

Where Local
Meets Lifestyle

67TH
ANNUAL
MEETING



Tuesday
August 28, 2018
The Crossing, Macomb, IL



mdtc

McDonough Telephone Cooperative

210 N. Coal St., Colchester, IL 62326

309.776.3211 or 1.888.640.4334

mdtc.net | info@mdtc.net

Cooperative Directors

Annual Meeting 2018 Program

5pm: Registration

7pm: Call to order
Leroy Tappe, Chairman

Invocation
Reading of Notice

Approval of 66th 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, cookies & cupcakes

The OnStage Band performing 5-7pm



Leroy Tappe
Chairman
Smithshire/Swan
Creek/Raritan
District 2



Lanny Carson
Colchester
District 5



Randy Grove
Vice Chairman
Good Hope
District 4



Matt Reynolds
Colchester
District 5



Rose Marie Lynn
Secretary
Adair/Bardolph
District 1



Mitchell Welsh
Blandinsville
District 6



Jay Morrison
Treasurer
Colusa/Lomax
District 7



John D. McMillan
Legal Counsel

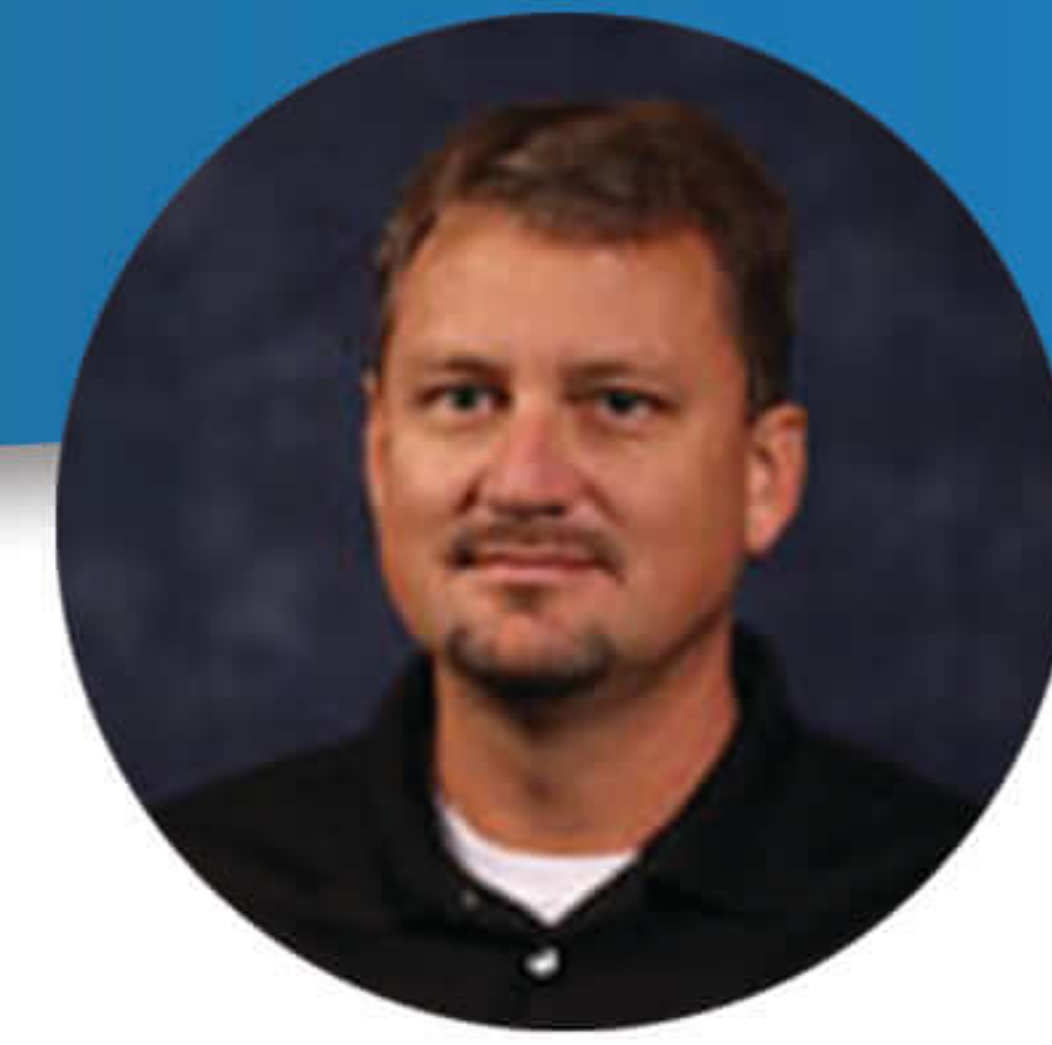


Lyle Vail
Industry/Littleton
District 3

Office & Accounting

L to R: Ellen Mason, Diane Stambaugh, Cassie Clark, Joyce Faxon, Rachel Mencil,
Jennifer Haines, Pam Downey, Tim Teslicka and Fawzyah Boukari (Not Pictured: Sally Kelly)

President's Report



2017 has been another successful year for the cooperative. With over \$1.2M in new revenue, we continue to make great progress on our fiber-to-the-home build out throughout our cooperative exchanges. Last year, nearly \$4.5M was invested into these fiber optic upgrades; seeing approximately 250 miles of new fiber lines installed. Many upgrades still need to be done, and we will continue to work hard to bring the very best and most reliable fiber network to West Central Illinois.

What does fiber-to-the-home mean for our customers? A fiber optic connection is considered the future of broadband. A fiber line relies on light waves to send data, giving you lightning fast surfing, uploading, downloading, watching, calling, etc. no matter how many devices you have. Fiber-to-the-home allows us to provide faster connection speeds on a more reliable network with exponential growth possibilities.

At the end of August, a familiar face will be retiring from the cooperative. After nearly 32 years of service, we will say goodbye to Pam Downey. Pam has been a great asset to the cooperative with her extensive knowledge and helpful attitude towards our members, directors and her fellow employees. She has definitely earned her retirement and we wish her the very best in whatever is to come for her, but she will be sorely missed by us all. Congratulations Pam!

