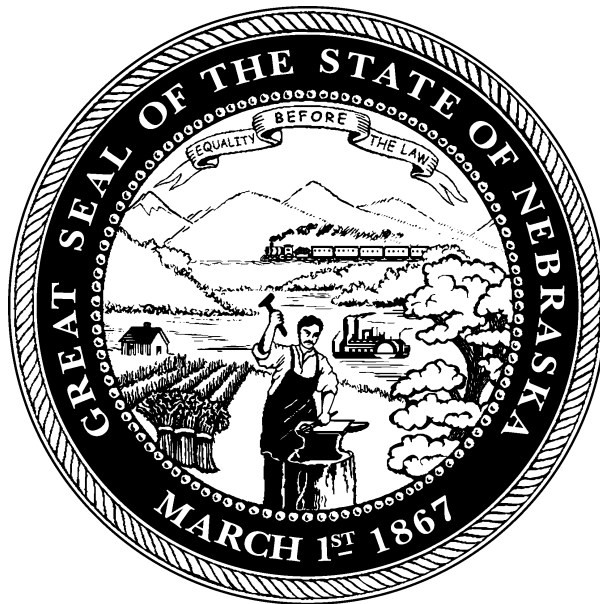


State of Nebraska

Comprehensive Annual Financial Report

Year Ended June 30, 2002



Mike Johanns
Governor

Department of Administrative Services

Lori McClurg
Director

Paul R. Carlson
State Accounting Administrator

December 22, 2002

Members of the Legislature
Citizens of the State of Nebraska

It is my pleasure to submit Nebraska's Comprehensive Annual Financial Report for fiscal year 2002.

This report is an important part of our efforts to provide timely and accurate financial reporting to ensure proper handling of taxpayers' money. It provides a complete picture of the State's financial status and is an excellent means of meeting our continuing disclosure responsibilities in accordance with national governmental reporting standards.

Our ability to manage our fiscal affairs is demonstrated by the unqualified audit opinion that follows. I am also proud that the 2001 report submitted to the Government Finance Officers Association was, for the eleventh consecutive year, awarded the prestigious Certificate of Achievement for Excellence in Financial Reporting. I am confident the 2002 report will also receive this distinction.

I would like to thank the Department of Administrative Services for its commitment in dealing with the complex accounting issues involved in preparing this report, as well as all the state agencies for their cooperation in gathering the necessary information.

Sincerely,

A handwritten signature in black ink, appearing to read "Mike Johanns", written in a cursive style.

Mike Johanns
Governor

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2002

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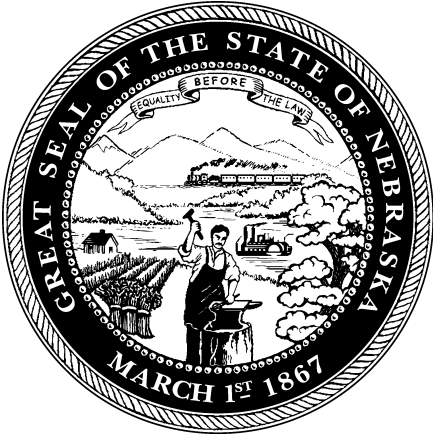
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INTRODUCTORY SECTION

SELECTED STATE OFFICIALS

As of June 30, 2002

EXECUTIVE

Mike Johanns

Governor

David Heineman

Lieutenant Governor

Donald B. Stenberg

Attorney General

Kate Witek

Auditor of Public Accounts

John A. Gale

Secretary of State

Lorelee Byrd

State Treasurer

JUDICIAL

Supreme Court of Nebraska

John V. Hendry, Chief Justice

William M. Connolly, Justice

John M. Gerrard, Justice

Michael McCormack, Justice

Lindsey Miller-Lerman, Justice

Kenneth C. Stephan, Justice

John F Wright, Justice

LEGISLATIVE

Douglas Kristensen

Speaker of the Legislature

Nebraska Unicameral (49 Senators)

December 21, 2002

The Honorable Mike Johanns, Governor
Members of the Legislature
Citizens of the State of Nebraska

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the State of Nebraska (the "State") for the fiscal year ended June 30, 2002. This report is the primary means of reporting the State government's financial activities. The State of Nebraska's financial statements have been audited by KPMG LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the State of Nebraska for the fiscal year ended June 30, 2002, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the State of Nebraska's financial statements for the fiscal year ended June 30, 2002, are fairly presented in conformity with Accounting Principles Generally Accepted in the United States of America (GAAP). The independent auditor's report is presented as the first component of the financial section of this report. The CAFR has been prepared in conformance with the new Governmental Accounting Standards Board (GASB) statements 34 and 35. The new reporting model has changed considerably from prior years with the objective to provide a clear picture of the government as a single, unified entity as well as providing traditional fund based financial statements.

