

2016

The year '2016' is rendered in a large, bold, dark blue sans-serif font. The digit '0' is replaced by a stylized circular graphic composed of four curved segments in red and dark blue, arranged in a circular pattern. The text 'ENERBASE' is written in red and 'ANNUAL REPORT' in dark blue, centered within the '0'.

F A R M E R S U N I O N O I L C O M P A N Y O F M I N O T , N D



2016

EMPLOYEES

MINOT

Tony Bernhardt	General Manager
Ricky Aberle	CFO
Mary Zimmerman	Payroll Manager
Lavon Wolf	Office Manager
Lolly Gorze	Human Resources Manager

Laurie Spanier	Receptionist
Jeanine Lorenz	Accts. Receivable
Amanda Haugen	Credit Manager
Myrna Moberg	Accts. Payable
Mandy Hansen	Accts. Payable
Jayne Burkhart	Marketing Director
Charles Schestler	Service Shop Manager
Gordy Schmidt	Tire Sales
Sheri Endresen	Minot Petroleum Manager
Al Medler	Sales and Dispatch
Mike Arneson	Genex Energy Specialist
Randy Thor	Propane Sales and Delivery
Orris Brown Jr.	Propane Sales and Delivery
Kerrie Keyes	Data Entry
Gordon Theil	Petroleum Transport Delivery
Nolan Glock	Petroleum Transport Delivery
Duane Rockvov	Petroleum Transport Delivery
Ryan Schoen	Petroleum Transport Delivery
Mike Vollmer	Petroleum Delivery
Darryl Endresen	Petroleum Delivery
Roger Peterson	Petroleum Delivery
Kathy Gonzalez	Lube Terminal Warehouse Manager
Mark Holter	CLT/Sales Specialist
Michael Lahti	Oil Delivery
Earl Eskelson	Oil Delivery
Dana Solberg	Oil Delivery
Marlein Aaseth	Hardware/Parts Manager
Misty Peterman	Hardware/Parts Sales
Mike Lee	Hardware Sales
Brad MacClennan	Logistics
Ron Johnson	Machinery Sales
Jeremy Benjamin	Machinery Sales
Thomas Hallamayer	Trucker/Delivery

AGRABASE

Eric Giroux	Assembly Manager
Roger Gonzalez	Assembly Line Leader
Timothy Pietsch	Assembly Line Leader
Dayton Gotsvaslee	Grounds
Joshua Kumferman	Assembly
Warren Boehler	Sales
Robert Martin	Sales
Brad MacClennan	Warehouse Manager
Laura Knapp	Warehouse
Dennis Chapman	Warehouse
Brandon Hallameyer	Wholegoods
Sierra Hysjulien	Parts Controller

GLENBURN

Charlie Cupp	Station Manager
Joann Kotzer	Customer Service

RYDER

Roger Folden	Station Manager
Derek Olson	Station Attendant

MINOT C-STORES

Shawna Chilcoat	C-Store Operations Manager
Stuart Carlson	IT Controller
John Young	C-Store Maintenance/OSHA
Duane Swanson	C-Store Maintenance
Samantha Pflugradt	North Broadway C-Store Manager
Irmira Helmer	Southeast C-Store Manager
Eloyce Anderson	Southeast C-Store Food Manager
Edward Montez	South Broadway C-Store Manager
David Woiwode	Corner Express C-Store Manager
Amber Trail	Corner Express Asst. Manager
Carla Carver	ExpressMart Manager
Alma Graff	Travel Plaza Manager
Sherri Dickinson	Travel Plaza Asst. Manager
Crystal Fletcher	Travel Plaza Food Manager
Jasmine Evans	Travel Plaza Food Asst. Manager
Brendan Hanson	Downtown C-Store Manager
Todd Olson	Tunnel of Suds Manager