This year, we have created two new positions to better serve our cooperative members. In April, we hired Tim Teslicka as Sales Coordinator. Tim's role is to reach out mainly to our business members to ensure that all of their technical needs are being met. Tim is young, enthusiastic and brings a lot of energy to his position. In May, we added Rachel Mencil to our team in the position of Director of Marketing. Her role will be taking care of all advertising and public relations matters for the cooperative. Rachel is fresh out of college with knowledge of new ways to market and a lot of great ideas to put into motion for us. We are excited to see what the two of them can accomplish in moving the cooperative forward.

With the addition of these new employees, along with the great talent we currently have, the future of the cooperative looks very bright. We look forward to serving our members for years to come!

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

Jay Griswold,
President



2017 Annual Meeting Minutes

The 66th Annual Meeting of the membership of McDonough Telephone Cooperative was held at The Crossing in Macomb, Illinois, on Tuesday, August 29, 2017 at 7:00 P.M. Food was served to members in attendance prior to the meeting and The OnStage Band provided entertainment.

Chairman Lanny Carson welcomed the membership and thanked the OnStage Band for providing the entertainment. Chairman Carson introduced Ben Ellefritz, pastor at The Crossing, who gave the invocation. Chairman Carson then led the membership in the Pledge of Allegiance.

Chairman Carson introduced Lester Fowler, who spoke on the Youth to Washington Tour, which has been supported by the Cooperative for the last 26 years. Lester introduced three of the four students who took part in the trip. Each of the students took turns speaking and thanked the Cooperative for its support. Chairman Carson thanked Lester Fowler for his dedication leading the Cooperative's youth tour and being the point man on the Cooperative legislative efforts. Chairman Carson further thanked Congressman LaHood and Congresswoman Bustos for their support of our student advocates during their trip to Washington D.C.

