NORTHEAST NEBRASKA
ECONOMIC DEVELOPMENT DISTRICT

FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015
TOGETHER WITH INDEPENDENT AUDITORS' REPORT
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**June 30, 2016**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Northeast Nebraska Economic Development District
Norfolk, Nebraska

Report on the Financial Statements

We have audited the accompanying financial statements of Northeast Nebraska Economic Development District as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Northeast Nebraska Economic Development District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Northeast Nebraska Economic Development District, as of June 30, 2016 and 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.
To the Board of Directors  
Northeast Nebraska Economic Development District

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 16 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Northeast Nebraska Economic Development District's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is also not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 12, 2016, on our consideration of the Northeast Nebraska Economic Development District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Northeast Nebraska Economic Development District's internal control over financial reporting and compliance.

Vic, 
KRUSE, SCHUMACHER, SMEJKAL & BROCKHAUS, P.C
Certified Public Accountants

Norfolk, Nebraska
October 12, 2016
# NORTHEAST NEBRASKA ECONOMIC DEVELOPMENT DISTRICT

## BALANCE SHEETS

### JUNE 30, 2016 AND 2015

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>CURRENT ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and Cash Equivalents</td>
<td>$787,967</td>
<td>$1,097,178</td>
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<tr>
<td>Accounts Receivable (Net of Allowance for Doubtful Accounts)</td>
<td>77,483</td>
<td>75,893</td>
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<td>Accounts Receivable - Related Party</td>
<td>29,606</td>
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<tr>
<td>Interest Receivable</td>
<td>1,583</td>
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<tr>
<td>Other Current Assets</td>
<td>1,981</td>
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<tr>
<td><strong>Total Current Assets</strong></td>
<td>$898,620</td>
<td>$1,203,022</td>
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<td><strong>FURNITURE AND EQUIPMENT, NET</strong></td>
<td>$11,627</td>
<td>$30,887</td>
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<td><strong>RESTRICTED ASSETS</strong></td>
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<tr>
<td>Cash and Investments</td>
<td>$596,475</td>
<td>$973,650</td>
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<td>Notes Receivable (Net of Allowance for Uncollectible Notes Receivable)</td>
<td>2,699,251</td>
<td>2,454,901</td>
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<tr>
<td><strong>Total Restricted Assets</strong></td>
<td>$3,295,726</td>
<td>$3,428,551</td>
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<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td>$4,205,973</td>
<td>$4,662,460</td>
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<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>LIABILITIES AND NET POSITION</strong></td>
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<td><strong>CURRENT LIABILITIES</strong></td>
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<tr>
<td>Accounts Payable</td>
<td>$4,299</td>
<td>$7,749</td>
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<tr>
<td>Accrued Expenses</td>
<td>24,736</td>
<td>25,236</td>
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<tr>
<td>Accrued Vacation</td>
<td>15,707</td>
<td>15,032</td>
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<td>Deferred Revenues</td>
<td>189,539</td>
<td>183,871</td>
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<tr>
<td>Current Portion of Leases Payable</td>
<td>3,467</td>
<td>3,467</td>
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<tr>
<td>Current Portion of Long-Term Debt</td>
<td>102,649</td>
<td>57,064</td>
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<td><strong>Total Current Liabilities</strong></td>
<td>$340,397</td>
<td>$292,419</td>
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<td><strong>LONG-TERM LIABILITIES</strong></td>
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<tr>
<td>Notes Payable</td>
<td>$951,137</td>
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<tr>
<td>Leases Payable</td>
<td>4,929</td>
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<td><strong>Total Long-Term Liabilities</strong></td>
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<td>$1,102,270</td>
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<td><strong>TOTAL LIABILITIES</strong></td>
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<td>$1,394,689</td>
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<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
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<tr>
<td><strong>NET POSITION</strong></td>
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<td></td>
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<tr>
<td>Restricted Expendable Grant Contributions</td>
<td>$1,107,345</td>
<td>$1,150,203</td>
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<tr>
<td>Invested in Capital Assets, Net of Related Debt</td>
<td>3,231</td>
<td>19,024</td>
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<tr>
<td>Unrestricted</td>
<td>1,788,934</td>
<td>2,086,544</td>
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<td><strong>TOTAL NET POSITION</strong></td>
<td>$2,899,510</td>
<td>$3,267,771</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES AND NET POSITION</strong></td>
<td>$4,205,973</td>
<td>$4,662,460</td>
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The accompanying notes are an integral part of the financial statements.

