

**MEETING OF THE BOARD OF DIRECTORS OF THE
SALIDA NATURAL RESOURCE CENTER DEVELOPMENT CORPORATION
A COLORADO NON-PROFIT CORPORATION**

City Council Chambers
448 East 1st Street
City of Salida, Colorado

Tuesday, January 5, 2016 11:00 a.m.

The NRCDC Board may take action on and of the following agenda items as presented or modified prior to or during the meeting, and items necessary or convenient to effectuate the agenda items.

- I.** MEETING CALLED TO ORDER
- II.** PUBLIC COMMENT
- III.** APPROVAL OF MINUTES – December 15, 2015
- IV.** TREASURER'S REPORT
- V.** SCHEDULED ITEMS
 - 1. Affordable Housing overview – Read McCulloch
 - 2. NRCDC Master Plan Review
 - 3. 2016 Budget
 - 4. 2015 Audit
 - 5. Trailhead development update
 - 6. Updates on potential property sales or development
 - a. Colorado Parks & Wildlife
 - b. Workforce Housing
 - c. Light Industrial
 - d. Recreation Area
- VI.** UNSCHEDULED ITEMS
- VII.** EXECUTIVE SESSION: For the purpose of determining positions relative to matters that may be subject to negotiations, developing strategy for negotiations, and/or instructing negotiators, under C.R.S. Section 24-6-402(4)(e). AND THE FOLLOWING ADDITIONAL DETAILS ARE PROVIDED FOR IDENTIFICATION: To discuss negotiations for the possible disposition of land and development opportunities.
- VIII.** REPORT/ACTION ON EXECUTIVE SESSION MATTERS
- IX.** ADJOURN

**MINUTES
OF THE BOARD OF DIRECTORS OF
SALIDA NATURAL RESOURCE CENTER DEVELOPMENT CORPORATION
A COLORADO NON-PROFIT CORPORATION**

A meeting of the Corporation was held December 15, 2015, at 448 E. 1st Street, Salida, Colorado 81021 beginning at 11:00 a.m. Directors present were Tim Glenn, Walt Harder, Ray Kitson, Bob Grether, Jim McConaghy and Ron Mazzeo. Member absent was Susan Hughes. Dara MacDonald was also in attendance.

Public Comment: Vern Davis offered public comment.

Approval of Minutes: Minutes of December 15, 2015 were unanimously approved.

Treasurer's Report: None.

Scheduled Items:

1. NRCDC Master Plan Review

MacDonald introduced Andy Reimenschnieder from Land Water Concepts. The plans are very initial at this time and are intended for feedback and discussion. Once the Board is somewhat comfortable with the ideas, the intention to solicit more public input. Andy provided an overview of the draft master plan.

There was discussion about providing this concept plan to Atmos to get a cost estimate for providing service for this level of development. Glenn questioned the lack of commercial and whether this was appropriate. There was discussion about how the lack of gas is driving the direction away from commercial and industry and other possibilities for development without natural gas. There was discussion about the value of the property and responsible development and addressing the debt on the property. Discussion touched on community values and recreation.

Grether offered comments on the location of affordable housing and wanting to see it more integrated into the balance of the property. He suggested shifting the recreation facilities to fill the northern end of the property and reserving space at the southern end for light industrial. Glenn echoed the comments of trying to reserve some property for commercial & light industrial. Mazzeo thinks coming in off CR 104 is the way to go with the rec district, however, he thinks the recreation component is way off track and is too large. He feels that the rec component could be much smaller and that it is putting the cart before the horse because there is no mechanism for paying for the recreation.

Theresa Casey, Arts & Recreation Director for the City, offered public comment. She is excited that the Board is talking about recreation components like field orientation. She has concerns about adding a music venue and that there is not adequate parking. She feels the conversation about the possible creation of a recreation district needs to begin soon because it takes a long time to build support. She would like to work with Andy on layout of recreation facilities. There was discussion about the usefulness of tournaments in funding a portion of the recreation component. She suggested bringing in a consultant who specializes in destination recreation and the primary

and secondary impacts to help inform the financial expectations. She also suggested bringing in the Director of Colorado Special Districts to discuss formation of a district.

Jim Miller offered comments. He encouraged setting aside a site for an education component in the future. He suggested that in the long run the income from the USFS building could be used to fund some of the operations of the recreation. Sales of property for residential could be used to pay off debt on the USFS and the resulting cash flow could be used for servicing bond debt to build recreation.

