



ANNUAL REPORT / 2022



CONNECTING YOU AT THE SPEED OF LIFE

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



Cassidy Hjelmstad
CEO/General Manager

GRATITUDE AND OPTIMISM I begin with gratitude. I am grateful to the Board of Directors for allowing me to serve as your CEO/General Manager. I am grateful to our 187 employees for their dedication to ensuring we are the best internet and technology provider. I am grateful to you, our members, for your loyalty and support for our mission.

FIBER BROADBAND We have made positive strides to continue delivering a state-of-the-art network throughout our service area. June 24, 2022, marked a milestone to celebrate. SRT finished our rural fiber

build. This accomplishment took more than 10 years, funded mainly with USDA Rural Utilities Service (RUS) Loans. Replacing our entire copper plant with fiber optics allows SRT to deliver high-speed internet to our most rural customers over the most reliable plant. More than 8,000 miles of fiber have been put in the ground, for an investment of over \$116 million.

We are aggressively working in Minot to complete the rest of the fiber build. This portion of the fiber project is an estimated \$52 million investment broken into four phases. It has been a priority for SRT and will continue to be for the next few years.

To deliver high speed fiber broadband, we need to have the transport to support it. A transport network carries the internet traffic. SRT is upgrading our rural network from three 10 gig rings to three 100 gig rings, which will add capacity to the network as additional businesses and people use more internet bandwidth. This upgrade will cost approximately \$9.3 million. While we are building Minot fiber, we are also planning for transport upgrades there. Building the network for the future is critical so SRT can meet increasing demand.

SRT is equally committed to cybersecurity. We are constantly evaluating how we can protect our network. Whether it's network penetration testing or education for both employees and customers, we approach all projects with cybersecurity as a key component to implementation. The thousands of bad actors trying to wreak havoc on our network – and cause problems for you – are a focus of ours now and always.

EXITING TV While technology can be intimidating, change is inevitable. SRT announced this year that we would be exiting the TV business. As of November 30, we will no longer provide cable TV, SRTVision, or SRT TV. As we analyzed this decision, we did not feel comfortable passing along double-digit monthly price increases, nor could we, as good stewards of our owners' investment, take even more considerable losses from this product. Large providers are promoting more streaming video; just look at how much content is exclusive to streaming platforms. With more than 200 streaming services available, customers can choose content they want rather than pay for must-carry channels on traditional TV. We recognize not everyone may have been ready for this change, but SRT has made every effort to reach our TV communities and educate customers about their options.

REGULATORY COMPLIANCE Many SRT employees have been working on federally mandated projects. The Ray Baum Act requires detailed location information for emergency responders. STIR/SHAKEN authenticates and verifies IP-based caller ID to ensure the number calling is really who that person/business is. A 988 short dial code was implemented for the National Suicide Prevention Hotline. Additionally, the FCC is requiring speed and performance testing of broadband networks. This is an ongoing testing with multiple layers of complexity involving multiple departments. The thousands of hours poured into these projects, and others forthcoming, are no small feat and something we are required to continue.

A SMART RURAL COMMUNITY SRT is designated by NTCA-The Rural Broadband Association as a Smart Rural Community Provider. This means SRT is part of a network of broadband providers that works to improve economic development, provide technology for advancing education, and enhance state-of-the-art health care – all to create future-proof sustainable infrastructure in rural America. It's the beauty of living in North Dakota, where we know our neighbors and work hard for what we have – and where we can have access to technology that connects us at the speed of life. It's an honor to be your fiber broadband provider.

Again, I'm grateful to our Board of Directors, who helped foster the vision to build our network while always supporting our communities, and I'm grateful to our employees for implementing the vision. I love sharing your success stories about broadband and how our service allows you to live your best life. Thank you for your continued support.

BOARD PRESIDENT REPORT

Time has a way of feeling long sometimes, short other times. People use the phrase “It’s been a minute” to say it’s been quite a while. In my case, my first year as Board President of SRT literally did feel like a minute. That’s how fast it went by.

SRT gained impressive ground in just a year. Perhaps our most significant project – building out our fiber optic network – continues with mounting speed. Our entire rural service area is fully fiberized — that’s 100% – quite a feat when you consider the size of our geographic region and what it takes to run fiber for every home, business, and public building. So far we’ve placed more than 8,000 miles of fiber! Now we push to complete our Minot fiber build with equal determination. SRT is working through the construction and splicing phases and connecting customers in the Magic City. We look forward to delivering high speed internet to our entire service area so everyone can benefit from its potential.

In addition to providing state-of-the-art services, SRT enjoys being a good corporate citizen to support growth and well-being of our communities. This includes anything from community involvement to financial support – and it’s what sets cooperatives apart! You can read more about National Coop Month in this report.