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NORTHEAST NEBRASKA
ECONOMIC DEVELOPMENT DISTRICT

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

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<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>OPERATING REVENUE</strong></td>
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<tr>
<td>Grant Administration Fees</td>
<td>$252,124</td>
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<tr>
<td>Interest Income</td>
<td>174,500</td>
<td>175,145</td>
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<tr>
<td>Dues and Assessments</td>
<td>180,920</td>
<td>184,786</td>
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<tr>
<td>Federal Grant Proceeds</td>
<td>86,099</td>
<td>80,728</td>
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<tr>
<td>Management Fees</td>
<td>207,264</td>
<td>190,800</td>
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<tr>
<td>Loan Fees</td>
<td>16,421</td>
<td>19,826</td>
</tr>
<tr>
<td>In-Kind Dues</td>
<td>15,000</td>
<td>15,000</td>
</tr>
<tr>
<td>Special Projects Income</td>
<td>18,938</td>
<td>33,902</td>
</tr>
<tr>
<td>Revolving Loan Fund Contributions</td>
<td>500</td>
<td>6,000</td>
</tr>
<tr>
<td>Donation</td>
<td>-</td>
<td>2,751</td>
</tr>
<tr>
<td>Miscellaneous Income</td>
<td>26,053</td>
<td>34,915</td>
</tr>
<tr>
<td><strong>Total Operating Revenues</strong></td>
<td>$977,819</td>
<td>$978,464</td>
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<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
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<tr>
<td><strong>OPERATING EXPENSES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries and Wages</td>
<td>$547,412</td>
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<td>Employee Benefits</td>
<td>116,299</td>
<td>110,225</td>
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<tr>
<td>Contract Service Expense</td>
<td>27,629</td>
<td>23,413</td>
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<tr>
<td>Travel, Meals, and Lodging</td>
<td>22,157</td>
<td>24,113</td>
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<tr>
<td>Professional and Contractual Services</td>
<td>24,548</td>
<td>30,221</td>
</tr>
<tr>
<td>Interest Expense</td>
<td>16,926</td>
<td>18,951</td>
</tr>
<tr>
<td>Office Supplies and Postage</td>
<td>24,586</td>
<td>22,831</td>
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<tr>
<td>Training and Publications</td>
<td>19,989</td>
<td>14,661</td>
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<tr>
<td>Printing and Advertising</td>
<td>5,438</td>
<td>4,937</td>
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<tr>
<td>Depreciation Expense</td>
<td>15,640</td>
<td>19,385</td>
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<tr>
<td>Rent Expense</td>
<td>15,000</td>
<td>15,000</td>
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<td>Telephone and Utilities</td>
<td>14,734</td>
<td>14,615</td>
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<td>Repairs and Maintenance</td>
<td>12,617</td>
<td>18,857</td>
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<tr>
<td>Insurance</td>
<td>7,965</td>
<td>3,529</td>
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<td>Meeting Expense</td>
<td>16,232</td>
<td>5,025</td>
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<tr>
<td>Bad Debt Expense</td>
<td>43,121</td>
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<tr>
<td>Loans Forgiven</td>
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<tr>
<td>Donation</td>
<td>10,291</td>
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<tr>
<td>Grant</td>
<td>401,578</td>
<td>5,155</td>
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<tr>
<td>Loss on Sale of Equipment</td>
<td>3,620</td>
<td>-</td>
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<tr>
<td>Miscellaneous Expense</td>
<td>61</td>
<td>-</td>
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<tr>
<td><strong>Total Operating Expenses</strong></td>
<td>$1,346,060</td>
<td>$880,660</td>
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</table>

| **NET CHANGE IN NET POSITION** | $ (368,261) | $97,804 |
| **NET POSITION AT BEGINNING OF YEAR** | 3,267,771 | 3,169,967 |
| **NET POSITION AT END OF YEAR**   | $2,899,510   | $3,267,771 |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS

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NORTHEAST NEBRASKA  
ECONOMIC DEVELOPMENT DISTRICT  

STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

<table>
<thead>
<tr>
<th>CASH FLOWS FROM OPERATING ACTIVITIES</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fees Received</td>
<td>$471,124</td>
<td>$480,409</td>
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<tr>
<td>Grants and Projects Receipts</td>
<td>105,037</td>
<td>114,630</td>
</tr>
<tr>
<td>Revolving Loan Fund Receipts</td>
<td>500</td>
<td>6,000</td>
</tr>
<tr>
<td>Net Disbursements of Notes Receivable</td>
<td>(287,708)</td>
<td>274,906</td>
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<tr>
<td>Dues</td>
<td>186,588</td>
<td>182,696</td>
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<tr>
<td>Interest from Notes</td>
<td>174,376</td>
<td>175,746</td>
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<td>Miscellaneous Receipts</td>
<td>26,053</td>
<td>34,916</td>
</tr>
<tr>
<td>Donation</td>
<td>-</td>
<td>2,751</td>
</tr>
<tr>
<td>Contract and Project Costs</td>
<td>(52,177)</td>
<td>(53,634)</td>
</tr>
<tr>
<td>Salaries and Benefits Paid</td>
<td>(663,036)</td>
<td>(659,681)</td>
</tr>
<tr>
<td>General and Administrative Expense Paid</td>
<td>(539,598)</td>
<td>(125,392)</td>
</tr>
<tr>
<td>Interest Paid</td>
<td>(16,926)</td>
<td>(18,951)</td>
</tr>
<tr>
<td><strong>NET CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES</strong></td>
<td><strong>$ (595,767)</strong></td>
<td><strong>$ 414,416</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payments on Notes Payable</td>
<td>$387,152</td>
<td>$44,112</td>
</tr>
<tr>
<td>Proceeds from Notes Payable</td>
<td>300,000</td>
<td>-</td>
</tr>
<tr>
<td><strong>NET CASH FLOWS (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</strong></td>
<td><strong>$ (87,152)</strong></td>
<td><strong>$ (44,112)</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CASH FLOWS FROM INVESTING ACTIVITIES</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Repayment of Capital Lease</td>
<td>(3,467)</td>
<td>(3,162)</td>
</tr>
<tr>
<td><strong>NET CASH FLOWS (USED) BY INVESTING ACTIVITIES</strong></td>
<td><strong>$ (3,467)</strong></td>
<td><strong>$ (3,162)</strong></td>
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</table>

