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NCC Mission Statement:
To defend, protect, and enhance the agricultural cooperative movement through pro-active programs in education, legislation, government affairs, communication, and regulatory issues.

Cooperative Principles:
• Voluntary and Open Membership
• Democratic Member Control
• Member Economic Participation
• Autonomy and Independence
• Education, Training & Information
• Cooperation among Cooperatives
• Concern for Community

NCC Member Cooperatives by the Numbers
(estimated as of 8-31-15)
32 Nebraska supply/marketing co-ops operating:
   347 additional branch locations in Nebraska
   55 additional branch locations out of state
3 Rural electric co-ops
1 Transport co-op
1 Telephone co-op
1 Out-of-state co-op with a branch in Nebraska
1 Out-of-state rural electric co-op
1 Livestock Marketing Agency
7 Participating Members
37 Supporting Members

NCC Member Supply/Marketing Co-op Stats:
54,300+ total voting members
5,600+ employees (full and part-time)
$7.2 billion total sales
$2.9 billion total assets
$154 million net savings
$212.7 million investment in new equipment and facilities in past year
$67.2 million total patronage refunds in past year
$26.4 million equity/estate redemption in past year
$13 million property taxes paid in past year
$7.7 million federal/state income taxes paid in past year
Chairman & President’s Message

Seventy years ago, a group of 20 Nebraska cooperative leaders met in Lincoln to discuss establishing/organizing a trade association for local cooperatives. As a result, the Nebraska Cooperative Council was formally organized in 1945. Incorporated into the Council’s Articles of Incorporation as one of the organizational purposes is the charge that the Council is “to do any and all things necessary to defend, protect and enhance the agricultural cooperative movement for the mutual benefit of the members of the Council.”

Those early cooperative leaders were visionary as they understood the importance of continuing education for cooperative directors and managers alike and, secondly, they understood the importance of having a voice in the formulation of public policy concerning cooperatives.

The Council remains committed to developing and providing quality cooperative training programs for cooperative directors. Indicative of this, three years ago the Council’s Board of Directors and Education Committee made the strategic programming decision to elevate the quality of the Council’s director education programs. Accordingly, we have incorporated nationally recognized experts from various land grant universities and industry and financial leaders into our programs. We believe our educational opportunities compliment cooperative management teams’ abilities to meet the challenges of a competitive agribusiness environment and potential alternatives in an ever-changing and complex business climate.

This past year, 398 board members and employees attended our director/manager training programs. The positive responses from the members, both in meeting evaluations and verbal discussions, reaffirms the strategic decision to elevate and enhance our programming.

Our youth education programming has been expanded. In 2011, we initiated an educational outreach to community college students. For the 2014/15 academic year, we conducted 18 classroom sessions encompassing 359 students. Since the program was established, we have provided 58 presentations attended by 1,045 students.

In addition, in August 2014, the University of Nebraska implemented a “Role of Cooperatives in Agriculture” class which was taught by Attorney Rocky Weber. This was the culmination of several years of working with the University to create cooperative offerings within the Department of Agricultural Economics. It should be noted that this class will be offered again in the fall 2015 semester. The importance of this cannot be overstated as it has been many, many years since the University offered students a class on cooperatives.

In July 2015, we executed an Agreement with the University of Nebraska Extension Division and the Ag Economics Department to partially fund a new faculty position in Agriculture and Rural Cooperatives. The candidate interview process will be commencing shortly, and the Search Committee includes three Council representatives. It has been since 1999 that we had a recognized faculty position within the Institute of Agriculture and Natural Resources with a cooperative discipline. We believe our financial commitment to create the faculty position will enhance cooperative extension, research, and undergraduate teaching.

This past July, the Board of Directors approved engaging the UNL Business College to undertake an economic impact study on supply/marketing cooperatives in Nebraska. This information should prove helpful in our education and legislative programs as well as to our educational outreach with other stakeholders.

As we look at the regulatory challenges before our membership, the Council has provided leadership to challenge recent interpretations by the Nebraska Department of Revenue. This includes the decision this year to challenge the Department concerning its position on the Sales & Use Tax on Parts & Machinery and NH3 Trailers/Tanks Classification. In addition, we also continue our energy source exemption challenge which was initiated several years ago. Both of these challenges are being funded by voluntary contributions from several of the membership (see page 9).

The Council’s legislative program continues to be a priority area. The Council’s management team recognizes the importance of providing leadership in the development and support of legislative initiatives favorable to cooperatives.

This past legislative session, your association was involved in or closely monitored 71 legislative bills and resolutions. This consumes an inordinate amount of time and a day-to-day presence at the Capitol. See the legislative section on page 5 which provides a summary of those issues we were following.

Your Council is recognized as an important and respected legislative leader for agricultural cooperatives by our elected state/federal legislators as well as the state/federal governmental departments and other stakeholders. This is the result of the efforts and dedication of many within the cooperative system.

As you review this year’s Annual Report, we believe it illustrates the Council (Continued on page 7)
2014/15 Council Leadership

Board of Directors

David Briggs, Chair  
WESTCO  
Alliance

Dean Thernes, Vice Chair  
Farmers Pride  
Battle Creek

Bruce Favinger, Secretary  
Cooperative Producers Inc  
Hastings

Dave Beckman  
Central Valley Ag Co-op  
York

Mike Hechtner  
CoBank  
Omaha

John Oehlerking  
Midwest Farmers Co-op  
Elmwood

Doug Ohlson  
Frenchman Valley Farmers Co-op  
Imperial

Randy Robeson  
Frontier Co-op Co.  
Brainard

Tim Rowe  
All Points Co-op  
Gothenburg

Legislative Advisory Committee
Robert Andersen .... Nebraska Cooperative Council (Co-chair)
Dean Thernes........ Farmers Pride, Battle Creek (Co-chair)
Dave Beckman ...... Central Valley Ag Co-op, York
Evan Brandes....... Aurora Co-op Elevator Co.
Matt Caswell......... AGP, Omaha
Jamey Nygren....... Farm Credit Services of America, Omaha
John Oehlerking..... Midwest Farmers Co-op, Elmwood
Randy Robeson ..... Frontier Co-op Co., Brainard
Ron Rutten.......... Country Partners Co-op, Spalding
David Briggs ........ WESTCO, Alliance (ex-officio)