Chairman Carson announced that sufficient members were present for a quorum and called the meeting to order. Total membership attendance was 327. Chairman Carson introduced the members of the Board, all of whom were present, and then asked Board Secretary, Jay Morrison, to read the Notice of the Meeting and to present the 2016 Annual Meeting Minutes. Secretary Morrison read the notice of the meeting and stated that the 2016 Annual Meeting minutes were printed in the Annual Meeting notice. No member requested that the minutes be read and Secretary Morrison moved that 2016 Annual Meeting minutes be approved as printed in the Annual Meeting Notice. Chairman Carson asked for and received a second to the motion, which passed without objection on a voice vote.

Chairman Carson called upon Treasurer, R. Stephen Hunt, for the Treasurer's report. Treasurer Hunt referred the members to the Cooperative Balance Sheet and 2016 Statement of Income and Expenses, which were printed in the Annual Meeting Notice. Treasurer Hunt 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 Hunt moved to approve the Treasurer's Report as printed. Chairman Carson requested and received a second to the motion and the motion carried on a voice vote.

Chairman Carson then introduced John McMillan, Cooperative Attorney, to conduct the business session. Attorney McMillan stated that the first item on the business agenda is a proposed Bylaw amendment. John stated that several amendments were being proposed and that the Annual Meeting Notice contained the entire draft of the Bylaws, with the proposed amendments. John summarized the various amendments, noting that the most significant substantive amendment was the definition of a Cooperative Member. Under the Cooperative Bylaws, with the proposed amendment, a Member will be someone who receives Broadband Communications service from the Cooperative, over the Cooperative loop facilities, in the Cooperative's historical telephone service area. A Member will be someone receiving Broadband service, with or without telephone service. John also reviewed several additional proposed amendments, including patronage allocations, joint memberships, eligibility for service on the Board and electronic communication for Board notices. After providing an explanation of the proposed changes, verbally and as stated in the Notice of the Meeting, John opened the floor to questions. With no questions raised, Attorney McMillan explained the voting process and confirmed that only a majority vote was needed for approval of the proposed Bylaw amendment. After receiving a Motion from the floor to amend the Cooperative Bylaws as proposed by the Board and a second, the Motion passed without objection on a voice vote.

Installers

L to R: Bob Bisby, Jerad Dobbs, Austin Akers, Bryce Downie, Eben Norton, Keith Donaldson, Seth Flynn and Kenith Beckner



After passage of the Bylaws amendment, Attorney McMillan proceeded with the election of Directors, starting with the introduction of Mike Hoyt, chairman of the Nominating Committee. Mike reported on the results of the Nominating Committee meeting, held on June 15, 2017. After the Report of the Nominating Committee Chairman, John stated that only one candidate has been nominated for the position of Director for District 5, Colchester exchange and District 6, Blandinsville exchange and 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. 5, Colchester | Matt Reynolds |
| District No. 6, Blandinsville | Mitchell Welsh |

Attorney McMillan then stated that we have a contested election, as a result of the combination of the Lomax and Colusa exchanges and the nomination of both Jay Morrison and Dennis Huffman for that Director position. John explained that the election would be conducted by secret ballot and reviewed the ballot that was distributed to the members when they registered for the meeting. Both candidates were invited to the stage to introduce themselves and made brief statements about their qualifications to be directors. After comments by the candidates, John appointed members Janet Schreck, Elvin Hodges and Kathy Butler as inspectors of election. Staff members assisted the inspectors with the collection of the ballots and the inspectors retired to a private room for the counting of the ballots. After confirming that the inspectors had collected all of the ballots, John turned meeting over to Chairman Carson.

Chairman Carson reviewed numerous accomplishments over the past year, emphasizing our progress on the fiber

build out to members and the expansion of fiber networks in Macomb, Monmouth and Carthage, through our MTC Communications subsidiary. Lanny also made note of our annual capital credit refund to members, the Rich Myers scholarship to send a high school student to Washington DC and charitable donations made through our MEG Fund subsidiary. At the conclusion of his report Lanny asked Steve Hunt to join him on the stage. Lanny shared Steve's history with McDonough Telephone, first as an employee for 8 years, followed by 40 years as a member of the Board of Directors and 34 years as Board Treasurer. On behalf of the members, Board and employees, Lanny thanked Steve for his many years of dedicated service to the Cooperative.

