 31, 2000 and 1999

2000

Assets:

Investments:

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| | | | | |
|--|----|-------------|----|-------|
| Citizens Communications Company common stock | \$ | 100,520,640 | \$ | 109 |
| Mutual funds | | 42,300,003 | | 46 |
| Collective trusts | | 75,179,396 | | 83 |
| Guaranteed investment contracts | | 13,167,635 | | 16 |
| Participants' loans | | 7,941,462 | | 7 |
| | | ----- | | ----- |
| Total investments | | 239,109,136 | | 262 |
| Employer's contribution receivable | | 28,275 | | |
| Participants' contributions receivable | | 97,033 | | |
| | | ----- | | ----- |
| Net assets available for benefits | \$ | 239,234,444 | \$ | 262 |
| | | ===== | | ===== |

See accompanying notes to financial statements.

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CITIZENS 401(k) SAVINGS PLAN

Statement of Changes in Net Assets Available for Benefits

Year ended December 31, 2000

Additions to net assets attributed to:

Investment income:

| | | |
|---|----|--------------|
| Dividends | \$ | 8,003,468 |
| Interest | | 593,262 |
| Net depreciation in fair value of investments | | (37,108,649) |
| | | ----- |
| | | (28,511,919) |

Contributions:

| | | |
|-----------------------------|--|------------|
| Participants' contributions | | 20,015,231 |
| Employer contributions | | 6,030,560 |
| | | ----- |
| | | 26,045,791 |

Total additions, net (2,466,128)

Deductions to net assets attributed to:

| | | |
|-------------------------------|--|--------------|
| Benefits paid to participants | | (20,972,940) |
| Miscellaneous expenses | | (11,122) |
| | | ----- |

Total deductions (20,984,062)

Net decrease in assets available for benefits (23,450,190)

Net assets available for benefits:

| | | |
|-------------------|--|-------------|
| Beginning of year | | 262,684,634 |
| | | ----- |

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End of year \$ 239,234,444
=====

See accompanying notes to financial statements.

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CITIZENS 401(k) SAVINGS PLAN
Notes to Financial Statements

(1) Description of the Plan

The following brief description of the Citizens 401(k) Savings Plan (the "Plan") provides general information. Participants should refer to the Plan document for a more comprehensive description of the Plan's provisions.

(a) Background

The Plan is a voluntary defined contribution plan sponsored by Citizens Communications Company (the "Company"). Under the terms of the Plan, bargaining or nonbargaining unit employees who have attained six months of continuous service are eligible to participate in the Plan. At December 31, 2000 there were 7,043 employees eligible to participate in the Plan and 4,925 active employees participating in the Plan.

On October 31, 1997, the Company purchased The Gas Company ("GASCO"). Effective September 30, 1999, the Plan merged with the GASCO Bargaining 401(k) Plan ("GASCO Union Plan"). The GASCO Union Plan was a defined contribution plan for the benefit of employees covered by collective bargaining agreements with GASCO. On October 1, 1999, \$1,475,186 was transferred into the Plan related to this Plan merger. The Plan administrator believes the Plan merger was a tax-exempt transaction under the applicable provision of the Internal Revenue Code ("IRC") and, therefore, is not subject to Federal income tax.

(b) Contributions

Eligible employees may contribute, in 1% increments, up to 16% of their annual compensation through payroll deductions, subject to certain maximum contribution restrictions. Prior to January 1, 1992, participants had an option to elect life insurance coverage as an investment vehicle. Beginning January 1, 1992, such option was discontinued, except that participants who elected life insurance coverage prior to January 1, 1992 could continue to make specific dollar allocations to purchase additional life insurance coverage. Contributions may be apportioned in 5% increments to any combination of the seven investment options specified below. Participants may change salary deferral percentages and investment options daily, by telephone, which generally become effective with the first payroll of the

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following month. At December 31, 2000, the number of accounts in each fund were as follows:

| | Number of accounts ----- |
|-----------------------------------|--------------------------------|
| Stock Fund | 5,449 |
| PIMCO Total Return Fund | 2,311 |
| Putnam OTC & Emerging Growth Fund | 3,309 |
| Putnam Stable Value Fund | 2,591 |
| Putnam S & P 500 Index Fund | 4,273 |
| Putnam International Growth Fund | 2,576 |
| Putnam Vista Fund | 857 |
| Life Insurance | 31 |

