

ENERBASE

2017

ANNUAL REPORT



OFFICERS & DIRECTORS

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

EMPLOYEES

MINOT

Tony Bernhardt General Manager
 Ricky Aberle CFO
 Mary Zimmerman Payroll Manager
 Lavon Wolf Office Manager
 Lolly Gorze Human Resource Manager
 Laurie Spanier Receptionist
 Jeanine Lorenz Accts. Receivable
 Amanda Haugen Credit Manager
 Myrna Moberg Accts. Payable
 Mandy Hansen Accts. Payable
 Jayme Burkhardt Marketing Director
 Charles Schestler Service Shop Manager
 Gordy Schmidt Tire Sales
 Sheri Endresen Minot Petroleum Manager
 Al Medler Sales and Dispatch
 Randy Thor Propane Sales and Delivery
 Orris Brown Jr. Propane Sales and Delivery
 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
 Randy Michalenko Oil Delivery
 Dana Solberg Oil Delivery
 Marlein Aaseth Hardware/Parts Manager
 Misty Peterman Hardware/Parts Sales
 Mike Lee Hardware Sales
 Ron Johnson Machinery Sales
 Craig Giroux 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
 Devon Gotsvaslee Assembly
 Kurt Boechler Assembly
 Casey Marquart Assembly
 Warren Boehler Sales
 Robert Martin Sales
 Brad McClennan 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 Mgr
 John Young C-Store Maintenance/OSHA
 Duane Swanson C-Store Maintenance
 Samantha Pflugradt N Bdwy C-Store Mgr
 Irmina Helmer Southeast C-Store Mgr
 Eloyce Anderson Southeast Food Mgr.
 Edward Montez S Bdwy C-Store Mgr
 Pete Anderson S Bdwy Asst Mgr
 David Woiwode Corner Express C-Store Mgr.
 Amber Trail Corner Express Asst Mgr
 Crystal Fletcher ExpressMart Manager
 Sherry Dickinson Travel Plaza Manager
 Alicia Henry Travel Plaza Food Mgr
 Carrilyn Massima Travel Plaza Food Asst Mgr
 Elvis Hegle Downtown C-Store Mgr
 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
 Amanda Stallard Washburn C-Store Mgr
 Lexi Gonzalez Washburn Hot Stuff Mgr.
 Jeff Geinert Agronomy Sales-Hazen
 Samantha Eslinger Agronomy Sales-Hazen
 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
 Dave Beckman Dakota Agronomy Seed

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FARMERS UNION OIL COMPANY OF MINOT, ND
BALANCE SHEETS

December 31, 2017 and 2016

	2017	2016
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 3,521,100	\$ 2,675,402
Trade accounts receivable	3,753,699	3,243,919
Current portion of contract receivable	1,023,400	1,056,462
Other receivables	123,137	133,756
Inventories	10,130,665	9,486,113
Securities - available for sale	529,497	1,395,741
Prepays	5,050,312	4,695,882
Prepaid income tax	2,636	0
Deferred income taxes	32,000	44,000
Total current assets	<u>24,166,446</u>	<u>22,731,275</u>
PROPERTY AND EQUIPMENT	61,016,257	59,917,045
Less accumulated depreciation	<u>15,493,429</u>	<u>13,703,073</u>
	45,522,828	46,213,972
CONTRACTS RECEIVABLE, NET OF CURRENT PORTION		
INVESTMENTS		
Cooperatives	39,971,292	38,856,143
Dakota Agronomy Partners, LLC	6,450,866	5,989,618
	<u>46,422,158</u>	<u>44,845,761</u>
	<u>\$116,111,432</u>	<u>\$113,791,008</u>

FARMERS UNION OIL COMPANY OF MINOT, ND
BALANCE SHEETS

December 31, 2017 and 2016

	2017	2016
LIABILITIES AND MEMBERS' EQUITY		
CURRENT LIABILITIES		
Short-term notes payable	\$ 10,645,019	\$ 7,511,103
Current portion of long-term debt	1,500,000	1,500,000
Trade accounts payable	3,759,751	3,733,969
Floor plan payable	0	0
Customer deposits	2,606,109	2,908,112
Other accrued expenses	915,067	1,196,950
Patronage refunds payable in cash	591,150	1,184,750
Total current liabilities	<u>20,017,096</u>	<u>18,034,884</u>
DEFERRED INCOME TAXES	2,830,000	3,767,000
LONG-TERM DEBT, NET OF CURRENT PORTION	16,375,000	17,875,000
MEMBERS' EQUITY		
Patronage equity and reinvested refunds	26,610,347	25,914,473
Allocated capital reserve	100,346	100,346
Unallocated capital reserve	50,178,643	48,099,305
Total members' equity	<u>76,889,336</u>	<u>74,114,124</u>
	<u>116,111,432</u>	<u>\$113,791,008</u>