WASHBURN/HAZEN/FALKIRK/UNDERWOOD

Curt Abfalter	Washburn Location Manager
Darrell Scheresky	Agronomy Manager
Dave Duchsherer	Petroleum Manager
Wesley Berg	Hazen Plant Manager
Laney Bauer	Washburn C-Store Manager
Amanda Stallard	Washburn Hot Stuff Manager
Caleb Reiser	Sales and Applicator
Russell Humann	Washburn Fertilizer Plant/Yard Maint.
Jeff Geinert	Agronomy Sales-Hazen
Samantha Eslinger	Agronomy Sales-Hazen
Mike Martin	Agronomy Sales-Washburn
Clayton Davis	Falkirk Fertilizer Plant
Wanda Schneider	Washburn Office Clerk
Robert Stadick	Applicator
Michael Kiesz	Applicator
Bob Skager	Truck Driver
Lynnard Witt	Soil Tester
Brandon Schroeder	Soil Tester

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Farmers Union Oil Company of Minot, North Dakota
Minot, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of Farmers Union Oil Company of Minot, North Dakota, which comprise the balance sheets as of December 31, 2016 and 2015, and the related statements of operations, members' equity and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Farmers Union Oil Company of Minot, North Dakota as of December 31, 2016 and 2015, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Eide Bailly LLP

Bismarck, North Dakota
February 17, 2017



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OFFICERS & DIRECTORS

Greg Marshall	President
Mark Larson	Vice President
Craig Johnson	Secretary/Treasurer
Darren Sletten	Director
Robert Schmidt	Director
Jeff Krueger	Director
Gary Knell	Director

FARMERS UNION OIL COMPANY OF MINOT, ND

BALANCE SHEETS

December 31, 2016 and 2015

	2016	2015
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,675,402	\$ 2,955,886
Trade accounts receivable	3,243,919	3,092,881
Current portion of contract receivable	1,056,462	—
Other receivables	133,756	117,261
Inventories	9,486,113	11,088,728
Securities - available for sale	1,395,741	805,749
Prepays	4,695,882	4,141,980
Prepaid income tax	—	195,002
Deferred income taxes	44,000	130,000
Total current assets	<u>22,731,275</u>	<u>22,527,487</u>
PROPERTY AND EQUIPMENT	59,917,045	58,963,773
Less accumulated depreciation	13,703,073	11,967,903
	<u>46,213,972</u>	<u>46,995,870</u>
CONTRACTS RECEIVABLE, NET OF CURRENT PORTION		
INVESTMENTS		
Cooperatives	38,856,143	35,610,031
Dakota Agronomy Partners, LLC	5,989,618	6,048,619
	<u>44,845,761</u>	<u>41,658,650</u>
	<u>\$113,791,008</u>	<u>\$111,182,007</u>

FARMERS UNION OIL COMPANY OF MINOT, ND

BALANCE SHEETS

December 31, 2016 and 2015

	2016	2015
LIABILITIES AND MEMBERS' EQUITY		
CURRENT LIABILITIES		
Short-term notes payable	\$ 7,511,103	\$ 8,356,847
Current portion of long-term debt	1,500,000	613,332
Trade accounts payable	3,733,969	4,204,777
Floor plan payable	0	0
Customer deposits	2,908,112	3,082,393
Other accrued expenses	1,196,950	1,224,921
Patronage refunds payable in cash	1,184,750	1,393,700
Total current liabilities	<u>18,034,884</u>	<u>18,875,970</u>
DEFERRED INCOME TAXES	3,767,000	3,198,000
LONG-TERM DEBT, NET OF CURRENT PORTION	17,875,000	19,241,592
MEMBERS' EQUITY		
Patronage equity and reinvested refunds	25,914,473	24,518,766
Allocated capital reserve	100,346	100,346
Unallocated capital reserve	48,099,305	45,247,333
Total members' equity	<u>74,114,124</u>	<u>69,866,445</u>
	<u>\$113,791,008</u>	<u>\$111,182,007</u>

