

2024 ANNUAL REPORT



GENERAL MANAGER REPORT



I continue to feel fortunate and honored every day that I serve as your cooperative's CEO/General Manager. Thank you to our Board of Directors, to our talented and dedicated SRT employees, and to you, our valued members, for the opportunity to fulfill SRT's mission.

The past 12 months were marked by change and progress, positioning SRT well for the future so we can continue to improve our members' lives.

NETWORK EVOLUTION

Completing our rural fiber optic network build in 2022 was a pivotal accomplishment. We're beginning to feel the same sense of achievement as we approach completion of our Minot fiber build. Currently in phase four of four, we are nearly 80% finished and expect to wrap up all Minot fiber by the end of 2024. This portion of the urban fiber project is an estimated \$52 million investment and

has been a priority across multi-disciplinary teams at SRT.

Building the network for the future is crucial on many levels. SRT continues to make capital investments in network equipment to ensure readiness, be it through transport rings which carry our internet and voice traffic, or firewall and protection equipment and software to protect our critical network.

A critical network component is the ability to dial 911 in emergency situations. SRT was the pilot telecommunications company involved in deploying North Dakota's first end-to-end Internet Protocol (IP) 911 service in support of the state's transition to Next Generation 911 (NG911). Led by SRT, in partnership with the North Dakota Association of Counties (NDACo) and Dakota Carrier Network (DCN), SRT's network now delivers end-to-end 911 calls from SRT subscribers to seven 911 call centers, known as Public Safety

MINUTES OF THE 2023 ANNUAL MEETING

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

DISTRICT 1

Stanley Vangsness 38
Spoiled ballots 0

DISTRICT 2

Kristi Miller 57
Spoiled ballots 2

DISTRICT 3

John Marshall 31
Spoiled ballots 0

DISTRICT 4

Kriss J. Allard 170
Deanna Klein 263
Spoiled ballots 12

Stanley Vangsness, Kristi Miller, John Marshall, and Deanna Klein were the winning candidates and were elected for three-year terms.

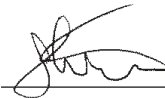
OTHER BUSINESS: President Miller called for old and new business. None was presented.

ADJOURNMENT: President Miller 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



Stacy Diehl, Secretary

ATTEST:



Kristi Miller, President

GENERAL MANAGER REPORT

Answering Points (PSAPs). This groundbreaking initiative earned SRT's Chief Technology Officer, Shawn Grosz, a national NTCA Excellence Award in Innovation, paving the way for our customers' emergency connections to evolve.

Our fiber network, along with these and many other capital investments, creates capacity to meet growing demand and serve the evolving nature of an increasingly online way of life – whether for working, learning, or enjoying the social and creative aspects of smart technology. At the heart of the modern lives – and livings – we make for ourselves is the need to connect and communicate. Broadband provides the pathway.

ACCOUNTABILITY

Progress must be made responsibly, which is why SRT takes cybersecurity as seriously as we take our fiber build. To safeguard this multi-million dollar investment, we continually monitor and evaluate how we can best protect our network. In fact, cybersecurity is ingrained in our culture at SRT. Every employee completes a steady stream of training. Cybersecurity is also integral to annual performance reviews.

Each of us and all of us are committed to ensuring your network is safe. We also recognize that it's equally important for every citizen to protect their own data when online. SRT shares tips, tricks, tutorials, and scam alerts with customers routinely to help you develop the habit of using caution. Cyberthreats evolve by the minute, which means vigilance must be constant. Your security is always our priority.

Much like cybersecurity, regulatory compliance is bedrock to our successfully functioning cooperative. As a telecommunications company, SRT is regulated by federal and state guidelines. Staff throughout SRT continue to devote resources to federally mandated reports and ongoing compliance, to ensure our good standing and the protection of your rights and benefits.

SUSTAINABILITY

This past year, SRT was faced with the decision of changing from a legacy rural telecommunications carrier, which ties directly to how SRT receives support for high-cost locations through a Rate of Return methodology, to the model-based support program, Enhanced Alternative Connect America Model (EA-CAM). After thorough analysis, SRT determined the most financially responsible path for our members would be to remain a legacy company. SRT will continue to advocate for our customers, which is why we engage with our federal and state delegations, so key decision makers understand the importance of financial stability.

SRT also engaged CTI Towers, Inc., to purchase SRT's wireless tower assets. The sale of SRT's 56 towers enhances our mission as good stewards of our members' investment. This sale provided SRT the opportunity to divest from an asset that was no longer part of our core service offerings, and made fiscal sense for the cooperative.

Based off these sound decisions in our members' best interests, the cooperative is in good financial health with operating revenues totaling over \$58 million. While our margins (before the tower asset sale) were also positive of \$9 million, there are factions that would like to see our federal Universal Service Fund (USF) support reduced dramatically. Engaging with stakeholders and educating them on the importance of reliable financial support is crucial to the continued health of SRT.