FARMERS UNION OIL COMPANY OF MINOT, ND
STATEMENT OF OPERATIONS

December 31, 2017 and 2016

	2017	2016
Gross Sales	\$ 115,642,692	\$ 110,623,432
Cost of Sales	100,067,333	94,587,971
Gross Profit	15,575,359	16,035,461
Operating Expenses	14,203,855	14,864,648
Local Savings from Operations	1,371,504	1,170,813
Other Expenses	(1,050,791)	(486,825)
Local Savings	320,713	683,988
Net Income from Dakota Agronomy Partners, LLC	776,778	725,999
Cooperative Dividends	2,323,966	6,936,109
Savings Before Income Tax	3,421,457	8,346,096
Provision for Income Tax	425,695	(1,893,761)
Net Savings	\$ 3,847,152	\$ 6,452,335

FARMERS UNION OIL COMPANY OF MINOT, ND
STATEMENT OF MEMBERS' EQUITY

December 31, 2017 and 2016

	Members' Equity Credits	Patronage Reference for Reinvestment	Allocated Capital Reserve	Unallocated Capital Reserve	Total
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:					
Estates	(490,740)				(490,740)
2000 stock retirement	(251,796)				(251,796)
CHS preferred stock transfers	(135,604)				(135,604)
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
Reverse provision for cash refunds		1,184,750			1,184,750
2015 Patronage distribution	2,214,774	(3,385,000)		(78,814)	(1,249,040)
Retirements:					
Estates	(384,525)				(384,525)
Preferred stock equity exchange	(14,444)				(14,444)
Account Receivable payoffs	(17,531)				(17,531)
Net Savings		1,689,000		2,158,152	3,847,152
Provision for cash refunds		(591,150)			(591,150)
Members' Equity December 31, 2017	\$25,512,497	\$1,097,850	\$100,346	\$50,178,643	\$76,889,336

FARMERS UNION OIL COMPANY OF MINOT, ND
NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE 3 - INVENTORIES

Inventory costs at December 31, are as follows

	2017	2016
New whole goods	\$ 1,034,923	\$ 914,192
Parts	1,209,665	1,278,121
Petroleum products	1,761,500	1,865,181
Fertilizer & Chemicals	3,676,213	3,143,746
Used whole goods	170,190	115,110
Hardware products	309,220	292,870
Hopper bins	590,868	385,279
C-Store inventories	607,521	701,827
Propane, LP, and anhydrous tanks and trailers	289,260	255,447
Miscellaneous inventories	403,945	422,683
Tires	27,175	70,301
Antifreeze	50,185	41,356
	<u>\$10,130,665</u>	<u>\$ 9,486,113</u>

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment costs at December 31 are as follows

Land and improvements	\$25,836,583	\$25,836,583
Buildings and improvements	15,096,285	14,502,745
Machinery and equipment	16,026,056	15,578,972
Vehicles	2,583,856	2,525,268
Construction in progress	0	0
	<u>\$59,542,780</u>	<u>\$58,443,568</u>

NOTE 5 - INVESTMENT IN COOPERATIVES

Cenex Harvest States	\$38,314,212	\$37,238,851
Land O' Lakes, Inc.	1,199,144	1,173,469
Souris River Telephone	131,485	128,424
Ace Hardware, Inc.	53,240	73,503
All others	167,534	149,996
Farmers Union of Wilton	27,725	27,725
West River Mutual Telephone	77,952	64,175
	<u>\$39,971,292</u>	<u>\$38,856,143</u>

FARMERS UNION OIL COMPANY OF MINOT, ND
NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE 6 - INVESTMENT IN DAKOTA AGRONOMY PARTNERS, LLC

Following is a summary of the Cooperative's 20% investment activity for the years ended December 31, 2017 and 2016, for Dakota Agronomy Partners, LLC:

