



ANNUAL REPORT / 2021



1951-2021



OUR MISSION

Our mission is to provide competitively priced, high quality communications services which are responsive to the needs of our customers.

We recognize that our employees are vital to the implementation of this mission, and we will strive to equip them with the tools necessary to attain our goals and objectives.

We are committed to being good stewards of our owners' investment, to ensure long term financial viability.

GENERAL MANAGER REPORT

Despite the challenges we faced with the COVID pandemic, this past year was a very successful one.

In fact, 2019 and 2020 - and now well into 2021 - have been among our most successful years, both financially and in upgrading our network to provide the highest quality of broadband service. It is important to remember that SRT has transitioned from being primarily a “telephone/voice” provider to a broadband provider. This can be attested to by every aspect of our organization:

1. Our FTTH project, which has now spanned over 10 years, was built primarily because of the need for higher broadband speeds. We are now a Certified Gig-Capable Provider. Our investment in plant has increased by over \$100 million, from \$217 million to over \$318 million. With the Minot FTTH project well underway in 2021, we will add another \$50 million to that total.
2. Our net margins the past two years have been among our highest ever thanks to the broadband services we offer. The 2019 margin was \$7.7 million and our 2020 margin was \$14.1 million. A big part of the increase was a shift in our USF (regulatory) support from telephone to broadband services.
3. Our industry associations are now NTCA – The Rural Broadband Association®, and BAND – Broadband Association of North Dakota.

RETIREMENT ANNOUNCEMENT

In October 2020, I informed the Board that 2021 would be my last year as CEO and General Manager of SRT. Since that announcement, the SRT Board put in a great deal of time and effort seeking the best candidate for my replacement. The work they put into the process, from determining the proper qualification requirements for the position, to the posting and review of the applicants, was done conscientiously and prudently. Ultimately the Board concluded that the internal applicants were the best candidates. This speaks highly of the employees we have at SRT, but at the same time made the final decision a difficult one. In June of this year, they announced that Cassidy Hjelmstad, SRT’s Chief Marketing Officer, was chosen as the next CEO /General Manager after I retire on December 31.

ROLE OF THE COOPERATIVE MANAGER

It takes an active and engaged 12-member Board to define the mission and direction of the cooperative and to establish a set of goals and objectives, which are identified with the CEO/General Manager. The unique aspect of the CEO/General Manager is that this is the only employee directly hired by, and who directly reports to, the Board of Directors. My focus has always been to meet the goals and objectives for the cooperative as set by the Board.

It is the responsibility of the CEO to work with the SRT executive staff to develop specific work plans and budgets to accomplish those goals and objectives. The executive staff is then responsible for communicating those plans to our 190 employees, and for putting those plans into action.

THANK-YOUS

I would like to thank you, the cooperative members, the Board of Directors, my executive staff, and all the employees for your tremendous support over these past 19 years that I have been the CEO/General Manager of SRT. I also thank my wife, Kari, for always being there for me and with me for the past 39 years. Her love and support is what has allowed me to reach this point in my career.



Steve D. Lysne
General Manager/CEO

BOARD PRESIDENT REPORT

As we celebrate our cooperative's 70-year history, the Board of Directors reflects on all SRT has to be proud of. We have transitioned from a telephone company to a broadband internet company. We have a strong history of always being at the forefront of technology and look forward to continuing to be a leader in the communications world. Technology has changed dramatically and this last year demonstrated the need for a secure, reliable internet connection more than ever. Ten years ago, I picked up the phone to call my kids to see how they were doing. Today, I regularly FaceTime with them to watch my grandkids' sporting events and activities when my wife and I cannot make it in person. We are connected like never before. While adjusting to technology certainly has a learning curve, it is important to acknowledge the employees at SRT who dedicate themselves to making sure we can communicate however we need to.