One of my favorite roles as Board President is visiting with our membership. This past year I had the honor of meeting with our youth award winners, who are also in this report. It was a pleasure to present their well-earned awards and share a luncheon with

them and their families. I also enjoyed stopping in towns from Velva up to Westhope and many in between during SRT’s Streaming Made Simple educational tour this summer.

I grew up on a family farm in the Kramer area and married my high school sweetheart who lived on the west side of the Mouse River. We have made our home in the Newburg/Maxbass area and still enjoy the special way of life we are so very fortunate to have in North Dakota. That said, it wasn’t that long ago when geography, distance, weather, and other characteristics of our state limited what we could do. But once SRT delivered phone service – and then high-speed internet – to our region, we gained access to the same opportunities as any city without losing all the reasons we love living here.

As I look back at this full year that felt like a minute, I commend my fellow Board members, SRT’s executive team, and all employees for their skill, commitment, and character. I also thank you, our membership, for trusting us to keep you connected at the speed of life.



Kristi Miller
Board President



2021 BOARD OF DIRECTORS



Allan Engh
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
Vice President
Berthold/Carpio • District 1



Kristi Miller
President
Maxbass • District 2



Dennis Schott
Butte • District 3



Benjamin Robertson
Minot • District 4

2022 Director Election /

District 1 Allan Engh
Sherwood
Incumbent

District 2 Tom Jespersen
Velva
Incumbent

District 3 Stuart Rothe
Newburg
Incumbent

District 4 Benjamin Robertson
Minot
Incumbent
Jason Sanders
Minot

SCHOLARSHIPS

CELEBRATING STUDENT ACHIEVEMENTS

SRT offers four general scholarships for \$1500 each and one technical scholarship for \$2500. Earlier this year, the Board members and employees of the SRT Scholarship Committee reviewed more than 100 impressive scholarship applications. SRT congratulates the winners and wishes them the best in their future endeavors.

GENERAL

Jersey Johnson

Minot High School

Daughter of Duane and Stacy Johnson
Minot, ND

Jersey graduated from Minot High School. Jersey was actively involved in her community, assisting with coaching, playing in music festivals, and participating in student council. She attends Minot State University and studies business entrepreneurship.



Madison Moberg

MLS Mohall High School

Daughter of Brad and
Shannon Moberg
Mohall, ND

Madison graduated from MLS Mohall High School. She was very active in her community, volunteering countless hours to assist others. She is attending NDSU to start the pharmacy early admission pathway.



Jadyn Sandy

Velva High School

Daughter of Larry and Kim Sandy
Velva, ND

Jadyn graduated from Velva High School. Jadyn has a long list of academic and athletic achievements, including state placements and captain positions. Jadyn is attending Minot State University to pursue elementary education.



Niah Wollenzien

TGU Towner High School

Daughter of Ben and
Breanna Wollenzien
Towner, ND

Niah graduated from TGU Towner High School. Niah was an active volunteer in her school and her church. She has begun her studies in communication sciences and disorders at Minot State University.



TECHNICAL

Dylan McDonald / Glenburn High School

Son of Doug and Kolette McDonald
Deering, ND

Dylan graduated from Glenburn High School as the 2022 valedictorian. He attends the South Dakota School of Mines and Technology and majors in metallurgical engineering.

YOUTH TOUR



EXPERIENCE OF A LIFETIME

Three local students were selected by their schools to represent SRT during the 2022 Foundation for Rural Service (FRS) Youth Tour in Washington, D.C. Lucas Beeter from Minot High School, and Kaitlin Kopplin and Samantha Burgin, both of Westhope High School, attended the FRS Youth Tour June 1-5, 2022. These three students learned about the telecommunications industry, toured our nation's capital, and met with legislative leaders to discuss their experiences in rural North Dakota.

2022 NATIONAL COOP MONTH

It's October, and National Cooperative Month is in the air. Every year as the daylight wanes and nights grow chilly, we reflect with gratitude on the philosophy that inspired our beginnings.

SRT became a cooperative in 1951, when the Verendrye Electric board saw a real need for telephone service in rural north central North Dakota. Since then SRT has grown into the state's largest telecommunications cooperative.

Roughly 60 years later SRT evolved from telephone to broadband. Once again, our cooperative foundation allowed us to serve another real need: Bridging the digital divide and connecting rural communities throughout our territory with high-speed fiber.

As a telecommunications cooperative, SRT is committed to making our region an exceptional place to thrive for everyone. SRT's fiber provides high-speed internet to cities, towns, and ranches and farms alike, creating fertile ground for business success and quality living.

When your kids are learning and growing for their best future, we'll connect them at the speed of curiosity.