NCC-Political Action Committee
Dean Thernes....... Farmers Pride, Battle Creek (Chair)
Britt Anderson...... All Points Co-op, Gothenburg
Ron Hunter......... Ag Valley Co-op, Edison
Mary Kay Lyon ....... CHS Agri Service Center, Holdrege
John Moore .......... Central Valley Ag Co-op, York
Doug Ohlson .......... Frenchman Valley Farmers Co-op, Imperial
Bill Schuster........ Aurora Co-op Elevator Co.
Ron Velder.......... Farmers Cooperative, Dorchester
David Briggs ........ WESTCO, Alliance (ex-officio)

Excellence in Cooperative Education Committee
Bruce Favinger......... Cooperative Producers Inc, Hastings (Chair)
Don Anthony........... CHS Inc, Lexington
Deb Brauer............. Crossroads Co-op Assn, Sidney
Carl Dickinson ........ Central Valley Ag Co-op, York
Jay Geu................... Frenchman Valley Farmers Co-op, Imperial
Tom Houser ............ CoBank, Omaha
Mike Nohavec ......... Farmers Cooperative, Dorchester
Dale Piper............... Midwest Farmers Co-op, Elmwood
Tim Rowe ............... All Points Co-op, Gothenburg
David Briggs........... WESTCO, Alliance (ex-officio)
Dr. Larry Van Tassell.. University of Nebraska-Lincoln (ex-officio)
Ed Woeppel .......... Nebraska Cooperative Council

Hall of Fame Committee
Daryl Erickson ........ Greenwood (Chair)
Don Wiseman......... Fairbury (Vice Chair)
Jerrell Dolesh .......... Tilden
Ed Foster ............. Gothenburg
Doug Nuttelman ...... Stromsburg
David Briggs.......... WESTCO, Alliance (ex-officio)
Robert Andersen ...... Nebraska Cooperative Council (ex-officio)

Staff

Robert Andersen .... President
Ed Woeppel .......... Education & Program Director
Glenda Gaston....... Office Manager/Admin Assistant
Deb Mazour.......... Program Coordinator/Admin Assistant
State Legislation
2015 Session

While the Council monitors all legislative activity in order to keep its cooperative members abreast of any legislative changes that may affect how cooperatives conduct business, the primary responsibility of the Council in the legislative arena is to monitor and effect legislation that pertains to “cooperative specific issues.” This legislative priority includes, but is not limited to, legislative action affecting:

- Cooperatives as business entities unique from corporations and limited liability companies
- Cooperative corporate governance and the rights and obligations of cooperative board members, stockholders and patrons
- Laws, including tax codes, that may affect how cooperatives allocate patronage to their patrons
- Equity management and equity redemption restrictions
- Securities and other “safe harbor” exemptions that provide cooperatives the ability to raise and manage equity

These legislative priorities involve issues that affect the very nature of the cooperative business model, whether it be a local or regional cooperative, a utility cooperative, a transportation cooperative, or the Farm Credit System, CoBank or related cooperative entities uniquely formed to serve the needs of cooperative business organizations.

The 2015 legislative session adjourned sine die on May 29. The Council tracked 71 bills and resolutions with potential to impact cooperatives. This year may have been one of the most unpredictable sessions in recent memory. With 18 new senators, the Legislature took action on some very controversial issues. The repeal of the death penalty, granting a drivers’ license to “dreamers,” increase in fuel taxes, and prison reform were issues that dominated the session. Twenty-four Legislative Updates were forwarded throughout the session to keep the membership up to date on key issues.

During the 2015 session, 247 bills became law (either with or without the Governor’s approval) and over 400 bills/resolutions will be carried over to the 2016 session.

Listed below are some of the more significant bills we followed. The Council’s position is indicated in parentheses (S=support, O=oppose, M=monitor, NP=no position).

**SIGNED INTO LAW**

**LB 23 - Engineers & Architects Regulation Act (N)**

LB 23 modernizes and updates the laws governing the licensure and practices of engineers and architects. Provisions of the bill became effective September 5, 2015.

**LB 92 - Ag Liming Materials Act and LB 93 - NE Commercial Fertilizer & Soil Conditioner Act (S both)**

LBs 92 and 93 were both signed into law on February 27. The bills synchronize the timeline for submitting ag liming reports and the fertilizer and soil conditioners report so that effective February 1, 2016, both are now due semi-annually. “Grade” is also defined to mean “the percentage of total nitrogen, available phosphate and soluble potash.” The grade must be stated in the same terms, order and percentages as in the guaranteed analysis, except for specialty products that may be guaranteed in fractional units.

In addition, the penalty provision for filing late reports will result in an administration fee of 25% of the delinquent amount being added for every month that the fee remains unpaid.

**LB 106 - Livestock Zoning (S)**

LB 106 was signed into law on May 27, and provisions became effective September 5, 2015. It requires the Director of Agriculture to appoint a 10-person committee of experts to advise the Department of Agriculture in the development of an assessment matrix which could be used by individuals as a reference tool when completing the permit application and by county officials when scoring conditional use permit or special exception applications. The committee of experts would include representation from county board members, county zoning administrators, livestock production agriculture, the University of Nebraska, and other experts as may be determined by the director.

**LB 175 - Livestock Growth Act (N with AM492)**

LB 175 was signed into law with the emergency clause, and provisions became effective May 28, 2015. It creates a grant program to assist livestock friendly counties in expanding livestock production. Fund uses could include zoning, siting, and infrastructure improvements (ie, roads, bridges, sewers, or water systems). The bill creates the Livestock Growth Act (Continued on page 6)
State Legislation
(continued from page 5)

Cash Fund, and grants of up to $15,000 would be available for the aforementioned purposes.

**LB 177 - Public Power Districts / Membership (O)**

Provisions of LB 177 become effective September 6, 2015. As passed, no full- or part-time employee could serve on the Public Power District (PPD) board that they are employed by, and no high-level manager employed by a district may serve as a member of a PPD board of any district. High-level manager is defined in the bill as “chief executive officer, president, vice president, chief financial officer, chief operations officer, general manager, or assistant general manager.”