Finally, if you follow or are associated with military activity, you may have heard the saying that Minot is not Minot without the Minot Air Force Base. SRT would not be the cooperative we are without our rural communities, towns, Minot Air Force Base, and Minot. And so we move forward every day, committed to providing high quality communications services and being good stewards of your investment for long-term financial viability. You can count on SRT to serve you into the future; it's an honor to be your fiber broadband provider. Thank you again.

BOARD PRESIDENT REPORT

SRT made new strides toward fulfilling our mission this past year, from building out our Minot fiber network to fostering economic opportunities in our service area. We continue to provide the foundation, service, and support that help our communities thrive.

PROMOTING RURAL PROSPERITY AND QUALITY LIVING

A cornerstone of SRT's vision is to be an economic catalyst for the region. We invest in fresh ideas and innovative projects that help our communities keep up with progress while preserving their sense of place.

Last fall, SRT hosted a diverse group of community leaders at a brand new event: ***Rural Prosperity: A Workshop for Enriching Communities***. Thirty leaders and champions, representing more than a dozen communities across north-central North Dakota, learned about available resources, connected with peers, heard real-life success stories from other communities, and began making plans for rural prosperity in their own towns.

SRT also invested in new initiatives that build capacity for local services, preserve heritage, and instill pride in our communities. Our cooperative matches Rural Development Finance Corporation (RDFC) grant dollars for projects that benefit rural areas and lead to community betterment. Last summer, Bantry Union Cemetery in McHenry County was able to place 17 pre-1940 grave markers, thanks in part to funding from an RDFC grant matched by SRT.

SRT also donated a truck to Surrey Fire Protection District. The fully equipped vehicle marks the Protection District's first rescue truck, which can haul trailers on rescue calls and be used for manpower calls.

We provided monetary support to the Union Silos Public Art Project in Minot, which will transform Minot's downtown Farmer's Union Co-op grain silos into North Dakota's largest mural and an artistic backdrop for the city. Bringing art to Minot that honors our farming heritage will benefit our economy and quality of life.

PROMOTING THE FUTURE OF OUR YOUTH AND COMMUNITIES

SRT champions the technology that creates boundless potential and the promise of a better future. We've seen first-hand how technology can transform and inspire – our fiber optic network being one example. That's why we welcome opportunities to help students

build their own futures through STEAM education and training.

This past year, SRT participated in an array of educational and career events that promote opportunities for students. SRT educated youth on STEAM learning and tech career paths – such as computer programming, network operations, and fiber splicing – at Minot State University's Futurepalooza, the Girl Scouts' Believe in Girls event, and the Minot Area Career Expo. SRT also offered a Tech Day at MSU's NoDAKoN, where staff taught area high school students about cybersecurity, computer science, and technology. Employees even conducted a fun robotics activity for kids of all ages at the STEM Expo hosted by Minot Hot Tots.

An emerging field in the world of STEAM, eSports introduce a fun, competitive framework where students can flex their tech muscles and challenge their minds. When young students pursue knowledge in this discipline, they embark on a stimulating path leading to meaningful work.

Last fall, SRT donated to Sawyer Public School's new Drone Racing and eSports program. The program offers drone racing and gaming opportunities to students in grades 7-12 and is the only in-house, extracurricular activity at the school. Our donation supported the purchase of computers, accessories, drones, controllers, and headsets. We also provided financial, equipment, and service support to the Minot High eSports program, the Minot State Regional eSports Tournament, and iMagicon.

Programs like these point to the future, give students a chance to expand their minds and abilities, and prepare them for STEAM careers. The ongoing development of our communities depends on ever-evolving technology and an ever-growing workforce, and SRT is proud to invest in both.

On behalf of the SRT Board of Directors, thank you for this past year, for your membership, and for welcoming us into your communities.



Kristi Miller
Board President

2023 BOARD OF DIRECTORS



Allan Engh
Sherwood • District 1



Dennis Erber
Glenburn • District 2



John Marshall
Towner • District 3



Stacey Diehl
Secretary/Treasurer
Minot • District 4



Ardel Rice
Mohall • District 1



Tom Jespersen
Assistant Secretary/Treasurer
Velva • District 2



Stuart Rothe
Newburg • District 3



Deanna Klein
Minot • District 4



Stanley Vangness
Vice President
Berthold/Carpio • District 1



Kristi Miller
President
Maxbass • District 2



Dennis Schott
Butte • District 3



Benjamin Robertson
Minot • District 4

2024 Director Election /

District 1 Cheryl Overby, Mohall
District 2 Dennis Erber, Glenburn - *Incumbent*

District 3 Bruce Degenstein, Voltaire
Faith Fahnestock, Towner/Willow City
Shawn Vedaa, Voltaire

District 4 Stacey Diehl, Minot - *Incumbent*
Deven Mantz, Minot

2024 YOUTH AWARDS

SCHOLARSHIPS

SRT awarded five college scholarships totaling \$8,500 in 2024.