The independent audit of the financial statements of the State of Nebraska was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the State of Nebraska's separately issued Single Audit Report.

The CAFR is presented in three sections. The Introductory Section contains this letter of transmittal and some information about the State and its operations. The Financial Section contains Management's Discussion and Analysis, Government Wide Financial Statements, Fund Financial Statements for Governmental Funds, Proprietary Funds, Fiduciary Funds, and Combining Statements for Major Component Units. The Financial Section also includes the Notes to the Financial Statements, Required

Supplementary Information and Other Supplementary Information. The Statistical Section contains selected financial and demographic information, generally presented on a multi-year basis.

The CAFR consists of management's representations concerning the finances of the State of Nebraska. The State Accounting Division of the Department of Administrative Services assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the State of Nebraska has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the State of Nebraska's financial statements in conformity with GAAP for governments as established by GASB. Because the cost of internal controls should not outweigh their benefits, the State of Nebraska's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The State of Nebraska's MD&A can be found immediately following the report of the independent auditors.

PROFILE OF THE GOVERNMENT

The State of Nebraska was admitted to the Union as the thirty-seventh state in 1867. Nebraska's government is divided into three branches: legislative, executive and judicial. Nebraska is the only state with a Unicameral Legislature, which has 49 non-partisan members. The chief executive is the governor, who is elected for a four-year term. Within the executive branch are various departments and agencies that perform a variety of functions. Since Nebraska's Constitution generally allows no indebtedness, government expenses of such departments and agencies must be met on a pay-as-you-go basis. The State provides a full range of services including: the construction and maintenance of highways and infrastructure, education, social and health services, public safety, conservation of natural resources, economic development, and recreation facilities and development. An organizational chart of the State is shown on Page 10.

The State of Nebraska reporting entity reflected in this CAFR is described more fully in Note 1.B. to the basic financial statements. It should be noted that the reporting entity includes the familiar government activities plus two component units – the University of Nebraska and the State College System.

Budgetary control of state expenditures is maintained chiefly by two processes. First, a budget is required to be adopted through passage of appropriation bills by the Legislature, and second, the appropriated funds are allocated by program and fund type and are controlled by the executive branch through an allotment process. The Legislature may also enact a supplemental appropriation bill and other appropriation bills as it deems necessary.

Budget-to-actual comparisons are provided in this CAFR for various categories of General Fund revenues and appropriated annual budgets. This comparison is presented on Page 64 as part of the Required Supplementary Information to the basic financial statements for the governmental funds. Budget-to-actual comparisons for other budgetary fund types are presented as other supplementary information on pages 98 and 99.

FACTORS AFFECTING FINANCIAL CONDITION

In order to better understand the information presented in the basic financial statements, such information should be considered from the broader perspective of the specific environment within which the State of Nebraska operates.

Current Revenue Outlook

The General Fund operations of the State of Nebraska are almost entirely dependent upon the income and sales taxes the State receives each year. Such taxes represent over 90 percent of all General Fund revenues. Thus, it necessarily follows that funds available for expenditures are heavily dependent upon those taxes. As the national economy wavered in 2001-2002, especially with the loss of jobs, declining investment income and market losses due to the devastating stock market, and lack of consumer confidence, revenue from income taxes and sales taxes declined over \$55 million in fiscal year ended June 30, 2002 when compared to the prior year.

