

**KEITH COUNTY REGIONAL ECONOMIC
DEVELOPMENT INVESTMENT PROGRAM**

FINANCIAL STATEMENTS

September 30, 2015

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Keith County Regional Economic Development Investment Program
Ogallala, Nebraska

We have audited the accompanying financial statements of the business-type activities of the Keith County Regional Economic Development Program, Ogallala, Nebraska, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the Program'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 an opinion 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 opinion.

SHAREHOLDERS

Robert D. Almquist
Phillip D. Maltzahn
Terry T. Galloway
Marcy J. Luth
Heidi A. Ashby
Christine R. Shenk
Michael E. Hoback
Joseph P. Stump

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Keith County Regional Economic Development Investment Program, Ogallala, Nebraska, as of September 30, 2015, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 - 6 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2015, on our consideration of the Keith County Regional Economic Development Investment Program'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 Program's internal control over financial reporting and compliance.

Amquist, Mathyalm,
Galloway : Luth, D.C.

Grand Island, Nebraska
November 4, 2015

**KEITH COUNTY REGIONAL ECONOMIC
DEVELOPMENT INVESTMENT PROGRAM
MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Year Ended September 30, 2015**

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Keith County Regional Economic Development Investment Program, we offer readers of the Keith County Regional Economic Development Investment Program financial statements this narrative overview and analysis of the financial activities of the Keith County Regional Economic Development Investment Program for the fiscal year ended September 30, 2015.

Financial Highlights

- The assets of the Keith County Regional Economic Development Investment Program exceeded its liabilities at the close of the most recent fiscal year by \$495,505 (*net position*). The net position was all unrestricted at September 30, 2015.
- The Program's net position decreased \$364,545 as a result of the year's operations, as \$380,380 was returned to the Nebraska Department of Economic Development.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Keith County Regional Economic Development Investment Program's basic financial statements. The Keith County Regional Economic Development Investment Program's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Keith County Regional Economic Development Investment Program's finances in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the Keith County Regional Economic Development Investment Program's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Keith County Regional Economic Development Investment Program is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements can be found on pages 7 and 8 of this report.

**KEITH COUNTY REGIONAL ECONOMIC
DEVELOPMENT INVESTMENT PROGRAM
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For The Year Ended September 30, 2015**

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Keith County Regional Economic Development Investment Program, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Proprietary funds. The Keith County Regional Economic Development Investment Program maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Keith County Regional Economic Development Investment Program uses enterprise funds to account for its REDI Program.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

The basic proprietary fund financial statements can be found on pages 9 and 10 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 11-20 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Keith County Regional Economic Development Investment Program, assets exceeded liabilities by \$495,505 at the close of the most recent fiscal year.

Summary Statements of Net Position

	<u>2015</u>	<u>2014</u>	<u>Increase (Decrease)</u>
Current and Other Assets	\$ 495,505	\$ 860,050	\$ (364,545)
Capital Assets	-	-	-
Total Assets	495,505	860,050	(364,545)
Long-term Liabilities	-	-	-
Other Liabilities	-	-	-
Total Liabilities	-	-	-
Net Position:			
Net investment in capital assets	-	-	-
Restricted	-	-	-
Unrestricted	495,505	860,050	(364,545)
Total Net Position	\$ 495,505	\$ 860,050	\$ (364,545)

**KEITH COUNTY REGIONAL ECONOMIC
DEVELOPMENT INVESTMENT PROGRAM
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For The Year Ended September 30, 2015**

All of the Program's net position is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.

Business-type activities. The Keith County Regional Economic Development Investment Program's net position decreased by \$364,545 (42.4%). The Program's (operating) revenues totaled \$15,603, 13.4% lower than last year. Program (operating) expenses totaled \$380,380, compared to \$0 last year. Investment interest (nonoperating) income totaled \$232, 21.6% lower than last year.

Economic Factors

- The Nebraska Department of Economic Development (DED) has indicated the interlocal agreement creating Keith County Regional Economic Development Investment Program is not valid, thus the Program will not make any new loans. In December 2014, the Program began remitting all cash to Nebraska DED semi-annually.

Request for Information

This financial report is designed to provide a general overview of the Keith County Regional Economic Development Investment Program's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Clerk, City of Ogallala, 411 East 2nd Street, Ogallala, NE 69153.

**KEITH COUNTY REGIONAL ECONOMIC
DEVELOPMENT INVESTMENT PROGRAM**

STATEMENT OF NET POSITION

September 30, 2015

ASSETS

Current assets:

Cash and cash equivalents	\$ 20,951
Accrued interest receivable	750
Current portion of notes receivable	<u>52,181</u>
Total current assets	73,882

Noncurrent assets:

Noncurrent portion of notes receivable	<u>421,623</u>
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Total assets 495,505

LIABILITIES

-

NET POSITION

Unrestricted \$ 495,505

See notes to financial statements.