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CITIZENS 401(k) SAVINGS PLAN Notes to Financial Statements (continued)

The Company contribution is determined for each Plan year by the Board of Directors of the Company. The Company contribution for the 2000 Plan year amounted to 50% of the first 6% of each Participant's annual base compensation (as defined by the Plan) that a participant contributes to the Plan for participants not covered by collective bargaining agreements. Company contributions for participants covered by collective bargaining agreements were made in accordance with the terms of the respective agreement. The Company contributions are invested entirely in the Stock Fund unless a participant is age 55 or older in which case the participant could elect to have the Company contribution invested proportionately in the same investments as his/her own contributions. In addition, at age 55 a participant can request to transfer previous Company contributions invested in the Stock Fund to other investment options.

(c) Participant Accounts

Each participant's account is credited with the participant's contribution and an allocation of the Company contribution and plan earnings or losses. Allocations are based on each participant's contribution, as defined. The benefit to which a participant is entitled is the amount, which can be provided from the participant's account.

(d) Vesting

Participants are at all times fully vested in their own contributions and the allocated earnings thereon. Participants become 100% vested in the Company contributions and the related earnings on the Company contributions upon disability, death, attainment of normal retirement age or after five years of service. For any other termination of employment, the vesting schedule is as follows:

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| Years of service ----- | Vested percentage of company contribution and related earnings ----- |
|-------------------------------|---|
| Less than 2 years | 0% |
| 2 years but less than 3 years | 40% |
| 3 years but less than 4 years | 60% |
| 4 years but less than 5 years | 80% |
| 5 years or more | 100% |

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CITIZENS 401(k) SAVINGS PLAN
Notes to Financial Statements (continued)

(e) Participant Loans

Participants in the Plan may request to borrow up to the lesser of 50% of his/her vested account balance or \$50,000. The loans are allocated to a Loan Fund. The interest rate paid by the participant is equal to the prime interest rate in effect at the beginning of the month in which the loan is processed and remains fixed at that rate for the term of the loan. Loan repayments are made through payroll deductions, after tax, and are credited to each Participant's account as the payments are made. A participant may repay a loan in full at anytime by remitting his/her payoff check directly to Putnam Investments ("Putnam"), the trustee of the Plan. In the event of termination of employment, a Participant's loan may be repaid in full or the loan will be canceled and the Participant's final distribution will be reduced by the amount of the outstanding loan balance. There were 1,109 Participants in the loan fund at December 31, 2000.

(f) Payment of Benefits

Distribution of benefits must begin either on or before April 1st of the year following the year the participant attains age 70 1/2. If the Participant is still employed by the Company at age 70 1/2, he/she must take a minimum distribution of his/her balance on or before April 1st of the calendar year after the participant attains age 70 1/2.

Upon termination of employment, a Participant is entitled to receive payment in full of the vested portion of his/her account. If the value of the terminating Participant's vested account balance exceeds \$5,000, the Participant may elect to defer his/her distribution

(g) Forfeitures

For the year ended December 31, 2000, forfeited nonvested Company contributions totaled \$439,388. These amounts were used to reduce the obligation of the Company to make contributions to the Plan.

(h) Administrative Costs

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The majority of Plan administration costs are paid by the Company.

(2) Summary of Accounting Policies

(a) Basis of Accounting

The financial statements of the Plan are prepared under the accrual method of accounting.

In September 1999, the American Institute of Certified Public Accountants issued Statement of Position 99-3 "Accounting For and Reporting on Certain Deferred Contribution Plan Investments and Other Disclosure Matters" (SOP 99-3). SOP 99-3 simplifies disclosure for certain investments and is effective for plan years ended after December 15, 1999. The Plan adopted SOP 99-3 and as a result, information no longer required to be disclosed about participant fund investment programs is not presented in the Plan's financial statements.

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CITIZENS 401(k) SAVINGS PLAN
Notes to Financial Statements (continued)

(b) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, changes therein, and disclosures of contingent assets and liabilities at the date of the financial statements. Actual results could differ from these estimates.