Chairman Carson 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.

At the conclusion of his report President Morrison asked Attorney McMillan to announce the result of the balloting for Director from district 7, the Colusa and Lomax exchanges. John announced that Jay Morrison received the most votes cast by secret ballot and congratulated Jay on his election to serve another 3-year term on the Board. 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 Michelle Torrance for the drawing for grand prizes.

Rose Marie Lynn



2018 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 operated 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 2017, and is arrived at by dividing total margins by the service revenue received, or .438104 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 balance sheets of McDonough Telephone Cooperative, Inc. (an Illinois corporation) and subsidiaries, as of December 31, 2017 and 2016 and the related consolidated statements of operations, patronage capital, and cash flow for the years then ended. These consolidated financial statements are the responsibility of the Cooperative's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and

IT/Network Operations

L to R: Brandon Smith, Mike Grafton, Josh Ramirez, Craig Bishop and David Lutz



perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosure in the consolidated 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 our audits provide a reasonable basis for our 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 subsidiaries as of December 31, 2017 and 2016, and the result of their operations and their cash flows for the years then ended in conformity with generally accepted accounting principles.

BKD LLP
CERTIFIED PUBLIC ACCOUNTANTS

Treasurers 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



Financials

2017

Balance Sheet

As of December 31, 2017

What we own (Assets)

Current Assets

Cash in Bank - General Funds.....	\$371,025	
Temporary Investments.....	1,393,844	
Due from Customers & Others.....	4,591,536	
Material & Supplies.....	1,212,206	
Other Prepaid Assets	201,040	\$7,769,651

Noncurrent Assets

Investments	\$9,013,278	
Long Term Cash Investment.....	395,779	
Notes Receivable.....	-	
Long Term Prepayments.....	780,518	
Deferred Charges	\$10,189,575	

Property and Equipment

Cost of Outside Plant	\$44,393,190	
Less Cost of Wear and Tear.....	(27,742,905)	
	\$16,650,285	

Plant Under Construction	2,410,57	\$19,060,857
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Total Amount Owned (Assets).....		\$37,020,083
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What we owe (Liabilities)

Current Liabilities

Current Portion of Long-Term Debt..	\$800,000	
Accounts Payable-Vendors & Taxes...	100,409	
Unearned Revenues.....	9,956	
Accrued Income Taxes.....	218,043	
Other Current Liabilities.....	89,131	\$1,217,539

Noncurrent Liabilities

Long Term Loan to CoBank.....	\$2,169,424	
Other Noncurrent Liabilities.....	347,409	\$2,516,833

Total Amount Owed (Liabilities).....		\$3,734,372
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Members' Ownership Equity.....	\$27,044,774	
Retained Earnings.....	\$6,240,937	

Total Amount Liabilities & Equity.....		\$37,020,083
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Revenue and Expenses

Twelve Months Ending December 31, 2017

Operating Revenues

Local Network Services	\$732,208
Network Access Services.....	5,948,940
Misc Operating Revenue.....	443,685
Total Operating Revenues.....	\$7,124,833

Operating Expenses

Plant Specific Operations	\$1,566,921
Plant non-Specific Operations.....	344,844
Depreciation.....	1,946,953
Customer Operations.....	523,015
Corporate Operations.....	1,086,543
General Taxes.....	19,538

Total Operating Expenses.....	\$5,487,814
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Operating Margins.....	\$1,637,019
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Other Income (Expense)

Interest and Dividend Income.....	\$32,436
Interest on Long term debt.....	38,950
Income Taxes	(684)
Equity Earnings of Subsidiary	1,307,011
Other.....	(96,162)

Total Other Income Expenses.....	\$1,281,551
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Net Income or Margins.....	\$2,918,570
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Management

L to R: Michelle Torrance, Eric Lee, Marsha Livingstone, Bill Buchanan, Justin Powers, Troy Friday and Jay Griswold

Employee Spotlight

Cassie Clark

Accounting Assistant, Since Feb. '17
Hometown: Macomb, IL

Favorite part of your job: The family atmosphere the employees all have together.

