



Nebraska Cooperative Council

2016-17

Annual Report



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.

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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 (Annual)

(estimated as of 8-31-17)

30	Nebraska supply/marketing co-ops operating:
343	additional branch locations in Nebraska
56	additional branch locations out of state
3	Rural electric co-ops
1	Transport co-op
1	Telephone co-op
2	Out-of-state co-ops with a branch in Nebraska
1	Out-of-state rural electric co-op
2	Livestock Marketing Agencies
7	Participating Members
38	Supporting Members

NCC Member Supply/Marketing Co-op Stats:

60,225+	total voting members
5,350+	employees (full and part-time)
\$5.7 billion	total sales
\$3.2 billion	total assets
\$123 million	net savings
\$331.5 million	employee payroll with benefits
\$201.6 million	investment in new equipment and facilities in past year
\$42.2 million	total patronage refunds in past year
\$22 million	equity/estate redemption in past year
\$14 million	property taxes paid in past year
\$4 million	federal/state income taxes paid in past year

Message from the Chairman & President



David Briggs
Chairman



Rocky Weber
President

As the patrons, owners, management and vendors of Nebraska's farmer owned cooperatives gather for the 72nd consecutive time, we are grateful as an association for the opportunity to continue to defend, protect and enhance Nebraska's farmer owned cooperatives and their over 60,000 members.

The mission of the Nebraska Cooperative Council, however, is not accomplished only by its staff or its Board of Directors. The mission of the Council can only be achieved with the active participation of its Local, Participating, and Supporting Members. This participation is reflected in more than just payment of annual dues. It is directly reflected in the countless hours of time and talent offered by those who serve on the Council's committees and indirectly by those who respond to requests for information and action on behalf of Nebraska's farmer owned cooperatives.

On the legislative front, the Council reviewed 223 individual pieces of legislation out of the 667 introduced in the Nebraska Legislature in 2017. Of these, 107 were followed and with the recommendation of the Council's Legislative Advisory Committee, the Council actively took positions on 64 bills.

In Washington, the Council actively engaged the Nebraska Congressional Delegation on pension premium reform, H.R. 3596, the "Right Sizing Premium Pension Act of 2017", without which the Co-op Retirement Plan covering nearly 8,000 current and former farmer cooperative employees in Nebraska will face significant increases in guaranty association premiums. We are currently in the process of educating and lobbying our Congressional Delegation about the importance of the Section 199 deduction and how critical it has been to not only cooperatives, but to their farmer owners as well in an effort to remove its repeal from the pending tax reform proposals.

For cooperative directors, managers and employees, the Council's education programs were attended by 367 participants with topics ranging from credit issues to how the digital revolution is challenging retail agriculture at a time when farm and ag retail margins continue to narrow. In addition to these topical programs, the Council continued to offer its Director Certification Program that over 80 new cooperative directors participated in and its Board Officer Seminar which is a free-form program that allows Boards of Directors to communicate and educate each other about the best practices of successful boards.

As a result of in-depth surveys and informal communications with the Council Membership, the Excellence in Cooperative Education Committee examined the Council's existing programs and directed the Council to establish a DCP Refresh program for experienced directors to brush up on the basics taught in the four phases of DCP with added content for issues concerning the role of the Boards of Directors and how directors communicate with management and to their owner/patrons on the vision and direction of the cooperative.

At its annual budgeting and dues meeting in July, the Board of Directors authorized the Nebraska Cooperative Council Legacy Initiative which will be introduced at the Annual Meeting on November 15, 2017. The Legacy Initiative will involve a committee of nearly 20 representatives of Nebraska's farmer owned cooperatives who will question, survey, analyze and review options to foster relationships between the farmer owned cooperatives of the 21st century with farmers of 21st century.

*While farm demographics continue to shrink the number of farmers and ranchers and economies of scale continue to push the redeployment of cooperative assets through mergers and strategic partnerships, these facts demonstrate the strength of your association: **40** local farm cooperative, rural electric, telephone, transportation and livestock marketing members, **7** Participating Members, **38** Supporting Members, **9** members of the NCC Board of Directors, **41** members of the Council's standing committees and **18** members of the Legacy Initiative Steering Committee, along with input and assistance from **dozens** of managers, key-employees and local cooperative board members on a regular basis.*

A contemporary political figure once wrote: "It takes a Village." We believe that it takes a Cooperative of dedicated persons working with a common mission. THANK YOU for your role in defending, protecting, and enhancing the agricultural cooperative movement.

David

Rocky

2016/17 Council Leadership

Board of Directors



Chair:
David Briggs
WESTCO
Alliance



Vice Chair:
Dean Themes
Farmers Pride
Battle Creek



Secretary:
Dave Beckman
Central Valley Ag Co-op
York



Evan Brandes
Aurora Co-op Elevator Co.
Aurora



Mike Hechtner
CoBank
Omaha



John Oehlerking
Midwest Farmers Co-op
Elmwood



Randy Robeson
Frontier Co-op Co.
Brainard



Tim Rowe
Country Partners Co-op
Gothenburg



Kent Taylor
Farmers/Ranchers Co-op Assn
Ainsworth

Committees

Legislative Advisory Committee

Rocky Weber Nebraska Cooperative Council (*Co-chair*)
 Dean Themes Farmers Pride, Battle Creek (*Co-chair*)
 Aaron Becker Farmers Co-op, Pilger
 Matt Caswell AGP, Omaha
 Jeff Loschen Cooperative Producers Inc., Hastings
 Jamey Nygren Farm Credit Services of America, Omaha
 John Oehlerking Midwest Farmers Co-op, Elmwood
 Randy Robeson Frontier Co-op Co., Brainard
 Tim Rowe Country Partners Co-op, Gothenburg
 David Briggs WESTCO, Alliance (*ex-officio*)

NCC-Political Action Committee

Dean Themes Farmers Pride, Battle Creek (*Chair*)
 Carl Dickinson Central Valley Ag Co-op, York
 Tom Hansen Ag Valley Co-op, Edison
 Mary Kay Lyon CHS Inc, Holdrege
 Doug Olsen Panhandle Co-op Assn., Scottsbluff
 Bill Schuster Aurora Co-op Elevator Co.
 Kent Taylor Farmers/Ranchers Co-op Assn, Ainsworth
 Ron Velder Farmers Co-op, Dorchester
 David Briggs WESTCO, Alliance (*ex-officio*)

Excellence in Cooperative Education Committee

Dave Beckman Central Valley Ag Co-op, York (*Chair*)
 Don Anthony CHS Inc, Lexington
 Evan Brandes Aurora Co-op Elevator Co.
 Tod Clark Country Partners Co-op, Gothenburg
 Jay Geu Frenchman Valley Farmers Co-op, Imperial
 Tom Houser CoBank, Omaha
 Mike Nohavec Farmers Co-op, Dorchester
 David Briggs WESTCO, Alliance (*ex-officio*)
 Dr. Greg McKee University of Nebraska-Lincoln (*ex-officio*)
 Ed Woepfel 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*)
 Rocky Weber Nebraska Cooperative Council (*ex-officio*)

Staff

Rocky Weber President & General Counsel
 Ed Woepfel Education & Program Director

Glenda Gaston Office Manager/Admin Assistant
 Deb Mazour Program Coordinator/Admin Assistant

State Legislation - 2017 Session



The 2017 Legislature adjourned on May 23. A total of 173 bills became law. Full descriptions of the status of the bills affecting cooperatives were emailed out each week to members in the form of *Legislative Updates* with a total of 15 forwarded during the session.

