



MCDONOUGH TELEPHONE COOP

# 68<sup>TH</sup> ANNUAL MEETING

**FOCUS ON  
THE FIBER**

Wednesday, August 28, 2019

The Crossing, Macomb IL

210 N. Coal St., Colchester, IL 62326

309.776.3211 or 1.888.640.4334 | [mdtc.net](http://mdtc.net) | [info@mdtc.net](mailto:info@mdtc.net)

# ANNUAL MEETING 2019 PROGRAM

5pm: Registration

7pm: Call to order  
*Leroy Tappe, Chairman*

Invocation  
Reading of Notice

Approval of 67th Annual Meeting Minutes  
*Rose Marie Lynn, Secretary*

Treasurer's Report  
*Jay Morrison, Treasurer*

Chairman's Report  
*Leroy Tappe, Chairman*

President's Report  
*Jay Griswold, President*

Business Session  
Election of Directors  
Unfinished Business  
New Business

Adjournment  
*John D. McMillan, Legal Counsel*

Drawing of Prizes

Prior to meeting, we will  
be serving hot dogs, chips,  
& ice cream sandwiches

The OnStage Band  
performing 5-7pm



**LEROY TAPPE**  
Chairman  
Smithshire/Swan  
Creek/Raritan  
District 2



**RANDY GROVE**  
Vice Chairman  
Good Hope  
District 4



**ROSE MARIE LYNN**  
Secretary  
Adair/Bardolph  
District 1



**JAY MORRISON**  
Treasurer  
Colusa/Lomax  
District 7



**JASON CHANCY**  
Industry/Littleton  
District 3



**LANNY CARSON**  
Colchester  
District 5



**MATT REYNOLDS**  
Colchester  
District 5



**MITCHELL WELSH**  
Blandinsville  
District 6



**JOHN D. McMILLAN**  
Legal Counsel

## COOPERATIVE DIRECTORS

# PRESIDENT'S REPORT

If you ask any McDonough Telephone employee, they will tell you we had a lot going on in 2018. The Cooperative has generated another \$800,000 in revenue over 2017. This, along with the revenue of our subsidiary, MTC Communications, continues to be reinvested in our cooperative communities. These new revenues are crucial to building fiber to all of our communities without having to take on a large amount of debt. Your board of directors work very hard to ensure that we are good stewards of the cooperative money.

One of the questions we get from time to time is, *why is the Cooperative expending so many resources in areas outside of our exchange boundaries?* When we make the decision to do this, we ask ourselves, what is in the best interest of the Cooperative? The benefit to the Cooperative is twofold: first, it allows us to use the extra revenue generated in these non-cooperative areas today, and in the future, for the benefit of the Cooperative. Second, having fiber broadband in the area creates economic development opportunities for the entire community. The 7th Cooperative Principle is "Concern for Community". We believe doing our part to improve the economic condition of the region is of benefit to all of the Cooperative communities.

As we move forward, we will continue our work converting all of the copper cable in the Cooperative exchanges to fiber. To date, 4 of our 12 exchanges are fully converted to fiber, and our goal is to have all of our cooperative members converted to fiber by the end of 2023. We know this is a big task, but our employees are working very hard to make sure this happens without letting the quality of service to our other members suffer.

Due to the growing demand for broadband and IT services, the Cooperative added another sales representative to our busy staff. Her name is Emily Gillett. Emily is our Business Development Specialist. She is from the area and will be helping our business customers take advantage of all of the products and services we have to offer.

◆ On behalf of the employees of McDonough Telephone, we thank you for putting your trust in us and for being members of the Cooperative. We all look forward to serving you in the future.



JAY GRISWOLD  
President

A handwritten signature in black ink that reads "Jay Griswold".

