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INTER TEL INC  
Form 11-K  
July 08, 2003

FORM 11-K  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON D.C. 20549

ANNUAL REPORT

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

(X) 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 333-106868

A. FULL TITLE OF THE PLAN AND THE ADDRESS OF THE PLAN, IF DIFFERENT FROM THAT OF THE ISSUER NAMED BELOW:

Inter-Tel, Incorporated  
Tax Deferred Savings Plan and Retirement Trust  
1615 South 52nd Street  
Tempe, AZ 85281

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

Inter-Tel, Incorporated  
1615 South 52nd Street  
Tempe, AZ 85281

INTER-TEL, INCORPORATED  
TAX DEFERRED SAVINGS PLAN AND RETIREMENT TRUST

FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULE  
DECEMBER 31, 2002 AND 2001

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Schedule H, Line 4(i) - Schedule of Assets (Held at end of year).....11

INDEPENDENT AUDITORS' REPORT

To the Participants and the Plan Administrator of the Inter-Tel, Incorporated Tax Deferred Savings Plan and Retirement Trust:

We have audited the accompanying statements of net assets available for benefits of Inter-Tel, Incorporated Tax Deferred Savings Plan and Retirement Trust at 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 U.S. generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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 Inter-Tel, Incorporated Tax Deferred Savings Plan and Retirement Trust at December 31, 2002 and 2001, and the changes in net assets available for benefits for the year ended December 31, 2002 in conformity with U.S. generally accepted accounting principles.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of assets (held at end of year) is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental schedule is the responsibility of the Plan's management, and has been subjected to the auditing procedures applied in the audit 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/ MAYER HOFFMAN MCCANN P.C.

June 17, 2003  
Phoenix, Arizona

INTER-TEL, INCORPORATED  
TAX DEFERRED SAVINGS PLAN AND RETIREMENT TRUST

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS

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DECEMBER 31,

DECEMBER 31,	
2002	2001
-----	-----

ASSETS:

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Cash and cash equivalents	\$ 47,933	\$ 33,599
	-----	-----
Investments, at fair value	34,699,660	36,208,468
	-----	-----
Receivables		
Employer contribution	1,502,302	1,414,318
Participant contributions	1,718	10,778
Interest and dividends	6,816	42,103
	-----	-----
Total receivables	1,510,836	1,467,199
	-----	-----
Total Assets	36,258,429	37,709,266
LIABILITIES:		
Excess contribution refund payable	--	11,434
	-----	-----
Net assets available for benefits	\$36,258,429	\$37,697,832
	=====	=====

See accompanying notes to financial statements.

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INTER-TEL, INCORPORATED  
TAX DEFERRED SAVINGS PLAN AND RETIREMENT TRUST

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

YEAR ENDED DECEMBER 31, 2002

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Additions to net assets attributed to:		
Interest and dividends		\$ 635,385
Contributions:		
Employer		1,502,302
Participant		4,775,629
Rollovers		718,380
		-----
Total additions		7,631,696
		-----
Deductions from net assets attributed to:		
Net depreciation in fair value of investments		7,155,258
Benefits paid to participants		2,305,599
Administrative expenses		63,324
Other		54,651
		-----
Total deductions		9,578,832
		-----
Asset Transfers to the Plan		507,733
		-----
Net decrease in net assets		(1,439,403)
Net assets available for benefits at beginning of year		37,697,832

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Net assets available for benefits at end of year

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\$ 36,258,429  
=====

See accompanying notes to financial statements.

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INTER-TEL, INCORPORATED  
TAX DEFERRED SAVINGS PLAN AND RETIREMENT TRUST

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
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(1) DESCRIPTION OF THE PLAN

The following description of the Inter-Tel, Incorporated Tax Deferred Savings Plan and Retirement Trust (the "Plan") provides only general information. Participants should refer to the Plan document for a more complete description of the Plan's provisions.