During the session, the Council tracked 107 bills and resolutions that could impact cooperatives. Listed here are some of the more significant bills we followed. The Council's position is indicated in parentheses (S=support, O=oppose, M=monitor).

BECAME LAW

LB 22 - Transfer to State General Fund (O)

The Governor signed LB 22 on February 15th and because the bill incorporated the emergency clause, provisions became effective on February 16th. LB 22 as passed included many transfers from various departments, agencies, etc. to close the current fiscal year budget gap; however, it did not include the original \$700,000 proposed transfer from the Petroleum Release Remedial Action Cash Fund (PRRACF) to the General Fund which was the cause of the Council's opposition to the bill. The PRRACF transfer as well as many other transfers from various funds were stripped from the bill by the Appropriations Committee prior to the bill's passage. The Committee indicated "transfers from cash funds and the Cash Reserve Fund can be deferred and considered as part of the budget process for the upcoming FY18 and FY19 biennial budget."

LB 164 - Commercial Drivers License (O)

LB 164 requires that the commercial drivers license disqualification period for more than one traffic violation at a time be served separately and consecutively (to conform to federal law) rather than concurrently. The restrictions on CDL's are already so burdensome that it is difficult to recruit and retain commercially licensed drivers and this would only exacerbate the problem.



Provisions of LB 164 were ultimately amended into LB 263 via committee amendment AM538 and passed by the Legislature.

LB 203 - Employment Security (S)

LB 203 was introduced at the request of the Department of Labor to discourage habitual offenders of unemployment benefits that get a job and work just long enough to qualify for unemployment benefits and then quit the job. After the benefits run out, they will get another job and then repeat the cycle. LB 203 extends the waiting period between when a person quits a job and then is eligible for benefits,

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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.

State Legislation

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hopefully to encourage people to remain employed and not milk the system. An individual who voluntarily leaves a job without good reason is required to earn four times their weekly benefit amount to again be eligible for unemployment benefits.

LB 331 - Fund Transfers (O)

LB 331 was part of the Governor's budget and makes numerous transfers of Fund balances including a transfer of up to \$1.5 million in 2018 and 2019 from the Petroleum Release Remedial Action Cash Fund (PRRACF) to cover the DEQ's cost-share obligations under the Federal Comprehensive Environmental Response Compensation and Liability Act of 1990. Additionally, transfers from the PRRACF to the Superfund Cost Share Cash Fund are authorized under the direction of the Legislature. The Council communicated our opposition to this bill as we believe the money within these funds should be used for the purpose in which they were collected. However, with the amount of money that was needed to balance the State budget, it was clear that the transfers within LB 331 were going to happen.

CARRIED OVER TO THE 2018 SESSION

LB 477 - Fuel Pricing/Labeling (O)

LB 477, as introduced by Senators McCollister and Groene, would place limitations on how automotive engine fuel is advertised and sold in the state of Nebraska. The bill would make it illegal to advertise an engine fuel on a price sign (like below) that is not available at all fueling positions unless a second engine fuel is available at all fueling positions and is advertised on the same sign, in the same font size and illumination. The bill further addresses the advertising of automotive engine fuels that is distributed through a blending retail dispenser.



During the bill's hearing, the Council testified in opposition to the bill indicating that many cooperatives that operate older and smaller retail facilities would be impacted. In order to comply, these sites would either require new signage advertising the price of all available brands or require substantial reconfiguration of tanks, piping and pumps in order to make all advertised products available at all fueling positions. In either event, LB 477 would subject these sites to unwarranted and unnecessary expenses at a time when margins on the sale of fuel are not enough to justify such additional expense. The ultimate effect would be the closure of many older rural retail fuel sites which would burden the public and curtail the services offered by farmer owned cooperatives.

We communicated with the Nebraska Petroleum and Convenience Store Retailers Association (NPCSRA) as well as Senator McCollister about our concerns with LB 477 as currently drafted. It is our understanding that LB 477 is being proposed to rectify the actions of one or two retailers that others believe were conducting deceptive trade practices in the marketplace. The problem is that LB 477 as a cure of one problem would have material unintended negative consequences to other automotive engine fuel retailers.

The Council continues to work with the NPCSRA, Senator McCollister, and members of the Agriculture Committee about our concerns with LB 477 as currently drafted.

LB 215 - E-15 Tax Credit (S)

LB 215 would provide a 5¢/gallon tax credit for any retailer who sold E-15 fuel during the prior calendar year. The total credit allowed statewide would be \$1 million with a January 1, 2018 start date for the credits. The purpose of LB 215 is to encourage retailers to add infrastructure to broaden the use of E-15. The Council testified in support of LB 215 and further encouraged the Revenue Committee to include in any consideration of expanded tax credits or bio-fuels advanced blends of biodiesel fuel such as B-5.



LB 477 will be carried over to the 2018 session. If passed, the gas station sign at left would be illegal. The Council has held numerous meetings indicating our opposition to the bill as it would have negatively impacted many cooperatives that operate older and smaller retail facilities. We are continuing to work with Senator McCollister, members of the Ag Committee, and the Nebraska Petroleum & Convenience Store Association about our concerns with LB 477 as currently drafted.

LB 261 - NE Worker Adjustment & Retraining Notification Act (O)

LB 261 would adopt the Nebraska Worker Adjustment and Retraining Notification (NWARN) Act. It is largely a duplication of the federal Act with lower thresholds since NWARN would apply to employers with 25 or more employees, including part-time employees.

LB 261 provides for substantial civil liability and penalties. If an employer fails to warn the employees, the employer would be liable for double back pay for each day of violation for each employee plus the value of benefits and any other economic damages suffered by the affected employees plus reasonable attorney's fees and costs. Further the Attorney General could take civil action on behalf of the employees and seek civil penalties of \$500 per day multiplied by the number of employees for each day notification was not given.

There is no reason to duplicate the federal WARN Act on a state level and impose such draconian potential damages and penalties on Nebraska employers. Nebraska's farmer owned cooperatives not currently subject to the federal WARN Act would be burdened with new, potentially costly and unnecessary regulation without any apparent need to broaden currently existing federal law.

LB 354 - Wage Disclosure Act (O)

LB 354 would bar an employer from requesting or requiring a job applicant to provide current or prior wages or making that request as a condition for interviewing an applicant. It would also bar an employer from seeking wage information from the applicant's current or prior employer. A violation would be a Class IV misdemeanor (minimum fine of \$100 or up to \$500).

Nebraska's rural employers have a difficult time finding and maintaining a qualified workforce. This is particularly true in areas requiring specialized training or upper management experience. The ability to hire is compromised if an employer does not know or cannot determine whether or not an applicant would find a job offer attractive if the employer cannot ascertain what compensation would be necessary to land a new employee.

LB 372 - Employment (O)

LB 372 would add "family care responsibilities" to the list of factors that employers may not consider in making decisions regarding the hiring or retaining of employees. Using "family care responsibilities" would be considered discrimination the same as existing discrimination prohibitions based on established protected class categories.

Family care responsibilities are defined in the bill to encompass activities that "provide direct and ongoing care of a person's spouse, child, parent, sibling, grandchild, or grandparent or a child or parent of such person's spouse."