Harder would like to start down the road to more public meetings and input. Grether suggests creating a second iteration of the plan that reflects the desire expressed by some members of the Board to set aside some land for commercial/industrial development. McConaghy suggests looking at complimentary/seasonal uses - for instance combining location of music venue and ice hockey. Glenn feels that we need to have some idea of the cost of the recreation component.

The Board directed that staff set up two public meetings in January for getting input on the plans. There was further discussion about details of the plan with the Board providing direction on specific aspects of the plan.

Lorri Lau offered public comment noting that she generally likes the plan. She spoke to her desire to possibly expand the mobile home park and locations of affordable housing in general. There was discussion of the facilities at Marvin Park. Chris Lau offered comment about what is meant by light industrial and how it relates to affordable housing.

The first public meeting will be held on January 13th.

2. Consider a non-binding letter of intent for the purchase and sale of land from Natural Habitats: Tom Pokorny addressed the Board and discussed the intentions of Natural Habitats. He also addressed some points of the draft master plan.

There was a motion to move ahead with signing the non-binding letter of intent. There was discussion about Tom working with Andy on refining the design and incorporating public input. The Board approved the motion unanimously.

3. 2016 Budget: MacDonald informed the Board that the budget has not been drafted.
4. Updates on potential property sales
Nothing additional to add to earlier discussions.
5. Board Director positions up for reappointment - Grether, Harder, Kitson and Mazzeo have terms due to expire. There is a vacant spot from Granzella's resignation. Glenn moved that a recommendation be made to the City Council that Mazzeo not be appointed to any position on the Board due to his actions related to the censuring in 2014 and his intentionally leaving a meeting to prevent the Board from taking action. There was discussion about Ron's actions and the implications of his actions on the function of the Board.

Jim Miller offered public comment. There was further Board discussion about Ron's past actions and behavior and the implications. The Board voted 3-2 to approve the motion with Grether abstaining and McConaghy and Mazzeo opposed.

Unscheduled Items:

None

Executive Session: None

Report/Action on Executive Session Matters: None

Adjourn: The regular meeting was adjourned at 12:46 p.m.

The undersigned have executed these minutes effective this 5th day of January, 2016.

RAY KITSON, PRESIDENT

DARA MACDONALD, SECRETARY

NRCDC Monthly Status Activity Summary

Current Account Balances	24-Dec-15
Operations and Maintenance	\$ 5,736.46
Revenue and Payment	\$ 111,464.42
Surplus (Restricted)	<u>\$ 140,031.57</u>
Total	\$ 257,232.45

Outstanding Invoices	Amount	Invoice #	Bill Date
City of Salida - November expenses	\$ 3,956.96	201512154564	12/15/2015
Atmos Energy	\$ 179.57		
Xcel Energy	\$ 309.52		Paid
Waste Management	\$ 212.66		12/30/2015
Monthly management fee	\$ 1,020.10		
Salida utilities	\$ 194.52		
Michael Scott - legal services	\$ 1,216.25		
Stotler & Young - accounting	\$ 55.00		
Janitorial	\$ 769.34		
Impresco - janitorial supplies			

Receivables

Deposited

Monthly lease payment	\$ 33,576.24	received around the 25th
Monthly loan payment	\$ (27,959.60)	pd on the 4th
Current loan balance	\$ 4,503,751.05	
Original loan balance in August 2013	\$ 4,722,000.00	
Loan balance on January 1, 2015	\$ 4,605,594.51	
Principal paid in 2015	\$ 101,843.46	

SALIDA NATURAL RESOURCE CENTER DEVELOPMENT CORPORATION
Profit & Loss Budget Overview
January through December 2016