One of the long-term projects on the Board's agenda has been the fiber optic network build. We completed construction in the entire rural area and have continued to connect fiber to those homes and businesses. Once the rural build was completed, we then approved the Minot fiber build and again, will go through the construction process and splicing phases, and then begin connecting customers. Bringing fiber to each home and business in Minot is no small task, but we look forward to delivering these services to our entire service area and being a 100% fiber territory.

Your Board has been busy with other projects as well. Earlier this year, our CEO/General Manager Steve Lysne announced his upcoming retirement at the end of 2021. A major focus we took on was finding his replacement. We spent many hours planning and searching for the right candidate to fill his shoes and lead the cooperative into the future. After much deliberation and an extensive national search, we found our next CEO/General Manager within SRT: Cassidy Hjelmstad, SRT's Chief Marketing Officer.

As we look ahead, I'd like to take time to thank Steve for his 19 years of leadership at SRT. Steve has been instrumental in setting this cooperative up for financial success. He is a dedicated leader who brought wireless service to our members when there was no other cell phone service available. He strategically set us up for our fiber build. He has stayed active in the industry and local community, and we appreciate all he's done for SRT. On behalf of the SRT Board of Directors, we thank Steve Lysne and wish him all the best in his well-deserved retirement.



Allan Engh
Board President



REPORT FROM INCOMING CEO



Cassidy Hjelmstad
Incoming CEO/
General Manager

I am honored to serve our valued membership as SRT's next CEO/General Manager. On behalf of my family, we would like to thank the SRT Board of Directors for giving me the opportunity to lead this cooperative. Thank you also to Steve Lysne for his past 19 years of driving the vision for this company. We are better because of his leadership. Having grown up 45 miles north of here, I am fortunate to know SRT has always been a leader when it comes to communications. But I think it's just as important to mention how SRT has been a strong community supporter as well. The

cooperative principles we were built on will remain at the forefront of how we continue to do business and serve our communities.

As we reflect on the past year, technology has become ingrained in our daily lives to work, learn, and live. Due to the fiber networks that we have built in our rural areas and towns – and the fiber optic build in Minot we are in the process of completing – SRT was awarded the honor of being able to call our service area a Smart Connected Community. This program was started by NTCA-The Rural Broadband Association, for rural telecommunications companies across the U.S. to showcase these critical networks.

To continue supporting our members with the most advanced network, SRT also turned up a third 100 Gigabit transport route. This route carries internet traffic outside our area. The significance of three networks provides even more stability to our customers. While fiber cuts can happen and have happened, adding a third leg for our customers' data to travel on allows for even more reliability.

As we build reliable networks, we also must be prudent about protecting our networks from cyberattacks. Bad actors try to steal data and money every single day. It is important that SRT invests in multiple protection systems to keep our networks from being overtaken. We also recognize the importance of educating our customers on how to protect themselves from these threats as well.

To protect landline users, Congress ordered the Federal Communications Commission to have telecommunications companies implement Robocall Mitigation due to the number of bad actors who prey on Americans to steal information. Robocalls are recorded messages that often try to sell something. To underscore how widespread these calls can be, just under 46 million robocalls calls were placed in 2020 according to YouMail, a company that

provides anti-robocall services. Robocall Mitigation is a protection program meant to warn customers of incoming fraudulent/spoofed telephone calls. SRT added TNS Call Guardian in June as a free service to protect customers. The Call Guardian tool labels incoming calls as Potential Spam, Scam, or Fraud. Once a reputation is established for a call, the worst numbers may not even ring, preventing that scam call from even happening. As we offer more protection we will address spoofing as well, which deceptively displays a familiar number on caller ID.

Among our services, SRT is facing unique challenges in the television sector. Our traditional cable TV system is no longer useful. While our competent technicians and engineers have been able to keep cable TV running, we cannot even purchase replacement parts for much of the equipment and must discontinue cable TV before something goes completely awry. SRTVision is delivered over our fiber optic network, but due to programming costs that have increased year after year, SRT is taking a hard look at where we take the future of this product. New to our TV options this past year is SRT TV streaming video. This service requires an internet connection. In short, the TV industry is changing dramatically and we will continue to monitor it.