<table>
<thead>
<tr>
<th>NET CHANGE IN CASH AND CASH EQUIVALENTS</th>
<th>$686,386</th>
<th>$367,142</th>
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<tr>
<td><strong>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</strong></td>
<td>2,070,828</td>
<td>1,703,686</td>
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<tr>
<td><strong>CASH AND CASH EQUIVALENTS AT END OF YEAR</strong></td>
<td>$1,384,442</td>
<td>$2,070,828</td>
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THE ACCOMPANYING NOTES  
ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS  
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## Reconciliation of Change in Net Position to Net Cash Flows

Provided by Operating Activities

<table>
<thead>
<tr>
<th>Description</th>
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<th>2015</th>
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<tbody>
<tr>
<td>Change in Net Position</td>
<td>$(368,261)</td>
<td>$97,804</td>
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<tr>
<td>Adjustments to Reconcile Change in Net Position to Net Cash Flows Provided by Operating Activities:</td>
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</tr>
<tr>
<td>Depreciation</td>
<td>15,640</td>
<td>19,385</td>
</tr>
<tr>
<td>Provision for Bad Debt</td>
<td>43,121</td>
<td>-</td>
</tr>
<tr>
<td>Loss on Sale of Furniture and Equipment</td>
<td>3,620</td>
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<tr>
<td>Change in Accounts Receivable</td>
<td>(1,590)</td>
<td>24,958</td>
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<tr>
<td>Change in Accounts Receivable - Related Party</td>
<td>(3,450)</td>
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<td>Change in Other Current Assets</td>
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<td>331</td>
</tr>
<tr>
<td>Change in Interest Receivable</td>
<td>(124)</td>
<td>601</td>
</tr>
<tr>
<td>Change in Accounts Payable</td>
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<td>(2,442)</td>
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<tr>
<td>Change in Accrued Expenses</td>
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<tr>
<td>Change in Accrued Vacation</td>
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<tr>
<td>Change in Deferred Revenues</td>
<td>5,668</td>
<td>(2,090)</td>
</tr>
<tr>
<td>Change in Notes Receivable</td>
<td>(287,471)</td>
<td>276,687</td>
</tr>
<tr>
<td><strong>NET CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES</strong></td>
<td><strong>$(595,767)</strong></td>
<td><strong>$414,416</strong></td>
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</tbody>
</table>
NORTHEAST NEBRASKA
ECONOMIC DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 1 — SUMMARY OF ACCOUNTING POLICIES

NATURE OF ENTITY: Northeast Nebraska Economic Development District (the District) was established under the Interlocal Cooperation Act. The District operates under a Board of Directors, along with a staff consisting of an Executive Director and several Community Development Analysts. The area served by the District includes nineteen counties in Northeast Nebraska, which includes the cities of Columbus, Fremont, and Norfolk. Any local government within the boundaries of the District is eligible for membership. The purpose is to examine area potential by promoting and developing plans, as necessary, for the economic development of the District, cooperating with any entity, whether public or private.

REPORTING ENTITY: In evaluating how to define the District for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth by Governmental Accounting Standards Board (GASB) Statement No. 61, The Financial Reporting Entity, and GASB Statement No. 39, Determining Whether Certain Organizations are Component Units. The basic, but not the only, criterion for including a potential component unit within the reporting entity is financial accountability. Financial accountability is defined as the District’s ability to appoint a voting majority of an organization’s governing body and either 1) the District’s ability to impose its will over the organization or 2) the potential the organization will provide a financial benefit to, or impose a financial burden on, the District. Based upon the application of these criteria, it has been determined there are no component units for the District, and the District is not a participant in any joint ventures.

BASIS OF ACCOUNTING: The District uses the accrual method of accounting. Revenues are recognized when they become measurable and available as net current position. All major revenues are susceptible to accrual. Expenditures are generally recognized when the related liability is incurred.

Operating revenues and expenses are distinguished from non-operating items. Operating revenues and expenses generally result from providing services, and producing and delivering goods in connection with ongoing operations.

BUDGET: The budget is adopted on the accrual basis of accounting. The budgeted amounts on page 16 have not been adjusted for comparisons with generally accepted accounting principles (GAAP). All annual appropriations lapse at fiscal year-end.

CASH AND CASH EQUIVALENTS: The District considers all short-term investments purchased with original maturities of three months or less to be cash equivalents.

