

FIVE YEAR HISTORICAL INFORMATION

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Sales	\$145,442,180	\$144,224,361	\$159,992,862	\$168,639,691	\$177,803,168
Local Net Savings	\$1,023,069	\$1,441,399	\$2,531,270	\$3,171,853	\$4,111,458
Total Net Savings	\$3,042,332	\$3,809,521	\$5,071,211	\$5,386,644	\$6,809,087
Cash Returned to Members	\$1,652,476	\$1,224,030	\$1,470,823	\$2,275,954	\$1,902,138
Working Capital	\$12,883,963	\$12,428,599	\$13,725,932	\$12,825,697	\$14,258,667
Local Return on Local Equity	3.00%	4.33%	8.10%	11.02%	16.04%
Ownership Percentage	66.37%	64.60%	61.69%	58.33%	61.89%
Local Ownership Percentage	58.32%	56.59%	53.37%	49.92%	52.84%
Employee Efficiency Ratio	45.05%	43.90%	40.66%	38.94%	38.32%

“Partners”



Serving Central Minnesota

Buffalo, MN 55313
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www.centrasota.com



*To be the partner you can count on,
providing real solutions, for today and tomorrow.*

**Centra Sota Cooperative
Annual Report 2017**

A MESSAGE TO OUR MEMBERS...

The theme of this year's Annual Statement, "**Partners**", very accurately describes what Centra Sota Cooperative is all about. We are truly **partners** together in our day to day lives and we need to remember that! The pictures in this year's annual statement help to illustrate the **partnerships** existing at Centra Sota Cooperative.

As you can see in the financial statements, your cooperative achieved very positive financial results again this year. Sales during fiscal 2017 were \$145 million and we achieved Net Earnings of \$3 million. Both of these reflect lower results as compared to the prior few years as is the case with many companies involved in Agriculture. We are now in the middle of a much lower commodity price environment as compared to only a few years ago. This is not only reflected in our customer's operations, but also in ours. Being an extension of your farm, Centra Sota may also experience lower sales and earnings until the current down cycle reverses itself.

When any industry enters a downward cycle, most companies react by slashing expenses and curtailing investment spending. It seems almost on a daily basis I read an article showing companies laying off employees and closing facilities. We also are doing whatever we can to lower expenses and keep them in control but at the same time we are making significant investments on your behalf. Over the past 5 years we have invested over \$20 million in new equipment and facilities to better serve you. This is how we view our **partnership** with our member owners. We must take the very long-term approach, understanding agriculture is a very cyclical industry and you rely on us to be there year in and year out. The more efficiently we can operate, the better we can serve your needs. We understand **partnerships** exist through ups and downs and we must make sure Centra Sota endures.

We also understand, in addition to providing our members with outstanding products, facilities, and services, we need to return cash to you. We recently

made payments retiring several years of member's equity, and have a plan in place to continue this strategy. This past year we returned over \$1.6 million in cash which exceeds 50% of annual earnings.

The bottom line is really pretty simple – Centra Sota Cooperative is in the business of supplying agricultural supplies and services to our customers, our partners. Our customers also own this company as cooperative patrons. We believe based on these two statements investing in helping service your needs better only makes good, sound sense. The price of these investments is high, but we are confident this needs to be done.

As significant as these investments are, we feel the best investment we make is in our people. The employee team at Centra Sota is the real difference maker in setting us apart from other choices you have for a supplier. We will continue to invest in people – hiring, developing, and retaining people to add value to your operation. This is a true **partnership!**

All of the investments Centra Sota makes in facilities, equipment or people, are made in direct alignment with the Vision of your company: **To be the Partner you can count on, providing real solutions, for today and tomorrow.**



Jeffrey A. Johnson
Jeff Johnson
CEO/General Manager



Steve Sievek
Steve Sievek
Chairman, Board of Directors



OFFICERS & DIRECTORS

Steve Sievek	Chairman	Brainerd
Charles Krause	Vice Chairman	Buffalo
Bill Holthaus	Secretary	Buffalo
Dennis Lietha	Director	St. Cloud
Tom Hammer	Director	St. Cloud
Rodney Domjahn	Director	Montrose
Ken Welle	Director	Little Falls
Roger Roerick	Director	Upsala
Don Thomes	Director	Paynesville
Vern Willenbring	Director	Albany
Jeff Johnson	CEO/GM	
Dan Malinski	CFO	

STATEMENT OF OPERATIONS

	2017	2016
Sales	\$145,442,180	\$144,224,361
Cost of Sales	<u>\$120,998,808</u>	<u>\$119,320,276</u>
Operating Revenue	\$24,443,372	\$24,904,085
Expenses:		
Employee Expense	\$11,926,332	\$11,734,779
Depreciation	\$2,993,977	\$2,926,735
Insurance	\$681,229	\$633,435
Other Operating Expenses	<u>\$9,079,559</u>	<u>\$9,373,269</u>
Total Operating Expenses	<u>\$24,681,097</u>	<u>\$24,668,218</u>
Net Operating Margin	(\$237,725)	\$235,867
Other Income (Expense)		
Interest Expense	(\$494,930)	(\$415,375)
Collection/Legal Expense	(\$277,250)	(\$205,690)
Partnership Income — MLN, LLC.	\$242,804	\$162,964
Other Revenue and Expense	<u>\$1,790,170</u>	<u>\$1,663,633</u>
Net Other Income (Expense)	\$1,260,794	\$1,205,532
Local Net Savings	\$1,023,069	\$1,441,399
Patronage Income	<u>\$2,273,411</u>	<u>\$3,033,030</u>
Net Income Before Taxes	\$3,296,480	\$4,474,429
Income Taxes	(\$254,148)	(\$664,908)
Net Savings	\$3,042,332	\$3,809,521

CENTRA SOTA COOPERATIVE

Serving Central
Minnesota

Our Vision:

*To be the partner you can count on,
providing real solutions for today and tomorrow.*

This summarized financial information has been extracted from the complete financial statements and auditor's opinions which are on file in the cooperative's offices.



BALANCE SHEET

ASSETS	2017	2016
Current Assets:		
Cash	\$ 698,173	\$ 92,552
Receivables	18,985,999	19,443,373
Less: Allowance for Doubtful Accounts	(1,379,805)	(1,700,091)
Inventory and Other Current Assets	18,858,150	20,112,969
Total Current Assets	37,162,517	37,948,803
Other Assets:		
Fixed Assets	46,533,064	45,671,589
Less: Accumulated Depreciation	(27,658,496)	(25,980,190)
Net Fixed Assets	18,874,568	19,691,399
Investments in Other Cooperatives	16,342,703	14,459,961
Total Assets	72,379,788	72,100,163
LIABILITIES		
Current Liabilities:		
Accounts Payable	8,473,646	6,630,688
Patronage Dividends Payable	666,484	980,432
Other Current Liabilities	15,138,424	17,909,084
Total Current Liabilities	24,278,554	25,520,204
Long Term Liabilities	60,000	0
Total Liabilities	24,338,554	25,520,204
EQUITY		
Member Equity	25,764,811	25,851,697
Capital Reserve	22,276,423	20,728,262
Total Patron Equity	48,041,234	46,579,959
Total Liabilities and Patron Equity	\$ 72,379,788	\$ 72,100,163

HISTORIC SALES VOLUMES