Another product SRT has offered since 2012 is security, and now surveillance, systems. Security systems protect homes and businesses with easy-to-use monitoring tools; surveillance provides a live stream of the home or business. Midco exited the security market this past year, but we are here to serve that need. While there are other options, our technicians will take the time to walk through the system, make sure the owner is comfortable, and maintain it throughout, providing peace of mind.

In addition to our products and services, we look forward to offering more customer education and tools to help our members feel comfortable. Technology can be intimidating at times for anyone. It is our duty to ensure that you, our owners, understand how to use the equipment and services we offer, and more importantly, why. The more you know about the technology, the more you can take advantage of all its benefits. I look forward to our teams developing understandable, user-friendly content that meets your needs.

Although we offer different products today than we did 70 years ago, we do not forget those who came before us and what they established. They built our cooperative to lead, to grow, and to serve. On behalf of the 190 employees at SRT who dedicate their work to ensuring we are the best provider, we look forward to continuing the cooperative's mission.

2020 BOARD OF DIRECTORS



Allan Engh
President
Sherwood • District 1



Dennis Erber
Glenburn • District 2



John Marshall
Towner • District 3



Stacey Diehl
*Assistant Secretary/
Treasurer*
Minot • District 4



Ardel Rice
Mohall • District 1



Tom Jespersen
Velva • District 2



Stuart Rothe
Newburg • District 3



Deanna Klein
Secretary/Treasurer
Minot • District 4



Stanley Vangsness
Berthold/Carpio • District 1



Kristi Miller
Vice President
Maxbass • District 2



Dennis Schott
Butte • District 3



Benjamin Robertson
Minot • District 4

2021 Director Election /

District 1 Ardel Rice / Mohall
Incumbent

District 2 Dennis Erber / Glenburn
Incumbent

District 3 Dennis Schott / Butte
Incumbent

District 4 Stacey Diehl / Minot
Incumbent

SCHOLARSHIPS

Scholarship / The SRT Scholarship Committee, comprised of SRT Board members and employees, was tasked with reading and assessing local area students' scholarship applications. This year's students submitted thoughtful applications, in addition to being active in community service and school related sports and activities. Students were judged on their academic accomplishments, community involvement, school involvement, and an essay.

SRT offers four general scholarships for \$1500 each and awards one SRT technical scholarship for \$2500, which is geared toward students currently enrolled in or planning to study in a computer technology- or telecommunications-related field. Congratulations to all!

GENERAL

Emma Dragseth

TGU Towner High School
Daughter of Doug & Jennifer Dragseth
Towner, ND

Emma attends Bismarck State College and plans to stick around Bismarck to enroll in North Dakota State University's Nursing Program through Sanford in Bismarck.



Joslyn Nordmark

Mount Pleasant High School
Daughter of Jason & Audrey Nordmark / Rolla, ND

Joslyn attends the University of North Dakota to pursue a degree in Pre-Occupational Therapy and Exercise Science.



Kamryn Morrison

South Prairie High School
Daughter of Denalie Morrison
Minot, ND

Kamryn attends the University of Mary in pursuit of a degree in Psychology and Vocal Performance.



Lucas Webb

Minot High School
Son of Anthony & Tina Webb
Minot, ND

Lucas attends Bismarck State College, where he is pursuing a degree in HVAC.



TECHNICAL

Wyatt Hanson / Velva High School

Son of Michael Hanson & Maria Effertz-Hanson / Velva, ND

Wyatt is currently completing his basic combat training for the Army National Guard, and plans to attend the University of North Dakota in the spring to pursue a degree in Computer Science.



FRS

Lillian Effertz / Velva High School

Daughter of Alan & Monica Effertz
Velva, ND

Lillian is the recipient of the \$2,500 Good Neighbor Scholarship through the Foundation for Rural Service.

Lillian attends the University of Mary and is pursuing a degree in Music Education.