ACCOUNTS RECEIVABLE: The accounts receivable arise in the normal course of business. Payments are due within 30 days of the invoice date and no interest is charged on past due accounts receivable. It is the policy of management to review the outstanding accounts receivable on a monthly basis for delinquent accounts. Based on management’s experience in the past, management will establish an allowance for doubtful accounts for uncollectible accounts when the accounts receivable is deemed uncollectible. The District has established an allowance for doubtful accounts of $13,000 and $13,000 as of June 30, 2016 and 2015.
NOTE 1 – SUMMARY OF ACCOUNTING POLICIES, CONTINUED

FURNITURE AND EQUIPMENT: The District capitalizes all costs in excess of $2,000 as property and equipment, including the costs which substantially increase the useful lives of property and equipment. Contributed property and equipment are recorded at fair value at the time of donation. Expenditures for maintenance and repairs are charged to operations as incurred.

Property and equipment are carried at cost or fair value, depending on the method of acquisition, less accumulated depreciation. Depreciation is computed using annual rates which are sufficient to amortize the cost of depreciable property and equipment under the straight-line method over the following estimated useful lives:

<table>
<thead>
<tr>
<th>Property and Equipment</th>
<th>Useful Life</th>
</tr>
</thead>
<tbody>
<tr>
<td>Furniture and Equipment</td>
<td>5 to 20 years</td>
</tr>
</tbody>
</table>

When the District retires or otherwise disposes of property and equipment, the cost and related accumulated depreciation are removed from the general ledger accounts and the resulting gains or losses, if any, are included in operations as income.

IN-KIND CONTRIBUTIONS: In-kind contributions reflect telephone, utilities, postage, supplies, rental, and clerical expenses incurred by the District which were paid by members.

USE OF ESTIMATES: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

SUBSEQUENT EVENTS: Subsequent events were evaluated through October 12, 2016, which is the date the financial statements were available to be issued.

NET POSITION: Net position is displayed in three components as follows:

- Invested in Capital Assets, Net of Related Debt – This component consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

- Restricted – This component consists of net position that is legally restricted by outside parties or by law through constitutional provisions or enabling legislation.

- Unrestricted – This component consists of net position that does not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

When both restricted and unrestricted resources are available for use, it is the District’s policy to use restricted resources first, then unrestricted resources as they are needed.

RECLASSIFICATIONS: Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation of the current year financial statements.
NOTE 2 – DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

Cash for the District at June 30 consisted of the following:

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Checking Accounts</td>
<td>$ 148,401</td>
<td>$  64,120</td>
</tr>
<tr>
<td>Certificates of Deposit</td>
<td>1,236,041</td>
<td>2,006,708</td>
</tr>
<tr>
<td></td>
<td>$ 1,384,442</td>
<td>$ 2,070,828</td>
</tr>
</tbody>
</table>

No deposits in excess of the amount insured by the Federal Deposit Insurance Corporation shall be allowed to accumulate in any financial institution unless:

a. the financial institution gives a surety bond;
b. the financial institution provides the District with securities as collateral on the excess funds; or
c. the financial institution issues a joint custody receipt to the benefit of the District, where a third-party financial institution actually holds the security.

Nebraska Statute 77, Article 23, covers the deposit and investment of public funds. The District may only invest in the following:

a. U.S. government obligations, U.S. government agency obligations, and U.S. government instrumentality obligations, which have a liquid market with a readily determinable market value;
b. Certificates of deposit and other evidences of deposit at institutions, bankers’ acceptances, and commercial paper, rated in the highest tier (e.g., A-1, P-1) by a nationally recognized rating agency;
c. Investment-grade obligations of state and local governments;
d. Repurchase agreements whose underlying purchased securities consist of the foregoing;
e. Money market mutual funds regulated by the Securities and Exchange Commission, and whose portfolios consist only of dollar-denominated securities and securities as described in a, b, c, and d above; or
f. Local government investment pools, either state-administered or through interlocal agreement legislation, whose portfolios consist of securities as described in a, b, c, and d above.

The District's policy for custodial credit risk is mandated by state statutes, as described above. Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2016 and 2015 the District's bank balances were not exposed to custodial credit risk.
NOTE 3 – NOTES RECEIVABLE

The District has several notes receivable, which had the following principal balances due to the District at June 30, 2016 and 2015:

<table>
<thead>
<tr>
<th>Loan Description</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic Development Admin RLF</td>
<td>$1,600,677</td>
<td>$1,366,896</td>
</tr>
<tr>
<td>Microloan RLF</td>
<td>8,229</td>
<td>11,876</td>
</tr>
<tr>
<td>Northeast Nebraska Regional RLF</td>
<td>65,482</td>
<td>111,858</td>
</tr>
<tr>
<td>Intermediary Relending Program RLF</td>
<td>1,419,119</td>
<td>1,296,514</td>
</tr>
<tr>
<td>Regional Rehabilitation RLF</td>
<td>66,561</td>
<td>74,287</td>
</tr>
<tr>
<td>Housing and Urban Development RLF</td>
<td>15,522</td>
<td>26,688</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$3,175,590</strong></td>
<td><strong>$2,886,119</strong></td>
</tr>
<tr>
<td>Less: Allowance for Uncollectible Notes Receivable</td>
<td>(476,339)</td>
<td>(433,218)</td>
</tr>
<tr>
<td><strong>Notes Receivable</strong></td>
<td><strong>$2,699,251</strong></td>
<td><strong>$2,454,901</strong></td>
</tr>
</tbody>
</table>

A loan loss reserve of 15.00% of the balance due has been established. This reserve has been established based upon the experience of management with similar types of loans.