GENERAL - The Plan is a defined contribution plan covering all employees of Inter-Tel, Incorporated and its subsidiaries (the "Company"). The Plan is administered by the Company. Effective January 1, 2001, an employee becomes eligible to participate in the Plan subsequent to the pay period in which the employee completes one hour of service. The Plan was established on December 1, 1984 and is subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended ("ERISA").

CONTRIBUTIONS - Each year, participants may contribute a percentage or dollar amount of their annual compensation to the Plan up to the annual IRS maximum through regular payroll deductions. Participants have the opportunity to change the previously elected percentage or dollar contributions each business day, to be effective at the next bi-weekly payroll period. Eligible participants receive a discretionary matching Company contribution. For 2002, the Company matched 50 percent of the participant's basic contribution limited to six percent of the participant's 2002 compensation. At the Company's discretion, it may allocate profit sharing contributions at the end of each Plan year according to the terms of the Plan.

PARTICIPANT ACCOUNTS - Each participant's account is credited with the participant's contributions, the Company's contributions and an allocation of Plan earnings. Allocations are based on participant account balances. The benefit a participant is entitled to receive is the participant's vested account balance. Participants may elect to have their accounts invested in mutual funds or common stock of the Company as offered by the Plan, or they may elect to have their accounts invested through individual self-directed brokerage accounts.

VESTING - Participants immediately vest in their voluntary contributions plus actual earnings thereon and amounts rolled over from other plans into the Plan. Vesting in the Company's matching contribution is based on years of service. The employer contribution portion of each participant account vests starting the first year of service at a graduated amount each year until completing the sixth year of service. After six years, the participant is 100 percent vested in the employer contribution account.

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FORFEITURES - Forfeited balances of terminated participants' nonvested accounts are used to reduce future employer contributions. In 2002, forfeitures totaled \$64,938 and are reflected as a reduction of employer contributions receivable and employer contributions at December 31, 2002 in the accompanying financial statements.

PARTICIPANT LOANS - Participants can borrow from their accounts a minimum of \$1,000, up to a maximum equal to the lesser of \$50,000 or 50% of their vested account balance. Loan terms range up to a maximum of five years, with the exception of loans for the purchase of a primary residence, which carry a maximum of up to twenty years. Loans are secured by the balance in the participant's account and bear interest at a rate commensurate with prevailing rates at the time the loan is made as determined by the loan administrator. Principal and interest is generally paid ratably through payroll deductions.

PAYMENT OF BENEFITS - Upon termination of service, a participant may receive a lump-sum amount equal to the vested value of his or her account. Upon death, disability, or retirement, participants or their beneficiaries may elect to receive lump sums or annual installments over a 10 year period.

PLAN TERMINATION - Although the Company intends to continue the Plan indefinitely for the benefit of its participants, the Company has the right to discontinue its contributions at any time and to terminate or modify the Plan, subject to the provisions of ERISA. In the event of termination of the Plan, participants will become 100 percent vested in all of their accounts.

### (2) SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed by the Plan are as follows:

INVESTMENT VALUATION AND INCOME RECOGNITION - The Plan's investments are stated at fair value. Securities and mutual funds traded on national securities exchanges are valued at the last quoted sales price on the principal exchange on which they are traded. Securities, limited partnerships and real estate promissory notes for which no price is readily available on the valuation date are valued at fair value as determined by the Plan Administrator. Participant loans are valued at their outstanding balances, which approximates fair value. 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.

USE OF ESTIMATES - The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of net assets, and the reported amounts of changes in net assets during the year. Actual results could differ from those estimates.

INTER-TEL, INCORPORATED  
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NOTES TO FINANCIAL STATEMENTS  
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CONCENTRATIONS OF CREDIT AND INVESTMENT RISK - The Plan provides for various investment fund options, which in turn invest in any combination of mutual and other investment funds. Investment securities are exposed to various risks, such as interest rate, credit and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in risks in the near term could materially affect participants' account balances and the amounts reported in the statements of net assets available for benefits and the statement of changes in net assets available for benefits.

