



64TH ANNUAL MEETING
**STRENGTHENING
OUR ROOTS**

OCTOBER 2, 2019 | 7:00PM

IPSWICH SCHOOL THEATER
IPSWICH, SOUTH DAKOTA



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Office of the Assistant Secretary for Civil Rights
1400 Independence Avenue, SW
Washington, D.C. 20250-9710;

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(3) email: program.intake@usda.gov

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NOTICE OF ANNUAL MEETING OF MEMBERS

Notice is hereby given that the 64th Annual Meeting of the members of Valley Telecommunications Cooperative Association, Inc., will be held at the Ipswich High School Theater, Ipswich, SD on Wednesday, October 2, 2019. The meeting will begin at 7:00pm with registration to begin at 5:00pm.

The meeting is called pursuant to the Bylaws of the cooperative, for the following purposes:

1. To receive and act upon reports of the officers of the cooperation on operation of the previous year;
2. To elect directors;
3. To transact such other business as may come before the meeting.

Pursuant to the Bylaws of the cooperative, there will be no voting by proxy or by mail.

By order of the Board of Directors, dated August 27, 2019.

Michael Schlomer

Michael Schlomer, Secretary

**Valley Telecommunications Cooperative Association, Inc.
Herreid, South Dakota**



64TH ANNUAL MEETING

AGENDA

OCTOBER 2, 2019

5:00pm – 7:00pm

Customer Appreciation Meal

Ipswich School Commons Area

Catered by: Holy Cross Alter Society, Ipswich, SD

6:00pm – 7:00pm

Pre-Meeting Entertainment

Ipswich School Theater

“BINGO”

5:00pm – 7:00pm

Meeting Registration

Ipswich School Theater Lobby

7:00pm

64th Annual Members Meeting

Presentation of The Colors

Pledge of Allegiance

Call to Order

Invocation

Notice of Meeting & Affidavit
of Mailing

Secretary Michael Schlomer

Welcome to Ipswich

President’s Welcome

President J. David Williams

President’s Report

President J. David Williams

Financial Report

Eide Bailly, LLP

Manager’s Report

General Manager/CEO Jeff Symens

Attorney’s Comments/Reports

Attorney Darla Rogers – Riter,
Rogers, Wattier & Northrup, LLP

Election of Directors

Old Business

New Business

Adjournment

GENERAL MANAGER'S PRESIDENTS REPORT

OF VALLEY TELECOMMUNICATIONS COOPERATIVE



JEFF SYMENS
General Manager/CEO

Welcome back to Ipswich for our 64th Annual Membership Meeting!

Over the past year, I am happy to report that pricing for telephone and broadband services has remained static. The Federal Communications Commission (FCC) & Chairman Pai also voted to eliminate the rate floor requirement for cost supported telco's, such as Valley, which means we likely will not see an increase in dial-tone rates in the coming year.

However, we continue to battle the high cost of TV programming content. This past year, Valley implemented what I call a "Transparency in Pricing" model of our TV offering. With this strategy, the TV portion of your bill reflects the exact amount that is passed through to you, the consumer, for content costs. The other line item that appears on the TV portion of your bill is the amount that Valley keeps to help offset the cost of delivering Digital TV service to you, the end user. In addition, we were able to create two additional TV packages, saving many consumers nearly \$9.50/ per month in content costs. The last change we made to our TV offering, was to include DVR at no additional charge in all of our TV subscriptions. If you do not currently have DVR service, simply call our office and request it be enabled on your account.



J. DAVID WILLIAMS
Board President,
Ipswich Exchange

Via our 100% fiber network, Valley is also capable of seamlessly delivering what is called "Over the Top" (OTT) programming. This is TV content delivered over the Internet, to your smart TV's, or by utilizing an add-on device such as a Roku box or Amazon Fire Stick. This OTT content as compared to your digital TV packages today, ranges from \$25 to \$55 in cost per month. It is available from providers such as YouTube TV, Sling, Hulu, DirectTV NOW, and many others. Locast, which provides free content, is another alternative available for receiving just the local networks. Contact our Business Office or stop by our office in Herreid or Ipswich, and we can show you how this money-saving option might work for you. >



Company Growth

Last year we touched on our objective to grow our territory in east central South Dakota. We are pleased to report a successful launch of our products and services via our subsidiary, Valley FiberCom, in the city of Volga. By years end, an additional 600+ customers will be enjoying our advanced services. Valley FiberCom's growth continues next spring in the towns of Arlington, Lake Preston, and De Smet. These new customers are excited to get connected to the same advanced fiber network that our cooperative members have valued for some time now. This customer growth has required us to grow our employee numbers as well. We have added two additional employees in 2018 in the Valley FiberCom CLEC territory, bringing that employee count to 4. The two added employees will also provide customer service and sales support to the members of the cooperative on a daily basis.