We forwarded a letter of opposition for the hearing indicating that we believe the definition of family care responsibilities in LB 372 is too broad and so inclusive that it would be impossible to identify a separate class of persons for whom protection may be required or when protection may be required.

LB 374 - Income Tax Credit / NE Advantage Act (O)

LB 374 would provide a pass through corporate tax credit equal to 100% of the Nebraska income tax liability to be distributed with 50% to all shareholders and 50% to all employees of the corporation. It would also provide a sunset date for the Nebraska Advantage Act.

LB 374 is inconsistent with the foundational federal tax provisions of farmer owned cooperatives (Subchapter T) that provide that net margins of farmer owned cooperatives be owned by and distributed to those patrons in the proportion of their respective business done with the cooperative. A patron may include stockholders and employees, but not necessarily. Many patrons are neither stockholders or patrons but earn patronage allocations, which are the distribution of net earnings of the cooperative. Consistent with federal tax code, Nebraska's farmer owned cooperatives have Articles & Bylaws that require distribution of net savings to patrons on patronage basis pursuant to Subchapter T of the Internal Revenue Code.

LB 420 - Fair Choice Hiring Act (O)

LB 420 would adopt the Fair Choice Hiring Act which would prohibit any employer with 15 or more employees or employment agency from requesting criminal history from an applicant until the employer has determined the applicant meets the minimum employment qualification. Currently only public employers have this standard.

This bill simply adds another layer of regulation on our business community and would create a protected class of employees that currently have no special protection under other applicable employment statutes. The Council opposes efforts to complicate or create special rights during the hiring process, rights, which if violated, would likely give some right to civil action by applicants against employers.

LB 471 - Texting/Emailing while Driving (S)

LB 471 would make texting/emailing while driving a primary action. Currently texting/emailing while driving is a secondary action.

Because cooperatives operate heavy commercial trucks and often are transporting hazardous chemicals, safety for the drivers and environment is a primary concern. LB 471 is geared toward creating safer roadways which the cooperatives support for their drivers.



LB 473 - Employee Rest Periods (O)

LB 473 would require employers of 6 or more people to allow employees a 15-minute rest period for every 4 hours worked with no reduction in compensation. This would be in addition to a regularly scheduled lunch period. Under the bill, any employer in violation would be guilty of a Class III misdemeanor (up to 3 months in jail or a fine of \$500 or both).

The Council strongly opposes further statutory regulation of the workplace which LB 473 seeks to impose. The

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State Legislation

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Council further strongly opposes the criminalization of the act of an employer failing to allow a 15-minute rest period. Work places and work days cannot be so structured that the law must govern every minute of the employment experience.

LB 496 - Community Development Law (S)

LB 496 would create an avenue for a public/private incentive plan for construction of new housing for current or new employees that would include investments by municipalities and private developers. The key purpose is to encourage sufficient quality housing for a community's workforce. Another purpose is to prevent the spread of blight and substandard conditions. LB 496 would specifically make villages and cities of the first and second class eligible to participate in workforce housing incentive programs.

Nebraska's farmer owned cooperatives directly employ nearly 6,500 employees, and indirectly support more than 13,000 jobs, the vast majority of which are in rural communities. The lack of quality housing and other infrastructure such as high speed internet are hurdles to the recruitment and maintenance of qualified and experienced employees in rural communities.

LB 629 - Exempt CDL holders from hazardous waste endorsement requirements (S)

LB 629 would allow a person possessing a CDL authorizing operation of a Class A combination vehicle to operate a Class A, B or C commercial motor vehicle without a hazardous materials endorsement if the person:

1. Is acting within the scope of his/her employment as an employee of a custom harvester operation, agrichemical business, farm retail outlet and supplier, or livestock feeder; and
2. Is operating a service vehicle that was (A) transporting diesel fuel of 1,000 gallons or less; and was (B) clearly marked with "flammable" or "combustible" placard, as appropriate

Cooperatives face a continuing shortage of qualified CDL drivers to handle over-the-road deliveries of commodities and agricultural inputs. LB 629 would be a helpful step in expanding the scope of tasks that current CDL drivers may be able to perform.

LR 17CA - Property Taxes (O)

LR 17CA is a constitutional amendment for the November 2018 ballot to eliminate requirements that property taxes be levied by valuation uniformly and proportionately. It specifically removes current language that provides that agricultural and horticultural land may be classed separately and distinctly.

Agriculture is the life-blood of Nebraska's economy. The recent grossly disproportionate hikes in agricultural real estate taxes have made real estate taxes the second highest

annual costly input per acre for farmers. This is at a time when it is difficult to make any profit per acre due to commodity prices and input costs.

Nebraska's farmer owned cooperatives are owned by over 60,000 Nebraska farmers and ranchers. Their interests are our interests, and we oppose any effort to further burden Nebraska's farmers and ranchers with real estate taxes. The position of the Council is that agricultural and horticultural land should retain a separate and distinctive clarification.

KILLED

LB 404 - Train Crew (O)

LB 404 would have required two-man crews on a train or light engine whether the train was on or off the mainline. The Council opposed the bill at the hearing since it would have required a two-man crew when cooperatives were loading shuttles off the mainline.



LB 526 - Debtor Rights (O as intro)

As originally introduced, LB 526 would have changed provisions to debtor's rights and garnishment statutes. The bill would have lowered the percent of weekly disposable earnings available for garnishments from the current 25% to 15% for the head of a household. For a non-head of household, the protectable percentage would have also raised from the current 15% to 25%.

The bill further stated that no creditor shall garnish wages in the same month that proceeds from a deposit in a financial institution have also been garnished from the same debtor and that up to \$2,000 in all deposits would be exempt from garnishment.

Committee amendment AM930 removed several sections of the bill leaving only a change that no imprisonment be allowed unless the debtor was found to be in willful contempt of court. This amendment removed all of the provisions of LB 526 that were objectionable to the Council.

LB 547 - Eminent Domain / Review by NE Power Review Bd (O)

LB 547 sought to create more competition in the marketplace by barring publicly-owned utilities from using eminent domain to restrict private electric generation or transmission in Nebraska.

The bill would have also exempted a privately developed electric generation or transmission project from review by the Nebraska Public Power Board.

The bill was forwarded to our REA members for review. Their consensus was that privately owned utilities are pushing these changes to benefit their stockholders, not the citizens of Nebraska.

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.

With 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. NCC-PAC actively participates in urban and rural legislative races to help develop a broad base of relationships with policy-makers.

Following its candidate interviews in July 2016, NCC-PAC provided campaign donations to 36 legislative candidates in 23 legislative races. Throughout the 2016-17 fiscal year NCC-PAC contributed in 36 instances to incumbents holding fundraisers or a post-election contribution to successful candidates. NCC-PAC contributed \$42,250 to legislative candidates in the 2015-2016 election cycle and an additional \$8,100 since the 2016 election.

Contributions to NCC-PAC by Members and Participating Members of the Nebraska Cooperative Council were \$21,694 for the 2016-2017 cycle and \$15,687 to date for the 2017-2018 cycle. Twenty-eight (28) Local Members, three (3) Participating Members and five (5) Supporting Members voluntarily contributed to the NCC-PAC through this period. At the end of the fiscal year on August 31, 2017, NCC-PAC maintained a balance of \$95,472 for use in the 2018 legislative cycle.