GENERAL Applicants for the SRT Scholarship Program were judged on their scholastic performance and achievements, as well as volunteerism and community involvement. Students were required to write an essay discussing the value of traditional education, online education, and the vital role of high-speed internet in both.

TECHNICAL The SRT Technical Scholarship is awarded to a graduating high school senior or an undergraduate student currently enrolled in a two-year or four-year college. Applicants were required to submit volunteerism and community involvement, scholastic performance, and an essay describing how they can use their education and technology to reach rural and underserved populations. A letter of recommendation from a community member or educator was also required.



Lucas Beeter
Minot High School
Son of Renae and Kevin Beeter



Tallie Fedje
Bottineau High School
Daughter of Tiffani and Timothy Fedje



Shaylie Holen
Des Lacs - Burlington High School
Daughter of Erin Flom and Tory Holen



Mariah Lovro
TGU Granville High School
Daughter of Amanda and Allen Lovro

TECHNICAL



Jamie Thompson
MLS Mohall High School
Daughter of Tracie and Gabe Thompson

YOUTH TOUR

Carmen Lindekugel and Giovanna Zettell, both of Newburg High School, will represent SRT during the 2024 Foundation for Rural Service Youth Tour in Washington, D.C. this summer. They will learn about the telecommunications industry, tour the nation's capital, and meet with legislative leaders to discuss their experiences in rural North Dakota.



Carmen Lindekugel
Newburg High School
Daughter of Christy and Brock Lindekugel

Giovanna Zettell
Newburg High School
Daughter of Kim and Adrian Zettell



2023 COMMUNITY WORKSHOP

RURAL PROSPERITY

A Workshop for Enriching Communities

Community leaders from across our service area gathered at SRT last fall to exchange ideas, make plans, and get inspired.

As a Smart Rural CommunitySM provider, designated by NTCA—The Rural Broadband Association, SRT is committed to promoting innovative economic development and other important services for rural America. We offered **Rural Prosperity: A Workshop for Enriching Communities** as part of that commitment to the communities we serve.



Putting dreams into practical context, Megan Langley, Founder and Executive Director of Strengthen ND, discussed the benefits of incremental growth and building a culture of momentum: “Small actions can snowball and amount to meaningful change.”



Erin Oban, State Director, USDA Rural Development, set the stage with the “idea that we are better together than we are apart” and posed questions to attendees: “What do you want for your community? What do you dream of? What do you want for your kids?”



Brian Gion, Cooperative Development Specialist for the Rural Electric and Telcom Development Center, North Dakota Association of Rural Electric Cooperatives, discussed how the cooperative model can pool shared services to meet food access, childcare, home care, and ambulance needs in rural communities.

Attendees networked with each other throughout the day and left with practical information for their own communities. One attendee said, “There are at least three things I’m taking away from the workshop today,” which included encouraging more dialogue about community needs and ideas. “We need to ask. We need to talk to people.”

CONSOLIDATED BALANCE SHEET

DECEMBER 31, 2023

ASSETS

Current Assets

Cash and temporary cash investments	\$ 31,799,843
Accounts, notes and interest receivable	21,870,840
Materials and supplies	2,487,310
Prepaid expenses	1,301,734

Total Current Assets 57,459,727

Investments and Noncurrent Assets

Investment in securities	3,451,000
Other investments	9,703,266
Nonregulated investments - net	4,623,754
Deferred charges	63,079

Total Investments and Noncurrent Assets 17,841,099

Telecommunications Plant

Total investment in plant	339,855,481
Less: accumulated depreciation	162,648,097

Net Investment in Plant 177,207,384

Total Assets 252,508,210

LIABILITIES AND EQUITIES

Current Liabilities

Current portion of long-term debt	5,257,000
Accounts payable	2,499,566
Accrued taxes	3,566,868
Other current liabilities	1,110,397

Total Current Liabilities 12,433,831

LONG TERM DEBT, LESS CURRENT MATURITIES

69,899,031

OTHER LIABILITIES

8,411,713

EQUITIES

Patronage capital	132,241,935
Other capital	29,521,700

Total Equities 161,763,635

Total Liabilities and Equities \$252,508,210

CONSOLIDATED STATEMENT OF OPERATIONS

YEAR ENDED
DECEMBER 31, 2023

OPERATING REVENUES

Local network services	\$ 4,767,313
Network access services	35,928,450
Long distance network services	654,731
Miscellaneous	1,051,866
Total Telephone Revenue	42,402,360
Tower rent revenue	1,027,096
Internet revenue	13,797,000
Cable television revenue	2,772
Nonregulated revenue	1,334,096
Total Operating Revenues	58,563,324