Financial Summary

Financially, we saw a better year in 2018 than in the previous year. A majority of the revenue increase was in the area of federal support that was withheld by the FCC in 2017, due to the Budget Control Mechanisms that were in place. In

2018, the FCC fulfilled its commitment to release those support dollars from the previous year. The FCC has also added 7% to the support budget and allowed for an inflationary factor. So, if the demand for financial support across the industry does not significantly increase, these additional measures should bring Valley some stability in financial support in the coming years.

The Road Ahead

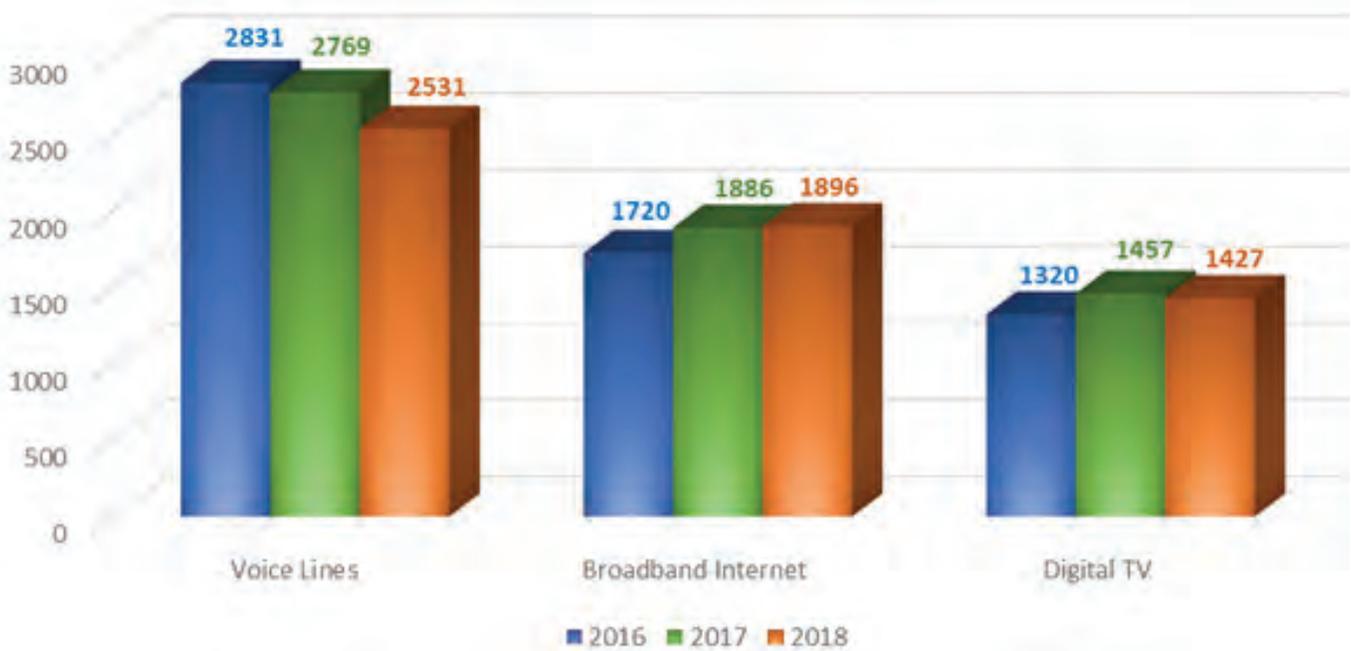
With some perceived stability in our support revenues ahead, Valley's Board of Directors and Management Team are very optimistic about the future of your cooperative. With a majority of our members willing to switch their voice services from the traditional phone service to our new Broadband Voice product, or drop their phone line and subscribe to Valley's Internet service and/or tv service, we have been able to strategically maximize our support revenues. These additional revenues have allowed Valley to continue to pay down debt, as well as make investments to further the Cooperatives long term sustainability initiatives. As a result, we are expecting to fund our immediate growth objectives over the coming year using free cash flows, and our general funds.