RECLASSIFICATIONS - Certain amounts in the 2001 statement of net assets available for benefits have been reclassified to conform to the current year presentation.

(3) INVESTMENTS

Investment information is summarized as follows:

	December 31,	
	2002	2001
Investments at fair value:		
Common stock	\$ 4,933,982	\$ 4,579,931
Preferred stock	1,131	829
Money market accounts	5,298,864	4,190,407
Mutual funds	22,944,772	25,694,096
Unit investment trusts	64,265	19,455
Participant loans	1,068,334	1,100,090
Limited partnerships	28,716	21,695
Real estate note	295,813	534,813
Promissory note	33,583	36,952
Limited liability company units	30,200	30,200
	-----	-----
Total investments, at fair value	\$34,699,660	\$36,208,468
	=====	=====

During 2002, the Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) appreciated (depreciated) in fair value as follows:

Common stock	\$ (201,703)
Preferred stock	302
Mutual funds	(6,951,945)
Limited partnerships	5,399
Unit investment trusts	(7,311)
	-----
	\$ (7,155,258)
	=====

INTER-TEL, INCORPORATED  
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NOTES TO FINANCIAL STATEMENTS  
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Investments that represent five percent or more of the PLAN'S net assets at December 31 are as follows:

	2002
CR Suisse Fixed Income	\$1,824,778
Growth Fund of America	3,558,782
Inter-Tel, Incorporated Common Stock	2,453,531
Invesco Technology II Fund	2,339,006
Invesco Total Return Fund	2,029,662
Janus Worldwide Fund	2,405,702
Schwab Government Securities Fund	4,303,425
Schwab S&P 500 - Investor Shares	2,331,598
Vanguard Windsor II Fund	3,094,771
Weitz Value Portfolio	3,419,215
	2001
Dreyfus Disciplined Stock Fund	\$4,428,725
Inter-Tel, Incorporated Common Stock	2,363,642
Investco Technology II Fund	4,109,519
Investco Total Return Fund	2,158,077
Janus Worldwide Fund	2,874,776
Schwab Government Securities Fund	2,990,201
Schwab S & P 500 - Investor Shares	2,287,649
Vanguard Windsor II Fund	2,941,160
Weitz Value Portfolio	3,611,381

(4) ADMINISTRATIVE EXPENSES

Substantially all of the Plan's administrative expenses, except for record-keeper fees associated with several specific fund expenses and special transaction fees, are paid by the Company.

(5) PARTY-IN-INTEREST TRANSACTIONS

Certain plan investments are shares of common stock of the Company or are funds held and managed by Charles Schwab Trust Company, the asset custodian; accordingly, these transactions qualify as party-in-interest transactions. Such transactions, while considered party in interest transactions under ERISA regulations, are permitted under the provisions of the Plan and are specifically exempt from the prohibition of party in interest transaction under ERISA. Fees paid and accrued by the Plan to the record-keeper for administrative fees amounted to \$63,324 for the year ended December 31, 2002.

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INTER-TEL, INCORPORATED  
TAX DEFERRED SAVINGS PLAN AND RETIREMENT TRUST

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001

(6) DIFFERENCES BETWEEN FINANCIAL STATEMENTS AND FORM 5500

The following is a reconciliation of net assets available for benefits as reported in the financial statements to the Form 5500:

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	December 31,	
	2002	2001
Net assets available for benefits as reported in the financial statements	\$ 36,258,429	\$ 37,697,832
Amounts allocated to withdrawn participants	--	(3,564)
 Net assets available for benefits as reported in the Form 5500	 \$ 36,258,429	 \$ 37,694,268

The following is a reconciliation of benefits paid to participants as reported in the financial statements to the Form 5500:

	Year Ended December 31, 2002
Benefits paid to participants as reported in the financial statements	\$ 2,305,599
Less: Amounts allocated on Form 5500 to withdrawn participants at December 31, 2001	(3,564)
Less: Corrective distributions	(11,569)
 Benefits paid to participants as reported in the Form 5500	 \$ 2,290,466

Amounts allocated to withdrawn participants are recorded on the Form 5500 for benefit claims that have been processed and approved for payment prior to year-end but not yet paid.