	2017	2016
Beginning of year balance	\$ 5,989,618	\$ 6,048,619
Share of net income of Dakota Agronomy Partners, LLC for years ended December 31, 2016 and 2015	961,248	725,999
Capital distributions	(500,000)	(785,000)
End of year balance	<u>\$ 6,450,866</u>	<u>\$ 5,989,618</u>

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

Current assets	\$ 61,563,591	\$ 67,374,968
Property and equipment, net	14,598,126	14,190,616
Investment in Cooperatives	100,580	100,580
Other assets	9,812,769	9,851,363
	<u>\$ 86,075,066</u>	<u>\$ 91,517,527</u>
Current liabilities	\$ 52,094,795	\$ 59,843,502
Members' equity	33,980,270	31,674,025
	<u>\$ 86,075,066</u>	<u>\$ 91,517,527</u>
Sales	<u>\$ 76,854,756</u>	<u>\$ 86,925,968</u>
Net income	<u>\$ 4,806,244</u>	<u>\$ 2,947,532</u>

For the years ended December 31, 2017 and 2016, the Cooperative had sales to Dakota Agronomy Partners, LLC totaling \$211,440 and \$399,624 respectively, of which \$7,212 and \$20,896 was receivable, respectively. For the years ended December 31, 2017 and 2016, the Cooperative had purchases from Dakota Agronomy Partners, LLC of \$9,493,042 and \$9,230,288, respectively of which \$196,553 and \$3,481 was payable, respectively. Dakota Agronomy Partners, LLC is 61.75% owned by CHS SunPrairie and 18.25% owned by Border Ag & Energy.

89TH ANNUAL MEETING MINUTES MARCH 30, 2017

Chairman Greg Marshall called the 89th annual meeting to order at 11:00 am at the Lewis & Clark Interpretive Center in Washburn, ND. Chairman Marshall introduced members of the staff, CEO, CFO and the board of directors. In attendance were Dennis Carlson (CHS director), Denise Brown (NDFU) and Mike Frame (CHS Aligned Solutions). Board member Mark Larson introduced the 2017 scholarship winners present which were Kaitlyn Peterson, Tate Price and Donald Goven. Chairman Marshall called attention to the packets containing the financial report, minutes, meeting rules, forms and ballots. Chairman Marshall appointed Curt Abfalter as recording secretary. CFO Ricky Aberle presented the financial report for Enerbase. Gift certificates in the amounts of \$50 and \$100 were given out for door prizes. CEO Tony Bernhardt reported on past and current assets purchased for the last two years. He also stated that Enerbase continues to revolve estates and noted that the preferred share program still exists as a tool for stock retirement as well.

Chairman Marshall presented the audience with a financial history of Dakota Agronomy Partners and shared his prospective on Enerbase. DAP Manager Dan Sem reported on the ownership of DAP which is CHS SunPrairie, Border Ag and Enerbase. Chairman Marshall asked of interest for the nominating committee for next year and appointed Mark Giedd to represent south of the lake area. Denise Brown representing NDFU gave a report followed by Dennis Carlson, director on the CHS board. More door prizes were given out along with the 500 gallon prize of fuel or propane won by James McCullough. The meeting was then tabled until the evening at the Grand Hotel in Minot, ND.

Chairman Greg Marshall called the 89th annual 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 Jason McKenney, NDFU, 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 of 144 which included mail in ballots as well as the ballots that were cast at the meeting. Chairman Marshall introduced the Board of Directors, Manager, CFO, and their spouses. He also introduced CHS Director Jon Erickson, CHS National Accounts Director Mike Frame, and the speaker for the evening Shirley Cunningham, Executive VP Ag Business & Enterprise Strategy. Chairman Marshall asked for corrections or additions to the 2016 minutes as presented and printed. There were none. Motion to accept minutes was made by Tom Burtch and seconded by Jon Erickson. Motion carried.

Director Mark Larson presented the scholarship report. There were 23 applications with nine scholarships awarded this year. The scholarship winners were: Kaitlyn Peterson, Tate Price, Jessica Peterson, Kimberly Kolden, Rayson Renfrow, Garrett Aberle, Anna Zelinski, Alyssa Johansen, and Donald Goven.