In order to provide state senators and other policy makers with the most current information regarding cooperatives, in early January 2017, the Council prepared and distributed a Legislative Reference Guide booklet. The Guide contained (1) an overview of the Council and cumulative figures for the impact cooperatives have on Nebraska's economy; (2) a map of the cooperative locations in each legislative district; (3) an individualized Fact Sheet for each cooperative member with the headquarters and all branch locations plus the co-op's total number of employees, voting members, sales, payroll, investment in new equipment/facilities, property taxes paid, federal/state income taxes paid, patronage refunds, and equity/estate redemptions; (4) a Fact Sheet on the regional cooperatives in Nebraska and their impact on Nebraska's economy; and (5) the UNL's Final Report of April 7, 2016 of "The Economic Impact and Tax Revenue Impact of Nebraska Supply/Marketing and Regional Cooperatives."

Thank you  ...to the following members who provided voluntary contributions to the NCC-PAC for the 2016-17 fiscal year:

Ainsworth - Farmers/Ranchers Co-op Assn
Alliance - Panhandle Rural Electric Membership Alliance - WESTCO
Aurora Co-op Elevator Co
Battle Creek - Farmers Pride
Brainard - Frontier Co-op Co
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 - Country Partners Co-op
Grand Island - Central Co-op N/S Transport Co
Hastings - Cooperative Producers Inc
Hemingford - Farmers Co-op Elevator Co
Holdrege - CHS Inc
Holyoke CO - CHS/Grainland Co-op
Imperial - Frenchman Valley Farmers Co-op
Lindsay - Farmers Co-op Assn
Scottsbluff - Panhandle Co-op Assn
Sidney - Crossroads Co-op Assn
Wauneta Co-op Oil Co
Wausa - CHS Inc
York - Central Valley Ag Co-op
Ag Processing Inc
Allied Producers Co-op
Austin Mutual Insurance Co
CHS Inc
CHS Insurance
Gardiner Thomsen
Land O'Lakes Inc
Lincoln Inspection Service
Milliman, Inc.

Federal & State Regulations

The Council continues to work closely with the National Council of Farmer Cooperatives (NCFC) and the Ag Retailers Association regarding federal legislation and regulations. NCFC has a continuous presence with Nebraska's congressional delegation, their respective 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.

The Ag Retailers Association represents retailers, distributors, and suppliers of crop protection products, fertilizer, equipment, technology and other services.



Why is this so significant to Nebraskans? The total PBGC premiums paid by just Nebraska Cooperatives in the last three years were:

2014	\$1,523,322
2015	\$1,897,653
2016	\$3,447,448

These extreme increases have been during a time of ever improving funding levels for the Plan. If these amounts are not required to be paid out to the PBGC, they can be used to improve the funding of the Co-op Retirement Plan, thus strengthening the program for all participants and freeing up funds the cooperatives need for wages and hiring of Nebraskans.

Over 7,900 Nebraskans, including 4,000 active employees, participate in the Plan (the remainder being retired employees receiving benefits). Over \$1.5 million in retirement benefit payments flow back to Nebraska communities each month.

United Benefits Group has provided us with the following information to let you know how vital this legislation is to the Plan affecting Nebraska's cooperatives and their current and former employees: Without this legislation, and if interest rates remain at current levels, the Co-op Retirement Plan is projected to be paying \$23.3 million in PBGC premium for the year ending March 31, 2021 versus the \$8.9 million paid in the year ending March 31, 2016. The \$23.3 million represents 2.4% of projected payroll in the fiscal year ending in 2021. These scheduled premium increases are in spite of the fact, as stated above, that the Plan poses virtually no risk to the PBGC.

H.R. 3596, the "Right Sizing Pension Premium Act of 2017", will have a significant impact on the ability of many farmer-owned cooperatives to prevent the unnecessary diversion of scarce investment and operating capital to

FEDERAL ACTION

In late 2016 and again in October 2017, the Council has been involved with our congressional delegation in support of the "Right Sizing Pension Premium Act of 2017" (H.R. 3596) also known as "Kelly/Kind". This is an issue of great importance to Nebraska's farmer owned cooperatives and the over 7,900 employees of those cooperatives that are participants in the Co-op Retirement Plan (the "Plan"), which is a defined-benefit "multiple-employer" pension plan sponsored by United Benefits Group.

Without a change in the law that the "Right Sizing Pension Premium Act of 2017" will bring, there will occur an overcharging of premiums by the Pension Benefit Guaranty Corporation (PBGC) for the Plan in which nearly all of Nebraska's farmer owned cooperatives participate.

Language included in the legislation would reduce both the flat rate and variable rate PBGC premium charged plans covered by the Cooperative and Small Employer Charity Pension Flexibility Act of 2014 (CSEC Plans). The 2014 legislation provided certain exceptions from funding rules applicable to single employer pension plans because CSEC Plans pose virtually no risk of default to the PBGC.

The PBGC premium related language in the current legislation reduces the premium for CSEC Plans in recognition of the fact that the risk profile of CSEC plans differs substantially from single employer pension plans. In other words, this current legislation would make funding rules and PBGC premiums consistent in that both would recognize the fact that these plans offer little risk to the PBGC.

pension funding requirements intended for other types of plans under the Pension Protection Act of 2006 (PPA). The majority of farmer cooperatives participating in multiple-employer plans have fewer than 100 employees.

The Co-op Retirement Plan is one of if not the most valuable employee benefit offered by Nebraska's farmer owned cooperatives that participate in the plan. Nebraska's farmer owned cooperatives are proud to be leaders in providing good paying employment with excellent benefits in rural Nebraska. This is a matter of significant economic impact to Nebraska's farmer owned cooperatives and their current and former employees that participate in the Plan.

On October 25, 2017 Congressman Jeff Fortenberry became one of the Co-Sponsors of H.R. 3596.

STATE REGULATORY AGENCY

Energy Source Exemption

In 2016 the Nebraska Legislature passed LB 774 which was introduced on behalf of the Nebraska Cooperative Council. It amended Neb. Rev. Stat. §77-2704.13(2) to provide that sales and use tax shall not be imposed on the sale and purchase of energy when more than 50% of the energy purchased is used in processing grain, with the term processing including drying and aerating grain in commercial agricultural facilities. Beginning October 1, 2016, the inclusion of grain drying AND aeration resolved disputes arising after that date with the Nebraska Department of Revenue (NDOR) regarding whether energy used in aerating and drying grain is processing grain for purposes of the sales tax exemption.

However, with regard to refund claims filed for periods before the new law went into effect, the NDOR's interpretation of what constitutes "processing" grain for purposes of the sales tax exemption continues to be unclear. While the change in the law effective October 1, 2016, will increase the availability of the energy use sales tax exemption, for periods prior to this change, whether certain facilities qualify for the exemption remained at issue depending upon the structure, size and age of the facility.

Early in 2017 industry representatives engaged by the Council, Tom Jeffers, and Rocky Weber met with NDOR staff in an attempt to resolve any lingering issues for periods prior to October 1, 2016. While it initially appeared that we may still need to litigate the pre-October 1, 2016 language to assist several members on refund claims, it now appears that NDOR staff and the affected cooperatives have been able to resolve issues on those interim claims without additional litigation or legislation.