Interest on loans is recognized over the term of the loans and is calculated using the simple-interest method on principal amounts outstanding. Interest on loans currently bears fixed rates varying between 0.00% to 6.00%. A loan is considered to be in default after being delinquent for three months. On a quarterly basis, by the Board’s approval, loans are written-off if no new repayment terms can be agreed upon with the recipient of the loan.

NOTE 4 – EMPLOYEE BENEFIT PLAN

The District maintains a qualified cash or deferred compensation plan under section 457 of the Internal Revenue Code. Under the plan, employees may elect to defer up to one-third of their salary, subject to Internal Revenue Service limits. The District matches such contributions at rates varying from 3.00% to 5.00% of an employee’s compensation, dependent upon the number of years the employee has been employed by the District. The District made contributions of $11,551 and $10,932 to the plan during the years ended June 30, 2016 and 2015, respectively. Employees made contributions of $21,831 and $20,270 to the plan during the years ended June 30, 2016 and 2015, respectively.
NOTE 5 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2016 is as follows:

<table>
<thead>
<tr>
<th></th>
<th>Balance</th>
<th>Additions</th>
<th>Disposals</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>July 1, 2015</td>
<td></td>
<td></td>
<td>June 30, 2016</td>
</tr>
<tr>
<td>Furniture and</td>
<td>$ 207,493</td>
<td>$ -0-</td>
<td>$(16,455)</td>
<td>$ 191,038</td>
</tr>
<tr>
<td>Equipment</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less: Accumulated</td>
<td>(176,606)</td>
<td>(15,640)</td>
<td>12,835</td>
<td>(179,411)</td>
</tr>
<tr>
<td>Depreciation</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Capital Assets</td>
<td>$ 30,887</td>
<td>$(15,640)</td>
<td>$(3,620)</td>
<td>$ 11,627</td>
</tr>
</tbody>
</table>

Capital assets activity for the year ended June 30, 2015 is as follows:

<table>
<thead>
<tr>
<th></th>
<th>Balance</th>
<th>Additions</th>
<th>Disposals</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>July 1, 2014</td>
<td></td>
<td></td>
<td>June 30, 2015</td>
</tr>
<tr>
<td>Furniture and</td>
<td>$ 217,881</td>
<td>$ -0-</td>
<td>$(10,388)</td>
<td>$ 207,493</td>
</tr>
<tr>
<td>Equipment</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less: Accumulated</td>
<td>(167,609)</td>
<td>(19,385)</td>
<td>10,388</td>
<td>(176,606)</td>
</tr>
<tr>
<td>Depreciation</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Capital Assets</td>
<td>$ 50,272</td>
<td>$(19,385)</td>
<td>$(0)</td>
<td>$ 30,887</td>
</tr>
</tbody>
</table>

Depreciation expense for the years ended June 30, 2016 and 2015 was $15,640 and $19,385, respectively.

NOTE 6 – CAPITAL LEASE

In November 2013, the District entered into two capital leases with LEAF Finding, Inc. for two copiers. The lease terms are 60 months with combined minimum lease payments of $289 due monthly. These leases contain an option for the District to purchase each copier for fair market value at the end of the lease term.

Leased equipment additions and disposals are included in capital assets additions and disposals. Leased equipment and related accumulated amortization under capital assets are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equipment</td>
<td>$ 17,160</td>
<td>$ 17,160</td>
</tr>
<tr>
<td>Less Accumulated</td>
<td>8,803</td>
<td>5,345</td>
</tr>
<tr>
<td>Amortization</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Value</td>
<td>$ 8,357</td>
<td>$ 11,815</td>
</tr>
</tbody>
</table>

Future minimum lease payments are as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>$ 3,467</td>
</tr>
<tr>
<td>2018</td>
<td>$ 3,467</td>
</tr>
<tr>
<td>2019</td>
<td>$ 1,156</td>
</tr>
<tr>
<td>Interest</td>
<td>(566)</td>
</tr>
<tr>
<td>Present</td>
<td>$ 7,524</td>
</tr>
<tr>
<td>value of</td>
<td></td>
</tr>
<tr>
<td>remaining</td>
<td></td>
</tr>
<tr>
<td>payments</td>
<td></td>
</tr>
</tbody>
</table>
NOTE 7 – LINE OF CREDIT

In November 2013, the District received a $150,000 line-of-credit from a financial institution. This line-of-credit matured November 26, 2014 and has a fixed interest rate of 5.00%. The balance at June 30, 2016 and 2015 was $0 and $0, respectively. The note is due in semiannual payments of interest only with the principal balance due upon expiration. The note is unsecured. The District's did not renew this line-of-credit.