(7) INCOME TAX STATUS

The Plan has received a favorable determination letter from the Internal Revenue Service dated January 8, 1992 stating that the Plan is qualified under Section 401(a) of the Internal Revenue Code ("the Code") and, therefore, that the related trust is exempt from federal and state income or franchise taxation. Subsequent amendments have been structured to and are intended to maintain the Plan's tax status. Once qualified, the Plan is required to operate in conformity with the Code to maintain its qualification. The Plan administrator believes the Plan is being operated in compliance with the applicable requirements of the Code and ERISA, and, therefore, believes that the Plan is qualified and the related trust is exempt from federal and state income or franchise taxes..



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(a)	(B) IDENTITY OF ISSUE, BORROWER, LESSOR OR SIMILAR PARTY	(C) DESCRIPTION OF INVESTMENT INCLUDING MATURITY DATE, RATE INTEREST, COLLATERAL, PAR OR MATURITY VALUE	(D) COST
	Common Stock:		
	8x8, Inc.	2,500 shares	**
	3Com Corporation	100 shares	**
	Abaxis, Inc	2,000 shares	**
	ABM Industries, Inc	4 shares	**
	ACLN Ltd.	115 shares	**
	ADAPTEC	200 shares	**
	Advanced Viral Research	13,000 shares	**
	Aerocentury Corp.	3,900 shares	**
	Agere Systems Inc	9 shares	**
	Allianz AG ADR	300 shares	**
	Amdocs Limited	200 shares	**
	American Movil AOR Inc.	100 shares	**
	Amylin Pharmaceuticals, Inc	2,000 shares	**
	Anheuser Busch Co. Inc.	102 shares	**
	Annaly Mortgage Management, Inc	300 shares	**
	AOL Time Warner Inc.	100 shares	**
	Applied Materials, Inc.	600 shares	**
	Aquila, Inc.	2,000 shares	**
	Asiainfo Holdings, Inc.	2,000 shares	**
	Avanex Corp.	20 shares	**
	Aware, Inc.	700 shares	**
	Axtive Corporation	2,500 shares	**
	Bassett Furniture Industries	567 shares	**
	Biocryst Pharmaceuticals	1,500 shares	**
	Biogen	500 shares	**
	Biotransplant, Inc.	500 shares	**
	Boeing Company	2,400 shares	**
	Brooktrout, Inc.	500 shares	**
	California Amplifier, Inc.	200 shares	**
	Calpine Corporation	1,000 shares	**
	Charter Communications	5,055 shares	**
	Chevron Texaco Corp.	1,000 shares	**
	Cisco System, Inc.	5,300 shares	**
	CKE Restaurants, Inc.	5,000 shares	**
	Coca Cola Company	240 shares	**
	Coded Communications Corp.	15,500 shares	**
	Cohu, Inc.	500 shares	**
	Comdisco Holding Co. Rts	10,000 shares	**
	Corvis Corp.	59 shares	**
	Costco Wholesale Corp.	300 shares	**
	Covad Communications Group, Inc.	5,750 shares	**
	Critical Path, Inc	25 shares	**
	Dell Computer Corp.	100 shares	**
	Deltagen, Inc.	2,500 shares	**
	Digital Lightwave, Inc.	210 shares	**

