



ANNUAL

REPORT

2018



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LETTER FROM THE PRESIDENT & GM



On behalf of the Directors and Employees, welcome to United Communications' 67th Annual Meeting. We appreciate your patronage and look forward to working for you in the years to come. United had a solid financial year in 2018, with a margin of \$5,570,830.

We are continuing to deploy fiber optic cable. This year we are plowing to the rural areas of Rolette, and the southern part of the rural Dunseith exchange. We have contracts in place to complete our fiber build in 2020. Thank you for your continued patience and support during this upgrade of facilities. We have been deploying fiber without using loan funds, as this strengthens our Cooperative.

Rural companies and their associations have been working with the Federal Communications Commission (FCC) to bring financial stability to our industry. We have been hit with budget control mechanisms which have impacted our funding in the amount of \$1,500,000 over the last couple of years. At its December 12th meeting, the FCC adopted the

Universal Service Reform Order. The order focused on additional offers for the Alternative Connect America Model (A-Cam) Carriers and new model offers for existing legacy carriers, and ensured enough and predictable support for legacy rate of return carriers. This order was highly anticipated, and the Board and Management continue to review the order to make the right decisions for your Cooperative.

Ajit Pai, the Chairman of the FCC, has made combatting unlawful robocalls and malicious caller ID spoofing his top consumer protection priority. Robocalls, or unwanted calls with prerecorded messages, are one of the FCC's top complaints. We are working closely with our consultants on industry-wide robocall mitigation efforts.

Since 2017, we have been actively promoting and installing 'broadband only' customers. These are customers that no longer wish to have a traditional phone line, but instead have only a broadband connection. As everything in our industry is shifting to focus on broadband, our state association has also changed its name from the North Dakota Association of Telephone Cooperatives (NDATC) to the Broadband Association of North Dakota (BAND). BAND is made up of United and 14 other companies like us in the state of North Dakota. You might have seen the commercials for BAND on local TV during the state basketball tournaments this winter.

Dakota Carrier Network (DCN) is another successful example of how United and 13

other independent companies work together. In the late '90s, the local North Dakota 'telephone' companies decided it would be beneficial to all of our customers if we created a company that would tie all of our fiber networks together. Now, DCN connects every school in the state and provides internet access to all K-12 schools and higher education, most branches of state government, county courthouses and more. The cooperative spirit across all our companies has achieved so much more than any of us could have done alone.

Video programming retransmission rates continue to increase to providers as the broadcast companies demand continued rate increases in order to continue to receive their content. We are left with no option but to pass these increases onto the subscribers.

As technology changes, things we never could have dreamed of are now a reality. With the help of security cameras and wireless access points from United Communications, a simple text message can alert you any time motion is detected when you're not at home.

The United Communications Board of Directors and employees would like to thank the members of the cooperative for your loyalty and continued patronage. We will continue to bring the latest technology to serve all your needs. I would like to thank the Board of Directors for their support, and our employees for their hard work and dedication.



Kenneth Carlson
PRESIDENT



Lorne Field
VICE PRESIDENT



Perry Oster
SECRETARY-TREASURER



Ken Myhre
DIRECTOR



Steve Bjornstad
DIRECTOR



Harold Estenson
DIRECTOR



Eugene Norheim
DIRECTOR



Norman Schommer
DIRECTOR



Tom Eagan
DIRECTOR

MANAGEMENT

Perry Oster, GENERAL MANAGER/CEO
Ross Feil, FACILITIES MANAGER
Kirsten Gendron, CUSTOMER SERVICE MANAGER
Tara Mikkelsen, CHIEF FINANCIAL OFFICER
Dennis Plummer, NETWORK MANAGER
Steve Swanson, INFORMATION SERVICES MANAGER

CENTRAL OFFICE

Jason Bott, CENTRAL OFFICE TECHNICIAN
Dave Hein, CENTRAL OFFICE TECHNICIAN
AJ Hensel, CENTRAL OFFICE TECHNICIAN

ACCOUNTING

Jayna Hoffarth, CASHIER/BOOKKEEPER
Denise Otto, ACCOUNTANT

CUSTOMER SERVICE/PLANT RECORDS – LANGDON

Danielle Andresen, CUSTOMER SERVICE REPRESENTATIVE
 Tasha Christianson, CUSTOMER SERVICE REPRESENTATIVE
 Robyn Ramberg, CUSTOMER SERVICE REPRESENTATIVE
 Brenda Veer, CUSTOMER SERVICE REPRESENTATIVE
 Kori Howatt, CUSTOMER SERVICE REPRESENTATIVE
 Mikan Lovcik, CUSTOMER SERVICE REPRESENTATIVE
 Tonya Peterson, PLANT RECORDS
 Andrea Fetsch, PLANT RECORDS
 Caitlin Kreklau, PLANT RECORDS
 Rebecca Feist, PLANT RECORDS
 Suzanne Bott, PLANT RECORDS
 Lori Ullyott, PLANT RECORDS