FARMERS UNION OIL COMPANY OF MINOT, ND
STATEMENT OF OPERATIONS
 December 31, 2016 and 2015

	2016	2015
Gross Sales	\$ 110,623,432	\$ 153,256,282
Cost of Sales	94,587,971	134,281,691
Gross Profit	16,035,461	18,974,591
Operating Expenses	14,864,648	16,706,945
Local Savings from Operations	1,170,813	2,267,646
Other Expenses	(486,825)	(1,070,524)
Local Savings	683,988	1,197,122
Investment Income from Dakota Agronomy Partners, LLC	725,999	934,815
Cooperative Dividends	6,936,109	7,913,819
Savings Before Income Tax	8,346,096	10,045,756
Provision for Income Tax	(1,893,761)	(2,553,238)
Net Savings	\$ 6,452,335	\$ 7,492,518

FARMERS UNION OIL COMPANY OF MINOT, ND
STATEMENT OF MEMBERS' EQUITY
 December 31, 2016 and 2015

	Members' Equity Credits	Patronage Reference for Reinvestment	Allocated Capital Reserve	Unallocated Capital Reserve	Total
Members' Equity December 31, 2014	\$18,341,824	\$3,984,500	\$100,346	\$42,326,900	\$64,753,570
Reverse provision for cash refunds		2,145,500			2,145,500
2014 Patronage distribution	4,326,925	(6,130,000)		(590,085)	(2,393,160)
Retirements:					
Estates	(567,741)				(567,741)
CHS preferred stock transfers	(170,542)				(170,542)
Net savings		3,982,000		3,510,518	7,492,518
Provision for cash refunds		(1,393,700)			(1,393,700)
Members' Equity December 31, 2015	21,930,466	2,588,300	100,346	45,247,333	69,866,445
Reverse provision for cash refunds		1,393,700			1,393,700
2015 Patronage distribution	2,695,864	(3,982,000)		(215,363)	(1,501,499)
Retirements:					
Preferred stock equity exchange	(135,604)				(135,604)
Estates	(490,740)				(490,740)
2000 stock retirement	(251,796)				(251,796)
Account Receivable payoffs	(33,967)				(33,967)
Net Savings		3,385,000		3,067,335	6,452,335
Provision for cash refunds		(1,184,750)			(1,184,750)
Members' Equity December 31, 2016	\$23,714,223	\$2,200,250	\$100,346	\$48,099,305	\$74,114,124

FARMERS UNION OIL COMPANY OF MINOT, ND
NOTES TO FINANCIAL STATEMENTS
 December 31, 2016 and 2015

NOTE 3 - INVENTORIES

Inventory costs at December 31, are as follows

	2016	2015
New whole goods	\$ 914,192	\$ 1,682,189
Parts	1,278,121	1,054,253
Petroleum products	1,865,181	1,816,004
Fertilizer & Chemicals	3,143,746	3,856,228
Used whole goods	115,110	116,790
Hardware products	292,870	324,501
Hopper bins	385,279	904,757
C-Store inventories	701,827	686,955
Propane, LP, and anhydrous tanks and trailers	255,447	279,982
Miscellaneous inventories	422,683	274,100
Tires	70,301	39,879
Antifreeze	41,356	53,090
	<u>\$ 9,486,113</u>	<u>\$ 11,088,728</u>

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment costs at December 31 are as follows

Land and improvements	\$ 25,836,583	\$ 26,086,000
Buildings and improvements	14,502,745	13,893,002
Machinery and equipment	15,578,972	15,059,356
Vehicles	2,525,268	2,451,938
	<u>\$ 58,443,568</u>	<u>\$ 57,490,296</u>

NOTE 5 - INVESTMENT IN COOPERATIVES

Cenex Harvest States	\$ 37,238,851	\$ 33,982,479
Land O' Lakes, Inc.	1,173,469	1,210,628
Souris River Telephone	128,424	126,690
Ace Hardware, Inc.	73,503	77,434
All others	149,996	140,911
Farmers Union of Wilton	27,725	27,724
West River Mutual Telephone	64,175	44,165
	<u>\$ 38,856,143</u>	<u>\$ 35,610,031</u>

FARMERS UNION OIL COMPANY OF MINOT, ND
NOTES TO FINANCIAL STATEMENTS
 December 31, 2016 and 2015

NOTE 6 - INVESTMENT IN DAKOTA AGRONOMY PARTNERS, LLC

Following is a summary of the Cooperative's 20% and 39.25% investment activity for the years ended December 31, 2016 and 2015, for Dakota Agronomy Partners, LLC:

