



56th Annual Meeting of Members
Thursday, October 2, 2008
Kimball High School Auditorium
Meal 6 p.m. ■ Meeting 7 p.m.

Technology...the Key to the Future

TECHNOLOGY...

...the Key to the Future

At Midstate Communications we have always shown consistent effort to offer more and better services, whether it be in our smallest towns or in our largest exchanges. That is what keeps us diligently working at Midstate Communications. This theory has never been more true than in 2008. With fiber-to-the-home (FTTH) technology deployments in the communities of Gann Valley, Academy, New Holland and last year in Delmont, we have pushed technology right to the farmhouses and communities throughout these serving areas, providing them with the most state-of-the-art technology available to date.

The launch of Midstate's new Digital Cable Service in 2008, has been an invaluable addition to our family of offerings. With the new Digital cable service, our customers in the exchanges of Stickney, White Lake, Kimball, Pukwana, Chamberlain and Oacoma can now experience the digital quality and programming options Digital television has to offer. Plans are also in the works in the very near future to convert the communities of Platte, Geddes and Delmont over to the Digital programming so they too can enjoy the digital advantage.

It is a shared belief that a high-speed broadband infrastructure is a necessity for the future; that is why we continue year after year to deploy more fiber to homes and business located in our service area and continue to broaden the reach to our Quick Connect High Speed Internet Service.

Along with making our broadband services more available, this year, we have also made all of our services more affordable with our MyMidstate Bundle packages. We pride ourselves on being a full-service, one stop shop for all your telecommunications needs. Whether those needs are telephone, Internet or cable tv, by using Midstate for all your services we can offer you a steep discount. That discount, combined with the Capital Credit checks our members receive makes it virtually impossible to find the same state-of-the-art services anywhere else at the price you pay with Midstate.

We look forward to continuing our efforts in each of the communities we serve and hope that together we can set out on a path of success for our communities and the businesses and individuals that live within those communities. Thank you for your support throughout the years.

Mark Benton
General Manager/CEO



Statement of Nondiscrimination

Midstate Communications is the recipient of Federal financial assistance from the U.S. Department of Agriculture (USDA). The USDA prohibits discrimination in all its programs and activities on the basis of race, color, national origin, age, disability, and where applicable, sex, marital status, familial status, parental status, religion, sexual orientation, genetic information, political beliefs, reprisal, or because all or part of an individual's income is derived from any public assistance program. (Not all prohibited bases apply to all programs.) Persons with disabilities who require alternative means for communication of program information (Braille, large print, audiotope, etc.) should contact USDA's TARGET Center at (202) 720-2600 (voice and TDD). To file a complaint of discrimination, write to USDA, Director, Office of Civil Rights, 1400 Independence Ave., S.W., Washington, D.C. 20250-9410, or call toll free (866) 632-9992 (voice) or (800) 877-8339 (TDD) or (866) 377-8642 (relay voice users). USDA is an equal opportunity provider and employer.

Condensed Minutes of 2007 Annual Meeting

The Annual Meeting of the Members of Midstate Communications was held in the Kimball Kiote School Gym in the City of Kimball, South Dakota on the 4th day of October 2007.

Sylvester Thiry presided over the meeting and Sandy Ringling acted as secretary. Pastor Ron Pulsher gave the invocation

There were found to be present 273 members of the company present. It being determined by certificate of the secretary that on October 4, 2007 the total number of members of the company was 3,675, the chairman found and declared that a quorum was present and the meeting proceeded to the transaction of business.

It was determined and declared that due notice of the meeting had been duly given to all members of the company in accordance with the By-laws. It was then ordered that the proper documents reflecting this be annexed to the minutes of the meeting.

The minutes of the Annual Meeting of Members held on October 3, 2006 were submitted. Upon motion and a second and with unanimous approval, the minutes were approved.

The manager reviewed financial and operating reports that had been submitted to the members and gave the annual management report.

Attorney David Natvig reported on the district elections and bylaw amendments to the members.

Entertainment was provided by the South Hand Band.

Following the entertainment, President Thiry asked for questions and/or comments from the membership. There being no further business to come before the meeting, upon motion and a second and with unanimous approval, the meeting was adjourned

Prize drawings were held.