**KEITH COUNTY REGIONAL ECONOMIC
DEVELOPMENT INVESTMENT PROGRAM**

STATEMENT OF ACTIVITIES

For the year ended September 30, 2015

Program expenses	
Return of funds to Nebraska Department of Economic Development	\$ 380,380
Program revenues:	
Interest on loan payments	<u>15,603</u>
Net program expenses in excess of revenue	(364,777)
General revenues:	
Interest income	<u>232</u>
Decrease in net position	(364,545)
Net position - beginning of the year	<u>860,050</u>
Net position - end of the year	<u><u>\$ 495,505</u></u>

See notes to financial statements.

**KEITH COUNTY REGIONAL ECONOMIC
DEVELOPMENT INVESTMENT PROGRAM**

**STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION**

For the year ended September 30, 2015

OPERATING REVENUE	
Interest on loan payments	\$ 15,603
OPERATING EXPENSES	
Return of funds to Nebraska Department of Economic Development	<u>380,380</u>
Operating loss	(364,777)
NONOPERATING REVENUE	
Interest income	<u>232</u>
Change in net position	(364,545)
Net position - September 30, 2014	<u>860,050</u>
Net position - September 30, 2015	<u><u>\$ 495,505</u></u>

See notes to financial statements.

**KEITH COUNTY REGIONAL ECONOMIC
DEVELOPMENT INVESTMENT PROGRAM**

STATEMENT OF CASH FLOWS

For the year ended September 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES:

Interest received from borrowers	\$ 15,704
Payments to Nebraska Department of Economic Development	(380,380)
	<hr/>
Net cash used by operating activities	(364,676)

CASH FLOWS FROM INVESTING ACTIVITIES:

Principal payments received on notes receivable	88,630
Interest income received	232
	<hr/>
Net cash provided by investing activities	88,862

Decrease in cash and cash equivalents (275,814)

Cash and cash equivalents - beginning of the year

296,765

Cash and cash equivalents - end of the year \$ 20,951

**Reconciliation of operating loss to net cash used
by operating activities:**

Operating loss	\$ (364,777)
Adjustments to reconcile operating loss to net cash used by operating activities	
Increase in accrued interest receivable	101
Net cash used by operating activities	<hr/> <u><u>\$ (364,676)</u></u>

See notes to financial statements.

**KEITH COUNTY REGIONAL ECONOMIC
DEVELOPMENT INVESTMENT PROGRAM**

NOTES TO FINANCIAL STATEMENTS

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**KEITH COUNTY REGIONAL ECONOMIC
DEVELOPMENT INVESTMENT PROGRAM**

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Keith County Regional Economic Development Investment Program, Ogallala, Nebraska, (Program) are prepared in accordance with generally accepted accounting principles (GAAP). The Program’s reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

The accounting and reporting framework and the more significant accounting principles and practices are discussed in subsequent sections of this Note.

1. Financial Reporting Entity

The Keith County Regional Economic Development Investment Program (REDI) was created by an Interlocal Cooperation Agreement between the Village of Brule, Nebraska; the Village of Paxton, Nebraska; the City of Ogallala, Nebraska; and Keith County, Nebraska. The purpose of REDI is to combine the parties’ Community Development Block Grant Program incomes into a shared pool with a common reuse plan that would allow for regional reuse anywhere within Keith County. The Nebraska Department of Economic Development (DED) has indicated the interlocal agreement creating REDI is not valid, so this entity cannot make new loans and must remit all cash collected to the Nebraska DED.

The REDI Fund Review Committee consists of ten members: One member appointed by the Village of Brule; one member appointed by the Village of Paxton; one member appointed by Keith County; two members appointed by the City of Ogallala; and five members selected from commercial lending institutions within Keith County and appointed by the members from Brule, Paxton, Ogallala, and Keith County.

The Program’s financial reporting entity comprises the following:

Primary Government:	Keith County Regional Economic Development Investment Program
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In determining the financial reporting entity, the Program complies with the provisions of GASB Statement No. 61, and has addressed all potential component units (traditionally separate reporting entities) for which the Program may be financially accountable, and, as such, should be included within the Program’s financial statements. The Program (the primary government) is financially accountable if it appoints a voting majority of the organization’s governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Program. Additionally, the primary government is required to consider other organizations for which the

**KEITH COUNTY REGIONAL ECONOMIC
DEVELOPMENT INVESTMENT PROGRAM**

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2015

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

1. Financial Reporting Entity, continued

nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading.