Favorite Dessert: My grandmother's 4-Layer Dessert



Brian Butterfield

Construction Crew, Since June. '17
Hometown: Blandinsville, IL

Favorite part of your job: The employees. They've helped me learn a lot this last year. They are some of the best people I've had the pleasure of working with.

Favorite Dessert: Oreo fluff



Bryce Downie

Install/Repair Technician, Since June. '16
Hometown: Princeville, IL

Favorite part of your job: Great customer service.

Favorite Dessert: Ice cream



Eric Lee

Director of Carrier Relations and Business Development, Since June '17

Hometown: Quincy, IL

Favorite part of your job: Working with great people.

Favorite Dessert: Strawberry pie



Seth Flynn

Install/Repair Technician, Since Oct. '14
Hometown: Colchester, IL

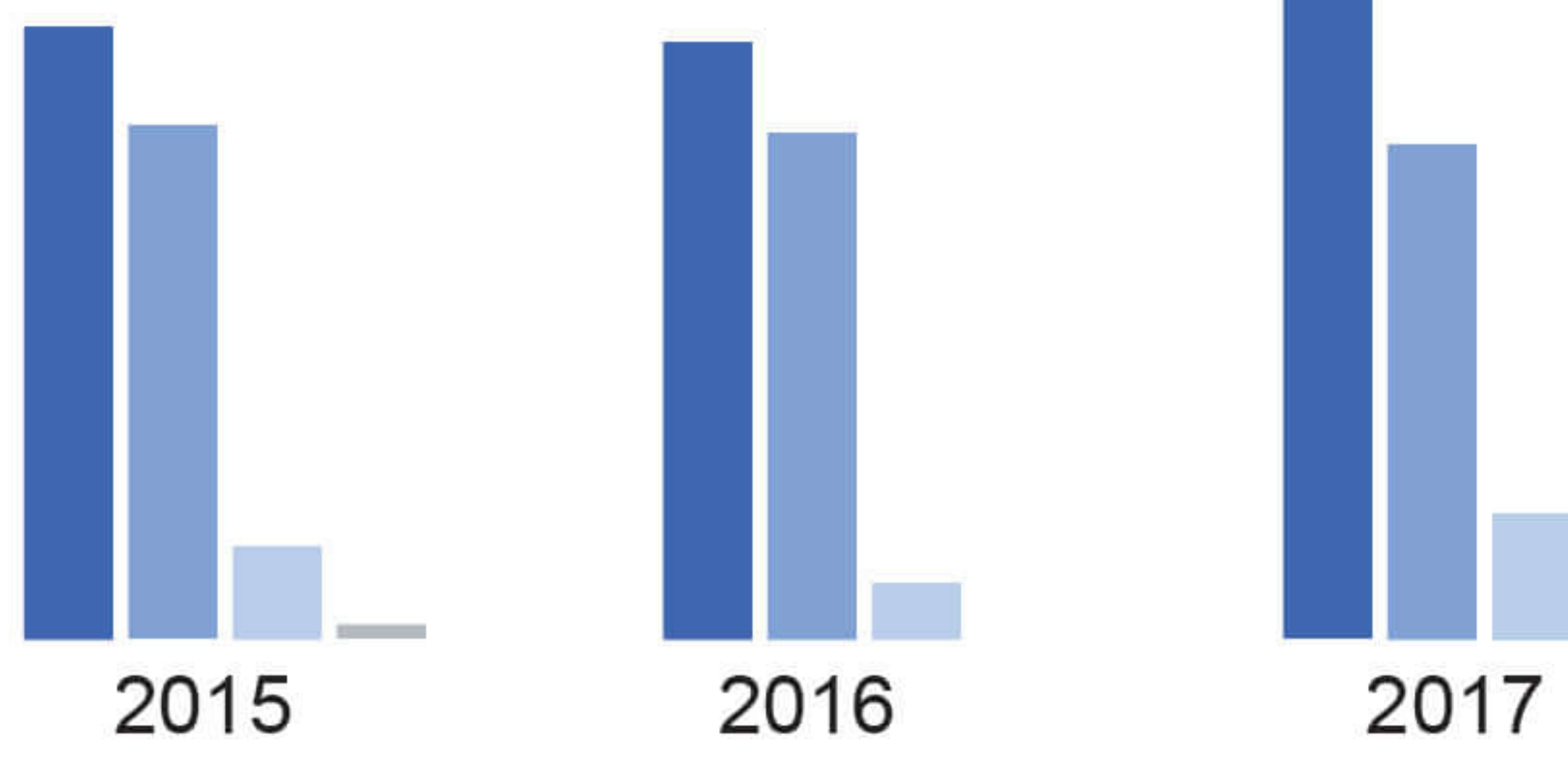
Favorite part of your job: The people I get to meet along the way.