**LB 181 - Flashing Lights (S)**

Effective September 6, 2015, LB 181 allows public utility districts to have blue and amber rotating or flashing lights on any public utility vehicle doing construction, maintenance or repair of utility infrastructure on or near any highway similar to what snow removal equipment is allowed.

**LB 183 - Grain Dealer Act (S)**

LB 183 becomes effective September 5, 2015. The bill amends the Grain Dealer Act as follows:

- Decreases grain dealer obligations covered by the dealer’s security, which is money set aside to pay growers who are not paid immediately upon delivery of their product.
- Limits the dealer security to cover payment only to growers who sell directly to dealers. The bill would not prevent owners who are not growers from claiming past due payments or grain purchased from filing claims stemming from the dealer’s failure to deliver.
- Shortens from 30 to 15 days the time a grower may demand payment from the dealer, attempt payment negotiations with the dealer, or notify the Public Service Commission (PSC) of an apparent loss.
- Removes a requirement that all grain transportation vehicles be registered and issued grain dealer plates.
- Clarifies that accountants or accounting firms preparing statements for grain dealership license applicants may be located in any state.

**LB 242 - Dry Bean Resources Act (M)**

With the incorporation of the emergency clause, LB 242 became law on April 14, 2015 following the Governor’s signature. As passed, it raises the checkoff fee for dry beans from 10¢/cwt to 15¢/cwt on August 1, 2015, and then in 2017, the maximum checkoff fee is increased to 24¢/cwt. Under both current law and LB 242, the Dry Bean Commission has the authority to set the checkoff within the specified range each year.

The bill also reduced the amount of funds that can be spent to influence federal legislation from 25% to 15% of the Dry Bean Commission’s annual budget. In addition, it clarified that “the purpose of such expenditures for federal lobbying activity shall be limited to activity supporting the underlying objectives of the dry bean program relating to market development, education, and research.”

**LB 464 - Effective Financing Statements (S)**

LB 464 was signed into law on May 26, and provisions become effective September 5, 2015. It amends statutes regarding the filing system for farm product security interests to eliminate requirements that social security numbers and IRS taxpayer identification numbers be included on Effective Financing Statements (EFS) and compiled by the Secretary of State in the EFS master list.

**LB 610 - Motor Fuel Taxes (S)**

Although the Governor vetoed LB 610 and LB 610A (its accompanying appropria-

...
services rendered by a provider. (LB 363 - oppose)
• Revises the interest rate applicable to an award of WC benefits in which an attorney’s fee is permitted. It changes the rate provided in section 45-104.01 (14%) to a rate calculation of 6 percentage points above the bond investment yield, as published by the U.S. Secretary of Treasury. Effective April 16, 2015, the judgment interest rate is 2.137%. (LB 133 - support)
• Expands the authority to invest trust assets held in irrevocable WC trusts to allow for investments in the same manner as corporate trustees holding retirement or pension funds for governmental employees. It provides that if the assets fall below the acceptable amount required by the compensation court, the trustor must deposit additional assets to continue to satisfy the minimum security amounts required. It also provides that the trustee cannot invest assets into stocks, bonds or other obligations of the trustor. (LB 600 - support)

Workers’ Compensation
The bills below will be carried over to the 2016 session:

LB 134 - Confidentiality of First Injury Reports (S)... Would make first injury reports relating to workplace injuries confidential unless the employee waives confidentiality to allow the report to be made available for public inspection.

LB 388 - Total Disability Benefits (O)... Would provide annual adjustments for total disability benefits in a proportion equal to annual increases resulting from the determination of the state’s average weekly wage.

LB 429 - Utilization and Treatment Guideline (S)... Would presume any medical, surgical, and hospital services provided on or after January 1, 2016, in accordance with the Official Disability Guidelines (ODG) as published by the Work Loss Data Institute, to be reasonable and necessary. The measure would remove responsibility of an insurer, risk-management pool, or self-insured employer for charges for medical, surgical, or hospital services not provided in accordance with the ODG, unless the medical, surgical, or hospital services were pre-authorized or resolved pursuant to the independent medical examiner process or by the WC Court.

Chair & President’s Message
(continued from page 3)

is committed to its mission of doing all things necessary “to defend, protect, and enhance the agricultural cooperative movement through pro-active programs in education, legislation, and regulations.” We believe that the Council’s founding fathers would be pleased that 70 years later, the Council’s mission parallels their original vision.

In closing, we want to extend our sincere appreciation for the members’ participation, input, and financial support this past year to position the Council to properly address the challenges before us both now and in the future.

Your continued support is both valued and appreciated.

In the cooperative spirit, we remain...

David Briggs     Robert Andersen

“‘It is difficult to make our material condition better by the best law, but it is easy enough to ruin it by bad laws.’”
- Theodore Roosevelt
Energy Source Exemption Update

As Council members are aware, the interpretation and application of the energy use exemption to grain drying has been in limbo since 2008. The Council has collected voluntary contributions from its members for the purpose of challenging the Department of Revenue with respect to application and interpretation of the energy exemption. The purpose of the joint funds is to bring cases before the Department and challenge its positions on the energy exemption, through litigation and appeals if necessary.

In late fall 2010, numerous sales tax refund claims, or test cases, were filed utilizing the energy consumption and payments from a member cooperative’s grain handling sites in eastern Nebraska. Legal counsel and an energy auditor compiled and filed refund claims relating to both gas and electricity used for drying grain.

The Department quickly determined that there was no legitimate basis to deny the refund claims relating to natural gas. Each of the gas refund claims arose from sites where the gas was used solely in a grain dryer. As such, NCC members who utilize gas dryers should ensure they are filing exemption certificates (form 13) with their natural gas providers, and those who have been paying tax on gas utilized for drying grain should be able to seek and receive refunds of sales taxes paid without much, if any, resistance from the Department. Refund claims can be sought for taxes paid as far back as three years ago.

The refund claims for taxes paid in connection with electricity are still pending and being litigated before the Department. Unfortunately, the Department did not set forth a progression schedule or schedule a hearing, despite repeated requests, until earlier this year.