	2016	2015
Beginning of year balance	\$ 6,048,619	\$ 6,291,304
Share of net income of Dakota Agronomy Partners, LLC for years ended December 31, 2016 and 2015	725,999	934,815
Capital distributions	(785,000)	(1,177,500)
End of year balance	<u>\$ 5,989,618</u>	<u>\$ 6,048,619</u>

Condensed financial information of Dakota Agronomy Partners, LLC, as of/and for the period ended December 31, is as follows:

Current assets	\$ 67,374,968	\$ 60,436,811
Property and equipment, net	14,190,616	7,362,763
Investment in Cooperatives	100,580	100,616
Other assets	9,851,363	115,778
	<u>\$ 91,517,527</u>	<u>\$ 68,015,968</u>
Current liabilities	\$ 59,843,502	\$ 52,605,474
Members' equity	31,674,025	15,410,495
	<u>\$ 91,517,527</u>	<u>\$ 68,015,969</u>
Sales	<u>\$ 86,925,968</u>	<u>\$ 96,910,528</u>
Net income	<u>\$ 2,947,532</u>	<u>\$ 2,381,695</u>

For the years ended December 31, 2016 and 2015, the Cooperative had sales to Dakota Agronomy Partners, LLC totaling \$399,624 and \$241,632 respectively, of which \$20,896 and \$1,376 was receivable, respectively. For the years ended December 31, 2016 and 2015, the Cooperative had purchases from Dakota Agronomy Partners, LLC of \$9,230,288 and \$5,658,224, respectively of which \$3,481 and \$15,416 was payable, respectively. Dakota Agronomy Partners, LLC is 61.75% owned by CHS SunPrairie and 18.25% owned by Border Ag & Energy.

88TH ANNUAL MEETING MINUTES

MARCH 24, 2016

Chairman Greg Marshall called the meeting to order. Chairman Marshall called attention to the packets containing the financial report, minutes, meeting rules, forms and ballots. Secretary Craig Johnson read the notice of the annual meeting. Chairman Marshall appointed Lavon Wolf as recording secretary and Senator David O'Connell as parliamentarian. Chairman Marshall appointed an Election Committee: Kevin Bonness, Tom Burtch, Mark Giedd, Jeff Larson, Sheri Endresen, Al Medler, Amanda Haugen and Curt Abfalter. Secretary Johnson declared a quorum with 150 mail in ballots confirmed and 39 voting members present. Chairman Marshall introduced the Board of Directors and the Manager and their spouses. He also introduced CHS directors Jon Erickson, Steve Fritel and Dennis Carlson, and Ward County Commissioner Shelley Weppler. Chairman Marshall asked for corrections or additions to the 2015 minutes as presented and printed. There were none. Motion to accept minutes was made by Kevin Bonness and seconded by Jeff Larson. Motion carried. Director Mark Larson presented the scholarship report. There were 15 applications with eight scholarships awarded this year. Five of the winners were present at the meeting. The scholarship winners were: Kyle Routledge, Megan Johnson, Tucker Johnson, Kaylee Endresen, Victoria Goven, Preston Weber, Taylor Best and Baily Walters. Enerbase CFO Ricky Aberle presented the annual report. Enerbase had sales of \$153,256,282 in 2015 and a net savings of \$7,492,518 which was a 5% return on sales compared to a 6% return in 2014. Enerbase saw record years in 2012, 2013 and 2014. 2015 saw lower cattle prices, a downward turn in the local economy and lower prices at the pumps. Chairman Marshall asked for a motion to approve the annual report. Motion was made by Tom Burtch and seconded by Ron Bloom. Motion carried. Chairman Marshall gave the board report. Some of the 2015 highlights were the moving of the office, service, parts and hardware into the new addition which was added on to the Agrabase building north of Minot. An open house will be held at the new office on April 14, 2016 from 11am to 2pm. A new building was purchased for the Agronomy department in Washburn with the old office being moved to Hazen. The opportunity to exchange Enerbase equity from the years 2000 thru 2005 for CHSCO stock will continue to be available. It was also announced that patron equity from the year 2000 will be retired in 2016. Manager Tony Bernhardt gave the manager's report. Enerbase has spent \$47million in the last six years with \$24million being paid out in patronage and equity retirement. Enerbase hopes to