1951-2021

SRT is excited and honored to celebrate 70 years of connecting friends and family, promoting business in the region, supporting technology in classrooms, providing access to healthcare, and bringing new forms of entertainment to our members.

townspeople but to once-isolated rural farms, enriching the unique quality of life in this region with in-place connections to the world. We have innovated every year since, marked by our achievement in 2017 as a Certified Gig-Capable Provider.



It is ideal that we are celebrating SRT's anniversary during October, which is also National Cooperative Month. Looking back, we can see how the philosophy that shaped our early cooperative is still alive in the principles we operate by today.

Cooperative Principles

1. Voluntary and open membership
2. Democratic member control
3. Members economic participation
4. Autonomy and independence
5. Education, training, and information
6. Cooperation among cooperatives
7. Concern for community

The belief that all people should have access to the same telecommunications service regardless of where they live is at the core of our cooperative. At our founding in 1951, SRT began bringing the latest in communication tools and knowledge not only to

The term "high tech" has been used to describe the telecommunications industry since Alexander Graham Bell first called to Mr. Watson. Since SRT's early days, we have provided high quality communication services to residential and business customers. Today we further that commitment as we deliver fiber optic technology for the fastest internet speeds available in the area. And more is still to come.

Although much has changed over the past century, our commitment to serving our members remains. On this anniversary of SRT, we express our gratitude to the innovative pioneers in our industry and dedicate ourselves to our members in the future.

CONSOLIDATED BALANCE SHEET

DECEMBER 31, 2020

ASSETS

Current Assets	
Cash and temporary cash investments	\$ 12,978,813
Accounts, notes, and interest receivable	5,055,698
Materials and supplies	1,068,799
Prepaid expenses	764,806
Total Current Assets	19,868,116
Investments and Noncurrent Assets	
Investment in securities	6,306,491
Other investments	9,150,418
Nonregulated investments - net	4,185,520
Deferred charges	670,711
Total Investments and Noncurrent Assets	20,313,140
Telecommunications Plant	
Total investment in plant	306,282,945
Less: accumulated depreciation	147,887,875
Net Investment in Plant	158,395,070
Total Assets	198,576,326

LIABILITIES AND EQUITIES

Current Liabilities	
Current portion of long-term debt	4,442,000
Accounts payable	3,222,648
Accrued taxes	218,955
Other current liabilities	1,012,927
Total Current Liabilities	8,896,530
LONG TERM DEBT, LESS CURRENT MATURITIES	62,040,677
OTHER LIABILITIES	6,019,276
EQUITIES	
Patronage capital	107,200,561
Other capital	14,419,282
Total Equities	121,619,843
Total Liabilities and Equities	\$198,576,326

CONSOLIDATED STATEMENT OF OPERATIONS

YEAR ENDED
DECEMBER 31, 2020

OPERATING REVENUES

Local network services	\$ 6,134,436
Network access services	31,423,611
Long distance network services	1,009,645
Miscellaneous	1,357,349
Total Telephone Revenue	39,925,041
Tower rent revenue	1,018,548
Internet revenue	11,063,745
Cable television revenue	2,461,227
Nonregulated revenue	1,019,424
Total Operating Revenues	55,487,985

OPERATING EXPENSES

Plant operations	18,271,583
Depreciation	11,096,430
Customer operations	2,725,430
Corporate operations	4,201,267
Operating taxes - other	97,966
Total Telephone Operating Expenses	36,392,676
Tower operating expenses	500,984
Internet operating expenses	5,435,710
Cable television operating expenses	2,427,791
Nonregulated expenses	1,403,014
Total Operating Expenses	46,160,175
NET OPERATING MARGIN	9,327,810

NONOPERATING INCOME (EXPENSE)

Interest and dividend income	5,301,345
Amortization of intangibles	(216,105)
Income from equity investments	958,828
Other gains/(losses)	70,485
Miscellaneous	(92,089)
Total Nonoperating Income	6,022,464

NET MARGIN BEFORE INTEREST AND INCOME TAXES

INTEREST EXPENSE AND RELATED ITEMS

NET MARGIN BEFORE INCOME TAXES

PROVISION FOR INCOME TAXES

NET MARGIN

15,350,274

1,509,992

13,840,282

(280,115)