NOTE 8 – LONG-TERM DEBT

The District has received three Evergreen loans for a total of $300,000 from the Nebraska Enterprise Fund to be used in a revolving loan fund. The loans are renewable indefinitely. Two of the loans have annual interest rates of 3.00%, and one of the loans has an annual interest rate of 4.00%. The 3.00% loans expire on October 1, 2016 and July 31, 2016, and 4.00% loan expires October 31, 2018. Should the District have elected not to renew each of the loans individually, monthly payments of $1,797, including both principal and interest, for each of the two 3.00% loans and monthly payments of $1,842, including both principal and interest, for the one 4.00% loan, would have been due for a period of 60 months after expiration of each loan. The loans are collateralized by all cash and notes receivable related to the District's revolving loan fund. The District renewed all three Evergreen Loans and consolidated them into one consolidated loan.

The District has received one Renewal Evergreen loan for $300,000 from the Nebraska Enterprise Fund to be used in a revolving loan fund. Monthly payments of $5,390.61 including both principal and are due for a period of 60 months. The loan matures September 30, 2020 and interest is fixed at 3.00%. The loans are collateralized by all cash and notes receivable related to the District's revolving loan fund.

The District has received two loans from the U.S. Department of Agriculture (USDA) Intermediary Relending Program. A loan for $750,000 is due in annual payments of $31,853, including both principal and interest, with the final payment due March 8, 2033. The loan balance was $440,825 and $467,983 as of June 30, 2016 and 2015, respectively. A loan for $500,000 is due in annual payments of $21,274, including both principal and interest, with the final payment due April 21, 2035. The loan balance was $365,559 and $382,955 as of June 30, 2016 and 2015, respectively. Interest on both loans is fixed at 1.00%. The loans are collateralized by all cash and notes receivable related to the USDA Intermediary Relending Program.

Long-term debt activity for the year ended June 30, 2016 is as follows:

<table>
<thead>
<tr>
<th></th>
<th>Beginning Balance</th>
<th>Additions</th>
<th>Retirements</th>
<th>Ending Balance</th>
<th>Due Within One Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Evergreen 1</td>
<td>$ 100,000</td>
<td>$ -0-</td>
<td>$ 100,000</td>
<td>$ -0-</td>
<td>$ -0-</td>
</tr>
<tr>
<td>Evergreen 2</td>
<td>100,000</td>
<td>-0-</td>
<td>100,000</td>
<td>-0-</td>
<td>-0-</td>
</tr>
<tr>
<td>Evergreen 3</td>
<td>100,000</td>
<td>-0-</td>
<td>100,000</td>
<td>-0-</td>
<td>-0-</td>
</tr>
<tr>
<td>Evergreen Renewal</td>
<td>-0-</td>
<td>300,000</td>
<td>42,598</td>
<td>257,402</td>
<td>57,622</td>
</tr>
<tr>
<td>IRP Loan 1</td>
<td>467,983</td>
<td>-0-</td>
<td>27,158</td>
<td>440,825</td>
<td>27,418</td>
</tr>
<tr>
<td>IRP Loan 2</td>
<td>382,955</td>
<td>-0-</td>
<td>17,396</td>
<td>365,559</td>
<td>17,609</td>
</tr>
<tr>
<td>Total</td>
<td>$ 1,150,938</td>
<td>$ 300,000</td>
<td>$ 387,152</td>
<td>$ 1,063,786</td>
<td>$ 102,649</td>
</tr>
</tbody>
</table>
NOTE 8 – LONG-TERM DEBT, CONTINUED

Payments on the loans are due as follows.

<table>
<thead>
<tr>
<th>Year Ended June 30,</th>
<th>Principal</th>
<th>Interest</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>$102,649</td>
<td>$15,166</td>
<td>$117,815</td>
</tr>
<tr>
<td>2018</td>
<td>104,886</td>
<td>12,929</td>
<td>117,815</td>
</tr>
<tr>
<td>2019</td>
<td>107,183</td>
<td>10,632</td>
<td>117,815</td>
</tr>
<tr>
<td>2020</td>
<td>109,541</td>
<td>8,274</td>
<td>117,815</td>
</tr>
<tr>
<td>2021</td>
<td>62,840</td>
<td>6,348</td>
<td>69,188</td>
</tr>
<tr>
<td>2022-2026</td>
<td>241,448</td>
<td>24,158</td>
<td>265,606</td>
</tr>
<tr>
<td>2027-2031</td>
<td>253,131</td>
<td>11,837</td>
<td>264,968</td>
</tr>
<tr>
<td>2032-2036</td>
<td>82,108</td>
<td>2,084</td>
<td>84,192</td>
</tr>
<tr>
<td>Total Debt Service to Maturity Requirement</td>
<td>$1,063,786</td>
<td>$91,428</td>
<td>$1,155,214</td>
</tr>
</tbody>
</table>

NOTE 9 – RELATED-PARTY TRANSACTIONS

The District is affiliated with Northeast Economic Development, Inc. (NED, Inc.), as evidenced by their common control of management. The District contracts with NED, Inc. to provide general management, grant administration services, and lead inspection administration services. The District received $207,264 and $234,407 in management and administration fees from NED, Inc. for the years ended June 30, 2016 and 2015, respectively. As of June 30, 2016 and 2015, $29,606 and $26,156 was receivable from NED, Inc. for these fees, respectively. The District received donations for community projects in the amount of $0 and $2,751 from NED, Inc., and donated housing funds in the amount of $10,291 and $13,131 to NED, Inc. for the years ended June 30, 2016 and 2015, respectively.