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Disney Walt HLDG, Co.	193 shares	**
Divine Inc.	17 shares	**
DSL.Net Inc.	1,000 shares	**
Dynergy, Inc. Cl A	552 shares	**
Earthlink, Inc.	1,001 shares	**
Eastman Kodak Company	3,685 shares	**
EduLink, Inc.	20,000 shares	**
EFunds Corp.	1,300 shares	**
Emulex Corp.	600 shares	**
Enron Corp.	40 shares	**
Enterasys Networks, Inc.	350,000 shares	**
Exxon Mobile Corp.	140 shares	**
Foster Wheeler Ltd.	900 shares	**
Foundry Networks, Inc.	87 shares	**
Frontier Insurance Group, Inc.	183 shares	**
Frozen Food Express, Inc.	270 shares	**
General Electric Co.	1,101 shares	**
Genome Therapeutics Corp.	1,900 shares	**
Gillette Co.	200 shares	**
Global Crossing Ltd.	515 shares	**
Global Power Equipment Group	2,500 shares	**
Globalstar Telecom	500 shares	**
Goodrich Corporation	3,000 shares	**
Goodyear Tire & Rubber Company	371 shares	**
Gunslinger Records, Inc.	42,500 shares	**
Hewlett Packard Company	689 shares	**
Hollis-Eden Pharmaceuticals	61 shares	**

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Home Depot, Inc.	1,159 shares	**
House 2 Home, Inc.	2,000 shares	**
Impath, Inc.	16 shares	**
Infosys Tech Spon Adr	300 shares	**
Intel Corp.	4,899 shares	**
International Business Machines	100 shares	**
* Inter-Tel, Incorporated	117,338 shares	**
Iomega Corp.	1,050 shares	**
Iridium World Communications	60 shares	**
ISCO International, Inc.	5,440 shares	**
IVAX Corp.	62 shares	**
J M Smuckers Co.	5 shares	**
Juniper Networks, Inc.	200 shares	**
Kafus Industries, Ltd.	20,000 shares	**
Keithley Instruments, Inc.	34 shares	**
King Pharmaceuticals, Inc.	973 shares	**
K-Tel International, Inc.	362 shares	**
Level 3 Communications, Inc.	300 shares	**
Ligand Pharmaceuticals	300 shares	**
Limited, Inc.	1 share	**
Lipid Sciences, Inc.	2,000 shares	**
Lowe's Corp. Carolina Group	700 shares	**
Lowe's Companies	1,208 shares	**
Lucent Technologies, Inc.	437 shares	**
Lumenon Innovation Lightwave	150 shares	**
Lynx Therapeutics	2,500 shares	**
Macrochem Corp. Del	3,000 shares	**
Mangosoft, Inc.	250 shares	**
Maxim Integrated Products, Inc.	65 shares	**

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McHenry Metals Golf Corp.	5,000 shares	**
McLeod USA, Inc.	1,900 shares	**
McLeodusa Inc.	111 shares	**
Merck & Co., Inc.	2,500 shares	**
Metromedia Fiber Network	1,801 shares	**
Microsemi Corp.	31 shares	**
Microsoft Corp.	3,045 shares	**
Motorola, Inc.	940 shares	**
Moving Bytes, Inc.	20,000 shares	**
Multex Systems, Inc.	500 shares	**
Nabors Industries, Ltd.	55 shares	**
Napro Biotherapeutics	2,000 shares	**
Neomagic Corp.	500 shares	**
Network Commerce, Inc.	133 shares	**
NMS Communications	840 shares	**
Nokia Corp	494 shares	**

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Nortel Networks Corp.	14,385 shares	**
Northpoint Communication Holdings	1,000 shares	**
Northwestern Corp.	1,100 shares	**
Novell, Inc.	4,000 shares	**
Oilex, inc	9,000 shares	**
Oracle Corp.	2,203 shares	**
Palm, Inc.	33 shares	**
Penn Traffic Co.	500 shares	**
Perot System Corp.	150 shares	**
Petsmart, Inc.	3,700 shares	**
Pfizer, Inc.	1,000 shares	**
Pinnacle Systems	4,300 shares	**
PNC Bk Corp.	1,700 shares	**
Polycom	286 shares	**
Practiceworks, Inc.	386 shares	**
Priceline.com, Inc.	200 shares	**
Qualcomm, Inc.	374 shares	**
Qwest Communications International	2,866 shares	**
Read-Rite Corp.	2,600 shares	**
RF Micro Devices Inc.	2,100 shares	**
Ribozyme Pharm, Inc.	7,500 shares	**
Ritchie Brothers Auctioneers	400 shares	**
Saba Software, Inc.	2,500 shares	**
Save the World Air, Inc.	5,900 shares	**
Scientific Atlanta, Inc.	4,000 shares	**
Sears Roebuck & Company	430 shares	**
Siebel Systems, Inc.	28 shares	**
Sonic Corp.	100 shares	**
Southtrust Corp.	2,000 shares	**
Southwest Airlines	135 shares	**
Spectralink Corp.	500 shares	**
Starbase Corp.	50 shares	**
Storagenetworks, Inc.	154 shares	**
Sun Microsystems, Inc.	3,455 shares	**
Sysco Corp.	1,000 shares	**
Target Corp.	200 shares	**
Targeted Genetics Corp.	2,000 shares	**
Teardrop Golf Company	2,000 shares	**
Techne Corp.	116 shares	**
Telaxis Communications Corp.	1,800 shares	**