When you are building a business that forms the backbone of our region, we'll connect you at the speed of ambition.

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



And when your artistic side is inspired by the beauty of North Dakota, we'll connect you at the speed of imagination.

SRT is your cooperative. We will always evolve with technological and human innovation to ensure we always connect you at the speed of life.

Thank you for believing in SRT, and Happy National Coop Month.

CONSOLIDATED BALANCE SHEET

DECEMBER 31, 2021

ASSETS

Current Assets

Cash and temporary cash investments	\$ 12,525,753
Accounts, notes and interest receivable	5,526,098
Materials and supplies	1,804,223
Prepaid expenses	1,036,628

Total Current Assets	20,892,702
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Investments and Noncurrent Assets

Investment in securities	9,430,293
Other investments	9,315,520
Nonregulated investments - net	3,947,207
Deferred charges	99,444

Total Investments and Noncurrent Assets	22,792,464
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Telecommunications Plant

Total investment in plant	323,325,695
Less: accumulated depreciation	158,144,517

Net Investment in Plant	165,181,178
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Total Assets	208,866,344
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LIABILITIES AND EQUITIES

Current Liabilities

Current portion of long-term debt	4,304,000
Accounts payable	2,777,433
Accrued taxes	164,622
Other current liabilities	1,064,894

Total Current Liabilities	8,310,949
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LONG TERM DEBT, LESS CURRENT MATURITIES	62,888,115
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OTHER LIABILITIES	6,005,071
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EQUITIES

Patronage capital	111,975,868
Other capital	19,686,341

Total Equities	131,662,209
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Total Liabilities and Equities	\$208,866,344
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CONSOLIDATED STATEMENT OF OPERATIONS

YEAR ENDED
DECEMBER 31, 2021

OPERATING REVENUES

Local network services	\$ 5,613,047
Network access services	32,639,682
Long distance network services	890,511
Miscellaneous	1,175,652
Total Telephone Revenue	40,318,892
Tower rent revenue	915,029
Internet revenue	11,864,447
Cable television revenue	2,262,445
Nonregulated revenue	1,151,862
Total Operating Revenues	56,512,675

OPERATING EXPENSES

Plant operations	19,548,713
Depreciation	11,950,455
Customer operations	2,719,132
Corporate operations	4,642,992
Operating taxes - other	97,316
Total Telephone Operating Expenses	38,958,608
Tower operating expenses	481,392
Internet operating expenses	5,774,189
Cable television operating expenses	2,291,895
Nonregulated expenses	1,386,534
Total Operating Expenses	48,892,618
NET OPERATING MARGIN	7,620,057

NONOPERATING INCOME (EXPENSE)

Interest and dividend income	4,529,571
Amortization of intangibles	(303,033)
Income from equity investments	967,986
Other gains/(losses)	3,266,970
Miscellaneous	(48,977)
Total Nonoperating Income	8,412,517

NET MARGIN BEFORE INTEREST AND INCOME TAXES 16,032,574

INTEREST EXPENSE AND RELATED ITEMS 1,514,866

NET MARGIN BEFORE INCOME TAXES 14,517,708

PROVISION FOR INCOME TAXES 639,515

NET MARGIN \$13,878,193

MINUTES OF THE 2021 ANNUAL MEETING

The 70th 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 14, 2021, pursuant to due notice to all members. SRT President, Allan Engh presided.

WELCOME: President Engh welcomed everyone to SRT’s 70th Annual Meeting.

NATIONAL ANTHEM/FLAG PRESENTATION: President Engh asked all members to rise for the playing of the National Anthem.

INVOCATION: Reverend Michael HarriSon, of Prairie Hope Ministry, delivered the invocation by pre-recorded video.

INTRODUCTION OF SRT BOARD MEMBERS: President Engh introduced SRT’s current board members and the districts from which they serve.

INTRODUCTION OF GUESTS & ACKNOWLEDGMENT OF LETTERS: President Engh read the names of special guests and letters received from dignitaries, including: Senator John Hoeven and Senator Kevin Cramer.

CALL TO ORDER: The meeting was called to order by President Engh at 7:00 p.m. The President declared the presence of a quorum. President Engh appointed Attorney Steven Lutt as recording secretary and parliamentarian.

READING OF ANNUAL MEETING NOTICE: SRT Secretary Deanna Klein read the official notice of meeting and proof of mailing by pre-recorded video.

READING OF 2020 ANNUAL MEETING MINUTES: It was moved, seconded, and carried to approve the minutes of the 2020 annual meeting of members as printed in the annual meeting booklet, and to dispense with oral reading of the minutes.