Blended Component Units

Blended component units are separate legal entities that meet the component unit criteria described above and whose governing body is the same or substantially the same as the Program Board or who provide services entirely to the Program. These component units' funds are blended into those of the Program by appropriate activity type to compose the primary government presentation. Currently, the Program has no blended component units.

Discretely Presented Component Units

Discretely presented component units are separate legal entities that meet the component unit criteria described above, but do not meet the criteria for blending. The Program currently has no discretely presented component units.

2. Basis of Presentation

Government-wide Financial Statements

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity. Business-type activities generally are financed in whole or in part by fees charged to external parties for goods or services.

**KEITH COUNTY REGIONAL ECONOMIC
DEVELOPMENT INVESTMENT PROGRAM**

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2015

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

2. Basis of Presentation, continued

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. An emphasis is placed on major funds. A fund is considered major if it is the primary operating fund of the Program or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund are at least five percent of the corresponding total for all governmental funds combined.

The major fund of the financial reporting entity is described below:

Proprietary Fund

Enterprise Fund

Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

3. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

**KEITH COUNTY REGIONAL ECONOMIC
DEVELOPMENT INVESTMENT PROGRAM**

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2015

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

3. Measurement Focus and Basis of Accounting, continued

Measurement Focus

On the government-wide Statement of Net Position and the Statement of Activities, the business-type activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported.

In the fund financial statements, the proprietary fund also utilizes the “economic resources” measurement focus.

Basis of Accounting

In both the government-wide Statement of Net Position and Statement of Activities and the fund financial statements, activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

4. Assets, Liabilities, and Equity

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure 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.

Cash and Cash Equivalents

For the purpose of the Statement of Net Position, “cash and cash equivalents” includes all demand accounts, savings, and repo accounts. Additional cash disclosures are presented in Notes B1 and C1.

**KEITH COUNTY REGIONAL ECONOMIC
DEVELOPMENT INVESTMENT PROGRAM**

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2015

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

4. Assets, Liabilities, and Equity, continued

Receivables

In the government-wide and fund financial statements, receivables consist of all revenues earned at year end and not yet received.

Equity Classifications

Government-wide Statements

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation.
- b. Restricted net position – Consists of net position with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

Fund Financial Statements

Proprietary fund equity is classified the same as in the government-wide statements.

5. Revenues, Expenditures, and Expenses

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by character and function for business-type activities.

In the fund financial statements, proprietary funds report expenditures of financial resources, classified by operating and nonoperating.

**KEITH COUNTY REGIONAL ECONOMIC
DEVELOPMENT INVESTMENT PROGRAM**

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2015

NOTE B – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

By its nature as a local government unit, the Program is subject to various federal, state, and local laws and contractual regulations. An analysis of the Program's compliance with significant laws and regulations and demonstration of its stewardship over Program resources follows:

1. Deposit Laws and Regulations

Custodial credit risk is the risk that, in the event of a bank failure, a government's deposits may not be returned to it. The Program's deposit policy for custodial credit risk requires compliance with the provisions of state law.

State law requires collateralization of all deposits with federal depository insurance or with U.S. Treasury and U.S. agency securities having an aggregate value at least equal to the amount of the deposits. The Program's demand deposits, are insured up to \$250,000 and savings/certificates of deposit are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). Any deposits in excess of the \$250,000 FDIC limits are insured by collateral held by the pledging institution in the Program's name.

NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

The following notes present detail information to support the amounts reported in the basic financial statements for the Program's various assets, liabilities, equity, revenues, and expenditures/expenses.

1. Cash and Cash Equivalents

Deposits

The Program's policies regarding deposits of cash are discussed in Note A4. The table presented below is designed to disclose the type of collateral on the Program's deposits at September 30, 2015. The categories of collateral are defined as follows:

Category 1 – Insured by FDIC or collateralized with securities held by the Program (or public trust) or by its agent in its name.

**KEITH COUNTY REGIONAL ECONOMIC
DEVELOPMENT INVESTMENT PROGRAM**

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2015

NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS, continued

1. Cash and Cash Equivalents, continued

Deposits, continued

Category 2 – Uninsured but collateralized with securities held by the pledging financial institution’s trust department or agent in the Program’s name.

Category 3 – Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution, or by its trust department or agent, but not in the Program’s name; or collateralized with no written or approved collateral agreement.