INFORMATION TECHNOLOGY – LANGDON

Dave Bakke, INFORMATION SERVICES TECHNICIAN
 Matt Geddes, INFORMATION SERVICES TECHNICIAN
 Tim Goff, INFORMATION SERVICES TECHNICIAN
 Jim Strong, NETWORK ENGINEER

OUTSIDE PLANT – LANGDON

Gerald Delvo, CABLE SPLICER
 Tony Hanson, COMBINATION TECHNICIAN
 Riley Kuchar, NETWORK TECHNICIAN
 Todd Gette, NETWORK TECHNICIAN
 Matt Lowery, LINEMAN-INSTALLER
 Jason McLean, LINEMAN-INSTALLER
 Drew McQuarie, LINEMAN-INSTALLER

CUSTOMER SERVICE/PLANT RECORDS – ROLLA

Laurie Bercier, CUSTOMER SERVICE REPRESENTATIVE
 Tara Trottier, PLANT RECORDS

OUTSIDE PLANT – ROLLA

Wade Belgarde, COMBINATION TECHNICIAN
 Sam Booth, NETWORK TECHNICIAN
 Justin Longie, MAINTENANCE
 Russ Lund, COMBINATION TECHNICIAN
 Farrell Morin, LINEMAN-INSTALLER
 Tony Page, LINEMAN-INSTALLER
 Mitch Poitra, COMBINATION TECHNICIAN
 Cole Schroeder, LINEMAN-INSTALLER

INFORMATION TECHNOLOGY – ROLLA

Jade Gores, INFORMATION SERVICES TECHNICIAN
 Matthew Odermann, INFORMATION SERVICES TECHNICIAN

CUSTOMER SERVICE – BOTTINEAU

Peggy Lider, CUSTOMER SERVICE REPRESENTATIVE
 Trish Martian, CUSTOMER SERVICE REPRESENTATIVE

OUTSIDE PLANT – BOTTINEAU

Kurt Carpenter, NETWORK TECHNICIAN
 Kendall Fugere, COMBINATION TECHNICIAN
 Lance Halvorson, LINEMAN-INSTALLER
 Norm Reitan, PLANT ENGINEER

COMMITTED TO CONNECTING NORTH DAKOTA
- *Yesterday. Today. Tomorrow.*

04



New look,

same trusted friendly hometown neighbors to keep you connected.

Our hardworking team of North Dakota residents is dedicated to continually improving on our services and building rural connections to better serve our customers. As our progression in technology continues to evolve, so do we.

Our dedication to development and growth can be seen in our recent brand enhancement efforts. This includes our new logo, exterior building updates and storefront sign at headquarters.

**As our brand evolves, we strengthen our focus on connecting all of North Dakota
– Yesterday. Today. Tomorrow.**

Condensed Consolidated Balance Sheet
DECEMBER 31, 2018

ASSETS

ASSETS (What We Own)

CURRENT ASSETS

Cash & Cash Equivalents	\$ 10,053,165	\$ 6,256,291
Receivables	1,650,003	2,039,014
Materials & Supplies	723,231	1,284,692
Income Tax Receivable	39,126	-
Other Current Assets	724,492	528,918

TOTAL CURRENT ASSETS **13,190,017** **10,108,915**

NON CURRENT ASSETS

Investments	31,666,296	30,930,673
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TOTAL NON CURRENT ASSETS **31,666,296** **30,930,673**

PLANT, PROPERTY, & EQUIPMENT

Wireline Plant	97,664,237	112,603,945
Cable & Internet Plant	6,340,282	6,434,164
Non-Operating Plant	500	17,597
Depreciation	(56,340,174)	(70,767,129)

NET PLANT **47,664,845** **48,288,577**

TOTAL ASSETS **\$ 92,521,158** **\$ 89,328,165**

LIABILITIES

LIABILITIES (What We Owe)

CURRENT LIABILITIES

Accounts Payable	\$ 1,114,415	\$ 1,134,302
Current Maturities of Long-Term Debt	2,205,736	2,101,863
Other Current Liabilities	1,075,660	1,043,216