NOTE 10 – RISK MANAGEMENT

The District is exposed to various risks of loss related to damage to, destruction of, or theft of assets; errors and omissions; injuries to employees; natural disaster; and torts. During the year, the District carried commercial insurance for general liability, property coverage, and worker’s compensation coverage. Settled claims resulting from these risks have not exceeded commercial insurance coverage in the current and prior fiscal years.

The District pays annual premiums for workers’ compensation coverage based upon an estimate of salaries paid to employees. The ultimate amount of premiums due is based upon actual salaries paid, making the policy retrospectively rated. Any additional or excess premium resulting from an adjustment to the ultimate cost is indeterminable.

NOTE 11 – RESTRICTED ASSETS

Certain cash deposits totaling $596,475 and $973,650 as of June 30, 2016 and 2015, respectively, are restricted as to use. Deposits are restricted by grantor agencies for future loans to individuals and businesses.
NOTE 12 - GRANT

In prior years, the District had a regional revolving loan funds program that has been discontinued. Communities still have unused funds which they had granted to the District for use through the regional revolving loan fund. In order to utilize the unused funds in the regional revolving loan fund, when funds are requested for community economic development activities, the District grants the requested and approved funds to NED, Inc. The regional revolving loan funds can then be used by NED, Inc. using their non-profit development organization status. The District granted regional revolving loan funds of $401,578 and $5,155 to Ned, Inc. for the years ended June 30, 2016 and 2015, respectively.
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors of
Northeast Nebraska Economic Development District
Norfolk, Nebraska

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of Northeast Nebraska Economic Development District, as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise Northeast Nebraska Economic Development District's basic financial statements, and have issued our report thereon dated October 12, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Northeast Nebraska Economic Development District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Northeast Nebraska Economic Development District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Northeast Nebraska Economic Development District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Northeast Nebraska Economic Development District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.
To the Board of Directors
Northeast Nebraska Economic Development District

Purpose of this Report
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District’s internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KRUSE, SCHUMACHER, SMEJKAL & BROCKHAUS, P.C.
Certified Public Accountants
Norfolk, Nebraska
October 12, 2016
SUPPLEMENTARY INFORMATION
NORTHEAST NEBRASKA ECONOMIC DEVELOPMENT DISTRICT

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED JUNE 30, 2016

UNAUDITED

<table>
<thead>
<tr>
<th>REVENUES</th>
<th>ORIGINAL/FINAL BUDGET</th>
<th>ACTUAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grant Administration Fees</td>
<td>$323,000</td>
<td>$252,124</td>
</tr>
<tr>
<td>Interest Income</td>
<td>165,460</td>
<td>174,500</td>
</tr>
<tr>
<td>Dues and Assessments</td>
<td>189,300</td>
<td>180,920</td>
</tr>
<tr>
<td>Federal Grant Proceeds</td>
<td>143,170</td>
<td>86,099</td>
</tr>
<tr>
<td>Management Fees</td>
<td>144,000</td>
<td>207,264</td>
</tr>
<tr>
<td>Loan Fees</td>
<td>13,500</td>
<td>16,421</td>
</tr>
<tr>
<td>In-Kind Dues</td>
<td>15,000</td>
<td>15,000</td>
</tr>
<tr>
<td>Special Projects Income</td>
<td>29,450</td>
<td>18,938</td>
</tr>
<tr>
<td>Revolving Loan Fund Contributions</td>
<td>-</td>
<td>500</td>
</tr>
<tr>
<td>Miscellaneous Income</td>
<td>19,700</td>
<td>26,053</td>
</tr>
<tr>
<td><strong>Total Revenues</strong></td>
<td><strong>$1,042,580</strong></td>
<td><strong>977,819</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>EXPENSES</th>
<th>ORIGINAL/FINAL BUDGET</th>
<th>ACTUAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries and Wages</td>
<td>$575,000</td>
<td>$547,412</td>
</tr>
<tr>
<td>Employee Benefits</td>
<td>144,000</td>
<td>116,299</td>
</tr>
<tr>
<td>Contract Service Expense</td>
<td>27,450</td>
<td>27,629</td>
</tr>
<tr>
<td>Travel, Meals, and Lodging</td>
<td>25,000</td>
<td>22,157</td>
</tr>
<tr>
<td>Professional and Contractual Services</td>
<td>12,000</td>
<td>24,548</td>
</tr>
<tr>
<td>Interest Expense</td>
<td>18,000</td>
<td>16,926</td>
</tr>
<tr>
<td>Office Supplies and Postage</td>
<td>43,700</td>
<td>24,586</td>
</tr>
<tr>
<td>Training and Publications</td>
<td>15,660</td>
<td>19,989</td>
</tr>
<tr>
<td>Printing and Advertising</td>
<td>6,000</td>
<td>5,438</td>
</tr>
<tr>
<td>Depreciation Expense</td>
<td>20,000</td>
<td>15,640</td>
</tr>
<tr>
<td>Office Space Rental</td>
<td>15,000</td>
<td>15,000</td>
</tr>
<tr>
<td>Telephone and Utilities</td>
<td>16,200</td>
<td>14,734</td>
</tr>
<tr>
<td>Repairs and Maintenance</td>
<td>12,450</td>
<td>12,617</td>
</tr>
<tr>
<td>Insurance</td>
<td>9,600</td>
<td>7,965</td>
</tr>
<tr>
<td>Meeting Expense</td>
<td>3,200</td>
<td>16,232</td>
</tr>
<tr>
<td>Bad Debt Expense</td>
<td>25,000</td>
<td>43,121</td>
</tr>
<tr>
<td>Loans Forgiven</td>
<td>240</td>
<td>237</td>
</tr>
<tr>
<td>Donation</td>
<td>9,360</td>
<td>411,869</td>
</tr>
<tr>
<td>Loss on Sale of Equipment</td>
<td>-</td>
<td>3,620</td>
</tr>
<tr>
<td>Miscellaneous Expense</td>
<td>600</td>
<td>81</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td><strong>$978,360</strong></td>
<td><strong>1,346,080</strong></td>
</tr>
</tbody>
</table>