Sales & Use Tax Exemption For Depreciation on Parts for Ag Machinery & Repairs

Fiscal year ending August 31, 2017 saw an end to the Council's efforts regarding challenging the Nebraska Department of Revenue's (NDOR) interpretation and application of the agricultural machinery and equipment sales and use tax refund provided in Neb. Rev. Stat. §77-2708.01

and its application to the purchase of fertilizer tank trailers and ag machinery parts and repairs.

In two cases involving the same issues, the NDOR's partial denial of sales tax refund claims submitted for sales tax paid on the purchase of ag machinery parts and repairs and fertilizer tank trailers was appealed to the District Court of Lancaster County, Nebraska. On February 21, 2016, the District Court of Lancaster County issued an Order in each case affirming the NDOR's partial denial of refund claims with respect to ag machinery and equipment parts and repairs. With respect to the NDOR's denial of sales and use tax refund claims for the purchase of fertilizer tank trailers, the District Court reversed the NDOR's decision and granted the refund claims for sales tax paid upon the purchase of new fertilizer tank trailers.

On March 21, 2016, the District Court's Orders affirming the NDOR's partial denial of sales and use tax refund claims for ag machinery parts and repairs in both pending matters were appealed to the Nebraska Court of Appeals. The matter was later picked up for review by the Nebraska Supreme Court.

The central issue on appeal was the proper interpretation of the phrase "depreciable repairs or parts" within Section 77-2708.01.

On April 7, 2017, the Nebraska Supreme Court issued its decision denying the Cooperatives' appeal of the NDOR's partial denial of their respective ag machinery parts and repairs refund claims. The Supreme Court generally sided with the NDOR regarding the proper interpretation of Section 77-2708.01 and further stated the taxpayer "maintains the burden to show that personal property tax has been paid on depreciable repairs and parts before the claimant is entitled to a sales tax refund."

Going forward, this decision has a limited impact on Cooperatives' ag machinery replacement parts sales tax refund claims as the statute at issue was replaced with an exemption that removed the requirement that the ag machinery be depreciable for purpose of the exemption. Thus, ag machinery repair or replacement parts, whether depreciable or not, purchased after October 1, 2014, likely qualify for a sales tax exemption under Neb. Rev. Stat. § 77-2704.64.

PSC Schedule A & E Rates

On May 16, 2017, the Nebraska Public Service Commission voted to maintain the current Schedule A and E rates. This means the maximum rates for receiving, handling, and delivery (one-time charge) will remain at 36¢/bu for all grains, 15¢/cwt for dry edible beans, and 30¢/cwt for popcorn. The storage and insuring maximum rates will remain at .00165¢/bu/day for all grains, .0039¢/cwt/day for dry edible beans, and .0025¢/cwt/day for popcorn.

Director Education

The Council's education programs for 2016/17 concluded with the Board Officer Seminar on February 23rd in LaVista. Throughout the winter of 2017, a total of 367 people from 83% of our local cooperative members and 7 Participating and Supporting Members attended the Council's director/management and employee oriented programs.

The tightening of the ag economy was a constant theme throughout the programs. Presenters were asked to challenge the thinking of attendees during their presentations regarding current and future changes that farmer cooperatives will face from the rapidly growing digital economy. At the end of the day, the goal of NCC education programs is to not only educate but to also expand the horizons of what the future demands for successful cooperatives, their managers, and directors.

This year's participants in our education programs had the opportunity to hear from speakers from 6 universities and 8 different states. This diversity allowed for a wide avenue of perspective and discussion on the issues facing cooperatives.

Director/Manager Workshop

The Director/Manager Workshop was held on November 18, the day after the Council's Annual Meeting in Kearney. Presentations were provided by Dr. David Kohl, retired from Virginia Tech University, and Dr. Scott Downey from Purdue University. A total of 98 people attended the workshop.

Dr. Kohl began the workshop with an overview of the economic conditions as they currently exist and what may be on the horizon. He also addressed what producers need to do in this environment as well as what agribusinesses, such as cooperatives, need to do to remain viable during this era of compressed margins.

Following Dr. Kohl's presentation, Dr. Downey specifically addressed consolidating markets with questions such as:

- What is your market share
- What is the composition of your market
- What is your target market
- What are you missing out on
- What is your market share vs your sale strategy
- Do your facilities fit your customers and your strategies
- How do you evaluate scale vs efficiency

Director Certification Program

DCP was held in Kearney on January 5-6 and is designed to accelerate the process by which directors become active, effective board members. For the new director, training is very important to establish an understanding of the responsibilities of the position.

All four phases were offered during the two days with



Participants at the Director/Manager Workshop on November 18, 2016, listen to Dr. Scott Downey from Purdue University.

81 phases completed and 25 graduates this year. Phase 1 focuses on the roles and responsibilities of directors and the legal foundation of cooperatives. Phase 2 addresses planning and control for board members. Phase 3 focuses on financial statements and utilizing terms in analysis of the cooperative. Phase 4 is dedicated to communication issues, primarily between board and management.

Facilitators were Dr. Greg McKee, UNL; Tom Houser, CoBank; Dr. Keri Jacobs, Iowa State University; Bill Kutilek, Crosby Guenzel LLP; and Rocky Weber and Ed Woepfel from the Council. In addition, Neil Stedman (Midwest Farmers Co-op, Elmwood) and Rod Schroeder (retired manager) served on a panel for Phase 4.

Cooperatives For Tomorrow Seminar

Cooperatives for Tomorrow (CFT) was held in Lincoln on February 1 with 76 people attending. It continued with its "Big Picture" theme by featuring a variety of speakers and presenters that normally would not be available to local directors in Nebraska. We utilize nationally known speakers from academic, business and cooperative systems to provide local directors with the opportunity to obtain a different viewpoint on issues facing their cooperative.

Speakers addressed the fertilizer industry, the future of ethanol, Nebraska's role in feeding the world, and what the future holds for agriculture in general.

Dr. Lowell Catlett provided an excellent, thought-provoking keynote presentation after dinner. Other presentations were provided by Glenn Buckley, Chief Economist for NPK Fertilizer Advisory Services; Jerry Peters, CFO of Green Plains; and Dr. Roger Elmore, UNL. Our thanks to CoBank for sponsoring the evening reception and dinner.

Cooperative Issues Symposium

The Cooperative Issues Symposium (CIS) was held on February 2 in Lincoln and focused on Big Data. Combining CIS with CFT allowed the pre-registered Board Chairmen and CEO's, as well as the NCC Board of Directors to

attend the “Aggie Breakfast”, which is a bi-weekly breakfast sponsored by several ag related trade associations with members of the Legislature. The Council had over 20 representatives at the Breakfast which gave them an opportunity to interact with several state legislators and hear reports on various pieces of pending legislation from those in attendance.

The CIS focused on Big Data and its effects on agriculture and agricultural cooperatives. While the potential for utilizing data to increase efficiency in agriculture is readily apparent, the question invariably comes back to “How” and “at What Cost”.

Dr. John Power, President of LSC International Inc., opened the meeting with a presentation on the role “Big Data” is currently playing in agriculture. Jeremy Wilson, Technology Specialist with Crop IMS, discussed the company data applications that they are providing customers. Jonah Kolb, Moore & Warner Ag Group LLC, addressed the “Amazoning of Agriculture” and the impact that internet marketing may have on brick and mortar retailers. A follow-up panel discussion with Galen Kuska of Exeter, Mike Bergen of Aurora, Terry Panbecker of Fort Dodge IA, and Greg Rose of San Jose, CA regarding Big Data’s impact on the farm concluded the day. Seventy-nine (79) people attended CIS.