TOTAL CURRENT LIABILITIES **4,395,811** **4,279,381**

NON CURRENT LIABILITIES

Deferred Income Tax & Other Obligations	6,895,083	6,058,010
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TOTAL NON CURRENT LIABILITIES **6,895,083** **6,058,010**

LONG-TERM DEBT, NET OF CURRENT MATURITIES

8,915,188 11,287,475

TOTAL LONG-TERM DEBT **8,915,188** **11,287,475**

MEMBERS' EQUITY

72,315,076 67,703,299

TOTAL EQUITY **72,315,076** **67,703,299**

TOTAL LIABILITIES & EQUITY **\$ 92,521,158** **\$ 89,328,165**

Condensed Consolidated Statement of Operations
DECEMBER 31, 2018

REVENUE

OPERATING REVENUES

	2018	2017
Wireline	\$ 15,029,185	\$ 13,493,483
Internet	3,267,555	3,074,327
Television	2,924,450	2,987,149
Miscellaneous	1,987,406	1,900,661

TOTAL OPERATING REVENUES

23,208,596 **21,455,620**

OPERATING EXPENSES

Plant Specific Operations	3,555,006	3,772,761
Plant Nonspecific Operations	1,394,168	1,322,204
Depreciation & Amortization	5,036,633	4,924,997
Customer Operations	1,693,253	1,915,234
Corporate Operations	1,792,486	1,872,409
Other Operating Taxes	30,179	42,527
Non-Regulated Expenses	7,785,885	7,181,621

TOTAL OPERATING EXPENSES

21,287,610 **21,031,753**

NET OPERATING MARGIN

1,920,986 **423,867**

NON-OPERATING

Interest & Dividend	3,476,489	2,386,465
AFUDC	64,539	22,783
Interest Expense	(755,161)	(854,165)
Impairment of Investment	(222,700)	(330,000)
Other Non-Operating Expense	(181,727)	(57,572)
Income from Affiliates	2,097,302	3,287,471

TOTAL NON-OPERATING

4,478,742 **4,454,982**

NET MARGIN BEFORE INCOME TAXES

6,399,728 **4,878,849**

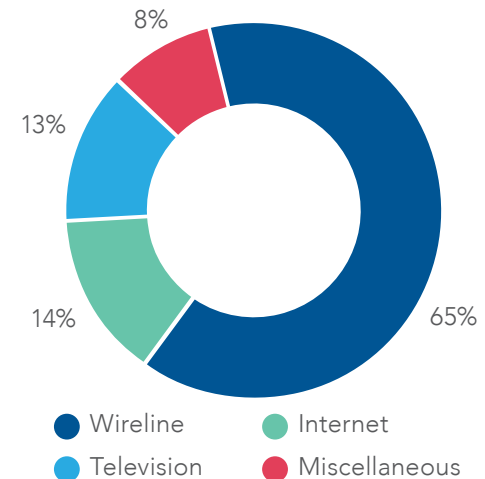
INCOME TAX

828,898 (1,406,766)

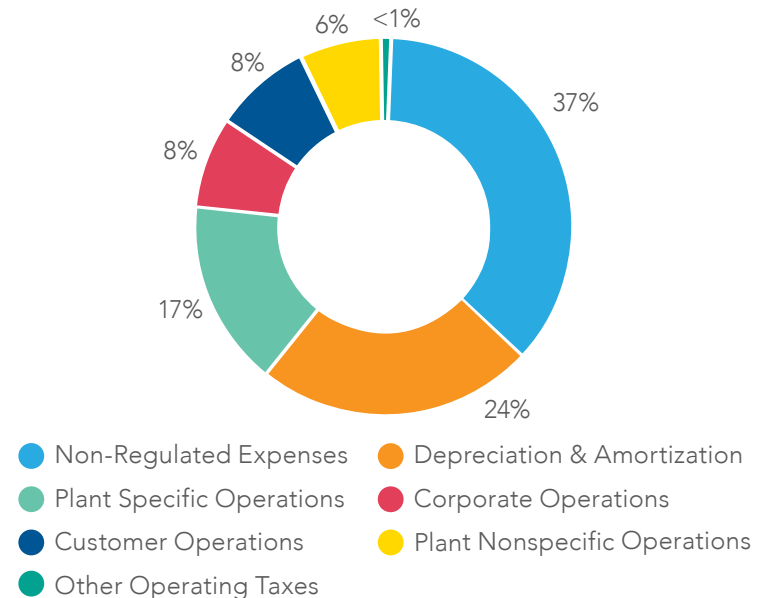
NET MARGINS

\$ 5,570,830 **\$ 6,285,615**

2018 OPERATING REVENUES



2018 OPERATING EXPENSES



In late 2018, the North Dakota Association of Telecommunication Cooperatives (NDATC), the organization that represents North Dakota's independent telecommunication industry, became BAND, the Broadband Association of North Dakota. The change in name reflects the commitment of the member organizations to evolve with the communication needs of North Dakotans, with an important shift from telephone to broadband. (You may recognize the name if you have watched the state high school championships.)