**EXCESS OF REVENUES OVER EXPENSES**

<table>
<thead>
<tr>
<th></th>
<th>ORIGINAL/FINAL BUDGET</th>
<th>ACTUAL</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$64,220</td>
<td>$(368,261)</td>
</tr>
</tbody>
</table>

NOTE: Budget amounts and actual amounts have been presented on the accrual basis of accounting.
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors of Northeast Nebraska Economic Development District

Report on Compliance for Each Major Federal Program

We have audited Northeast Nebraska Economic Development District's compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of Northeast Nebraska Economic Development District's major federal programs for the year ended June 30, 2016. Northeast Nebraska Economic Development District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Northeast Nebraska Economic Development District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Northeast Nebraska Economic Development District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Northeast Nebraska Economic Development District's compliance.

Opinion on Each Major Federal Program

In our opinion, the Northeast Nebraska Economic Development District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control over Compliance

Management of the Northeast Nebraska Economic Development District, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Northeast Nebraska Economic Development District's internal control over compliance with the types of requirements...
To the Board of Directors of
Northeast Nebraska Economic Development District

that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Northeast Nebraska Economic Development District’s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

KRUSE, SCHUMACHER, SMEJKAL & BROCKHAUS, P.C.
Certified Public Accountants

Norfolk, Nebraska
October 12, 2016
<table>
<thead>
<tr>
<th>Federal Grantor / Pass-Through Grantor</th>
<th>Program or Cluster Title</th>
<th>Federal CFDA Number</th>
<th>Federal Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic Development Administration,</td>
<td>Economic Development Administration Support for Planning</td>
<td>11.302</td>
<td>$ 80,536</td>
</tr>
<tr>
<td>Department of Commerce</td>
<td>Organizations</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Economic Adjustment Assistance</td>
<td>11.307</td>
<td>1,377,628</td>
</tr>
<tr>
<td></td>
<td>United States Department of Agriculture Rural Development</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Rural Business Cooperative Service</td>
<td>10.769</td>
<td>5,563</td>
</tr>
<tr>
<td></td>
<td>Total Expenditures of Federal Awards</td>
<td></td>
<td>$ 1,463,727</td>
</tr>
</tbody>
</table>
NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Northeast Nebraska Economic Development District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance, Audits of States, Local Governments, and Nonprofit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2 – LOAN BALANCES

Outstanding loan balances under the Economic Adjustment Assistance Program totaled $1,600,677 at June 30, 2016.
A. SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unmodified opinion on the financial statements of Northeast Nebraska Economic Development District.

2. No significant deficiencies or material weaknesses in internal control over financial reporting were reported.

3. No instances of noncompliance material to the financial statements of Northeast Nebraska Economic Development District, which would be required to be reported in accordance with Government Auditing Standards, were disclosed during the audit.

4. No significant deficiencies or material weaknesses in internal control over major programs were reported.

5. The auditors' report on compliance for the major federal award programs for Northeast Nebraska Economic Development District expresses an unmodified opinion on all major federal programs.

6. There were no audit findings that are required to be reported in accordance with Section 200.516 of the Uniform Guidance.

7. The program tested as a major program included:

   U.S. Department of Commerce
   Economic Adjustment Assistance CFDA No. 11.307

8. The threshold for distinguishing between Types A and B federal award programs was $750,000.


B. FINDINGS – FINANCIAL STATEMENTS AUDIT

   None

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

   None