remodel the Washburn C-store this year but are still waiting on bids. This past year \$380,000 was spent repairing supply lines at Washburn, South Broadway, Southeast and Corner Express. In 2016 the co-op will have to look at managing our expenses differently and take advantage of the co-op strength. Dakota Agronomy Partners General Manager Dan Sem gave his report. There has been steady growth in seed sales and not many new fertilizers or chemicals. Seed traits have changed. Dan was happy to report that their warehouses are full going into spring's work and wanted to stop rumors that anhydrous ammonia will go away. Chairman Marshall asked for questions and comments. The only question that was asked was, "What is going on downtown?" Manager Bernhardt said that he hopes to have something to report in the next 90 days and that the pumps downtown will remain open. Chairman Marshall asked if there was any old or unfinished business. There was none. He then asked if there was any new business. Again there was none. Chairman Marshall explained that we went to a mail-in ballot this year because of the struggle to get a quorum at the past couple of annual meetings. He was happy to report that this year's voting response was three times what it was last year with 155 ballots returned. Robert Schmidt was the only candidate for the At Large District and Jeff Krueger was the only candidate for the S.E. District. Secretary Johnson cast unanimous ballots for both Robert and Jeff. They will both serve three-year terms. Dennis Carlson, CHS Board of Director, was the keynote speaker. He spoke primarily on a CHS bylaw change that had come up in 2015. At this year's CHS annual meeting eligible voters voted to postpone indefinitely a vote on a proposed amendment to their bylaws that would 'remove the requirement that cooperative members be producer-only cooperatives.' The positions of S.W. District, Darren Sletten, N.E. District, Craig Johnson, and South of Lake Sakakawea, Gary Knell will expire in 2017. All are eligible to run next year. The nominating committee for the 2017 annual meeting was announced. They are Kevin Bonness, Tom Burtch and Jeff Larson. The board will find a fourth member. Door prizes were given away throughout the night with the grand prize of 1000 gallons of propane, gas or fuel won by Greg Simonson. Chairman Marshall declared the meeting adjourned at 8:26pm.

Respectfully submitted,
Craig A. Johnson- Secretary

FARMERS UNION OIL COMPANY OF MINOT, ND

SCHEDULE OF OPERATING EXPENSES

December 31, 2016 and 2015

	2016	2015
DISTRIBUTION		
Salaries and wages	\$ 6,777,867	\$ 7,785,768
Delivery expenses	890,728	1,069,597
Employee insurance	985,752	1,351,254
Payroll taxes	503,049	544,223
Advertising and promotion	261,861	256,599
Pension contributions	277,613	249,362
Consulting	3,105	2,000
	<u>9,699,975</u>	<u>11,258,803</u>
GENERAL		
Repairs and supplies	987,408	1,331,254
Depreciation	2,230,927	2,079,899
Utilities	508,169	557,746
Insurance	402,271	407,576
Property taxes	333,801	283,650
Rent	42,200	91,011
Business Licenses	56,597	68,717
	<u>4,561,373</u>	<u>4,819,853</u>
ADMINISTRATION		
Telephone	112,710	119,234
Professional services	74,663	62,254
Meetings and travel	130,872	140,308
Educational fund	43,000	43,000
Data processing	133,388	163,629
Office supplies	44,582	41,615
Director fees	22,458	28,542
Dues and donations	19,090	23,590
Bad debts	22,627	6,117
	<u>603,390</u>	<u>628,289</u>
	<u>\$ 14,864,648</u>	<u>\$ 16,706,945</u>



CORPORATE OFFICE
205 46th Avenue NE
Minot, ND 58703
701-852-2501

WITH LOCATIONS IN WASHBURN,
HAZEN, FALKIRK, UNDERWOOD,
RYDER AND GLENBURN

WWW.ENERBASE.COOP