# 2018 ANNUAL MEETING MINUTES



**NEAL RODEFFER**  
IT Specialist, Dec. '18  
Home Town: Blandinsville  
Fav Movie: Pulp Fiction  
Fav Superhero: The Hulk



**EBEN NORTON**  
Install Technician, Aug. '16  
Home Town: Macomb  
Fav Movie: American Sniper  
Fav Superhero: The Hulk



**ZACH WILSON**  
Construction Technician, May '18  
Home Town: Good Hope  
Fav Movie: Dodgeball  
Fav Superhero: Black Panther



**TIM TESLICKA**  
Sales Representative, March '18  
Home Town: Macomb  
Fav Movie: Monty Python and the Holy Grail  
Fav Superhero: Spiderman



**RACHEL KERNS**  
Director of Marketing & PR, May '18  
Home Town: Macomb  
Fav Movie: The Proposal  
Fav Superhero: Thor

## EMPLOYEE SPOTLIGHT

- The 67th Annual Meeting of the membership of McDonough Telephone Cooperative was held at The Crossing in Macomb, Illinois, on Tuesday, August 28, 2018 at 7:00 P.M. Food was served to members in attendance prior to the meeting and The OnStage Band provided entertainment.
- Chairman Leroy Tappe welcomed the membership and thanked the OnStage Band for providing the entertainment. Chairman Tappe introduced Ben Ellefritz, pastor at The Crossing, who gave the invocation. Chairman Tappe then led the membership in the Pledge of Allegiance.
- Chairman Tappe introduced Government Affairs Manager, Lester Fowler, who spoke about the Youth to Washington Tour, which has been supported by the Cooperative for the last 27 years. Lester introduced the four students who took part in the trip, Emma Bradford, Anderson Poulter, Gibson Blankenship and Meadow Boden. Each of the students took turns speaking and thanked the Cooperative for its support. Chairman Tappe thanked Lester Fowler for taking the time out of his retirement to be a leader for our youth legislative efforts. Chairman Tappe further thanked Congressman LaHood and Congresswoman Bustos for their support of our student advocates during their trip to Washington D.C.
- Chairman Tappe announced that sufficient members were present for a quorum and called the meeting to order. Total membership attendance was 305. Chairman Tappe introduced the members of the Board, all of whom were present, and then asked Board Secretary, Rose Marie Lynn, to read the Notice of the Meeting and to present the 2017 Annual Meeting Minutes. Secretary Lynn read the notice of the meeting and stated that the 2017 Annual Meeting minutes were printed in the Annual Meeting notice. No member requested that the minutes be read and Secretary Lynn moved that the 2017 Annual Meeting minutes be approved as printed in the Annual Meeting Notice. Chairman Tappe asked for and received a second to the motion, which passed without objection on a voice vote.

Chairman Tappe called upon Treasurer, Jay Morrison, for the Treasurer's report. Treasurer Morrison referred the members to the Cooperative Balance Sheet and 2017 Statement of Income and Expenses, which were printed in the Annual Meeting Notice. Treasurer Morrison confirmed that the financial statements had been audited by the firm of BKD, CPAs and Advisors. After receiving no questions about the financial information, Treasurer Morrison moved to approve the Treasurer's Report as printed. Chairman Tappe requested and received a second to the motion and the motion carried on a voice vote.

Chairman Tappe introduced retired McDonough Telephone directors in attendance, including Jerry Payne, Lyle Hudson and Dennis Huffman. Leroy also introduced McDonough Power Cooperative directors in attendance, including Jerry Riggins, Steve Hall and Steve Lynn. Chairman Tappe began his report by announcing that Nicholas Torrance was the recipient of the AIEC scholarship of \$2500. Leroy discussed areas of progress and change in the telecommunications and broadband business, including the cost of fiber optic construction, the annual patronage refund to members, the continuing decline in the number of landline telephone members, and the increase in MTC customers. Leroy also let the members know that a new video service would be coming at the beginning of 2019.

Chairman Tappe introduced President Jay Griswold, who reported on the ongoing activities of the Cooperative and presented several slides emphasizing the work being done. Jay recognized and thanked the employees for their dedicated service to the Cooperative.