BAND was formed 65 years ago when a group of North Dakota telephone cooperatives met at the Patterson Hotel in Bismarck. Their mission: to guard against unfavorable legislation, and to ensure the highest quality communication systems were available across North Dakota. This mission has carried the organization through a revolutionary era of communication. At the time of the association's creation, a majority of rural North Dakota residents had party-line service, wires were strung from pole to pole, and "long distance" calls were prohibitively expensive. Today, rural areas of the state have access to some of the fastest and most affordable broadband technology found anywhere in the United States.



As communication methods evolved around the world, BAND and its 18 member organizations have evolved with them. In the past decade, BAND has laid over 45,000 miles of fiber across North Dakota, keeping rural communities, families, and small businesses connected to the world.

Today, BAND and its member organizations continue to build on of their 65-year-old promise: to evolve with the needs of its subscribers “at the end of the line.” Together, they are ensuring North Dakota is the most connected state in the United States.

Thanks for being a part of the journey.

HELPING BUILD *Brighter Futures*

The United Telephone Educational Foundation continues to support local area students in their journey to higher education and self-development. In the spring of 2019, 22 distinguished local seniors received scholarships.

A HISTORY OF *Giving Back*

Since 1991, the United Telephone Educational Foundation is proud to have given over \$773,500 to graduating seniors and other first-term college students. This year's selected recipients from central and eastern North Dakota will receive a total of \$30,500 in scholarship funds.



Meghan Aasen
BOTTINEAU HIGH SCHOOL



Emma Arstein
ROLETTE PUBLIC SCHOOL



Chloe Azure
TURTLE MOUNTAIN COMMUNITY
HIGH SCHOOL



Mckenzie Carson
NORTH BORDER WALHALLA
HIGH SCHOOL



Adrienne Darling
MUNICH HIGH SCHOOL



Caitlyn Davis
DUNSEITH HIGH SCHOOL



Sadie Fetsch
LANGDON AREA HIGH SCHOOL



Rhiannon Giguere
LANGDON AREA HIGH SCHOOL



Erykka Gratton
LANGDON AREA HIGH SCHOOL



Ashtin Harildstad
CAVALIER HIGH SCHOOL



April Kratcha
LANGDON AREA HIGH SCHOOL



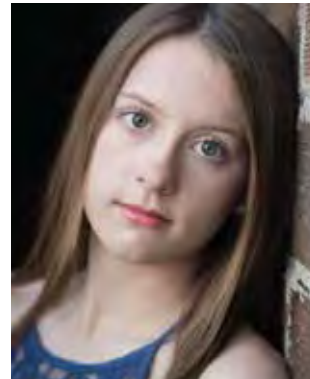
Lyle Lunday
SAINT JOHN PUBLIC SCHOOL



Faith Mattila
NORTH BORDER WALHALLA
HIGH SCHOOL



Emma Mitchell
MT. PLEASANT HIGH SCHOOL



Tera Mittleder
LANGDON AREA HIGH SCHOOL



Grant Munro
MT. PLEASANT HIGH SCHOOL

SCHOLARSHIP WINNERS



Callie Perry
MUNICH HIGH SCHOOL



Landrey Peterson
NORTH BORDER WALHALLA
HIGH SCHOOL



Lexie Thibert
SAINT JOHN PUBLIC SCHOOL



Terrance Walette
TURTLE MOUNTAIN COMMUNITY
HIGH SCHOOL



Madeline Wilkie
MT. PLEASANT HIGH SCHOOL



Kaitlyn Wilmot
BOTTINEAU HIGH SCHOOL

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Bottineau: 701.228.1101

Rolla: 701.477.1101

After Hours: 800.844.9638

If you have any questions about your bill, long distance calls, or services, or if you want to order additional features, call 701.256.5156 or 800.844.9708.

ANNUAL MEETING PROGRAM

Wednesday, July 24, 2019

Registration 1:00 pm
Call to Order (President) 2:00 pm
Lunch to Follow

Welcome
Reading of Notice of Annual Meeting
Reading of Minutes of Last Meeting
Election of Directors
Financial Report
President's Comments
Adjournment



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