As a result of the declining revenues, the Legislature met twice in special sessions in calendar 2002 to reduce the operating budgets of state agencies to help keep such budgets in line with the declining revenues. Over the Governor's veto, the Legislature also increased the sales tax base and temporarily increased the sales tax rate and the cigarette tax rate to boost revenues. For the fiscal year ending June 30, 2003, the State anticipates this will be sufficient for the General Fund to end fiscal year 2003 with a positive cash balance without borrowing from the Cash Reserve Fund. Budgets for the fiscal years ending June 30, 2004 and June 30, 2005 have not yet been developed. In finalizing that biennium budget, the 2003 Legislature is required by the State Constitution to find solutions to balance such budget, notwithstanding the current economic conditions.

State Economy

The Bureau of Business Research at the University of Nebraska-Lincoln forecasts slowing economic advances by the Nebraska economy for calendar years 2002 and 2003. The Bureau, in its latest report of December 2002, predicts that employment, personal income and retail sales will all continue to show positive growth, but at slower than normal growth rates. Total non-farm employment growth slowed to a zero growth rate in 2001. The 2002 growth rate is expected to be less than one percent, then increasing to 1.4 percent in 2003. The slowdown is the result of a slowing national economy. Non-farm personal income continues to grow, but at modest rates. Future growth gains are expected to be around 4 percent for both 2002 and 2003. Net taxable retail sales growth rates have been hovering around 3 percent, but are projected to reach almost 5 percent in 2003.

	<u>ACTUAL</u>				<u>PROJECTED</u>	
	1998	1999	2000	2001	2002	2003
Non-farm Employment:						
Annual Totals	892,160	907,680	923,757	924,378	929,125	942,283
Growth Rates	2.3%	1.7%	1.8%	0.1%	0.5%	1.4%
Non-farm Personal Income:						
Annual Totals (in millions \$)	41,748	43,675	46,578	48,325	50,057	52,368
Growth Rates	6.9%	4.6%	6.6%	3.7%	3.6%	4.6%
Net Taxable Retail Sales						
Growth Rates:						
Total	6.7%	4.2%	3.2%	3.0%	2.9%	4.9%
Motor Vehicle Sales	9.6%	4.3%	3.4%	11.2%	6.6%	2.4%
Non-motor Vehicle Sales	6.3%	4.2%	3.2%	1.8%	2.3%	5.4%

Cash Management

All cash is required to be deposited in the State Treasury. With the assistance of the State Investment Officer, the State Treasurer invests all cash in one of two investment pools. The Short Term Investment Pool (STIP) is comprised of short-term instruments and the medium Term Investment Pool (MTIP) is comprised of medium-term instruments. The MTIP is reflected as investments on the State's financial statements. Interest earnings are credited on a monthly basis to each fund that the Legislature has designated as eligible to earn interest. All interest earnings not credited to other funds are deposited in the General Fund.

At June 30, 2002, there was \$1.4 billion invested in the STIP and MTIP. This was invested as follows: 25 percent in government securities; 30 percent in corporate bonds; 35 percent in Federal agencies; 6 percent in time deposits; and 4 percent in money market funds and other. For the fiscal year ended June 30, 2002, the average daily balance of \$1.6 billion returned \$83 million, a 5.09 percent yield. This yield represents a decrease of .88 percent from 2001.

State law requires that all public funds deposited in banks be secured by having each such bank maintaining, at all times, an aggregate amount of securities of at least 102 percent of the amount on deposit, less the \$100,000 insured by the Federal Deposit Insurance Corporation (FDIC). It is the State's policy to continually monitor the clearing and depository banks for compliance with this law.

Risk Management

Workers' compensation, employee health coverage, employee liability and general liability are self-insured. Commercial insurance coverage has been purchased for automobile liability, real and personal property damage, employee life coverage, and employees' errors or omissions. Note 13 of the Notes to the Financial Statements discusses the State's risk management activities in more detail.

Retirement Systems

Total net assets of the State's pension trust funds reached \$5.3 billion by June 30, 2002. These are the assets of the three defined benefit plans (School, Judges and State Patrol plans), two defined contribution plans (County and State Employees plans) and the State Employee's Deferred Compensation Plan that are administered by the State. As noted in Note 11 to the financial Statements, the State has no unfunded actuarial accrued liability related to such pension plans.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of Nebraska for its CAFR for the fiscal year ended June 30, 2001. This was the eleventh consecutive year that the State of Nebraska has received this prestigious award. In order to be awarded a Certificate of Achievement, the State published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

This report continues our commitment to comprehensive disclosure of the State's financial condition. We are committed to issuing reports that are informative and meet governmental accounting standards. Reports that meet these standards provide the reader with an opportunity to make more informed judgments about the government's financial position and results of operations.