Board Officer Seminar

The final program of the winter was the BOS. This program was held in LaVista on Feb 23, the day prior to CoBank’s meeting, with 33 people attending. Council President Rocky Weber and Bill Kutilek with Crosby Guenzel LLP facilitated the day’s discussion. The BOS format is an

open forum discussion with local board leaders. A variety of topics were discussed during the day. This was once again the highest rated program of all our offerings.

Credit Workshop

Periodically the Council has conducted Credit Workshops for co-op managers and employees. After receiving several inquiries over several months relating to patron credit accounts and risk management, a workshop titled “Putting the Pieces Together – Managing Credit Risk in a Risky Environment” was conducted on April 11 in Kearney. Topics covered were:

- Early detection of credit problems (including tips on how to identify potential credit exposure early and minimize default risk to the co-op)
- Tips to Managing Credit Risks
- Statutory Liens & Uniform Commercial Code Liens
- Nebraska Secretary of State Central Filing System
- Positioning the Cooperative with other Creditors
- Purchases of Encumbered Grain
- Securing the Super Account - Policy/Procedure
- Collection Process from Start to Finish
- Improving Your Chances of Recovery in Bankruptcy

Facilitators were Chad Gent, Senior Vice President of Farm Credit Services of America, and Attorneys Bill Kutilek and Andrew Pease from the Crosby Guenzel law firm.

A total of 43 individuals attended with each receiving a comprehensive binder for future reference. The evaluations showed that attendees valued the presentation and gained information to help them in the future.

EDUCATION PLANNING

On March 15, 2017, the NCC Excellence in Cooperative Education Committee (ECEC) met in Kearney to review the 2016-17 education program results and to begin planning the topics for 2017-18. In addition, the ECEC discussed long-term changes, if any, that NCC should consider for its education programs.

In preparation for the discussion on long-term educational needs, Council staff surveyed all cooperative managers and directors. The survey required people to respond in writing (rather than selecting a number or an answer) which usually means you will have fewer responses. Because it was a written response, those who responded obviously put some thought into their answers so we feel confident with the results.

The survey indicated a need for a DCP refresher course with the following topics ranked highest by directors and managers alike:

- * Roles & Responsibilities of Directors
- * Board/Management Communication

Strategic Planning was the next highest ranked topic by both directors and managers.

The morning was spent on reviewing the 2016/17 programs and planning for 2017/18. In the afternoon, the discussion turned to longer-term planning. The final consensus of the Committee was to set a goal for a refresher DCP program that may incorporate a digital platform to allow Board members to review the program content from time to time.

Several planning meetings have taken place to develop the DCP Refresher Course. Dr. Greg McKee, Dr. Keri Jacobs, Tom Houser, Rocky Weber and Ed Woeppel have participated in creating this new offering. The course will be a one-day offering that while having some similarity from year to year, will involve rotating topics as necessary to address timely topics. In the future the programs may incorporate a digital platform to allow Board members to review the program content from time to time.

Youth Education

CO-OPS 101

The Council continued to provide Co-ops 101 presentations at community colleges and the UNL Cooperatives Class, and this year also offered the presentation for high school students. Overall, during the 2016/2017 academic year, we made 13 presentations for 178 students.

Contacts with the Community Colleges involved 11 presentations for 150 students at 5 community colleges (Southeast Community College-Beatrice, Northeast Community College-Norfolk, Central Community College-Hastings, Central Community College-Columbus, and the Nebraska College of Technical Agriculture at Curtis). Contacts with the University of Nebraska involved the undergraduate Cooperatives class with 20 students.

High School contacts included 1 presentation for students at The Career Academy at Southeast Community College-Lincoln. SCC offered the 2-day SCC Early Ag Experience for students to have the opportunity to learn about the many careers that agriculture has to offer. With a host of guest speakers and a number of field trips, students became much more aware of agricultural opportunities. The Council provided the opening presentation of the program.

These presentations allow us to reach a critical audience with the cooperative message. These students will become future employees and members of cooperatives so it is important that they have a working understanding of cooperatives. This program has been partially funded by the CHS Foundation. Cooperative education from high school grades through college remains a stated goal of the Excellence in Cooperative Education Committee.

STATE AG TEACHERS CONFERENCE

On June 7, Ed Woepfel provided remarks at the State Ag Teachers Conference in Kearney. Ed highlighted the recent cooperative economic impact study and career opportunities in his remarks.

COOPERATIVES CLASS AT UNL

The University of Nebraska-Lincoln offered the "Role of Cooperatives in Agriculture" class for the third year in the fall of 2016. The first two years, it was a one-credit-hour class; however, in the fall of 2016 it became a three-credit-hour class taught by Dr. Greg McKee. A total of 20 students were enrolled in the Fall 2016 class that allowed students to gain an in-depth understanding of the cooperative business model.



COOPERATIVE SPEAKING CONTEST

The Council, along with the CHS Foundation, sponsored the State FFA Cooperative Speaking Contest on April 6-7 in Lincoln. A total of 79 students participated at the district contests with 23 qualifying for the state contest.

This year's winner was Jace Stagemeier from the O'Neill FFA Chapter. Second place was awarded to Hailey Coufal of the Howells-Dodge FFA Chapter, and third place went to Jaclyn Frey of the Boone Central FFA Chapter.



On March 1, 2017, the Council presented a "Co-ops 101" at the Nebraska College of Technical Agriculture-Curtis. Jim Porter, an employee from Country Partners Co-op at Gothenburg, participated to tell student about employment opportunities at cooperatives.



Incorporated within the Cooperatives Class at UNL are many guest speakers to provide students the opportunity to hear from a variety of cooperative representatives. Pictured above are Don Anthony (top left), corporate board member of CHS, Inc headquartered at Inver Grove Heights, MN as well as a former board member of Country Partners Co-op at Gothenburg and Dale Piper (top right), retired manager of Midwest Farmers Co-op at Elmwood.

Annual Meeting / Hall of Fame

The Council hosted its 71st Annual Meeting on Thursday, November 17, 2017. Two hundred fourteen (214) people attended the event that was held at the Holiday Inn in Kearney.

NCC President & General Counsel Rocky Weber presented the 2015/16 Financial Report as well as the President's Report. NCC Board Chair David Briggs presented the Chairman's Report, NCC Board Vice Chair Dean Thernes presented the PAC Report, and NCC Board Secretary Bruce Favinger provided the Excellence in Cooperative Education Committee Report.

Board election results were announced with Dave Beckman of CVA-York and Dean Thernes of Farmers Pride-Battle Creek both re-elected to the Board for four year terms. In addition, the Participating Members re-elected Mike Hechtner of CoBank to the board at their meeting on October 19, 2016.

The featured speaker for the Annual Meeting was Kris (Tanto) Paronto. Mr. Paronto is a former Army Ranger who was involved in defending U.S. interests in the September 11, 2012, terrorist attack in Bengazi, Libya. He helped save over 20 lives while fighting off terrorists from the CIA Annex for over 13 hours. This was a very riveting presentation that was well received by the audience.