Sandy Ringling, Secretary

Statements of Operations and Patronage Capital

	2008	2007
OPERATING REVENUES:		
Local Network Access	\$2,039,709	\$2,027,929
Network Access Services	5,950,649	5,692,574
Long Distance Network Services	472,666	514,721
Billing and Collection	125,661	130,276
Cable TV – net of programming	405,007	380,369
Internet	348,234	266,945
Miscellaneous	593,346	520,958
Uncollectible	(8054)	(4,805)
TOTAL OPERATING REVENUES	\$9,927,218	\$9,528,967
OPERATING EXPENSES:		
Plant Specific Operations	\$1,867,589	\$1,691,908
Plant Nonspecific Operations		
Access	431,083	446,219
Other	277,198	271,789
Depreciation	3,147,109	3,456,593
Customer Operations	1,032,961	1,071,734
Corporate Operations	966,878	893,967
Operating Taxes - Other	326,946	303,475
TOTAL OPERATING EXPENSES	\$8,049,764	\$8,135,685
NET OPERATING MARGIN	\$1,877,454	\$1,393,282
NON-OPERATING MARGIN:		
Interest Income	\$362,770	\$465,305
Amortization of Intangibles	(271,556)	(271,102)
Allowance for Funds Used		
During Construction	66,842	8,629
Earnings from Equity Investments	314,802	189,032
Non-operating Income	45,113	81,876
TOTAL NON-OPERATING MARGIN	\$517,991	\$473,740

	2008	2007
INTEREST EXPENSE	\$1,016,898	\$1,022,471
NET MARGIN BEFORE INCOME TAXES	\$1,378,547	\$844,551
PROVISION FOR (BENEFIT FROM) INCOME TAXES	\$30,401	\$8,590
NET MARGIN	\$1,348,146	\$835,961

Sandy Ringling

Signed: Sandy Ringling, Treasurer



Consolidated Balance Sheet

	2008	2007		2008	2007
ASSETS:			LIABILITIES AND EQUITIES:		
Current Assets:			Current Liabilities:		
Cash and Cash Equivalents	\$4,020,891	\$4,228,482	Current maturities of Long-term Debt	\$2,360,000	\$1,920,000
Investments in Held-to-Maturity Securities	3,172,504	3,007,945	Accounts Payable	910,829	242,614
Telecommunications Accounts Receivable	422,597	411,666	Advanced Billing & Customers' Deposits	224,457	234,924
Other Accounts Receivable	557,796	552,025	Accrued Taxes - Other	170,029	154,410
Interest Receivable	25,255	88,006	Other Current Liabilities	325,147	279,315
Materials and Supplies	132,992	124,864	TOTAL CURRENT LIABILITIES	\$3,990,462	\$2,831,263
Prepayments	114,339	117,566			
Prepaid Income Taxes	41,363	57,855	LONG TERM DEBT LESS		
TOTAL CURRENT ASSETS	\$8,487,737	\$8,588,409	CURRENT MATURITIES	\$19,040,820	\$16,998,423
			Deferred Credits	29,208	31,873
Investments and Noncurrent Assets:			TOTAL OTHER LIABILITIES	\$29,208	\$31,873
Investments in Held-to-Maturity Securities	\$2,163,159	\$2,763,840			
Other Investments	3,865,547	1,910,843	Equities:		
Nonregulated Investments:			Patronage Capital	\$14,497,692	\$13,675,045
Television Assets - net	1,681,493	1,788,644	Other Equity	2,103,146	2,023,276
Internet Assets - net	147,525	274,154	TOTAL EQUITIES	\$16,600,838	\$15,698,321
Deferred Income Taxes	101,285	73,192	TOTAL LIABILITIES AND EQUITIES	\$39,661,328	\$35,559,880
Other Deferred Charges	13,860	17,590			
TOTAL INVESTMENTS AND					
NONCURRENT ASSETS	\$7,972,869	\$6,828,263			
Telecommunications Plant:					
In Service	\$42,866,213	\$39,948,933			
Under Construction	3,601,703	1,046,425			
Telephone Plant Acquisition Adjustment	1,693,589	1,693,589			
	48,161,505	42,688,947			
Less Accumulated Depreciation and Amortization	24,960,783	22,545,739			
Net Plant	\$23,200,722	\$20,143,208			
TOTAL ASSETS	\$39,661,328	\$35,559,880			



Notice of Annual Meeting of Members of Midstate Communications Cooperative

NOTICE IS HEREBY GIVEN that the Annual Meeting of the members of Midstate Communications will be held at the Kimball High School Gymnasium, in the City of Kimball, Brule County, South Dakota on Thursday, October 2, 2008 at 7:00 PM for the following purposes:

1. To receive and act upon reports of the operations of the Cooperative for the previous fiscal year.
2. To transact such other business as may come before the meeting.

All members are urged to attend the meeting. Dinner will be served prior to the meeting. There will be several prize drawings at the close of the meeting. Please bring this booklet with you to follow the program and to register for door prizes. You must be present to win any of the door prizes excluding the Grand Prize giveaway.

By Order of the Board of Directors
Sandy Ringling, Secretary

Kimball, South Dakota



**THIS IS YOUR REGISTRATION FORM --
CLIP AND BRING TO ANNUAL MEETING**

PHONE NO. _____

PRSRT STD
US Postage
PAID
Mitchell, SD
Permit #71