The 2002 Comprehensive Annual Financial Report represents our commitment to this goal. We wish to express our appreciation to the accounting staff of the State Accounting Division of the Department of Administrative Services and the budget and accounting staff throughout state government for their assistance in the preparation of this report.

Questions or requests for additional information related to this report can be directed to the State Accounting office at (402) 471-2581.

Respectfully submitted,

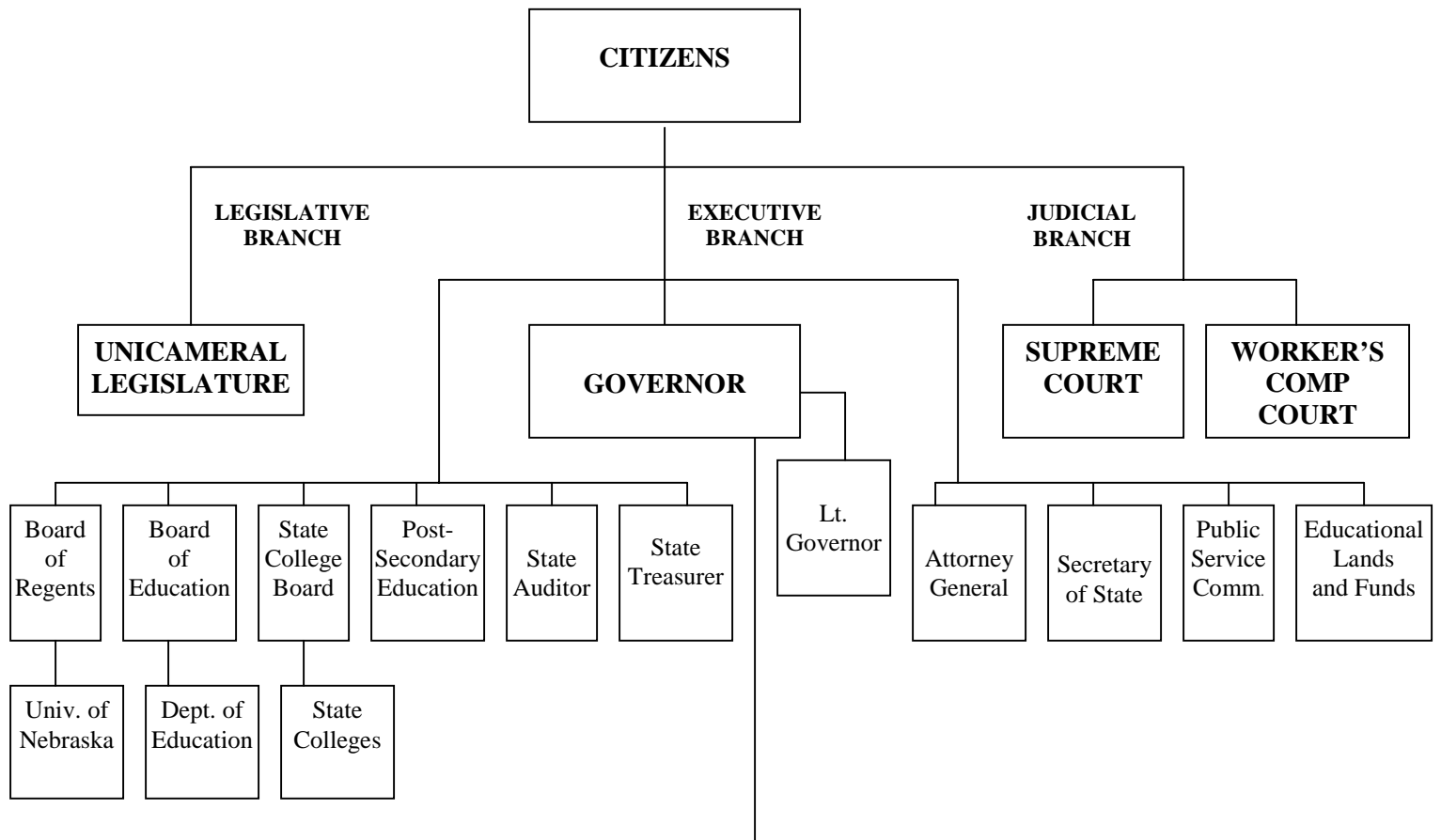


Lori McClurg
Director, Department of
Administrative Services



Paul Carlson
State Accounting Administrator

Nebraska State Government Organization Chart



ADMINISTRATIVE AGENCIES <i>(agency heads appointed by Governor)</i>		
Administrative Services	Insurance	Roads
Aeronautics	Labor	State Patrol
Agriculture	Law Enforcement & Criminal Justice Commission	Tax Equalization & Review Commission
Banking & Finance	Military	Veterans Affairs
Correctional Services	Motor Vehicles	
Economic Development	Natural Resources	
Environmental Quality	Parole Board	
Fire Marshal	Property Assessment & Taxation	
Health and Human Services	Revenue	
HHSS-Finance & Support		
HHSS-Regulation & Licensure		

ADMINISTRATIVE SERVICES	
State Accounting	Material
State Budget	NIS
State Building	State Personnel
Chief Information Officer	Risk
Communications	Management
Employee Relations	Task Force
Info. Mgmt. Services	Transportation Services