Our industry continues to be challenging, as well as exciting. We are very blessed to have a passionate and skilled staff, as well as a forward-looking board. This team's commitment to you, our valued members, is to continue the delivery of robust, leading edge services that you have grown accustomed to. We thank you for your commitment to Valley Telecommunications Cooperative, and we enjoy serving you. ■

VALLEY TELECOMMUNICATIONS

Cooperative Association, Inc.

Valley Service Units



VALLEY TELECOMMUNICATIONS

Cooperative Association, Inc.

2018 ANNUAL MEETING MINUTES

October 3, 2018 | Herried, South Dakota

The annual meeting meal was served at Herreid Community Center from 5:00 PM to 7:00 PM. There were 501 meals served which was catered by Lisa Moser and her crew from Oahe Sunset Lodge & Restaurant of Pollock. The meal consisted of ham, scalloped potatoes plus trimmings. Prior to the start of the meeting and during registration, the membership was entertained by "The Original Rock & Roll Farmboy", Mylo Hatzenbuhler.

The Jacob A. Heinrich American Legion Post #170 of Herreid presented the colors with Commander Andrew Van Kuren leading the Pledge of Allegiance.

President J David Williams called the 63rd annual meeting to order at 7:00 PM. It was determined that a quorum was present as 195 members registered.

Cody J. Schwichtenberg, Pastor of the Herreid First Reformed Church presented the invocation.

Board Secretary, Michael Schlomer, read the notice of meeting and affidavit of mailing of annual meeting notices. It was moved and seconded to approve the notice of meeting and affidavit of mailing of annual meeting notices as read. Motion carried.

Superintendent, Daniel Hoey, welcomed the attendees to Herreid and to Valley's annual meeting. Mr. Hoey stated that he has lived in several communities and that Valley has by far the best service along with the best customer service.

It was moved and seconded to dispense with the reading of the minutes and approve the October 4, 2017 annual meeting minutes as printed in the 63rd annual meeting notice. Motion carried.

President Williams introduced the current Board of Directors along with General Manager/CEO Jeff Symens and Attorney Darla Rogers of Riter, Rogers, Wattier & Northrup, LLP. David recognized retired director, Helen Thullner, retired General Manager, Dianna Quaschnick along with past employees, Deb Ritter, Connie Fischer and Mindi Rueb.

President Williams reported that Valley has had another solid year considering the efforts by the FCC to enact harmful regulations reducing federal support which is Valley's largest source of revenue. The Board and Management anticipate that these reductions in revenue will continue to be a threat to Valley. However, the board has worked closely with the General Manager and management to ensure that Valley continues to have positive financial margins. Valley intently looks for ways to keep expenses low while maintaining economical products to you, Valley's members. The board asks for continued support of your Cooperative as Valley takes pride in the products and services offered. President Williams reported a total of \$185,005.01 of capital credits, which includes estates, were retired in 2018. Active members received a credit on their billing statement and capital credit checks were issued to members with inactive or disconnected accounts. There were 3,456 retirement refunds issued; the largest refund was in the amount of

\$3,419.36; the smallest refund was in the amount of \$1.06; and the average refund was in the amount of \$53.53.

In the absence of CPA, Derrick Larson of Eide Bailly, Accounting Manager, Marcia Huber presented the consolidated financial report for Valley Telecommunications Cooperative Association, Inc. and Valley Communications, Inc. It was moved and seconded to approve the financial report as presented and printed. Motion carried.

General Manager/CEO Jeff Symens presented a Manager's report on the following topics:

- Thanked Lisa Moser and her crew of Oahe Sunset Lodge and Steakhouse from Pollock for catering the delicious meal.
- Thanked Mylo Hatzenbuhler for the great entertainment.
- Thanked Superintendent Hoey for the welcome message, Pastor Schwichtenberg for delivering the invocation and the American Legion for presenting the colors and leading in the Pledge of Allegiance.
- Special guests recognized were Todd Linke of Finley Engineering and Jim Anhorn of Border States Electric.
- Valley employees were recognized. Jeff thanked the employees for their dedication and hard work as more work is needed with the expansion of our business.
- Presented the year in review:
 - o A couple of product additions were video on demand (VOD) and the expansion of live Valley Sports. Last

year the Ipswich School was the only school with the ability to produce live sporting events. Last summer camera systems were installed in the schools at Herreid, Eureka and Leola. The decision to provide this service was to provide Valley's video subscribers local entertainment at no additional cost to the subscriber. Many people that are unable to attend sporting events have had positive comments. Snow birds that go south for the winter or relatives from afar can view the live events via the internet.