Enerbase CFO Ricky Aberle presented the annual report. Enerbase had sales of \$110,623,432 in 2016 and a net savings of \$6,452,335 which was a 5.8% return on sales compared to \$153,256,282

sales in 2015 and \$7,492,518 in net savings for a 5% return in 2015. Petroleum made up 65% of Enerbase sales followed by 19% from Agronomy, 12% from General Merchandise, and 4% from Machinery and Services. Ricky also reported that Enerbase Assets and Accounts Receivable are in very good shape. Chairman Marshall asked for a motion to approve the annual report. Motion was made by Julia Johnson and seconded by Bruce Peterson. Motion carried.

Manager Tony Bernhardt presented the manager's report. Tony talked about Enerbase's mission which is "to serve the ever-changing needs of our patron owners." Some of the improvements that were done last year were a new kerosene tank, new truck hoist, new underground pipes at Xpressmart location, painting the Ryder bulk plant and the remodel at the Washburn C-store which is still ongoing. The opportunity to exchange Enerbase equity from the years 2000 through 2005 for CHSCO stock will continue to be available and he also reminded patrons that estates and age 70's are paid out twice a year in June and December.

Chairman Marshall presented the board report. He announced that At Large Board Member Mark Larson and NW District Board Member Greg Marshall terms are expiring and both are eligible to run. He said Enerbase is in a strong financial position and that we are just going through a struggling cycle right now.

Manager Dan Sem presented the Dakota Agronomy report. On September 1, 2016 ownership of seed business was finalized by DAP. The new ownership will be CHS SunPrairie at 61.75%, Enerbase at 20% and Souris River Coop at 18.25%. DAP had \$86 million in ag sales and \$38 million in seed sales in 2016 with a profit of \$1.8 million. DAP is continuing to invest in efficiency and velocity for its patrons.


Craig Johnson was the only candidate running for NE District, Gary Knell was the only candidate for South of the Lake, and Darren Sletten was the only candidate for SW District. Unanimous ballots were cast for all three. They will serve three-year terms.

Shirley Cunningham, executive VP Ag Business & Enterprise Strategy was the keynote speaker. Her background includes working for Monsanto for 20 years and for CHS for 4 ½ years. She also spoke about the cycle that we are in right now but that we have all seen this before. The price trend in fertilizer is less soft going into 2018/2019 and the supply situation is good.

The nominating committee for the 2018 annual meeting was announced. They are Kevin Bonness, Tom Burtch, Jeff Larson and Mark Giedd.

Door Prizes were given away through the night with the grand prize of 500 gallons of propane, gas, or fuel won by Blaine Kotasek. Chairman Marshall declared the meeting adjourned at 7:55pm.

Respectfully submitted,


Craig A. Johnson- Secretary

**FARMERS UNION OIL COMPANY OF MINOT, ND
SCHEDULE OF OPERATING EXPENSES**

December 31, 2017 and 2016

	2017	2016
DISTRIBUTION		
Salaries and wages	\$ 6,365,786	\$ 6,777,867
Delivery expenses	1,013,350	890,728
Employee insurance	1,120,326	985,752
Payroll taxes	474,842	503,049
Advertising and promotion	229,948	261,861
Pension contributions	272,514	277,613
Consulting	7,391	3,105
	<u>9,484,157</u>	<u>9,699,975</u>
GENERAL		
Repairs and supplies	758,185	987,408
Depreciation	2,059,591	2,230,927
Utilities	509,297	508,169
Insurance	395,427	402,271
Property taxes	379,711	333,801
Rent	54,600	42,200
Business Licenses	57,075	56,597
	<u>4,213,886</u>	<u>4,561,373</u>
ADMINISTRATION		
Telephone	114,672	112,710
Professional services	50,988	74,663
Meetings and travel	92,139	130,872
Educational fund	43,000	43,000
Data processing	131,288	133,388
Office supplies	37,667	44,582
Director fees	27,687	22,458
Dues and donations	16,043	19,090
Bad debts	(7,672)	22,627
	<u>505,812</u>	<u>603,390</u>
	<u>\$ 14,203,855</u>	<u>\$ 14,864,648</u>



CORPORATE OFFICE

205 46th Avenue NE
Minot, ND 58703
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WITH LOCATIONS IN WASHBURN,
HAZEN, FALKIRK, UNDERWOOD,
RYDER, GLENBURN AND MAXBASS

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