<u>Types of Deposits</u>	<u>Total Bank Balance</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Total Carrying Value</u>
Demand deposits and repo accounts	\$ 20,951	\$ 20,951	\$ -	\$ -	<u>\$ 20,951</u>

Reconciliation to Government-wide Statement of Net Position:

Primary Government -	
Cash	\$ 879
Repurchase Agreement	<u>20,072</u>
	<u>\$ 20,951</u>

2. Notes Receivable

REDI has issued several loans to encourage economic development in Keith County. Several Keith County banks have issued participating loans in addition to the loans made by REDI. REDI’s portion of the outstanding notes receivable as of September 30, 2015, is as follows:

**KEITH COUNTY REGIONAL ECONOMIC
DEVELOPMENT INVESTMENT PROGRAM**

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2015

NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS, continued

2. Notes Receivable, continued

<u>Borrower</u>	<u>Date of Loan</u>	<u>Term of Loan</u>	<u>Monthly Payment</u>	<u>Interest Rate</u>	<u>Principal Balance</u>	<u>Due Within One Year</u>
Ashcore, LLC	1/5/2011	7 years	\$ 666.11	3.00%	\$ 18,620	\$ 7,501
CJC Enterprises	10/4/2011	5 years	725.02	3.00%	51,255	7,262
Prairie Theatre	3/30/2012	15 years	555.97	3.00%	65,168	4,784
Prokop	3/12/1999	15 years	50.00	0%	8,650	600
Fraser Welding	1/31/2004	20 years	631.82	3.38%	50,145	5,442
Mike J. Knott, DDS, PC	4/25/2005	20 years	888.08	3.43%	85,821	7,842
Nebraska Print, LLC	1/3/2005	20 years	301.68	3.38%	22,046	2,817
Village Café	3/27/2007	20 years	156.48	4.38%	17,223	1,147
Auto Service Solutions	1/31/2007	15 years	712.34	4.13%	47,568	6,597
Huffman #1	11/2/2007	20 years	498.44	1.62%	57,783	3,951
Brewster	12/18/2009	15 years	482.67	2.52%	49,525	4,238
Total notes receivable					<u>\$ 473,804</u>	<u>\$ 52,181</u>

NOTE D – OTHER NOTES

1. Risk Management

The Program is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Program has purchased commercial insurance to offset these risks. Settled claims have not significantly exceeded this commercial coverage in any of the past three years.

**KEITH COUNTY REGIONAL ECONOMIC
DEVELOPMENT INVESTMENT PROGRAM**

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2015

NOTE D – OTHER NOTES, continued

1. Risk Management, continued

Deposits and Investments

Custodial Credit Risk. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Program will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. All of the underlying securities for the Program’s investments at September 30, 2015, are held by banks in the name of the Program. The Program has only demand deposits and a repurchase agreement account.

Credit Risk. Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The Program’s cash and cash equivalents consist of repurchase agreements and demand deposits, minimizing credit risk associated with the Program’s investment portfolio.

Concentration of Credit Risk. The Program’s investment policy places no limit on the amount that may be invested in any one issuer. At September 30, 2015, the Program’s bank deposits consisted of the following:

<u>Financial Institution</u>	<u>Amount</u>
Pinnacle Bank & Trust	<u>\$20,951</u>

Foreign Currency Risk. This risk relates to adverse effects on the fair value of an investment from changes in exchange rates. The Program’s investments had no exposure to foreign currency risk and the Program held no investments denominated in foreign currency at September 30, 2015.

2. Subsequent Events

Management has evaluated subsequent events through November 4, 2015, the date on which the financial statements were available for issue.

**ADDITIONAL INFORMATION REQUIRED BY
*GOVERNMENT AUDITING STANDARDS***



**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***

SHAREHOLDERS

Robert D. Almquist
Phillip D. Maltzahn
Terry T. Galloway
Marcy J. Luth
Heidi A. Ashby
Christine R. Shenk
Michael E. Hoback
Joseph P. Stump

To the Board of Directors
Keith County Regional Economic Development Investment Program
Ogallala, Nebraska

We have audited, 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, the financial statements of the business-type activities of the Keith County Regional Economic Development Investment Program, Ogallala, Nebraska, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the Program's basic financial statements, and have issued our report thereon dated November 4, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Keith County Regional Economic Development Investment Program'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 Program's internal control. Accordingly, we do not express an opinion on the effectiveness of the Program'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 over financial reporting 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 financial reporting that might be

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significant deficiencies, and therefore material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify certain deficiencies in internal control, described below that we consider to be significant deficiencies.

Segregation of Duties

Due to limited number of personnel, there is not adequate segregation of duties to ensure internal control over cash receipts, disbursements, and recording of transactions.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Keith County Regional Economic Development Investment Program's financial statements are free of 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*.

Keith County Regional Economic Development Investment Program's Response to Findings

Keith County Regional Economic Development Investment Program's response to the findings identified in our audit is that due to the small size of the Program, it is impractical to further segregate duties. The Program's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Amquist, Matthew,
Galloway : Luth, D.C.

Grand Island, Nebraska
November 4, 2015