- o Presented a graph indicating the growth of the services that Valley provides.
- Looking ahead:
 - o Valley is rolling out a new voice product called Broadband Voice which is a lower cost voice service with the same high reliability as the legacy voice service provided.
 - o Valley is now able to provide stand alone services because of the changes in federal funding. Today a subscriber can pick one, two or three services, between broadband, digital TV and/or voice.
 - o The bad news reported is that TV costs will again increase in January because of content increases charged by the network carriers. To help with the increase, some channels have been carved out of the current packages in order for subscribers to lower the costs

of their TV charges. The new packages will be available in the near future.

- Growth initiatives:
 - o After much discussion, the Directors and Management agreed to expand their coverage area by providing services to surrounding towns along the Highway 14 corridor. An office building is currently being built in Volga with fiber construction scheduled to begin in early 2019. In the spring of 2020, fiber construction is scheduled to begin in the towns of Arlington, Lake Preston and DeSmet. This area is considered as underserved and the people of the communities are asking for reliable and faster broadband speeds. As of now, the plan is only to offer services to residents in the towns but if the FCC would provide support then Valley would consider expanding services in the rural areas. This expansion will help recover some of the lost federal funding as determined by the budget control mechanism.

Attorney Darla Rogers of Riter, Rogers, Wattier & Northrup, LLP reviewed the legal issues that Valley is facing and the challenges mandated by the FCC. Reviewed the following legal arenas:

- Federal Regulatory challenges:
 - o The Universal Service Fund is transitioning from supporting voice service to supporting broadband only services.
 - o The Universal Service Fund is not fully funded thus putting financial stress on companies like Valley.

- o LEC's (Local Exchange Carriers) are not receiving adequate reimbursement of USF dollars to cover cost of providing services in high cost rural areas. The forecasted shortfall in South Dakota for 2018-2019 is \$11.2 million. Valley's board and Management team is looking for options to replace this reduction in revenue.

- State Regulatory challenges: Public Utilities Commission (PUC):
 - o Annual certification of use of Federal Universal Service Funds was granted to Valley on July 18, 2018. The PUC sent a certification letter on September 14, 2018 to Universal Service Administration Company (USAC) certifying that Valley had properly used the USF funds they received.
- Court challenges:
 - o Valley is listed as a defendant in an IntraMTA dispute litigation filed by Sprint, Verizon and Level 3. This is the same litigation dispute that Darla reported on during the 2017 annual meeting. Sprint, Verizon and Level 3 are all claiming that they do not have to pay companies like Valley access charges on IntraMTA traffic. Level 3 has withheld payment of access charges on IntraMTA traffic. All of the complaints were transferred to Federal District Court in Texas. The Federal District Court in Texas dismissed the claims from Sprint and Verizon and declined to dismiss the complaints against Level 3. Sprint, Verizon and Level 3 have appealed the District Court's rulings to

the US Fifth Circuit Court of Appeals.
The appeal is pending.

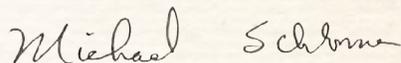
- Valley's legal status:
 - o Despite the regulatory and legal challenges, Valley remains strong and continues to be in good legal standing and is compliant with all rules and regulations.

Attorney Rogers announced that three Directors terms were up for re-election as follows: District 1, Herreid exchange, Incumbent Director is Mindy Quaschnick; District 5, Hosmer exchange, Incumbent Director is Charles Wolf; and District 6, Long Lake exchange, Incumbent Director is Dennis Wolff. One nominating petition was filed for District 1 by Mindy Quaschnick; one nominating petition was filed for District 5 by Charles Wolf; and one petition

was filed for District 6 by Dennis Wolff. It was moved and seconded that a unanimous ballot be cast for Mindy Quaschnick, Charles Wolf and Dennis Wolff. Motion carried.