We are now engaged in the discovery process and are working to respond to numerous requests from the Department regarding the grain drying process. The hearing officer has set October 9, 2015 as the discovery deadline. We also have a hearing on the merits scheduled for November 17, 2015, which may very well last 2-3 days.

We encourage all our members to continue to claim the energy use exemption relating to grain drying.

The Council continues to work closely with the National Council of Farmer Cooperatives (NCFC) regarding federal legislation and regulations. NCFC has a continuous presence with federal legislative staffs and policy makers which allows the views of farmer owned cooperatives to be held in the forefront of any discussions.

NCFC, along with strong support from state councils such as Nebraska, monitors any efforts that would threaten the cooperative business model. Issues such as mandatory equity redemption, interest on members’ equity, securities, patronage redemption, Capper Volstead repeal, and many more are continually monitored to ensure that the cooperative business model is not compromised.

Sales Tax Exemption Challenge of NE Department of Revenue

• Interpretation of Sales/Use Tax Exemption for Depreciation
• NH3 Trailer/Tanks Classification

There has been a significant development in connection with the concerted effort that members have undertaken to challenge the Department of Revenue’s application and interpretation of the sales and use tax exemption for agricultural machinery and equipment.

For many years now, the Department has refused to characterize NH3 trailers/tanks as agricultural machinery or equipment for purposes of the sales and use tax exemption for agricultural machinery and equipment “because they are licensable trailers”. Consequently, we recently challenged this interpretation appeals to the District Court of Lancaster County.

After submitting legal briefs to the Attorney General’s office, the State of Nebraska has concluded that the Department’s interpretation is not supported by current law. The Department therefore has communicated to the Court that we are correct in that such trailers do qualify for the exemption, and the Attorney General’s office has notified us that the Department will no longer be denying refunds on the basis that such equipment is not qualified for the exemption because it is licensable. To be clear, this development applies only to purchases of trailers or tanks, as opposed to expenses associated with repairs or parts for such trailers. Repairs to and parts for such trailers, and how they are treated by the Department under the exemption, is still at issue in the ongoing appeals that are described below.

In light of this concession to the Court, all members should review their records to determine if they paid any sales or use
...to the following who provided voluntary contributions to cover expenses related to resolving the energy source and sales tax exemption issues:

**ENERGY SOURCE FUND CONTRIBUTORS**

- Aurora Co-op Elevator Co
- Battle Creek - Farmers Pride
- Brainard - Frontier Co-op Co
- Brule - Farmers Co-op Assn
- Cedar Bluffs - Farmers Union Co-op Assn
- Dodge - Cooperative Supply Inc
- Dorchester - Farmers Cooperative
- Edison - Ag Valley Co-op N/S
- Elmwood - Midwest Farmers Co-op
- Friend - Farmers Union Co-op Co
- Gothenburg - All Points Co-op
- Hastings - Cooperative Producers Inc
- Hemingford - Farmers Co-op Elevator Co
- Holdrege - CHS Agri Service Center
- Imperial - Frenchman Valley Farmers Co-op
- Lindsay - Farmers Co-op Assn
- Spalding - Country Partners Co-op
- York - Central Valley Ag Co-op
- Holyoke CO - CHS/Grainland Co-op
- Ag Processing Inc
- CHS Inc
- Eastern NE Grain
- Land O’Lakes

**SALES TAX EXEMPTION FUND CONTRIBUTORS**

- Aurora Co-op Elevator Co
- Battle Creek - Farmers Pride
- Brainard - Frontier Co-op Co
- Dodge - Cooperative Supply Inc
- Dorchester - Farmers Cooperative
- Edison - Ag Valley Co-op N/S
- Elmwood - Midwest Farmers Co-op
- Elsie - Hi-Line Co-op Inc
- Fairfield N/S Co-op Fertilizer
- Friend - Farmers Union Co-op Co
- Gothenburg - All Points Co-op
- Hastings - Cooperative Producers Inc
- Hemingford - Farmers Co-op Elevator Co
- Imperial - Frenchman Valley Farmers Co-op
- Lindsay - Farmers Co-op Assn
- Spalding - Country Partners Co-op
- Wausa - CHS Inc

Tax in connection with purchases of NH3 trailers/tanks in the last three years. To the extent they have, they should immediately file refund claims. We can assist any member who might have questions regarding how to submit refund claims.

As members will recall, the NH3 trailer issue was only one of the issues we raised in the pending litigation. The Department of Revenue has been applying a very restrictive interpretation of the sales and use tax exemption for depreciable repairs or parts for agricultural machinery and equipment under Neb. Rev. Stat. §77-2708.01, including repairs and parts for NH3 trailers. Several members have had refund claims denied on the basis that certain repairs and parts are not depreciable. As part of the concerted effort, we have filed appeals to the District Court of Lancaster County to challenge these determinations.

By way of background, the exemption for agricultural machinery and equipment repairs and parts, which is applicable to all purchases made prior to October 1, 2014, applies to depreciable repairs and parts. Even though the Legislature has statutorily defined the term “depreciable tangible personal property” to mean property which has a determinable life of longer than one year, the Department refuses to apply this definition.

The Department is refusing to accept that certain replacement parts purchased prior to October 1, 2014, such as alternators and spray bars, are depreciable tangible personal property. The Department denied refund claims submitted by several cooperatives. The actual list of parts/repairs that have recently been denied is quite long, and in most cases there can be no doubt they have a determinable life of longer than one year.

A hearing is scheduled before the Lancaster District Court on September 2, 2015. We anticipate the district court will render decisions on the appeals yet this year. Once the decisions are issued, we will then need to determine whether further appeals to the Nebraska Court of Appeals or Supreme Court will be necessary.

Note that the Legislature modified the exemption for repair and replacement parts during the 2014 session. Effective October 1, 2014, taxpayers no longer are required to establish that repair and replacement parts are depreciable. Also, from and after this date the exemption no longer requires that sales tax be paid and then refunded at the taxpayer’s request. The exemption is a direct exemption, and for this reason there should not be too many issues with the Department allowing the exemption going forward.

**Effective Financing Statement - Unique Identifier Number**

In March, the Council held a Credit Workshop for the purposes of presenting tips for successfully managing credit risks and updating the membership regarding pertinent credit issues. A portion of the workshop also addressed the recent transition by the Nebraska Secretary of State (SOS) to the personal Unique Identifier Number (UIN) system as it applies to Effective Financing Statement (EFS) filings.