\$14,120,397

MINUTES OF THE 2020 ANNUAL MEETING

The 69th Annual Meeting of the members of SRT Communications, Inc. (“SRT”) was held at the North Dakota State Fair Center in Minot, North Dakota, on Thursday, October 1, 2020, pursuant to due notice to all members. SRT President Allan Engh presided. The 2020 Annual Meeting was held as a “drive-thru” annual meeting out of concern for the safety of SRT members and personnel during the COVID-19 pandemic.

READING OF ANNUAL MEETING NOTICE, PUBLICATION OF REPORTS, AND POSTING OF 2019 ANNUAL MEETING MINUTES:

In accordance with the Bylaws, a Notice of Annual Meeting was sent to all SRT members not less than 10 days nor more than 30 days before the meeting. Prior to the start of the Annual Meeting, the official Notice of Annual Meeting and Proof of Mailing, the Minutes of the 2019 Annual Meeting, and the Reports of the General Manager, Board President, and Chief Financial Officer were posted online on SRT’s website.

APPOINTMENT OF RECORDING SECRETARY AND PARLIAMENTARIAN AND CREDENTIALS AND ELECTION COMMITTEE:

President Engh appointed Attorney Steven Lutt as recording secretary and parliamentarian for the 2020 Annual Meeting. President Engh also appointed members Jasmine Tengesdahl of Maxbass, Douglas Drader of Towner, Tim Burckhard of Burlington, and Virginia Erickson of Berthold to serve on the Credentials and Election Committee. Tim Burckhard served as chair of the committee.

VOTING: The meeting was called to order by President Engh and voting allowed to commence at 2:00 p.m. When members arrived at the State Fair Center, they were directed to drive-thru kiosks to register and receive their ballot. Members were also given an annual meeting booklet, which included a printed copy of the Minutes of the 2019 Annual Meeting, the General Manager and President’s Report, and the Chief Financial Officer’s Report. Each ballot included the candidate or candidates running in that respective district, as well as a question as to whether the member approves of the Minutes of the 2019 Annual Meeting as printed in annual meeting booklet. Candidates were as follows: Stanley Vangsness of Berthold (District 1), Jennifer Barta of Velva and Kristi Miller of Maxbass (District 2), John Marshall of Towner (District 3), Deanna Klein of Minot, Dawn Palumbo of Minot, Ben Parker of Minot, and Steve Pinnow of Minot (District 4). Voting closed at 7:00 p.m.

ELECTIONS COMMITTEE REPORT: Attorney Steven Lutt and Election Committee Chairman Tim Burckhard announced the report of the

Elections Committee on the director elections by posting a video on SRT’s website. The election results were as follows:

DISTRICT 1	
Stanley Vangsness	44
Spoiled ballots	0
DISTRICT 2	
Jennifer Barta	27
Kristi Miller	131
Spoiled ballots	2
DISTRICT 3	
John Marshall.....	33
Spoiled ballots	1
DISTRICT 4	
Deanna Klein.....	210
Dawn Palumbo	77
Ben Parker.....	64
Steve Pinnow.....	146
Spoiled ballots	21

There was a total of 756 ballots cast. Attorney Lutt declared that Stanley Vangsness, Kristi Miller, John Marshall, and Deanna Klein were the winning candidates, and each were elected for a three-year term. The Minutes of the 2019 Annual Meeting were also approved.

ADJOURNMENT: Following the announcement of the election results, in accordance with the Notice of Annual Meeting and the special provisions in place for this year’s election, the 2020 Annual Meeting was adjourned.



Steven A. Lutt, Recording Secretary



Deanna Klein, Secretary

ATTEST:



Allan Engh, President

Love SRT



SRT.COM  

SRT Headquarters / 3615 North Broadway / P.O. Box 2027 / Minot, ND 58702-2027

This institution is an equal opportunity provider and employer.