Favorite Dessert: Cheesecake



Comparative Statistics

8,000,000
 7,000,000
 6,000,000
 5,000,000
 4,000,000
 3,000,000
 2,000,000
 1,000,000



	2015	2016	2017
Revenues	6,780,529	6,539,926	7,124,833
Expense	5,752,957	5,670,775	5,487,814
Operating Margins	1,027,582	869,151	1,637,019
Federal, State & Local Tax	193,184	293	684

Where Your Money Goes



Plant Operations	Plant Investments	Corporate Operations	Patronage	Admin Taxes
\$0.27	\$0.27	\$0.15	\$0.23	\$0.07 \$0.003



Official Meeting Notice

Notice is hereby given that the Annual Meeting of the members of McDonough Telephone Cooperative, Inc. will be held The Crossing, 1600 West Jackson Street, Macomb, Illinois on Tuesday, August 28, 2018 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, 2018

Rose Marie Lynn, Secretary



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, 2018 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, 2018 was 2627.

Witness whereof, I have hereunto set by hand and affixed the seal of the Cooperative this 30th day of June 2018.

Rose Marie Lynn, Secretary



Nominating Committee Report

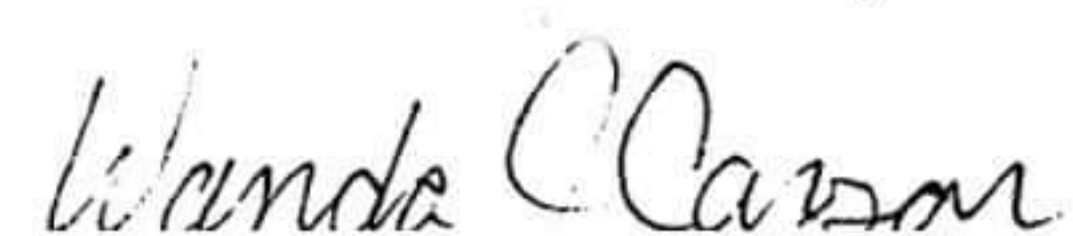
Pursuant to the bylaws, the members of the Nominating Committee of McDonough Telephone Cooperative, Inc. met at Chubby's Restaurant in Macomb, Illinois, on June 6, 2018 at 6:30 p.m. to nominate candidates for election as Directors of McDonough Telephone Cooperative at the next Annual Meeting of the Members to be held at 7:00 p.m. Tuesday, August 28, 2018.

The following members of the Committee were present: Wanda J. Carson; Monica M. Wolf; Bryan Johnson; and Larry Thompson.

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. 1, Adair/Bardolph	Rose Marie Lynn
District No. 2, Smithshire/Swan Creek/Raritan	Leroy Tappe

Wanda J Carson, Chairman



Engineering/Construction

L to R: Darren Webster, Eric Gillenwater, Daryl Sidwell, Zach Wilson,
Brian Butterfield, Jay Harrison and Clint Wisslead

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 Tuesday, August 28, 2018 at 7:00 p.m. 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 _____, 2018.