(Continued on page 10)

![Image](images/credit-workshop.jpg)
We learned that the implementation of the UIN system was creating substantial issues for cooperatives due to the inability to cross-reference individuals’ social security numbers with their respective UINs in a prompt and efficient manner. Thus, the new system creates a strain on cooperative personnel. To clearly define the problems that cooperatives face and to create a transitional phase to ease into the new system, an ad-hoc committee was established by the Council and included assistance from Attorney Bill Kutilek. Throughout this process, the SOS office maintained a willingness to work with us in terms of making the UIN system a more user-friendly system.

Accordingly, the SOS Business Services Division has agreed to produce a spreadsheet (in Excel format on encrypted discs) of active debtors along with their corresponding UINs and last 4 digits of their social security numbers. This spreadsheet would be made available on a limited basis (to those entities that are registered quarterly recipients of the master lien lists) in order for cooperatives to update their systems so that new UINs can be matched to the existing information (i.e., name, address, social security number) that is contained within such systems.

In addition, we requested that the SOS modify their current practice concerning the distribution of periodic updates to the master lien lists. Presently, the SOS issues a list of filing changes to that master lien list that were made since the last quarterly distribution. However, these updates are only available on microfiche. Due to the declining use of microfiche systems, we have been engaged in a continuing dialogue to encourage the SOS to provide the updates in other forms of media (including electronic transmission directly to cooperatives). We are most hopeful this will become a reality.

PSC Schedule A and E Rates

On June 2, the Nebraska Public Service Commission (PSC) voted to raise the current Schedule A and E rates. These rate schedules govern the maximum rates for state-licensed grain warehouses for Receiving and Handling (R&H) grain as well as Storage and Insuring (S&I). Prior to the May 19 PSC hearing on the rates, the Council’s Grain Ad-Hoc Committee recommended increasing the maximum charges due to the increases over the years to building and personnel costs. The Council’s Board of Directors agreed with that recommendation, and Council President Bob Andersen testified at the hearing in favor of increasing the rates. Information regarding the new rules was sent to members on June 2.

NCC Political Action Committee

The NCC Political Action Committee continues to be a significant part of the Council’s overall legislative program. The NCC-PAC was established in 1999 to help gain access to legislators from urban and rural areas of the state through voluntary contributions from members.

As the urban areas of the state continue to grow in population, it is important that the Council has access to the state senators serving those areas. Through the PAC, the Council has the opportunity to communicate with and educate state senators regarding issues that are important to cooperatives and rural Nebraska.

As we have transitioned into the era of term limits, the ability to update and educate senators has become even more crucial. As senators move in and out of leadership positions much more rapidly, maintaining open communication has become much more critical.

...to the following members who provided voluntary contributions to the NCC-PAC for the 2014-15 fiscal year:

Ainsworth - Farmers/Ranchers Co-op Assn
Alliance - Panhandle Rural Electric Membership
Alliance - WESTCO
Aurora Co-op Elevator Co
Battle Creek - Farmers Pride
Blue Hill - Glenwood Telephone Membership Corp
Brainard - Frontier Co-op Co
Cedar Bluffs - Farmers Union Co-op Assn
Clarkson - Farmers Union Co-op Supply Co
Dodge - Cooperative Supply Inc N/S
Dorchester - Farmers Cooperative
Edison - Ag Valley Co-op N/S
Elmwood - Midwest Farmers Co-op
Elsie - Hi-Line Co-op Inc
Fairfield N/S Co-op Fertilizer
Friend - Farmers Union Co-op Co
Gothenburg - All Points Co-op
Grant - Midwest Electric Co-op Corp
Hastings - Cooperative Producers Inc
Hemingford - Farmers Co-op Elevator Co
Holdrege - CHS Agi Service Center
Imperial - Frenchman Valley Farmers Co-op
Lindsay - Farmers Co-op Assn
Scottsbluff - Panhandle Co-op Assn
Sidney - Crossroads Co-op Assn
Spalding - Country Partners Co-op
Wausa - CHS Inc
York - Central Valley Ag Co-op
Ag Processing Inc
Austin Mutual Insurance Co
Capital Recovery, Inc
CHS Inc
CHS Insurance
Gardiner Thomsen
Land O'Lakes Inc
Milliman, Inc.
Nebraska Rural Radio Assn
Director Education

The Council concluded its 2014/15 education programs with a full complement of programs designed to meet the needs of cooperative directors. Once again, attendance was strong with 398 directors, managers, and staff or 74% of the Council’s member supply/marketing cooperatives attending at least one of the programs.

This attendance level is remarkable considering the merger activity that has taken place in the past few years. In fact, we would have to go back to the early 2000s to see this level of attendance.

Programs offered this year were the Director/Manager Workshop, Director Certification Program, Cooperative Issues Symposium, Cooperatives For Tomorrow Seminar, Board Officers Seminar, Credit Workshop, and StrengthsFinder. A summary of each program follows:

Director/Manager Workshop
The Council’s Director/Manager Workshop was held in Kearney on November 20, 2014. Eighty-seven (87) members heard from Dr. Mike Boehlje of Purdue University and Steve Dawson, founder of Dawson Forensic Group. This was the first time the Council held its Annual Meeting and Director/Manager Workshop on consecutive days. After review of the evaluations, it appears like the membership approved of this change.

Director Certification Program
All four phases of DCP were conducted on January 6 and 7, 2015 in Kearney. DCP is designed to accelerate the process by which directors become active, effective board members.

Conducting the four phases were Dr. Roger Ginder, Professor-Emeritus, Iowa State University; Tom Houser, Vice President of the Regional Agribusiness Banking Group of CoBank; Rocky Weber, Attorney with Crosby Guenzel LLP; Don Wiseman, retired cooperative manager, and Ed Woeppel, NCC Education & Program Director. A total of 69 phases were completed by directors from 18 cooperatives.

Cooperatives For Tomorrow Seminar
The CFT seminar was held on February 4 in Lincoln with 74 individuals attending. CFT continued with its “big picture” theme by featuring a variety of speakers that Nebraska directors may not normally have a chance to hear from.