Chairman Tappe then introduced John McMillan, Cooperative Attorney, for the election of Directors. Attorney McMillan started with the introduction of Wanda Carson, chairperson of the Nominating Committee. Wanda reported on the results of the Nominating Committee meeting, held on June 6, 2018. After the Report of the Nominating Committee chairman, John stated that only one candidate has been nominated for the position of Director in each of Districts 1 & 2 and that the Cooperative had not received any nominations by petition. John asked for a motion to have the Secretary cast a unanimous ballot for the unopposed candidates. After Motion, second and a voice vote, John declared the following candidates elected for a 3-year term on the Board of Directors:

District No. 1, Adair/Bardolph, Rose Marie Lynn

District No. 2, Raritan/Smithshire/Swan Creek, Leroy Tappe

Attorney McMillan asked if there was any old or new business to be brought before the membership. Hearing none, the meeting was adjourned upon motion, second and a voice vote. John turned the meeting over to Rachel Mencil, who presented a brief marketing video previewing the new Website and then assisted Michelle Torrance with drawing for door prizes. The Youth prize was won by Kate Beck and the two grand prizes were won by Robert and Marilyn Baxter and Carla Raleigh.



**ROSE MARIE LYNN**  
Secretary

*Rose Marie Lynn*

# 2019 ANNUAL FINANCIAL REPORT

## CAPITAL CREDIT REPORT

Under Article IX, Section 2, Bylaws of McDonough Telephone Cooperative, Inc. read in part, "In order to induce patronage and to ensure that the Cooperative will operate on a non-profit basis, the Cooperative is obligated to account on a patronage basis to all its Members for all amounts received and receivable from the furnishings of Broadband and Communications services in excess of operating cost and expenses properly chargeable against the furnishing of such services. All such amounts in excess of operating costs and expenses for Broadband and Communications services at the moment of receipt by the Cooperative are received with the understanding that they are furnished by the Members as capital.

The Cooperative is obligated to pay by credits to a capital account for each Member all such amounts in excess of operating costs and expenses derived from Broadband and Communications services. The books and records of the Cooperative shall be set up and kept in such a manner that at the end of each fiscal year the amount of capital, if any, so furnished by the Member for Broadband and Communications services is clearly reflected and credited in an appropriate record to the capital account of each Member.

For patronage and capital credit account purposes, the term "all amounts received and receivable from the furnishing of Broadband and Communications services" shall include all amounts billed to and paid by the Member to the Cooperative for Broadband and Communications services, whether such services are provided to the Member directly by the Cooperative or

indirectly from a wholly-owned subsidiary of the Cooperative. The Cooperative shall, within a reasonable time after the close of the fiscal year, notify each Member of the amount of capital so credited to the Member's account.

All such amounts credited to the capital account of any Member shall have the same status as though they had been paid to the Member in cash in pursuance of a legal obligation to do so and the Member had then furnished the Cooperative corresponding amounts of capital. Any operating losses of the Cooperative shall be offset by subsequent year's margins prior to allocation."

Allocation assigned to each member is based on each dollar which the member has paid to McDonough Telephone Cooperative in 2018, and is arrived at by dividing total margins by the service revenue received, or .602998 per dollar.

Patronage capital is used for plant improvements and reduces the need for the Cooperative to borrow funds for this purpose.

The capital credit funds are assignable to the books of the Cooperative. For answers to questions concerning capital credits or other services, please call the business office.

## INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying consolidated financial statements of McDonough Telephone Cooperative, Inc. and subsidiary, which comprise the consolidated balance sheets as of December 31, 2018 and 2017, and the related consolidated statements of operations, members' equity and cash flows for the years then ended, and the related notes to the consolidated financial statements.

## Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of McDonough Telephone Cooperative, Inc. and subsidiary, as of December 31, 2018 and 2017, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*BKD, LLP*

BKD LLP, CERTIFIED PUBLIC ACCOUNTANTS

### TREASURER'S REPORT

The accompanying financial statements, which consolidate the accounts of the Cooperative, have been prepared in conformity with generally accepted accounting principles. Integrity and objectivity of the data in these financial statements are the responsibility of Management. To this end, Management maintains a system for internal accounting controls. Our Accounting Department monitors compliance with these. The system of internal accounting control on an ongoing basis is reviewed, evaluated and revised as necessary in view of

the results of the internal and independent audits, Management recommendation, changes in the Cooperative's business, and other conditions which come to Management's attention. The Board of Directors believes that the Cooperative's system, taken as a whole, provides reasonable assurance: (1) that financial records are adequate and can be relied upon to permit the preparation of financial statements in conformity with generally accepted accounting principles, and (2) that access to assets is permitted only in accordance with the Board's authorization. Recorded financial data is reviewed by the Board of Directors monthly to assure the continued successful operation of the Cooperative.

These financial statements have been examined by BKD LLP, Independent Certified Public Accountants. Their examination is in accordance with generally accepted auditing standards and includes selective tests of transactions and a review in the internal accounting control.

The Cooperative is still faced with many uncertainties, particularly in the area of universal service funding. Despite all of the turmoil within the industry, the Board of Directors and Management continue to be very optimistic of the future of the Cooperative.

I would like to take this opportunity to thank you for your assistance and cooperation in making this another successful year.



**JAY MORRISON**  
Treasurer

*Jay Morrison*



## BALANCE SHEET

As of December 31, 2018

### What we own (Assets)

#### Current Assets

Cash in Bank - General Funds.....	1,080,798	
Temporary Investments.....	1,094,323	
Due from Customers & Others.....	3,036,004	
Material & Supplies.....	1,294,681	
Other Prepaid Assets.....	373,045	
		6,878,851

#### Noncurrent Assets

Investments.....	10,292,478	
Long Term Cash Investments.....	424,788	
Notes Receivable.....	-	
Long Term Prepayments.....	687,480	
Deferred Charges.....		11,404,746

#### Property and Equipment

Cost of Outside Plant.....	46,399,914	
Less Depreciation.....	(25,456,961)	
	20,942,953	
Plant Under Construction.....	750,870	21,693,823

Total Amount Owned (Assets).....39,977,420

### What we owe (Liabilities)

#### Current Liabilities

Current Portion of Long-Term Debt...	185,953	
Accounts Payable-Vendors & Taxes...	46,415	
Unearned Revenues.....	8,219	
Accrued Income Taxes.....	18,425	
Other Current Liabilities.....	93,263	352,275

#### Noncurrent Liabilities

Long Term Loan to CoBank.....	3,106,409	
Other Noncurrent Liabilities.....	485,756	3,592,165

Total Amount Owed (Liabilities).....3,944,440

Members' Ownership Equity.....	29,754,643	
Retained Earnings.....	6,278,337	
Total Amount Liabilities & Equity.....	39,977,420	

## REVENUE AND EXPENSES

Twelve Months Ending December 31, 2018

### Operating Revenues

Local Network Services .....	598,988
Network Access Services.....	6,914,047
Equipment Sales.....	46,818
Misc Operating Revenue.....	354,516
Total Operating Revenues.....	7,914,369

### Operating Expenses

Plant Specific Operations .....	1,609,435
Plant non-Specific Operations.....	417,084
Cost of Equipment Sales.....	61,650
Depreciation.....	2,002,565
Customer Operations.....	715,717
Corporate Operations.....	1,246,968
General Taxes.....	19,745
Total Operating Expenses.....	6,073,164