OPERATING EXPENSES

Plant operations	20,319,319
Depreciation	13,281,348
Customer operations	3,092,451
Corporate operations	5,463,530
Operating taxes - other	118,109
Total Telephone Operating Expenses	42,274,757
Tower operating expenses	411,602
Internet operating expenses	6,834,881
Cable television operating expenses	40,358
Nonregulated expenses	1,823,453
Total Operating Expenses	51,385,051

NET OPERATING MARGIN

7,178,273

NONOPERATING INCOME (EXPENSE)

Interest and dividend income	3,937,262
Amortization of intangibles	(149,833)
Income from equity investments	615,961
Other gains/(losses)	101,744
Miscellaneous	(205,827)
Total Nonoperating Income	4,299,307

NET MARGIN BEFORE INTEREST AND INCOME TAXES

11,477,580

INTEREST EXPENSE AND RELATED ITEMS

1,997,709

NET MARGIN BEFORE INCOME TAXES

9,479,871

PROVISION FOR INCOME TAXES

365,096

NET MARGIN BEFORE SALE OF TOWER ASSETS

9,114,775

SALE OF TOWER ASSETS NET OF INCOME TAXES

18,231,389

NET MARGIN

\$27,346,164

MINUTES OF THE 2023 ANNUAL MEETING

The 72nd 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, June 15, 2023, pursuant to due notice to all members. SRT President Kristi Miller presided.

WELCOME: President Miller welcomed members to SRT’s 72nd Annual Meeting.

NATIONAL ANTHEM/FLAG PRESENTATION: President Miller asked all in attendance to rise for the singing of the National Anthem, which was performed by student Chelsea Holmen of Voltaire.

INVOCATION: Pastor George Schuessler of Zion Lutheran Church in Berthold was invited to deliver the invocation.

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

INTRODUCTION OF GUESTS & ACKNOWLEDGMENT OF LETTERS: President Miller read the names of special guests and letters received from dignitaries, including Senators John Hoeven and Kevin Cramer and Congressman Kelly Armstrong.

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

READING OF ANNUAL MEETING NOTICE: SRT Secretary Stacey Diehl read the official notice of meeting and proof of mailing.

READING OF 2022 ANNUAL MEETING MINUTES: It was moved, seconded, and carried to approve the minutes of the 2022 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: Stanley Vangsness of Berthold (District 1), Kristi Miller of Maxbass (District 2), John Marshall of Towner (District 3), and Kriss J. Allard of Minot and Deanna Klein of Minot (District 4).

CREDENTIALS AND ELECTION COMMITTEE: President Miller announced that members Virginia Erickson, Jasmine Tengesdal, Gerald Henry, Samantha Pajestka, and Elizabeth Wolsky were appointed as the Credentials and Election Committee. Gerald Henry served as chair of the committee.

FINANCIAL REPORT: President Miller introduced Perry Erdmann, the Chief Financial Officer of SRT. Mr. Erdmann reported 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 \$56.2 Million. SRT’s “net margin,” the rough equivalent of net profit, was \$8.2 Million for the 2022 fiscal year. SRT’s assets stand at \$223.4 Million, while current liabilities are \$11.8 Million. SRT’s total equity stands at \$136.8 Million.

PRESIDENT’S REPORT: President Miller presented the President’s Report, touching on the ongoing buildout of fiber in Minot, financial support for community initiatives, and the benefits to members of the cooperative structure.

CEO/GENERAL MANAGER’S REPORT: CEO/General Manager Cassidy Hjelmstad reported on the completion of rural fiber, continued work on the Minot fiber buildout, North Dakota being on pace to be the first state in the nation to be 100% fiber, continued upgrades to SRT’s fiber infrastructure and transport network, as well as ongoing cybersecurity evaluation and improvement. Ms. Hjelmstad also reported on SRT’s efforts to tell our members’ stories to state and federal lawmakers to support continued funding and a favorable regulatory environment. Finally, Ms. Hjelmstad explained the “one-inch rule” that is being implemented throughout SRT’s cooperative culture to strive for excellence.

SCHOLARSHIP RECIPIENTS: Cassidy Hjelmstad explained SRT’s scholarship program and named the 2023 recipients. They are: Isabell Buynack of Antler, Preston Kraft of Velva, Javin Mattern of Mohall, and Magee Rovig of Minot.

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 2023 recipient is Ryker Pederson who recently graduated from Minot and will be attending the University of North Dakota for computer science.

PRIZE WINNERS: Cassidy Hjelmstad announced various prize winners.



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