INDEPENDENT AGENCIES, BOARDS AND COMMISSIONS <i>(agency heads not appointed by Governor)</i>		
Abstracters Board of Examiners	Deaf & Hard of Hearing Commission	Liquor Control Commission
Accountability & Disclosure	Dry Bean Commission	Mexican-American Commission
Arts Council	Electrical Board	Motor Vehicle Industry Licensing Board
Barber Examiners Board	Engineers and Architects Board	Oil and Gas Conservation Commission
Blind & Visually Impaired Commission	Equal Opportunity Commission	Power Review Board
Board of Examiners for Land Surveyors	ETC (Educational Telecommunications)	Public Accountancy Board
Board of Geologists	Ethanol Board	Public Advocacy Commission
Board of Landscape Architects	Foster Care Review Board	Public Employees Retirement Board
Brand Committee	Game and Parks Commission	Racing Commission
Commission on the Status of Women	Grain Sorghum Development, Utilization & Marketing Board	Railway Council
Corn Development, Utilization, & Marketing Board	Historical Society	Real Estate Appraiser Board
Dairy Industry Development Board	Indian Affairs Commission	Real Estate Commission
	Industrial Relations Commission	Rural Development Commission
	Investment Council	Wheat Development, Utilization, & Marketing Board
	Library Commission	

Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of Nebraska

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2001

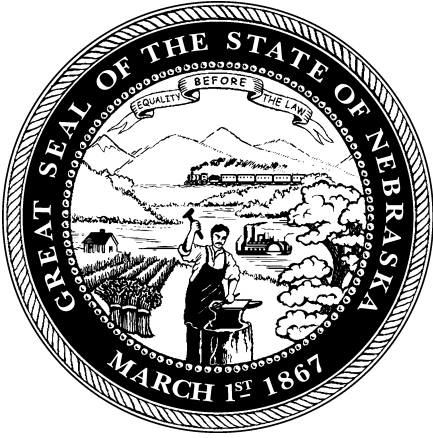
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