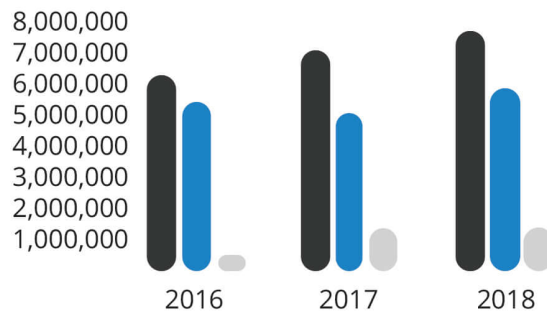
Operating Margins.....1,841,205

### Other Income (Expense)

Interest and Dividend Income.....	46,662
Interest on Long term debt.....	125,721
Income Taxes .....	(6,279)
Equity Earnings of Subsidiary.....	1,171,968
Other .....	(100,978)
Total Other Income Expenses.....	1,237,094

Net Margins.....3,078,299

## COMPARATIVE STATISTICS



## WHERE YOUR MONEY GOES



	2016	2017	2018
● Revenues	6,539,926	7,124,833	7,914,369
● Expense	5,670,775	5,487,814	6,073,164
● Operating Margins	869,151	1,637,019	1,841,205
● Federal, State & Local Tax	293	684	6,279



# OUR FIBER CONVERSION PROCESS

Quite a lot of work happens behind the scenes when we prepare for a fiber conversion build! While we wish we could “flip a switch” and convert all our customers to fiber instantly, changing out copper lines for fiber lines is a complicated and lengthy process. Here’s a glimpse into our fiber conversion process.



1

## Design the Area

Our engineering team evaluates the town layout to determine the most efficient & effective way to serve the customer with fiber.



## Building the Network

Once the design is finalized, our construction team buries conduits and places junction boxes to facilitate the placement of the fiber optic cable throughout the community.

2

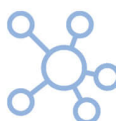
*This can be delayed by weather, the government, & railroad permits.*



3

## Blowing Fiber

When the underground network is fully established, our crews will blow fiber optic cables into the conduits.



## Strategic Fiber Splicing

After the fiber optic cable is placed, our splicing team begins the process of routing the fibers at the junction box to the predetermined customer locations.

4

*This can be affected by property access, installation differences, weather & ground conditions.*



5

## The Drop

Crews then bury a fiber optic drop line to each new customer, install a box on the house, & verify the home is ready for install.



## The Install

Our tech comes to your house & installs our service. This includes configuring the ONT box, & setting up the ethernet cable to the router.

6



Fiber To The Home  
Welcome to lightning fast internet!

7



8

## Copper Network Decommissioned

After the entire town switches over to fiber, the old copper network is completely shut down to direct more USF funding towards the fiber network.



## OFFICIAL MEETING NOTICE

Notice is hereby given that the Annual Meeting of the members of McDonough Telephone Cooperative, Inc. will be held at The Crossing, 1600 West Jackson Street, Macomb, Illinois on Wednesday, August 28, 2019 at 7:00 p.m. (CDST) to take action upon the following matters:

1. To receive the reports of officers, directors and committees.
2. For the election of three (3) directors to serve for a term of three (3) years until their Successors are elected and qualified.
3. To take action on other business that may come before the meeting or any adjournment thereof.

Dated this 24th day of July, 2019



**ROSE MARIE LYNN**  
Secretary

*Rose Marie Lynn*

## CERTIFICATION SPECIFYING NUMBER OF ACCEPTED MEMBERS RECEIVING SERVICE

I, Rose Marie Lynn, Secretary of McDonough Telephone Cooperative, Inc, do hereby certify:

1. All participants for membership prior to June 30, 2019 have been duly acted upon by the board of directors in accordance with the Cooperative bylaws.
2. The total number of members receiving service on June 30, 2019 was 2633.

Witness whereof, I have hereunto set by hand and affixed the seal of the Cooperative this 30th day of June 2019.



**ROSE MARIE LYNN**  
Secretary

*Rose Marie Lynn*

## NOMINATING COMMITTEE REPORT

Pursuant to the bylaws, the members of the Nominating Committee of McDonough Telephone Cooperative, Inc. met at Chubby's Restaurant in Macomb, Illinois, on June 6, 2019 at 6:30 p.m. to nominate candidates for election as Directors of McDonough Telephone Cooperative at the next Annual Meeting of the Members to be held at 7:00 p.m. Wednesday, August 28, 2019.