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Telefonos de Mexico	100 shares	**
Telegen Corp.	3,790 shares	**
Terayon Communication Systems	205 shares	**
Texas Instruments, Inc.	3,500 shares	**
The Charles Schwab Corp.	1,000 shares	**

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Tyco Intl. Ltd.	500 shares	**
U. S. Physical Therapy, Inc.	1,200 shares	**
Vitalworks, Inc.	1,548 shares	**
Vitesse Semiconductor Corp.	46 shares	**
Walgreen Company	201 shares	**
Wal-Mart Stores, Inc.	100 shares	**
Wattage Monitor, Inc.	6,000 shares	**
Worldcom, Inc.	70,661 shares	**
Worldcom, Inc - MCI Group	27 shares	**
Xcelera, Inc.	50 shares	**
Xerox Corp.	2 shares	**
3M Company	222 shares	**
Preferred Stock:		
Practiceworks 6% B	377 shares	**
Mutual Funds:		
AIM Equity Fund Class A	1,948 shares	**
Artisan Midcap Fund	169 shares	**
AXA Rosenbert US Small Cap Fund	118 shares	**
Baron Asset Fund	59 shares	**
Berger Mid Cap Value Fund	696 shares	**
Buffalo Small Cap Fund	823 shares	**
Calamos Growth FD CL A	63 shares	**
Calvert Income Fund	130 shares	**
CR Suisse Capital Appreciation Fund	120 shares	**
CR Suisse Fixed Income	188,510 shares	**
Dodge & Cox Income Fund	2,251 shares	**
Dodge & Cox Stock Fund	33 shares	**
Dreyfus Appreciation Fund	1,628 shares	**
Dreyfus Disciplined Stock Fund	1 share	**
Dreyfus Premier Emerging Mkts CL A	241 shares	**
Fidelity Magellan Fund	297 shares	**
Franklin Small Cap Growth Fund	2,437 shares	**
Fremont US Micro Cap Fund	1,136 shares	**
Gabelli Growth Fund	263 shares	**
Growth Fund of America CL F	192,680 shares	**
Harbor Bond Fund	94 shares	**
Harbor International Growth Fund	155 shares	**
Hennessy Cornerstone Growth Fund	455 shares	**
Invesco Leisure Fund	710 shares	**
Invesco Technology Fund	60 shares	**
Invesco Technology II Fund	136,068 shares	**
Invesco Total Return Fund	97,113 shares	**