Dr. David Kohl, retired professor from Virginia Tech, began the day by addressing the “end of the commodity super cycle.”

Ray Wyse, founder of SWAT, LLC, then talked about long-term trends in food and fuel consumption.

After lunch, Joe Hudson, founder of One Earth Capital, addressed sustainable agriculture and the changing consumption habits of consumers. Dr. Eric Thompson from the University of Nebraska finished the day by addressing how Nebraska’s economy is being impacted by the shift in the ag economy.

Cooperative Issues Symposium
The CIS was held in Lincoln on February 5 with 76 participants.

Dr. Mike Boland from the University of Minnesota addressed a number of cooperative topics including qualified vs. non-qualified allocations, equity revolvement, and how contemporary mergers are impacting cooperatives.

Jim Magnuson, CEO, and Bob Finch, Board President of Key Cooperative in Roland, IA, discussed their strategy for equity retention and revolvement.

Bob Bell from Lancaster, WI, finished the program with a presentation on driving culture through an organization.

Board Officer Seminar
BOS was held on February 26 in LaVista prior to the start of CoBank’s Customer Meeting. The program was once again an open-ended discussion that hit on a variety of cooperative topics. It was once again highly rated by the 32 participants.

Credit Workshop
On March 5, the Council hosted a Credit Workshop in Kearney with 42 individuals representing 19 co-ops and 2 Supporting Members attending.

Bill Kutilek and Andrew Pease, attorneys with the Crosby Guenzel LLP law firm, and Ann Hinkle, Deputy Secretary of State, were facilitators for the program.

Because of the importance of credit issues, particularly in this changing economic environment, the program was highly rated. The evaluations show that participants found value in the workshop and would be able to utilize the materials and discussion to improve their practices regarding credit.

StrengthsFinder
Council staff provided StrengthsFinder training for 18 management level employees of Frenchman Valley Farmers Co-op in Imperial. The program provided participants with a better understanding of how individuals process things differently and how teams can become more effective by understanding different processing styles.
Youth Education

College Offerings
This year has been an historic time for a “cooperative presence” with college ag students in Nebraska. In total, we have reached over 250 college ag students through three different offerings.

New Cooperatives Class at UNL...
On August 26, 2014, the University of Nebraska-Lincoln held the first session of the “Role of Cooperatives in Agriculture” class. This one-credit-hour class, taught by Attorney Rocky Weber, has proven to be very successful and will become an ongoing offering within the Ag Economics Department. A total of 13 students were enrolled in the initial class that allowed students to gain an in-depth understanding of the cooperative business model.

The Council was pleased to work with UNL in the development of this class. In addition to the class, students will have the opportunity to earn credit through cooperative internships and participate in a cooperative study/tour.

Ag Career Fair at Northeast Community College (NCC)...
The Council and many local cooperatives partnered with NCC-Norfolk which hosted their first Ag Career Fair. Over 70 students had the opportunity to learn about Nebraska cooperatives and the career opportunities in cooperatives.

Co-ops 101 at Community Colleges...
In addition to the above “first time” events, the Council is in its third year of our Co-ops 101 program with community colleges. This continues to be a successful way to reach two-year ag students in every area of the state. This academic year we provided 17 presentations to 289 students and instructors at the two-year post secondary schools. Since the inception of the Co-ops 101 program, we have reached over 1,025 students.

Cooperative Speaking Contest
The Council, along with the CHS Foundation, sponsored the State FFA Cooperative Speaking Contest on April 9-10 in Lincoln. Fifty-seven (57) students participated at the district contests with 23 qualifying for state.

This year’s winner was Jessie Rudolph (at right) of the Gothenburg FFA Chapter. Second place was awarded to Karissa Dicke of the Elgin FFA Chapter, and third place went to Emma Good of the Ainsworth FFA Chapter. Other results (in alphabetical order) and the FFA chapters they represented were:

Gold - Tiandrah Barnes, Cody-Kilgore; Heidi Borg, Allen; Jada Jensen, Hyannis; Emily Ludwig, Wisner-Pilger; and Kaitlyn Taylor, Holdrege
Silver - Dalton Anderson, Lewiston; Spencer Bierfreund, Medicine Valley; Megan Coan, Lakeview; Brody Davis, Cody-Kilgore; Brody Gamer, York; Montana Hill, Seward; Lauren Jacobsen, Wisner-Pilger; and Kaitlyn Lennemann, Southern Valley
Bronze - Erika Eckhardt, Sterling; Cody Hambleton, Fullerton; Mercedes Hemmingsen, Riverside; Hanna Hulse, Leigh-Clarkson; Jackie Lewis, Loup County; Devyn Rother, St. Paul; and Kali Uhrich, Red Cloud

Summer Ag Teachers Conference
The Council and the CHS Foundation joined together to sponsor a break during the Nebraska Ag Teachers Summer Convention held June 1-4 in Kearney. During the break, Ed Woeppe provided remarks on behalf of the Council. He thanked teachers for their role in preparing the next generation of agricultural leaders and discussed the value that Nebraska cooperatives provide. At the meeting, Woeppe also provided copies of cooperative videos and curriculum to new teachers and programs that had joined the ranks in the past year.
New Cooperatives Faculty Position at the University of Nebraska

On July 1, 2015, the Council’s Board of Directors approved entering into an agreement with the University of Nebraska to establish a faculty position in agricultural and rural cooperatives. On July 20, Council President Bob Andersen, Ag Economics Department Head Dr. Larry Van Tassell, and UNL Extension Dean Chuck Hibberd signed the documents for this position.

This tenure-track position will be jointly funded by the Council and the Institute of Agriculture and Natural Resources for the first six years of the position.

This agreement between the Council and the University of Nebraska is a result of a significant amount of research, discussion, and negotiation between both groups. For a number of years the Council led efforts to establish a stronger “cooperative” presence in the Ag Economics Department. Last year, we were able to establish a one-credit hour cooperatives class for undergraduate students; however, neither research or extension was addressed by this addition.

In the fall of 2014, Dr. Van Tassell submitted a proposal to the Council that would create a cooperatives staff position. After much study/discussion, the Council’s Board determined this partnership would provide value to Nebraska cooperatives.