There were drawings for door prizes throughout the meeting. Three large prizes were given away at the end of the meeting. Pam Ottenbacher of Eureka won one year of Valley's dial tone service, Bonnie Quaschnick of Glenham won an Apple iPad mini, and Kathy Bentz of Herreid won a 50" LED high definition TV.

President J David Williams asked for old business. There being none, President Williams called for new business. With no new business, it was moved and seconded to adjourn the meeting at 7:52 PM. Motion carried.



Michael Schlomer, Secretary

VALLEY TELECOMMUNICATIONS

Cooperative Association, Inc.

Consolidated Balance Sheet

	2018	2017
Assets		
Current Assets		
Cash and cash equivalents	\$ 3,241,544	\$ 419,467
Investment securities	1,623,946	1,253,662
Accounts receivable	365,965	350,305
Interest receivable	5,831	2,549
Materials and supplies	73,669	150,997
Prepaid income taxes	5,000	6,996
Other prepayments	51,818	52,583
Total current assets	<u>5,367,773</u>	<u>2,236,559</u>
Investments and Noncurrent Assets		
Investment securities	601,736	348,972
Other investments	3,530,246	3,396,020
Deferred income tax asset	16,909	-
Other assets	389,010	439,258
Total investments and noncurrent assets	<u>4,537,901</u>	<u>4,184,250</u>
Telecommunications and Other Plant		
In service	37,882,839	36,491,682
Under construction	279,483	108,890
Total investment in plant	<u>38,162,322</u>	<u>36,600,572</u>
Less accumulated depreciation and amortization	<u>17,880,108</u>	<u>16,340,075</u>
Net plant	<u>20,282,214</u>	<u>20,260,497</u>
	<u>\$ 30,187,888</u>	<u>\$ 26,681,306</u>

Liabilities and Equities Balance Sheet

Liabilities and Equities	<u>2018</u>	<u>2017</u>
Current Liabilities		
Current maturities of long-term debt	\$ 1,311,000	\$ 1,238,000
Accounts payable	311,312	183,405
Advanced billing and customer deposits	11,470	15,123
Accrued taxes - other	318,769	285,318
Other current liabilities	<u>242,967</u>	<u>250,243</u>
Total current liabilities	<u>2,195,518</u>	<u>1,972,089</u>
Long-Term Debt, Less Current Maturities	<u>10,925,900</u>	<u>9,332,154</u>
Other Long-Term Liabilities	<u>154,334</u>	<u>154,384</u>
Equities		
Patronage capital	12,922,426	11,511,662
Other equities	3,992,566	3,705,406
Accumulated other comprehensive (loss) income	<u>(2,856)</u>	<u>5,611</u>
Total equities	<u>16,912,136</u>	<u>15,222,679</u>
	<u><u>\$ 30,187,888</u></u>	<u><u>\$ 26,681,306</u></u>

VALLEY TELECOMMUNICATIONS

Cooperative Association, Inc.

Consolidated Statement of Operation & Comprehensive Income

	2018	2017
Operating Revenues		
Local network access	\$ 540,808	\$ 692,640
Network access	5,335,124	4,883,531
Long distance network	149,798	179,261
Rent and miscellaneous	260,833	243,805
Internet	1,263,465	1,094,946
Broadband voice	136,331	-
Video	1,446,993	1,257,492
Other nonregulated	293,694	208,435
Total operating revenues	<u>9,427,046</u>	<u>8,560,110</u>
Operating Expenses		
Plant specific operations	1,916,307	2,016,372
Plant nonspecific operations	374,015	396,959
Video programming	1,271,496	1,162,130
Depreciation	1,857,280	2,402,877
Customer operations	466,780	504,255
Corporate operations	1,357,716	1,350,487
Operating taxes, other	327,119	293,742
Total operating expenses	<u>7,570,713</u>	<u>8,126,822</u>
Net Operating Margin	<u>1,856,333</u>	<u>433,288</u>
Nonoperating Margin		
Interest and dividend income	221,821	199,378
Other nonoperating	(6,456)	(6,784)
Earnings from equity investments	193,159	122,094
Total nonoperating margin	<u>408,524</u>	<u>314,688</u>
Net Margin Before Interest and Income Taxes	2,264,857	747,976
Interest Expense	<u>362,585</u>	<u>314,494</u>
Net Margin Before Income Taxes	<u>1,902,272</u>	<u>433,482</u>
Provision for (Benefit from) Income Taxes	<u>(14,908)</u>	<u>5,692</u>
Net Margin	<u>1,917,180</u>	<u>427,790</u>
Other Comprehensive Income		
Postretirement benefit obligation adjustments	<u>(8,467)</u>	<u>27,907</u>
Comprehensive Income	<u>\$ 1,908,713</u>	<u>\$ 455,697</u>