(c) Investments

The Plan's investments are stated at fair value, except for Guaranteed Investment Contracts, which are valued at contract value as they are benefit responsive contracts. The average yield on the Guaranteed Investment Contracts is 6.8% for the year ended December 31, 2000. Shares of registered investment companies (mutual funds) are valued at quoted market prices, which represent the net asset value of shares held by the Plan. The Company stock is valued at its quoted market price. Participant notes receivable are valued at cost, which approximates fair value. The net depreciation/appreciation in the fair value of investments consists of the net realized gains and losses on the disposal of investments and the unrealized appreciation/depreciation of the market value for the investments remaining in the Plan in 2000.

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

(d) Benefits

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Benefits are recorded when paid.

(e) Risks and Uncertainties

Investment securities are exposed to various risks such as interest rate, market and credit. Due to uncertainties inherent in the estimates and assumptions process and in the value of investment securities, it is at least reasonably possible that changes in these estimates, and risk factors in the near term could be material to the financial statements.

(f) New Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS No. 133"). SFAS No. 133 requires that an entity recognize all derivatives and measure those instruments at fair value. SFAS No. 133 is effective January 1, 2001. Management has determined that the impact of SFAS No. 133 on the Plan financial statements is immaterial.

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CITIZENS 401(k) SAVINGS PLAN
Notes to Financial Statements (continued)

(3) Investment

The following presents investments that represent 5% or more of the Plan's net assets:

| | 2000 |
|---|---------------|
| | ----- |
| Citizens Communications Company common stock: | |
| Participant Directed, 4,249,893 and 4,461,743 shares, | |
| respectively | \$ 55,779,844 |
| Non-participant Directed, 3,408,822 and 3,258,823 | |
| shares, respectively | 44,740,796 |
| Putnam OTC & Emerging Growth Fund | 15,733,252 |
| Putnam International Growth Fund | 12,413,885 |
| Putnam Stable Value Fund | 16,137,246 |
| Putnam S&P 500 Index Fund | 59,042,150 |

During 2000, the Plan's investments (including gains and losses on investments bought and sold as well as held during the year) depreciated in value by \$37,108,649 as follows:

| | |
|-----------------------------|-----------------|
| Common stock of the Company | \$ (8,041,481) |
| Mutual funds | (22,822,638) |
| Collective trusts | (6,244,530) |
| | ----- |
| | \$ (37,108,649) |
| | ===== |

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(4) Non Participant -Directed Investments

Information about the net assets available for benefits and significant components of the changes in net assets available for benefits relating to the non-participant directed investments are as follows:

| | 2000 |
|--|----------------|
| | ----- |
| Net assets: | |
| Common Stock of the Company | \$ 44,740,796 |
| Changes in net assets: | |
| Net (depreciation) appreciation in fair value of investments | (3,848,246) |
| Employer contributions | 6,030,560 |
| Benefits paid to participants | (2,959,090) |
| Other | (715,095) |
| | ----- |
| Change in net assets | \$ (1,491,871) |
| | ===== |

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CITIZENS 401(k) SAVINGS PLAN
Notes to Financial Statements (continued)

(5) Related Party Transactions

Certain Plan assets are invested in shares of mutual funds that are managed by Putnam. As Putnam is the trustee as defined by the Plan, these transactions qualify as party-in-interest transactions. Fees paid by the Company to Putnam for investment management services amounted to \$113,791 in 2000. Fees paid by the Plan to Putnam for administrative services in 2000 amounted to \$11,122.

(6) Termination of Plan

The Company's Board of Directors has the right under the terms of the Plan to discontinue Company contributions at any time and may terminate the Plan, subject to the terms of the Employee Retirement Income Security Act of 1974 ("ERISA").

(7) Tax Status

As of January 2, 1998, the assets of the Citizens Utilities 401(k) Savings Plan were transferred into the CUC 401(k) Employee Benefit

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Plan. The name of the CUC 401(k) Employee Benefit Plan was then changed to Citizens 401(k) Savings Plan. Both the Citizens Utilities 401(k) Savings Plan and the CUC 401(k) Employee Benefit Plan received determination letters from the Internal Revenue Service dated January 25, 1995 and October 26, 1994, respectively, stating that the plans were qualified under Section 401(a) of the Internal Revenue Code (the "Code") and the related trusts were tax exempt under Section 501(a) of the Code. The Company has not yet applied for a determination letter for the Citizens 401(k) Savings Plan, however, the Company intends to file and fully expects the plan to qualify under Section 401(a) of the Code and the related trusts to be tax exempt under Section 501(a) of the Code. The Plan Administrator and the Plan's tax counsel believe that the Plan is currently designed and being operated in compliance with the Code.