The search for a qualified individual began immediately with plans of conducting interviews this fall. As part of the agreement, the Council will have three members on the search committee providing adequate industry input.

Through this agreement we envision this person will enhance the undergraduate offering for the cooperatives class, internship, and study/tour programs; conduct applied cooperative research; and be involved in outreach programming.

In 2011 the Council adopted a different approach to director education programming. At that time we determined that in order for our educational programs to meet the needs of our members, we need to seek out the most highly qualified facilitators to address issues in their area of expertise.

This model will not change due to the new agreement with the University of Nebraska. We will still seek out the best possible presenter for each topic that is identified. Once the new UNL faculty member establishes areas of research expertise, we will utilize them within programs focusing on those area of expertises.

Cooperative Economic Impact Study

Since the 2006/07 FY, the Council has been collecting data from local cooperatives via the membership application. This data has been used in a cumulative form to develop items such as the Fact Sheet about cooperatives that we utilize in the Co-ops 101 presentations for college students and provide to state senator candidates during the PAC interviews. The NCC Fact Sheet provides cumulative totals of locations, members, employees, and investments made by supply/marketing cooperatives.

Our internal data doesn’t take into account “multiplier” effects and other economically important analysis of a true impact study. So while our collection has been very cost effective and constitutes an informative and positive first step, it is safe to say that the numbers we report are understated by a substantial amount.

To provide a more accurate and credible report of the economic impact that cooperatives have on Nebraska’s economy, the Council has contracted with the University of Nebraska-Lincoln Bureau of Business Research (BBR) to conduct an economic impact study of Nebraska’s supply/marketing cooperatives.

The principal investigator on the study will be Dr. Eric Thompson, Director of the BBR at UNL. Dr. Thompson will be assisted by Dr. David Rosenbaum, also with the BBR.

As mentioned previously, the information derived from this study will be valuable for our contacts with students and legislative candidates; however, it will also be beneficial for our general membership, farm organizations, commodity groups, the general public, and current state senators.

The study is slated to be completed this winter.
Annual Meeting

The Council’s 69th Annual Meeting featured a significantly revised format that resulted in a shortened meeting and an opportunity for attendees to participate in two Council activities in one trip away from home. The Annual Meeting was held at the Kearney Holiday Inn on the afternoon of November 19, 2014 with 184 members and guests in attendance.

During the business session, the financial report, President’s report, Chairman’s report, PAC report, and Excellence in Cooperative Education Committee report as well as an update on the UNL Cooperatives Class, Internship and Study/Tour, and the Nebraska Model Business Act were provided.

Following the business session, the group heard from Sergeant Keni Thomas. Sgt. Thomas provided an inspiring presentation based on his service as an Army Ranger in Somalia, which inspired the book and movie “Blackhawk Down.”

The Hall of Fame induction ceremonies provided the capstone for the 2014 Annual Meeting. Virgil Harms of Blue Springs and Roland From of Lincoln were the 2014 inductees into the Hall of Fame.

On the following day (Nov. 20th) the Council hosted its Director/Manager Workshop in Kearney.

Prior to presenting the President’s Report, President Bob Andersen (at podium) shares a joke with the membership. Also pictured (L-R): NCC Board Vice Chair Randy Robeson, Board Secretary Bruce Favinger, and Board Chair David Briggs.

Neil Stedman (left) from Midwest Farmers Co-op in Elmwood was one of the prize winners during the day’s drawings.

Keynote speaker and entertainer Sergeant Keni Thomas

NCC Board Chair David Briggs (left) thanks outgoing NCC board members Ron Heerten (center) and Carl Dickinson (right) for their service.

Following the Annual Meeting, the membership enjoyed time for fellowship over hors d’oeuvres and beverages.

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2014/15 Annual Report - Nebraska Cooperative Council

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Cooperative Hall of Fame

Roland From of Lincoln and Virgil Harms of Blue Springs became the 60th and 61st members to be inducted into the Nebraska Cooperative Council Hall of Fame on November 19, 2014. The induction ceremony was held in conjunction with the Council’s Annual Meeting in Kearney.

As part of a distinguished group of cooperative leaders, Roland and Virgil each received a framed certificate commemorating their induction into the Hall of Fame. In addition, they will be recognized with a plaque detailing their contributions to cooperatives which will be permanently displayed at the Council office.

Roland From

Roland became a cooperative member in 1973. In 1988, he was elected to the Farmers Cooperative Business Association board and served on it for 13 years through 2001. The last nine of those years, he served as board chair.

Roland served as a members representative for the Nebraska Cooperative Council for two years and then served on the NCC board from 1999-2002. While on the board, he served on its Educational Advisory Committee for three years with two years as chair and on the Fund for Excellence Committee for three years with two years as chair.

Virgil Harms

After graduating college, Virgil taught business at Deshler High School. In 1971 he began a 35-year career with the Omaha Bank for Cooperatives and its successor CoBank.

He began as a business analyst, and at retirement he was responsible for CoBank’s largest regional office in Omaha. At various points in his career, Virgil also had responsibility for CoBank’s Wichita KS, Sacramento CA, Spokane WA, and Austin TX offices.

Virgil served on the board of the Nebraska Cooperative Council for two 2-year terms. He also served on its Legislative Advisory Committee for two 2-year terms and on the Hall of Fame Committee for six years.

Upcoming Change in Council Leadership

Long-time Council President Bob Andersen (top left) announced his impending retirement this spring. After 42 years of dedicated service to Nebraska cooperatives, Andersen will be retiring on February 29, 2016.

Through his four decades of leadership, the Council has grown to become the reliable voice for cooperatives while being viewed as one of the premier trade associations in the state. David Briggs, NCC Board Chair and President of Westco in Alliance, indicated that “The leadership Bob has provided the cooperatives in Nebraska during his career is outstanding. Over his four decades of service, Bob has worked hard to bring a unified voice regarding cooperative issues to the Legislature. In addition Bob has built strong relationships with institutions and agencies all across the nation.”