William Patrick Vate
President

Jeffrey L. Essler
Executive Director

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FINANCIAL SECTION



Independent Auditors' Report

The Honorable Governor,
Members of the Legislature and
Citizens of the State of Nebraska:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Nebraska, as of and for the year ended June 30, 2002, which collectively comprise the State of Nebraska's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State of Nebraska's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the aggregate discretely presented component units, the Nebraska State Lottery enterprise fund or the State and County Employees' Retirement Plans. The Nebraska State Lottery enterprise fund and the State and County Employees' Retirement Plans represent 13.2% and 16.1%, of the assets and revenues, respectively, of the aggregate remaining fund information. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aggregate discretely presented component units, the Nebraska State Lottery enterprise fund and the State and County Employee's Retirement Plans, is based on the reports of the other auditors.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Nebraska as of June 30, 2002, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 15, the State of Nebraska has implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statements No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, No. 35, *Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities*, No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus*, and No. 38, *Certain Financial Statement Note Disclosures*.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 20, 2002 on our consideration of the State of Nebraska's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis, the Budgetary Comparison Schedule-General Fund, and Information About Infrastructure Assets Reported Using the Modified Approach, on pages 64 through 66 and the Schedules of Funding Progress and Three-Year Trend Information on page 59 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Nebraska's basic financial statements. The combining statements within the financial section as listed in the foregoing table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining statements have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the report of other auditors, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The Budgetary Comparison Schedule—Budgetary (Cash) Basis—Cash, Construction, Federal and Revolving Fund Types on pages 98 and 99 and the introductory and statistical sections of this report have not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we express no opinion on them.

KPMG LLP

December 20, 2002
Lincoln, Nebraska

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management of the State of Nebraska provides the following discussion and analysis of the State of Nebraska's financial performance, as reflected in the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2002. Please read it in conjunction with the additional information furnished in the letter of transmittal at the front of this report, and with the State's basic financial statements, which follow. Numerical years refer to fiscal years with a June 30 year-end, unless otherwise noted.

Because the State of Nebraska (State) is implementing new standards required by Governmental Accounting Standards Board (GASB) Statement No. 34 for the first time in this CAFR, much of the information is not easily comparable to the prior year. However, in future years, when prior year information is available, a comparative analysis of government-wide data will be presented.

FINANCIAL HIGHLIGHTS – PRIMARY GOVERNMENT

Government-Wide Highlights

The assets of the State exceeded its liabilities at June 30, 2002 by \$8.3 billion (presented as "net assets" in the CAFR), a decrease of \$84 million from last year. Less than 2.4 percent of total expenses was spent on general government expenses. Of the net assets, "unrestricted net assets" was reported as \$366 million. The majority of this total is represented by special revenue funds totaling \$261 million, much of which is, by statute, to be spent on nursing facilities, medical assistance programs and tobacco prevention and control.

Fund Highlights

General Fund receipts for 2002 were \$266 million below the original budgeted amount. Expenditures were also down \$142 million from the original budget. On a Generally Accepted Accounting Principles (GAAP) basis, the General Fund had \$223 million in excess expenditures resulting in a fund balance of \$81 million. Other governmental funds had \$53 million in excess revenues with fund balances at June 30, 2002 of \$1.4 billion.

The \$220 million of net assets of the Unemployment Compensation Fund represents ninety percent of the proprietary funds. Such fund had a \$11 million increase in net assets for 2002.

Long-term Liabilities

Long-term liabilities totaled \$287 million at June 30, 2002. Most of these liabilities consist of (1) \$116 million of claims payable for worker's compensation claims and employees' health insurance claims, since the State became self insured for health coverage on January 1, 2002, and (2) the calculated amount for vested sick leave due employees when they retire and accrued vacation, totaling \$98 million. Debt related to capital assets totaled \$65 million at June 30, 2002.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the State's basic financial statements. The State's basic financial statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This CAFR also contains other supplementary information (e.g., budgetary schedules and combining financial statements) in addition to the basic financial statements. These components are described below:

Government-Wide Financial Statements

These statements provide a broad view of the State's operations in a manner similar to the private sector, providing both a short-term and a long-term view of the State's financial position. The statements are prepared using the accrual basis of accounting. This means all revenues and expenses related to the fiscal year are recorded in the statements, even if cash has not been received or paid. If taxes are owed to the State but not yet received, such transaction is recorded as an asset (a receivable) and revenue to the State. Likewise, if the State owes for vacation time, but has not yet paid the worker for such vacation earned, then the liability and payroll expense is recorded. The government-wide financial statements include two statements, the Statement of Net Assets and the Statement of Activities.

The *Statement of Net Assets* (page 31) presents all the State's assets and liabilities with the difference between the two reported as "Net Assets." Changes in net assets over time may indicate the relative health of the State and this statement will assist users in assessing whether or not the State's financial position is improving or deteriorating.

The *Statement of Activities* (pages 32 and 33) presents information showing how the State's net assets changed during the reported year. All changes in net assets are reported as soon as the underlying events giving rise to the changes occur, regardless of the timing of related cash flows, using the accrual basis of accounting discussed earlier.