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Janus Balance Fund	2,148 shares	**
Janus Growth & Income Fund	325 shares	**
Janus Mercury Fund	1,027 shares	**
Janus Olympus Fund	150 shares	**
Janus Overseas Fund	134 shares	**
Janus Worldwide Fund	74,874 shares	**
Jensen Portfolio, Inc.	1,446 shares	**
Julius Baer Intl Equity Fund	1,724 shares	**
Loomis Sayles Bond Fund	5,524 shares	**
Managers Special Equity Fund	33 shares	**
Meridian Value Fund	378 shares	**
MFS Research Fund	82 shares	**
Navellier Mid Cap Growth	1,678 shares	**
NB Genesis Fund	123 shares	**
NB Ltd Maturity Bond Fund	431 shares	**
Oakmark Equity Income Fund	256 shares	**
Oakmark Fund	445 shares	**
Oakmark International Fund	277 shares	**
Oakmark Select Fund	1,633 shares	**
PBHG Clipper Focus PBHG	233 shares	**
Pimco Real Return Fund	5,368 shares	**
Pioneer Mid Cap Value Class A	3,059 shares	**
Prime Retail, Inc.	333 shares	**
Putnam Growth & Income Fund	3,009 shares	**
Putnam Intl Growth Fund CL A	109 shares	**
Royce Low Priced Stock Fund	534 shares	**
Royce Opportunity Fund	524 shares	**
Royce Special Equity Fund	361 shares	**
Royce Total Return Fund	1,571 shares	**
RS Diversified Growth Fund	274 shares	**
Safeco Growth Opportunities	51,986 shares	**
* Schwab 1000 Fund	197 shares	**
* Schwab S&P 500 - Investor shares	172,201 shares	**
Scudder Technology Fund	99 shares	**
Sound Shore Fund	117 shares	**
Strong Advantage Common Stock	580 shares	**
Strong Government Securities Fund	213 shares	**
Strong Mid Cap Disciplined Fund	243 shares	**
Strong Ultra Short Fund	1,508 shares	**
Templeton Developing Markets Trust	1,947 shares	**
Templeton Foreign Fund	8,809 shares	**
Thompson Plumb Growth Fund	83 shares	**
Torray Fund	105 shares	**
Turner Mid Cap Fund	192 shares	**
Van Kampen Emerging Growth Fund	114 shares	**

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Van Kampen Real Estate Sec Fund	288 shares	**
Vanguard F-1 Secs GNMA Portfolio	258 shares	**
Vanguard Growth Index Fund	633 shares	**
Vanguard Healthcare Fund	522 shares	**
Vanguard Index Trust 500 Portfolio	151 shares	**
Vanguard International Growth Portfolio	742 shares	**
Vanguard Wellesley Income Fund	2,030 shares	**
Vanguard Windsor II Fund	148,787 shares	**
Weitz Value Portfolio	122,465 shares	**
White Oak Growth Stock	47 shares	**

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Unit Investment Trusts:			
	Ishares S&P Smallcap 600	800 shares	**
	Nasdaq 100	500 shares	**
Money Market Accounts:			
*	Charles Schwab Money Market Fund	995,064 shares	**
*	Schwab Government Securities Fund	4,303,425 shares	**
*	Schwab Stock Liquidity	375 shares	**
Limited Partnerships:			
	Beaconsfield LP Fund I	1 unit	**
	Beaconsfield LP Fund II	1 unit	**
	Kaneb Pipe Line Partners LP	78 units	**
Limited Liability Company Units			
	Angstrom Preferred Holdings, LLC	20,000 units	**
Promissory Note:			
	Baptist Foundation Promissory Note	Interest rate: 11.75%; maturity date: November 7, 2012; unsecured	**
Real estate note:			
	Forest Lakes Real Estate	Interest rate: 14%; maturity date: August 1, 2004; secured by real estate	**
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*	Participant loans	Interest rates ranging from 6.75% to 7.5%	**
	Total investments		

\* Denotes a party-in-interest

\*\* Disclosure of historical cost information is not required for participant directed investments.

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Inter-Tel, Incorporated Tax Deferred Savings Plan and Retirement Trust has duly caused this report to be signed by the undersigned hereunto duly authorized.

Inter-Tel, Incorporated Tax Deferred Savings Plan and Retirement Trust

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By /s/ Kurt R. Kneip

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Inter-Tel, Incorporated  
Kurt R. Kneip  
Sr. Vice President and Chief Financial Officer  
Date: July 8, 2003

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EXHIBIT INDEX

Exhibits:

Exhibit 23.1 - Consent of Independent Accountants  
Exhibit 99 - Section 906 Certification

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