The final portion of the Annual Meeting was devoted to the Hall of Fame induction. This year Robert Andersen was inducted into the Hall of Fame. Bob was the long-time President of the Council until his retirement in February of 2016. In addition to his Hall of Fame induction, the Nebraska Cooperative Council Education Foundation honored Bob by announcing that it would be sponsoring a scholarship in his name for an undergraduate student at the University of Nebraska College of Agricultural Sciences and Natural Resources.

After adjournment of the Annual Meeting, the member reception was held which provided a great opportunity for networking and allowing members to catch up with Hall of Fame inductee Bob Andersen.



Pictured above are some of the 210+ cooperative representatives who attended the Council's Annual Meeting.



NCC Cooperative Hall of Fame

Former NCC President Robert C. Andersen of Lincoln became the 63rd person to be inducted into the Nebraska Cooperative Council Cooperative Hall of Fame. Bob began his career in cooperatives in 1974 after two years of service in the U.S. Navy and a short stint in the Farmers Home Administration. In Bob's early years as Executive Secretary of the Council, membership was a concern. Membership grew over 32% from 1973 to 1976 which strengthened the Council considerably.

In the late 70's the Director Certification Program was added along with a multi-state education agreement with Iowa and CoBank. The 80's saw significant legislative involvement with ag input liens, "double jeopardy," and crude oil overcharge refunds being important issues.

In the 90's the Council implemented a scholarship program and the Hall of Fame. In the 2000's the Nebraska Cooperative Council Education Foundation was formed, and organized fly-ins to Washington, DC began.

In addition to the outstanding leadership that Bob provided for cooperatives, he also served on the boards of the Nebraska Agricultural Leadership Council (LEAD), the Nebraska 4-H Foundation, Ag Builders of Nebraska, Ag 40, the Lower Platte South NRD, and the National Council of Farmer Cooperatives.

Bob's 42 years of cooperative leadership advanced and protected the farmer owned cooperative system and the interests of its 55,000 Nebraska farmers/ranchers.



Retired NCC President Bob Andersen (center) accepts his Hall of Fame certificate after being inducted into the NCC Cooperative Hall of Fame. Also pictured are NCC President Rocky Weber (left) and NCC Board Chairman David Briggs (right).

Keynote speaker Kris (Tanto) Paronto, former Army Ranger, gave a riveting talk with a "never give up" message about the September 11, 2012, terrorist attack in Bengazi, Libya, where he helped save over 20 lives while fighting off terrorists from the CIA Annex for over 13 hours. The story has subsequently been made into a book and movie titled "13 hours".

2016/17 Financial Statements

STATEMENTS OF FINANCIAL POSITION August 31, 2017 and 2016

STATEMENTS OF ACTIVITIES August 31, 2017 and 2016

ASSETS

	2017	2016
Current Assets:		
Cash and Cash Equivalents:		
Cash - Unrestricted	\$933,628	\$802,410
Cash - Restricted - FFE	36,556	112,351
Cash - Restricted - NCC-PAC	98,597	85,810
Cash - Restricted - NACA	44,980	44,891
Cash - Restricted - UNL Tickets	1,488	1,438
Cash - Restricted - Energy Source	13,419	27,163
Cash - Restricted - Anhydrous Sales & Use Tax	-	175
Total Cash and Cash Equivalents	<u>1,128,668</u>	<u>1,074,238</u>
Mutual Fund Investments - Restricted - FFE	693,965	656,086
KRVN Golden Notes - Unrestricted	1,250	2,500
Certif of Dep - Unrestricted	146,584	100,677
Certif of Dep - Restricted - NACA	13,200	13,128
Interest Receivable - Unrestricted	758	699
Interest Receivable - Restricted - FFE	185	185
Deferred Compensation Assets	4,186	4,186
Prepaid Expenses	14,590	14,092
Total Current Assets	<u>2,003,386</u>	<u>1,865,791</u>
Investments:		
KRVN Golden Notes - Unrestricted	40,750	15,750
KRVN Golden Notes - Restricted - FFE	6,500	6,500
Certif of Dep - Unrestricted	48,689	92,869
Cash Value of Deferred Comp. Assets	<u>33,492</u>	<u>37,678</u>
Total Investments	<u>129,431</u>	<u>152,797</u>
Property & Equipment:		
Furniture & Office Equipment	97,891	97,891
Accumulated Depreciation	(92,861)	(84,879)
Net Property & Equipment	<u>5,030</u>	<u>13,012</u>
TOTAL ASSETS	<u>\$2,137,847</u>	<u>\$2,031,600</u>

LIABILITIES & NET ASSETS

Current Liabilities:		
Trade Payables - FFE	\$ 22,178	\$ -
Prepaid Dues	409,949	370,590
Prepaid NCC-PAC Contributions	3,125	4,109
Deferred Compensation Payable	4,186	4,186
Accrued Expenses	<u>36,865</u>	<u>45,316</u>
Total Current Liabilities	<u>476,303</u>	<u>424,201</u>
Long-Term Liabilities:		
Deferred Rent	8,313	9,120
Deferred Compensation Payable	<u>33,492</u>	<u>37,678</u>
Total Long-Term Liabilities	<u>41,805</u>	<u>46,798</u>
Net Assets:		
Unrestricted	736,151	616,983
FFE - Restricted	715,028	775,122
NCC-PAC - Restricted	95,472	81,701
NACA - Restricted	58,181	58,019
NCC-UNL Tickets - Restricted	1,488	1,438
Energy Source - Restricted	13,419	27,163
Anhydrous Sales & Use Tax - Restricted	-	175
Total Net Assets	<u>1,619,739</u>	<u>1,560,601</u>
TOTAL LIABILITIES & NET ASSETS	<u>\$2,137,847</u>	<u>\$2,031,600</u>

GENERAL FUND

	2017	2016
Revenue and Support:		
Members' Dues	\$625,641	\$624,771
Participating Members' Dues	102,962	107,832
Meetings	40,097	36,212
Workshops	148,814	129,723
Interest Income	3,545	3,555
Gain on Sale of Equipment	-	19,382
Miscellaneous	<u>2,188</u>	<u>511</u>
Total Revenue and Support	<u>923,247</u>	<u>921,986</u>
Expenses:		
Salaries	409,384	536,816
Social Security Tax	25,405	34,082
Unemployment Tax	301	389
Employee Insurance	19,090	6,238
Retirement	<u>44,348</u>	<u>45,450</u>
Total Personnel Expenses	<u>498,528</u>	<u>622,975</u>
Accounting Fees	7,653	7,335
Auto	-	12,141
Books and Magazines	1,798	3,398
Consulting Services/Contract Labor	25,000	25,902
Depreciation	7,982	13,626
Directors' Fees	10,991	12,524
Dues/Contributions	6,633	7,503
Equipment Leases	1,689	-
Impact Study	-	19,394
Information Technology	7,162	-
Insurance	7,462	5,062
Legacy Initiative	39,875	-
Legal Fees	4,551	27,962
Meetings	46,039	76,230
Office Supplies	6,625	8,522
Parking	4,545	-
Postage	890	744
Promotions	2,232	-
Property Taxes	213	492
Rent	30,701	32,336
Repairs and Maintenance	5,174	11,105
Telephone	5,933	7,330
Travel	12,373	7,223
Workshops	70,030	56,631
Youth Education	-	2,700
Miscellaneous	-	565
Total Expenses	<u>804,079</u>	<u>961,700</u>
Increase (Decrease) in Net Assets	119,168	(39,714)
Net Assets - Beginning of Year	<u>616,983</u>	<u>656,697</u>
Net Assets - End of Year	<u>\$736,151</u>	<u>\$616,983</u>

