

Valley City-Barnes County Development Corporation Board Meeting

Tuesday, March 8, 2016

7:00 a.m. Regional Technology Center, 415 Winter Show Road (Large Conference Room)

PRESENT: Paige Bjornson, JoAnn Hooper, George Gaukler, Mary Simonson, Bill Carlblom, Mike Metcalf, Luke Trapp, Josh Kasowski, Bobby Koeplin, Wade Bruns and Jennifer Feist

ABSENT: Leighton Smith, Tony Kobbervig and Alicia Hoffarth (excused)

EX-OFFICIO: Dean Kinney, LaFarge NA; Keith Anderson, ICTC; Matt Pederson, City Commission; and Erik Gilbertson, KLJ

President Paige Bjornson called the meeting to order at 7:00 a.m.

YEAR END FINANCIAL STATEMENTS: JoAnn Hooper reviewed the financial statements for the year ended September 30, 2015. Key items discussed:

There are two corporations, Valley City-Barnes County Development Corporation, which is a nonprofit corporation and the Valley City Development Corporation, which is a for profit corporation. Tech II and the Regional Technology Center are assets of the Valley City-Barnes County Development Corporation. Separate reports are prepared to provide more information.

There are three categories of funds: 1) Permanently Restricted-includes funds received from the City and County; if the buildings were ever sold, the funds would be repaid; 2) Temporarily Restricted-funds received that are restricted for a period of time; and 3) Unrestricted Funds-used at the Board's discretion.

Tech II Balance Sheet: Income of about \$185,000. Cash is less because we transferred \$55,000 to the Regional Technology Center for building improvements. A \$163,000 transfer was made to the Valley City Development Corporation to pay off the Wells Fargo loan and \$11,400 for administration. We have \$720,000 of Permanently Restricted funds, which are funds received from the City and County for building construction, and \$252,500 in Temporarily Restricted funds, which are released as money is received from State income tax withholding for the ND Jobs Training Program/Eagle Creek and used to repay the City and County. Eagle Creek's lease expires November 30, 2016. Page 4 shows transfers out of \$163,000 and \$55,000; the Note Receivable is on the Balance Sheet of the Valley City-Barnes County Development Corporation; Valley City-Barnes County Development Corporation loaned the funds to Valley City Development Corporation. Net assets are similar to Retained Earnings or equity in a for profit corporation.

Regional Technology Center Balance Sheet: Operating loss of \$54,000 but cash increased slightly because of the \$55,000 transferred in. We received \$25,000 from the City and have a Note Receivable of \$25,000 (funds are approved-not all drawn from the City). Page 4 shows fixed assets purchased to improve the building after Eagle Creek moved out. Notes to financial statements detail RTC leases. By December 15, 2020, the RTC loan at Wells Fargo will be paid in full. There is \$550,000 in Temporarily Restricted funds, which represents the EDA grant funds received to construct the building. EDA requires a commitment and mortgage of 20 years-using April 1, 2001 (date RTC opened). After 20 years, we will request EDA release the mortgage of \$550,000; if we requested release today, EDA could require 100% be repaid or prorate the amount at its discretion. A note will be added to next year's statements. All of the Regional Technology Center's assets are restricted, either permanently or temporarily. We are carrying losses plus the purpose of the RTC is to serve as a business incubator and to not make money. If we pay off the City and County and \$550,000 is released, we do have a net value. Values of Tech II and RTC buildings are shown at cost but the market value is higher-earning equity.

Valley City – Barnes County Development Corporation Balance Sheet: Shows the investments in the Regional Technology Center and Tech II which tie back into the two financial statements. Cash in Bank (page 13) shows unrestricted cash and restricted cash.

Flex PACE Loan Receivables: (pages 10 and 11)-two projects funded by the County (Sandoon Saloon and Schwab Miller); all other projects funded by the Corporation's unrestricted funds. Note Receivable-\$234,500 is Valley City Housing; Enterprise Sales paid off their \$60,000 and funds were returned to the City (restricted funds).

Data Tranz: Investment is shown on the Balance Sheet-need to clarify future plans of the business-three people employed. No real asset value to the Corporation.

Page 3-revenues and activities

Page 11, Item G-land values are all shown at cost

Page 12-long term liabilities; the majority is the ND Jobs Training loan for Eagle Creek, funds are repaid to the City and County

Page 14-projects funded

Page 15-management and general

Line of Credit of \$750,000 has been renewed at Dacotah Bank but we have not drawn on the line.

Mary Simonson moved to approve the financial statements with the notes added for next year. Booby Koeplin seconded. Motion carried unanimously.

VALLEY CITY DEVELOPMENT CORPORATION-REVIEW ONLY: Will be approved at the March 14th meeting.

Balance Sheet: Paid off Wells Fargo loan with funds received from the Valley City-Barnes County Development Corporation. All funds are shown as long term debt as we are not expecting payment this next year. As cash becomes available, the debt will be paid down. Real estate taxes and insurance are expenses because we are paying these items this year. Typically the tenant pays these expenses though a triple net lease. Assets are shown at cost with depreciation (GAAP).

Three Valuations: 1) Cost (including Depreciation), 2) Net Asset/Book Value and 3) Market Value (Appraised value/close to market value). Summary of Net Assets provided by Jennifer for the planning sessions showed assets at cost, not market value.

Identify buildings as Northwest Industrial Park Building rather than by the tenant and add the number of acres for next year's (description under note A). No options on other land.

The Board expressed appreciation for the extensive, detailed work by JoAnn Hooper to prepare the statements and Jennifer Feist (daily work throughout the year). They put forth an extensive amount of time and effort.

Notes to financial statements are very helpful.

Outstanding shares-extensive process to clean up the shareholder list; 2,262 total shares. Valley City-Barnes County Development Corporation has controlling interest in the Valley City Development Corporation.

Valley City Development Corporation is carrying a significant loss. Analysis of the tax consequences was previously provided by JoAnn Hooper. It may be beneficial to have two corporations (for profit and non profit).

There being no further business, President Paige Bjornson adjourned the meeting.

Respectfully Submitted

Jennifer Feist

Director of Development