On May 1, the Council’s Board of Directors announced the selection of Rocky Weber (top right) to serve as President and General Counsel of the Nebraska Cooperative Council. Weber will join the Council on January 4, 2016. Most recently, Weber has served as managing partner of the Crosby Guenzel law firm.
### General Fund

#### Statements of Financial Position
**August 31, 2015 and 2014**

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current Assets:</strong></td>
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<td></td>
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<tr>
<td>Cash and Cash Equivalents:</td>
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<tr>
<td>Cash - Unrestricted</td>
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<td>Cash - Restricted - FFE</td>
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<td>Cash - Restricted - NCC-PAC</td>
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<td>76,531</td>
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<td>Cash - Restricted - NACA</td>
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<td>Cash - Restricted - UNL Tickets</td>
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<td>1,528</td>
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<td>Cash - Restricted - Energy Source</td>
<td>26,032</td>
<td>12,402</td>
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<tr>
<td>Cash - Restricted - Anhydrous Sales &amp; Use Tax</td>
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<td>-</td>
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<td>Total Cash and Cash Equivalents</td>
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<td>KRVN Golden Notes - Restricted - FFE</td>
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<td>Certif of Dep - Unrestricted</td>
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<td>Interest Receivable - Unrestricted</td>
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<td>Interest Receivable - Restricted - FFE</td>
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<td>Interest Receivable - Restricted - NACA</td>
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<td>Prepaid Expenses</td>
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<td>KRVN Golden Notes - Unrestricted</td>
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<td>KRVN Golden Notes - Restricted - FFE</td>
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<td>Certif of Dep - Restricted - FFE</td>
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<td>Deferred Annuity - Restricted - FFE</td>
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<td>Cash Value of Deferred Comp. Assets</td>
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<td><strong>Total Investments</strong></td>
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<td><strong>Property &amp; Equipment:</strong></td>
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<td>Furniture &amp; Office Equipment</td>
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<td>123,388</td>
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<td>Accumulated Depreciation</td>
<td>(89,302)</td>
<td>(73,101)</td>
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<td>Net Property &amp; Equipment</td>
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<td><strong>TOTAL ASSETS</strong></td>
<td><strong>$2,257,479</strong></td>
<td><strong>$2,123,869</strong></td>
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</table>

#### Statements of Activities
**August 31, 2015 and 2014**

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<thead>
<tr>
<th>ASSETS</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current Liabilities:</strong></td>
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<td>Prepaid Dues</td>
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<td>Prepaid Deposits</td>
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<td>Prepaid NCC-PAC Contributions</td>
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<td>Accrued Expenses</td>
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<td><strong>Total Current Liabilities</strong></td>
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<td><strong>Long-Term Liabilities:</strong></td>
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<td>Deferred Rent</td>
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<td>Deferred Compensation Payable</td>
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<td><strong>Total Long-Term Liabilities</strong></td>
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<td><strong>Net Assets:</strong></td>
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<td>Unrestricted</td>
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<td>FFE - Restricted</td>
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<td>765,507</td>
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<tr>
<td>NCC-PAC - Restricted</td>
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<td>NACA - Restricted</td>
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<td>NCC-UNL Tickets - Restricted</td>
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<td>Energy Source - Restricted</td>
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<td>Anhydrous Sales &amp; Use Tax - Restricted</td>
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<td><strong>Total Net Assets</strong></td>
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<td><strong>TOTAL LIABILITIES &amp; NET ASSETS</strong></td>
<td><strong>$2,257,479</strong></td>
<td><strong>$2,123,869</strong></td>
</tr>
</tbody>
</table>

#### Energy Source Fund

**2015** | **2014**
---|---
Revenue and Support: | Revenue and Support: |
| Contributions Received | $41,402 | - |
| Interest Income | 11 | 8 |
| **Total Revenue and Support** | **41,413** | **8** |
| Expenses: | Expenses: |
| Legal Fees | 27,783 | 5,473 |
| **Total Expenses** | **27,800** | **5,473** |
| Increase (Decrese) in Net Assets | 13,630 | (5,465) |
| Net Assets - Beginning of Year | 572,267 | 479,510 |
| Net Assets - End of Year | **$656,697** | **$572,267** |
Net Assets - Beginning of Year             -
Increase in Net Assets 18,009
Net Assets - Beginning of Year   1,528   1,495
Net Assets - End of Year $18,009

*This fund was established in 2015.

FUND FOR EXCELLENCE (FFE) FUND

Revenue and Support:  
Interest Income       $931 $5,930
Investment Income (Loss) from Marketable Securities 11,152 (5)
Unrealized Gain (Loss) on Marketable Securities (34,433) 12,246
Increase in Annuity Cash Surrender Value 1,152 1,120
Total Revenue and Support (21,198) 19,291

Expenses:  
Total Expenses        0            0

Increase (Decrease) in Net Assets (21,198) 19,291
Net Assets - Beginning of Year   765,507 746,216
Net Assets - End of Year $744,309 $765,507

NATIONAL AFFAIRS COOPERATIVE ACTION (NACA) FUND

Revenue and Support:  
Contributions Received $35,052 $35,841
Interest Income 191 206
Total Revenue and Support 191 15,191

Expenses:  
Total Expenses 0 0

Increase in Net Assets 191 15,191
Net Assets - Beginning of Year   72,899 57,708
Net Assets - End of Year $73,090 $72,899

NCC-PAC FUND

Revenue and Support:  
Contributions Received $35,052 $35,841
Interest Income 171 206
Total Revenue and Support 35,223 36,047

Expenses:  
Donations 3,750 45,450
Miscellaneous 5 5
Total Expenses 3,755 45,450

Increase (Decrease) in Net Assets 91,486 (9,403)
Net Assets - Beginning of Year   53,862 63,265
Net Assets - End of Year $85,330 $53,862

UNL TICKETS FUND

Revenue and Support:  
Contributions Received $46,204 $46,847
Interest Income 2 1
Total Revenue and Support 46,206 46,848

Expenses:  
UNL Tickets 21,555 22,323
UNL Contribution 24,300 24,000
Postage 415 492
Total Expenses 46,270 46,815

Increase (Decrease) in Net Assets (64) 33
Net Assets - Beginning of Year 1,528 1,495
Net Assets - End of Year $1,464 $1,528

Hiawatha KS - Ag Partners Co-op, Inc