NOMINATIONS PROCEDURE & INTRODUCTION OF CANDIDATES: Attorney Steven Lutt, from Pringle & Herigstad, PC, explained the procedure for nomination and election of directors of SRT. Attorney Lutt introduced the candidates from each district: Ardel Rice of Mohall (District 1), Dennis Erber of Glenburn (District 2), Dennis Schott of Butte (District 3), and Stacey Diehl of Minot (District 4).

CREDENTIALS AND ELECTION COMMITTEE: President Engh announced that members Leah Moberg from Mohall, Scott Heit from Glenburn, Tom Volochenko from Butte, and Elizabeth Wolsky from Minot were appointed as the Credentials and Election Committee. Mr. Volochenko served as chair of the committee.

FINANCIAL REPORT: President Engh introduced Perry Erdmann, the Chief Financial Officer of SRT. Mr. Erdmann described the financial results for the past fiscal year and the results of an independent audit of SRT’s consolidated operations. Mr. Erdmann reported SRT operating revenues of \$55,487,985. SRT’s “net margin,” the rough equivalent of net profit, was \$14,120,397 for the 2020 fiscal year. SRT’s assets stand at \$198,576,326, while liabilities are \$8,896,530. SRT’s total equity stands at \$121,619,843.

70th ANNIVERSARY VIDEO PRESENTATION: President Engh introduced the 70th Anniversary Video Presentation, and the video was played for those in attendance.

PRESIDENT’S REPORT: President Engh presented the President’s Report, touching on continuing advances in technology, SRT’s ongoing fiber buildout, and the approaching CEO/General Manager transition. President Engh also thanked outgoing CEO/General Manager Steve Lysne for his 19 years of outstanding leadership of SRT, wishing him all the best in his well-deserved retirement.

CEO/GENERAL MANAGER’S REPORT: CEO/General Manager Steve Lysne reported on SRT’s solid performance over the last three years, despite challenges from the COVID pandemic. Mr. Lysne reported that SRT’s fiscal strength is largely owing to the company’s transition from a telephone/voice provider to a broadband provider. The company has made sizeable investments in its fiber infrastructure, allowing SRT to offer higher speeds and better service. These investments in broadband have reaped net margins among the highest ever over the past two years. Mr. Lysne thanked the Board, SRT’s executive staff, and the members, and his wife, Kari, for all their support during his tenure as CEO/General Manager, and wished much success to incoming CEO/General Manager Cassidy Hjelmstad as she assumes her new role.

Cassidy Hjelmstad also addressed the members and highlighted her priorities for the company in the coming years, including expansion of SRT’s network, robocall mitigation, expected changes in TV service offerings, and increased customer education services. Ms. Hjelmstad recognized the significant contributions of members and leaders during the first 70 years of SRT’s history and the importance of building on those contributions as SRT moves into the future.

SCHOLARSHIP RECIPIENTS: Cassidy Hjelmstad explained SRT’s scholarship program and named the 2021 recipients. They are: Joslyn Nordmark, Rolla; Emma Dragseth, Towner; Kamryn Morrison, Minot, and Lucas Webb, Minot.

MINUTES OF THE 2021 ANNUAL MEETING

Ms. Hjelmstad also announced the SRT Technical Scholarship which is awarded to a student working toward a degree in telecommunications or a related technical field. The 2021 recipient is Wyatt Hanson who recently completed basic training for the Army National Guard and will be attending UND in the spring to pursue a degree in computer science.

Ms. Hjelmstad also announced the Foundation for Rural Service Scholarship, which was awarded to Lillian Effertz of Velva. Lillian attends the University of Mary and is pursuing a degree in Music Education.

PRIZE WINNERS: Cassidy Hjelmstad announced various prize winners.

ELECTIONS COMMITTEE REPORT: Attorney Steven Lutt and Election Committee Member Tom Volochenko announced the report of the Elections Committee on the elections for the following directorships, who cast ballots as follows:

DISTRICT 1

Ardel Rice	35
Spoiled ballots	1

DISTRICT 2

Dennis Erber	43
Spoiled ballots	1

DISTRICT 3

Dennis Schott	39
Spoiled ballots	2

DISTRICT 4

Stacey Diehl	367
Spoiled ballots	15

Attorney Lutt declared that Ardel Rice, Dennis Erber, Dennis Schott, and Stacey Diehl were the winning candidates and were elected for three-year terms.

OTHER BUSINESS: President Engh called for old and new business. None was presented.

ADJOURNMENT: The President called for a motion to adjourn, and the meeting was so adjourned at 7:45 p.m.

DOOR PRIZES: Door prizes were awarded to registered members.



Steven A. Lutt, Recording Secretary



Deanna Klein, Secretary



Kristi Miller, President

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