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CITIZENS 401(k) SAVINGS PLAN

Schedule H, line 4i - Schedule of Assets (held at end of year)

December 31, 2000

| (a) Identity of issuer, borrowers, lessor, or similar party | (c) Description of Investment | (d) Co |
|--|--|------------|
| * Citizens Communications Company | Citizens Communications Company common stock shares - 7,658,715 | N/A |
| * PIMCO Investments | PIMCO Total Return Fund - Mutual Fund shares - 1,034,218 | N/A |
| * Putnam Investments | Putnam OTC and Emerging Growth Fund Mutual Fund - shares - 1,130,762 | N/A |
| * Putnam Investments | Putnam International Growth Fund Mutual Fund - shares - 502,383 | N/A |
| * Putnam Investments | Putnam Vista Fund Mutual Fund - shares - 261,701 | N/A |
| * Putnam Investments | Putnam S&P 500 Index Fund - Collective Trust shares - 1,863,704 | N/A |
| * Putnam Investments | Putnam Stable Value Fund - Collective Trust shares - 16,137,246 | N/A |
| Guaranteed investment contracts: | | |
| Connecticut General Life Insurance Company - maturity date 6/30/01; rate 7.14% | | \$ 2,706,8 |
| Connecticut General Life Insurance Company - maturity date 6/30/01; rate 7.14% | | 542,0 |
| GE Life & Annuity Assurance Company - maturity date 6/30/01; rate 6.11% | | 3,194,7 |
| Principal Mutual Life Insurance Company - maturity date 6/29/02; rate 7.16% | | 1,370,5 |
| Principal Mutual Life Insurance Company - maturity date 6/29/02; rate 7.16% | | 740,4 |
| Travelers Life and Annuity - maturity date 3/31/03; rate 6.81% | | 3,732,7 |

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Travelers Life and Annuity - maturity date 3/31/03; rate 6.81%

880,2

Total guaranteed investment contracts

* Plan participants 1,109 loans - interest rate from 6% to 9%

* Party -in-interest as defined by ERISA

See independent auditors' report.

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CITIZENS 401(k) SAVINGS PLAN

Schedule H, line 4j - Schedule of Reportable Transactions

Year ended December 31, 2000

Series of transactions with respect to securities of the same issue aggregating over 5% of the current value of plan assets at the beginning of the year:

| (a) Identity of party involved | (b) Description of Asset | (c) Purchase price | (d) Selling price | (g) Cost asse |
|---------------------------------|--|--------------------|-------------------|---------------|
| Citizens Communications Company | Citizens Communications Company common stock | \$ 5,587,558 | | 5,587,55 |
| Citizens Communications Company | Citizens Communications Company common stock | | \$ 2,959,090 | 2,121,73 |

See independent auditors' report.

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CITIZENS 401(k) SAVINGS PLAN

Schedule H, line 4d - Schedule of Nonexempt Transactions

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Year ended December 31, 2000

| Identity of party involved | Relationship to Plan | Description of transaction |
|---------------------------------|----------------------|---|
| Citizens Communications Company | Plan sponsor | Late deposit of empl contributions - 1 |

See independent auditors' report.

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CITIZENS 401(k) SAVINGS PLAN

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Plan Administrators have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

CITIZENS 401(k) SAVINGS PLAN

/s/ Robert J. Larson

Robert J. Larson
Vice President and Chief Accounting Officer

Date: June 27, 2001

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Independent Auditors' Consent

The Board of Directors
Citizens Communications Company:

We consent to incorporation by reference in the Registration Statement (No. 33-48683) on Form S-8, and in the Registration Statement (No. 333-61432) on Form S-8 of Citizens Communications Company of our report dated June 27, 2001, with respect to the Statements of Net Assets Available for Benefits of the Citizens 401(k) Savings Plan as of December 31, 2000 and 1999, and the related Statement of Changes in Net Assets Available for Benefits for the year ended December 31, 2000, and supplemental schedules as of and for the year ended December 31, 2000, which report appears in the annual report on Form 11-K of the Citizens 401(k) Savings Plan dated December 31, 2000.

/s/ KPMG LLP

New York, New York
June 27, 2001