ANHYDROUS SALES & USE TAX FUND

	2017	2016
Revenue and Support:		
Contributions Received	\$ -	\$ 1,770
Interest Income	-	6
Total Revenue and Support	<u>0</u>	<u>1,776</u>
Expenses:		
Legal Fees	<u>175</u>	<u>19,610</u>
Total Expenses	<u>175</u>	<u>19,610</u>
Increase (Decrease) in Net Assets	(175)	(17,834)
Net Assets - Beginning of Year	<u>175</u>	<u>18,009</u>
Net Assets - End of Year	<u>\$ -</u>	<u>\$ 175</u>

ENERGY SOURCE FUND

	2017	2016
Revenue and Support:		
Contributions Received	\$ -	\$38,984
Interest Income	10	12
Total Revenue and Support	<u>10</u>	<u>38,996</u>
Expenses:		
Legal Fees	13,754	37,865
Total Expenses	<u>13,754</u>	<u>37,865</u>
Increase (Decrease) in Net Assets	(13,744)	1,131
Net Assets - Beginning of Year	<u>27,163</u>	<u>26,032</u>
Net Assets - End of Year	<u>\$13,419</u>	<u>\$27,163</u>

FUND FOR EXCELLENCE (FFE) FUND

	2017	2016
Revenue and Support:		
Interest Income	\$ 533	\$ 653
Investment Income from Marketable Securities	16,099	19,406
Unrealized Gain on Marketable Securities	16,467	20,444
Increase in Annuity Cash Surrender Value	-	592
Total Revenue and Support	<u>33,099</u>	<u>41,095</u>
Expenses:		
Professor Expenses	93,193	10,282
Total Expenses	<u>93,193</u>	<u>10,282</u>
Increase (Decrease) in Net Assets	(60,094)	30,813
Net Assets - Beginning of Year	<u>775,122</u>	<u>744,309</u>
Net Assets - End of Year	<u>\$715,028</u>	<u>\$775,122</u>

NATIONAL AFFAIRS COOPERATIVE ACTION (NACA) FUND

	2017	2016
Revenue and Support:		
Interest Income	\$ 162	\$ 184
Total Revenue and Support	<u>162</u>	<u>184</u>
Expenses:		
Meetings	-	12,829
Travel	-	2,426
Total Expenses	<u>-</u>	<u>15,255</u>
Increase (Decrease) in Net Assets	162	(15,071)
Net Assets - Beginning of Year	<u>58,019</u>	<u>73,090</u>
Net Assets - End of Year	<u>\$58,181</u>	<u>\$58,019</u>

NCC-PAC FUND

	2017	2016
Revenue and Support:		
Contributions Received	\$21,694	\$38,552
Interest Income	192	225
Total Revenue and Support	<u>21,886</u>	<u>38,777</u>
Expenses:		
Donations	8,100	42,250
Office Supplies	15	156
Total Expenses	<u>8,115</u>	<u>42,406</u>
Increase (Decrease) in Net Assets	13,771	(3,629)
Net Assets - Beginning of Year	<u>81,701</u>	<u>85,330</u>
Net Assets - End of Year	<u>\$95,472</u>	<u>\$81,701</u>

UNL TICKETS FUND

	2017	2016
Revenue and Support:		
Contributions Received	\$45,202	\$45,675
Interest Income	1	2
Total Revenue and Support	<u>45,203</u>	<u>45,677</u>
Expenses:		
UNL Tickets	20,604	21,131
UNL Contribution	24,000	24,000
Postage	549	572
Total Expenses	<u>45,153</u>	<u>45,703</u>
Increase (Decrease) in Net Assets	50	(26)
Net Assets - Beginning of Year	<u>1,438</u>	<u>1,464</u>
Net Assets - End of Year	<u>\$1,488</u>	<u>\$1,438</u>

2016/17 Membership

SUPPLY/MARKETING COOPERATIVES

Ainsworth - Farmers/Ranchers Co-op Assn
Alliance - WESTCO
Aurora Co-op Elevator Co
Battle Creek - Farmers Pride
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 Assn
Friend - Farmers Union Co-op Co
Gothenburg - Country Partners Co-op
Hastings - Cooperative Producers Inc
Hayes Center - Hayes County Farmers N/S Co-op
Hemingford - Farmers Co-op Elevator Co
Henderson Community Co-op Assn
Holdrege - CHS Inc
Imperial - Frenchman Valley Farmers Co-op
Lindsay - Farmers Co-op Assn
Pilger - Farmers Co-op
Ravenna - Farmers Co-op Assn
Scottsbluff - Panhandle Co-op Assn
Sidney - Crossroads Co-op Assn
Talmage - Farmers Co-op Co
Wauneta Co-op Oil Co
Wausa - CHS Inc.
York - Central Valley Ag Co-op

LIVESTOCK MARKETING AGENCIES

Allied Producers' Co-op
Producers Livestock Marketing

PARTICIPATING MEMBERS

Ag Processing Inc
CHS Inc
CoBank
Dairy Farmers of America, Inc
Farm Credit Services of America
Growmark, Inc
Land O'Lakes Inc

SUPPORTING MEMBERS

Aon Risk Solutions
Arthur J. Gallagher Risk Management Services, Inc
Associated Benefits Corp
Associated Milk Producers, Inc
Austin Mutual Insurance Co
Berkley Agribusiness Risk Specialists
BNSF Railway
Capital Recovery, Inc
Chubb Agribusiness/Penn Millers
CHS Insurance Services, LLC
CliftonLarsonAllen CPAs
Continental Western Group
EBM Construction, Inc
Farm Credit Council Services
Four Points Federal Credit Union
Frisbie Construction Co, Inc
Gardiner Thomsen CPAs
Holmes Murphy & Associates
Howalt+McDowell Insurance
Inspro Inc
INTLFCStone, LLC
KFSA
Lewis Goetz
Lincoln Inspection Service
McPherson Concrete Storage Systems, Inc
Milliman, Inc
Nationwide Agribusiness Insurance Co
Nebraska Corn Board
Nebraska Ethanol Board
Nebraska Rural Radio Assn
Olsson Associates
Pawling, Finn & Torell, CPAs LLC
SilverStone Group
The Cooperative Finance Assn
Triangle Insurance
Union Pacific Railroad
United Benefits Group
United Suppliers, Inc

RURAL ELECTRIC COOPERATIVES

Alliance - Panhandle Rural Electric Membership Assn
Grant - Midwest Electric Co-op Corp
O'Neill - Niobrara Valley Electric Membership Corp

TRANSPORT COOPERATIVE

Grand Island - Central Co-op N/S Transport Co

TELEPHONE COOPERATIVE

Blue Hill - Glenwood Telephone Membership Corp

OUT-OF-STATE SUPPLY/ MARKETING COOPERATIVES

Hiawatha KS - Ag Partners Co-op, Inc
Holyoke CO - CHS/Grainland Co-op

OUT-OF-STATE RURAL ELECTRIC COOPERATIVE

Torrington WY - Wyrulec Company

Nebraska Cooperative Council

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