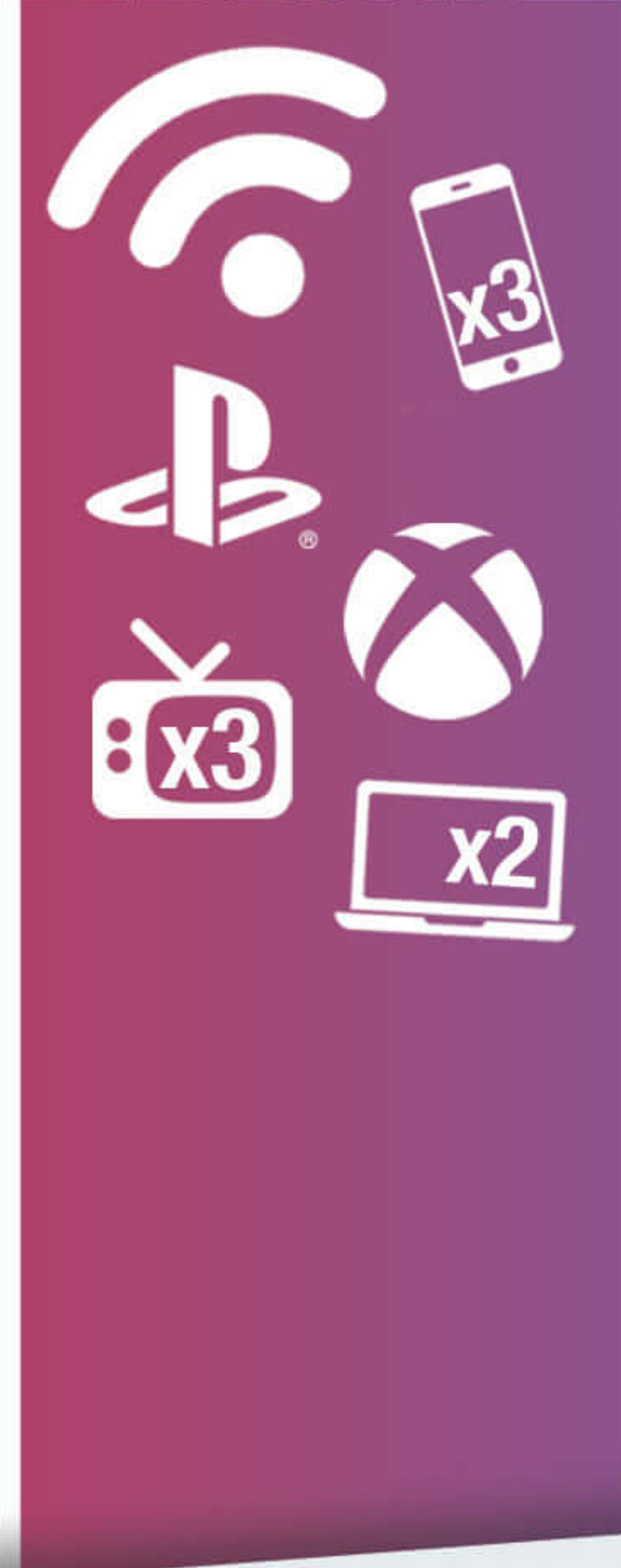
Witness _____

Signature of Member Giving Proxy

250mbps
12+ users



150mbps
4-8 users



75mbps
3-6 users



25mbps
1-4 users



5mbps
1 user



1mbps



What does more **bandwidth** mean for you?

Picking the right bandwidth speed for your home means that you and your entire family can use all of their devices, play video games, or stream TV without experiencing buffering or wifi crashes. Call the office at 309.776.3211 to see if your speed meets your needs!



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

August 28, 2018 at 7PM | Registration begins at 5PM
At The Crossing, 1600 W. Jackson St., Macomb

Grand Prize: 55in 4K Ultra HD Roku Smart TV
2nd Prize: Acer convertible Chromebook
Extras: Roku Express and Fire TV Stick with Alexa Voice Remote



For those future members of the cooperative 18 years of age or younger, a special drawing for a **Echo Dot Kids Edition**. 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.*