The following members of the Committee were present: Jack Swearingen, Ron Ruebush, Randy Ford, Lester Fowler, and Mike Hoyt.

The committee then proceeded to select the following nominees to be candidates for Directors to serve for a three (3) year term and to be elected at the Annual Meeting.

District No. 3, Industry  
District No. 4, Good Hope  
District No. 5, Colchester

Jason Chancy  
Randy Grove  
Lanny Carson



**LESTER D. FOWLER**  
Chairman

*Lester D. Fowler*

# PROXY VOTING

## PROXY VOTING

NOTE: This proxy must be filed with the Secretary before the meeting begins. This proxy may be given only to another member of McDonough Telephone Cooperative. No person may hold more than two proxies at any one meeting. The presence of a member at a meeting shall revoke a proxy previously signed by them for that meeting.

## PROXY

The undersigned member of McDonough Telephone Cooperative, Inc. hereby designates and appoints

\_\_\_\_\_ as my proxy to vote in my stead on all matters coming before the Members at the Annual Meeting of members to be held at The Crossing, 1600 West Jackson St, Macomb, Illinois on Wednesday, August 28, 2019 at 7:00pm. This proxy may be voted at no meeting other than the Annual Meeting designated herein or any adjournment of such Annual Meeting. This proxy shall expire sixty (60) days after the date of this execution.

Witness my hand and seal this \_\_\_\_ day of \_\_\_\_\_, 2019.

Witness \_\_\_\_\_

\_\_\_\_\_  
Signature of Member Giving Proxy

# OUR STAFF



**INSTALL/CONSTRUCTION TEAM** L to R: Eric Gillenwater, Daryl Sidwell, Seth Flynn, Neal Rodeffer, Josh Ramirez, Bryce Downie, Craig Bishop, Clint Wisslead, Keith Donaldson, Kevin McCormick; 2nd row: Zach Wilson, Eben Norton, Jay Harrison, Brian Butterfield, Darren Webster, Brandon Smith, Mike Grafton, Kenith Beckner; Front Row: David Bromwell, Jerad Dobbs, Bob Bisby, Austin Akers



**FRONT OFFICE** L to R: Cassie Clark, Diane Stambaugh, Jennifer Haines, Emily Gillett, Tim Teslicka; 2nd row: Fawzyah Boukari, Joyce Faxon, Ellen Mason, (not pictured: Sally Kelly)



**MANAGEMENT** L to R: Eric Lee, Rachel Kerns, Marsha Livingstone, Michelle Torrance; 2nd row: Troy Friday, Jay Griswold, Justin Powers

## REGISTRATION CARD

Please use this card as your registration and present it at the registration desk before the Annual Meeting. You must be registered and present at the Annual Meeting to be eligible for prizes. To cut out, use the guideline marks. If you are unable to attend, please fill out the Proxy on the reverse side of this page and have another Member of the Cooperative submit the Proxy before the meeting.

# SAVE THE DATE

## 68<sup>TH</sup> ANNUAL MEETING

August 28, 2019 at 7PM | Registration begins at 5PM  
At The Crossing, 1600 W. Jackson St., Macomb

### GRAND PRIZE

Toshiba 50-in. 4K Ultra HD Smart LED TV HDR, Fire TV Edition

### 2ND PRIZE

Toshiba 43-in. 4K Ultra HD Smart LED TV HDR, Fire TV Edition

### BONUS PRIZES

Fire TV Sticks with Alexa Voice Remote

For those future members of the cooperative 18 years of age or younger, a special drawing for a Fire HD Kids Edition 8" Tablet, 32 GB, Blue Kid-Proof Case. To be eligible to register, a regular member must accompany future members.

Receive a \$10 credit on your October bill for attending! One credit will be issued per membership; member must be present and registered before 7:00 P.M. to be eligible for this credit and all prize drawings. *\*all prizes are final.*