	Jan - Mar 16	Apr - Jun 16	Jul - Sep 16	Oct - Dec 16	TOTAL Jan - Dec 16
Ordinary Income/Expense					
Income					
Lease Revenue	100,728.72	101,400.24	101,736.00	101,736.00	405,600.96
Total Income	100,728.72	101,400.24	101,736.00	101,736.00	405,600.96
Gross Profit	100,728.72	101,400.24	101,736.00	101,736.00	405,600.96
Expense					
Business Licenses and Permits	10.00	0.00	0.00	0.00	10.00
Insurance Expense					
General Liability Insurance	0.00	0.00	1,500.00	0.00	1,500.00
Total Insurance Expense	0.00	0.00	1,500.00	0.00	1,500.00
Interest Expense	57,429.08	57,089.12	56,744.81	56,396.06	227,659.07
Janitorial Fees	2,400.00	2,400.00	2,400.00	2,400.00	9,600.00
Legal Fees	750.00	750.00	750.00	750.00	3,000.00
Licenses & Permits	10.00	0.00	0.00	0.00	10.00
Management Fees	3,060.30	3,080.70	3,090.90	3,090.90	12,322.80
Professional Fees	165.00	5,465.00	165.00	165.00	5,960.00
Utilities					
Electricity	2,050.00	1,950.00	2,000.00	2,200.00	8,200.00
Gas	2,050.00	1,450.00	450.00	1,400.00	5,350.00
Water & Sewer	375.00	435.00	1,150.00	1,250.00	3,210.00
Utilities - Other	600.00	600.00	600.00	600.00	2,400.00
Total Utilities	5,075.00	4,435.00	4,200.00	5,450.00	19,160.00
Total Expense	68,899.38	73,219.82	68,850.71	68,251.96	279,221.87
Net Ordinary Income	31,829.34	28,180.42	32,885.29	33,484.04	126,379.09
Other Income/Expense					
Other Income					
Interest Income	6.00	6.00	6.00	6.00	24.00
Total Other Income	6.00	6.00	6.00	6.00	24.00
Net Other Income	6.00	6.00	6.00	6.00	24.00
Net Income	31,835.34	28,186.42	32,891.29	33,490.04	126,403.09

10:38 AM

12/31/15

Accrual Basis

SALIDA NATURAL RESOURCE CENTER DEVELOPMENT CORPORATION
Profit & Loss Budget vs. Actual
January through December 2015

	Jan - Dec 15	Budget	\$ Over Budget	% of Budget
Ordinary Income/Expense				
Income				
Lease Revenue	368,103.04	402,198.80	-34,095.76	91.5%
Pasture Lease	812.50	1,060.00	-247.50	76.7%
Total Income	<u>368,915.54</u>	<u>403,258.80</u>	<u>-34,343.26</u>	<u>91.5%</u>
Gross Profit	368,915.54	403,258.80	-34,343.26	91.5%
Expense				
Bank Service Charges	-0.10			
Insurance Expense				
General Liability Insurance	0.00	2,350.00	-2,350.00	0.0%
Insurance Expense - Other	1,236.00			
Total Insurance Expense	<u>1,236.00</u>	<u>2,350.00</u>	<u>-1,114.00</u>	<u>52.6%</u>
Interest Expense	212,698.83	233,139.42	-20,440.59	91.2%
Janitorial Fees	9,107.69	9,600.00	-492.31	94.9%
Legal Fees	2,072.17	2,400.00	-327.83	86.3%
Licenses & Permits	10.00	10.00	0.00	100.0%
Management Fees	11,160.40	12,200.80	-1,040.40	91.5%
Professional Fees	9,580.00	830.00	8,750.00	1,154.2%
Repairs and Maintenance	561.96	1,200.00	-638.04	46.8%
Utilities				
Electricity	6,531.71	9,000.00	-2,468.29	72.6%
Gas	3,344.88	4,415.00	-1,070.12	75.8%
Water & Sewer	2,764.03	3,475.00	-710.97	79.5%
Utilities - Other	2,259.52	2,160.00	99.52	104.6%
Total Utilities	<u>14,900.14</u>	<u>19,050.00</u>	<u>-4,149.86</u>	<u>78.2%</u>
Total Expense	<u>261,327.09</u>	<u>280,780.22</u>	<u>-19,453.13</u>	<u>93.1%</u>
Net Ordinary Income	107,588.45	122,478.58	-14,890.13	87.8%
Other Income/Expense				
Other Income				
Interest Income	20.82	24.00	-3.18	86.8%
Total Other Income	<u>20.82</u>	<u>24.00</u>	<u>-3.18</u>	<u>86.8%</u>
Net Other Income	20.82	24.00	-3.18	86.8%
Net Income	<u><u>107,609.27</u></u>	<u><u>122,502.58</u></u>	<u><u>-14,893.31</u></u>	<u><u>87.8%</u></u>

HAMBLIN AND ASSOCIATES, LLC

Certified Public Accountants

Member of the American Institute of Certified Public Accountants

3082 Evergreen Parkway, Suite 2
Evergreen, CO 80439
(303) 981-7059

January 5, 2016

Dara MacDonald and Board of Directors
Salida Natural Resource Center Development Corporation
Salida, Colorado

We are pleased to confirm our understanding of the services we are to provide for Salida Natural Resource Center Development Corporation (SNRCDC) for the year ended December 31, 2015.