BOARD OF DIRECTORS

of Valley Telecommunications Cooperative



Jeff Symens
General Manager/CEO



J. David Williams
Ipswich Exchange
President



David Roggenkamp
Eureka Exchange
Vice-President



Michael Schlomer
Glenham Exchange
Secretary



Richard Kolb
Leola Exchange
Treasurer



Mindy Quaschnick
Herreid Exchange



Charles Wolf
Hosmer Exchange



Dean Wessel
Mound City Exchange



Mike Wittmeier
Pollock Exchange



Dennis Wolff
Long Lake Exchange

CONSULTANTS



Attorney
Darla Rogers
Riter, Rogers,
Wattier, Brown &
Northrup, LLP



Accountant
Derrick Larson
Eide Bailly, LLP

The Board of Directors is elected to serve the needs of the organization and to recognize and report the needs and concerns of the members in their represented exchanges.

The Board of Directors helps to guide and facilitate important decisions that impact Valley Telecommunications and its subsidiary.

At least once each month, our nine directors — members from each of our service areas — gather to define the strategy for Valley Telecommunications Cooperative. Elected by our members, these directors take it upon themselves to become knowledgeable about the issues and policies that govern the telecommunications industry. Thanks to the many hours of planning, meeting, and research conducted by our board members, Valley Telecommunications is a leader in the frontier of communications technology.

EMPLOYEES

of Valley Telecommunications Cooperative



Allen Aman

Local Area Coordinator



Nathan Arbach

Local Area Coordinator



Kelly Brandner

Customer Service/
Marketing Manager



Eric Flemmer

Local Area Coordinator



Todd Hieb

Outside Plant Manger



Kelsey Holien

Customer Service
Representative



Marcia Huber

Accounting Manager



Jake Jundt

Network Technician



Brandon Malsam

Local Area Coordinator



Lisa Ochsner

Video Production
Coordinator/CSR



Bea Odde

Billing Coordinator



**David
Schaeftbauer**

Network Operations



Kaye VanderVorst

Marketing/Cellular
Coordinator



Sarah Wientjes

Customer Service
Representative



The employees of Valley Telecommunications do more than reach out and connect to our customers. We live in your communities, we serve on the same committees, and attend the same churches. Our children attend the same schools and play on the same sports teams. As Valley employees, we have a vested interest in our communities. That interest translates into our commitment to serve you, our members!

SCHOLARSHIP WINNERS



Hosmer Exchange
Aaron Schaible



Eureka Exchange
Natalie Gill



Ipswich Exchange
Nathaniel Preszler



Herreid Exchange
Nicole Ochsner



Leola Exchange
Audree Berreth



Long Lake Exchange
Prairie Retzer



Glenham Exchange
Hannah Stroeder

The Valley Scholarship Program was established in the year 2000 as a way for the Cooperative to assist its members and families with furthering the education of our area students and future leaders. Each applicant completed a short questionnaire and essay. The applications were judged by Consortia Consulting of Omaha, NE.

To date, Valley has provided nearly \$80,000 in scholarships throughout our service area.

Another great reason to choose The Home Team.



VALLEY FIBERCOM



➤ Volga, SD office



Andrea Knox-Schmidt
Customer Service &
Sales Representative



Kim Chase
Customer Service &
Sales Representative



Lane Hildebrandt
Local Area
Coordinator



Tyson Toucedo
Local Area
Coordinator

VALLEY COMMUNICATIONS, DBA VALLEY FIBERCOM

1-866-45FIBER

www.valleyfibercom.com

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Volga, SD 57071

209 Calumet Ave | PO Box 8
De Smet, SD 57231



Board of Directors at Ribbon Cutting



Construction of De Smet, SD office

“We are committed to providing quality products and services that exceed our customers’ expectations. We strive to maintain an atmosphere that promotes continued growth and prosperity of our employees, company, and community”



Ribbon Cutting - Volga, SD Office



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