We will audit the financial statements of SNRCDC, which comprise the statement of financial position as of December 31, 2015, the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Audit Objective

The objective of our audit is the expression of an opinion about whether your financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America and will include tests of your accounting records and other procedures we consider necessary to enable us to express such an opinion. We will issue a written report upon completion of our audit of SNRCDC's financial statements. Our report will be addressed to the Board of Directors of SNRCDC. We cannot provide assurance that an unmodified opinion will be expressed. Circumstances may arise in which it is necessary for us to modify our opinion or add an emphasis-of-matter or other-matter paragraph. If our opinion is other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed an opinion, we may decline to express an opinion or withdraw from this engagement.

Audit Procedures

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, tests of the physical existence of inventories, and direct confirmation of receivables and certain assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will also request written representations from the Organization's attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will require certain written representations from you about the financial statements and related matters.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. 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 will plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the Organization or to acts by management or employees acting on behalf of the Organization.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us, even though the audit is properly planned and performed in accordance with U.S. generally accepted auditing standards. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform the appropriate level of management of any material errors, any fraudulent financial reporting, or misappropriation of assets that comes to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention,

unless clearly inconsequential. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

Our audit will include obtaining an understanding of the Organization and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. An audit is not designed to provide assurance on internal control or to identify deficiencies in internal control. However, during the audit, we will communicate to you and those charged with governance internal control related matters that are required to be communicated under professional standards.

We may from time to time, and depending on the circumstances, use third-party service providers in serving your account. We may share confidential information about you with these service providers, but remain committed to maintaining the confidentiality and security of your information. Accordingly, we maintain internal policies, procedures, and safeguards to protect the confidentiality of your personal information. In addition, we will secure confidentiality agreements with all service providers to maintain the confidentiality of your information and we will take reasonable precautions to determine that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others. In the event that we are unable to secure an appropriate confidentiality agreement, you will be asked to provide your consent prior to the sharing of your confidential information with the third-party service provider. Furthermore, we will remain responsible for the work provided by any such third-party service providers.

Other Services

We will prepare the financial statements of the Organization in conformity with U.S. generally accepted accounting principles based on information provided by you.

We will perform the services in accordance with applicable professional standards. The other services are limited to the financial statement services previously defined. We, in our sole professional judgment, reserve the right to refuse to perform any procedure or take any action that could be construed as assuming management responsibilities.

Management Responsibilities

You are responsible for establishing and maintaining internal controls, including monitoring ongoing activities; for the selection and application of accounting principles; and for the preparation and fair presentation of the financial statements in conformity with U.S. generally accepted accounting principles. You are also responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, (2) additional information that we may request for the purpose of the audit, and (3) unrestricted access to persons within the organization from whom we determine it necessary to obtain audit evidence.

Your responsibilities include adjusting the financial statements to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the Organization involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the Organization received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring the Organization complies with applicable laws and regulations.

You are responsible for the preparation of the supplementary information in conformity with U.S. generally accepted accounting principles. You agree to include our report on the supplementary information in any document that contains, and indicates that we have reported on, the supplementary information. You also agree to include the audited financial statements with any presentation of the supplementary information that includes our report thereon.

You agree to assume all management responsibilities for the tax services, financial statement preparation services, and any other nonattest services we provide; oversee the services by designating an individual,

preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of the services; and accept responsibility for them.

Engagement Administration, Fees, and Other

We understand that your employees will prepare all cash, accounts receivable, and other confirmations we request and will locate any documents selected by us for testing.

Lyman Hamblin is the engagement partner and is responsible for supervising the engagement and signing the report or authorizing another individual to sign it. We expect to begin our audit on approximately March 7, 2016 and issue our report no later than July 31, 2016.

We estimate that our fees for the audit and other services will range from \$5,000 to \$5,300. You will also be billed for travel and other out-of-pocket costs, but we agree that total fees and out-of-pocket costs will not exceed \$5,300. The fee estimate is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the engagement. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation.

We appreciate the opportunity to be of service to you and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign and return it to us.

Very truly yours,

Hamblin and Associates

Hamblin and Associates, LLC

RESPONSE:

This letter correctly sets forth the understanding of Salida Natural Resource Center Development Corporation.

Management signature: _____

Title: _____

Date: _____