Both of these statements have separate sections for three different types of State programs or activities. These sections are Governmental Activities, Business-type Activities, and Discretely Presented Component Units. Governmental Activities and Business-type Activities are combined to report on what is termed Primary Government activities, which is separate and distinct from the activity of the component units.

Primary Government

GOVERNMENTAL ACTIVITIES – Activities in this section are mostly supported by taxes and federal grants. All General Fund activity is included here. Governmental activities represent over 95% of all activity of the primary government. It includes general government; education; health and human services; public safety; transportation; regulatory services; and economic development and assistance.

BUSINESS-TYPE ACTIVITIES – Functions reported in this section include those activities whereby the State charges fees and other charges to external users of the State's services and purchasers of State's goods in order to recover all or a significant portion of the State's operating costs related to these activities, much like a private business. Such activities are unemployment compensation services, lottery tickets, premium surcharges for excess liability coverage, and the sales and services provided by Cornhusker State Industries.

Component Units

DISCRETELY PRESENTED COMPONENT UNITS – These are separate organizations for which the State has financial accountability but such organizations have independent qualities as well. The University of Nebraska and the Nebraska State College System are the State’s only two discretely presented component units. While presented in this report, each of these two units have separate audited financial statements and such audited reports can be obtained from their respective administrative offices.

The government-wide financial statements can be found immediately following this discussion and analysis.

Fund Financial Statements

This is the second set of financial statements presented in the CAFR. These statements are different from the government-wide statements in that some of these statements use a different accounting approach and focus on the near-term inflows and outflows of the State’s operations. The Fund Financial Statements (which begin on page 34) provide detailed information about the State’s major funds. A fund is a method of accounting that uses a set of accounts to maintain accountability and control over specific sources of funding and spending for a particular activity or objective. The State’s funds are divided into three categories – Governmental Funds, Proprietary Funds and Fiduciary Funds. It is important to note that each of these three fund categories use different accounting approaches and should be analyzed differently.

Governmental Funds Financial Statements – Most of the basic services provided by the State are reported in the governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the Government-wide Financial Statements. However, the Governmental Funds Financial Statements use modified accrual accounting, which limits assets to cash and all other financial assets that can readily be converted into cash. This is different from the governmental activities recorded in the government-wide financial statements which use full accrual accounting. These fund statements provide a detailed short-term view of the State’s finances that assist the reader in determining whether or not there will be adequate financial resources to meet the current needs of the State.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so the reader can better understand the long-term impact of the State’s near-term financing decisions. To aid the reader in such analysis, reconciliations are provided between the Government-wide Financial Statements and the Governmental Funds Financial Statements (see pages 35 and 37).

The State of Nebraska’s governmental funds include five major funds: the General Fund, the Highway Fund, the Federal Fund, the Health and Social Services Fund and the Permanent School Fund. Non-major special revenue, capital project and other permanent funds are also included in the governmental funds.

Proprietary Funds Financial Statements – These funds are used to show activities that operate more like those of commercial enterprises. Thus, when the State charges for the services it provides, these services are generally reported in proprietary funds. Proprietary funds consist of both Enterprise Funds (services provided to outside customers) and Internal Service Funds (services provided to other State agencies). Proprietary funds utilize accrual accounting, the same method used by private businesses. Therefore, the net assets reported in these statements as

Enterprise Funds will be identical to the net assets reported in the net assets for business-type activities in the Government-wide Financial Statements. However, because the Internal Service Funds predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the Government-wide Financial Statements.

Fiduciary Funds Financial Statements – Whenever the State receives funds on behalf of others, it is acting in a fiduciary capacity or trustee of those funds belonging to others. Thus, assets in these funds are restricted as to use and do not represent discretionary assets that the State could use to finance its operations. They are presented in these statements only for the purpose to indicate that the State has responsibility for these assets. For that reason, such assets are not included in the government-wide financial statements. Fiduciary funds are reported on the accrual basis of accounting.

The State's principal fiduciary fund is the Pension Fund, which contains retirement contributions held by the State for employees (see Note 11 to the financial statements). There are also Private-Purpose Trust Funds whereby the State has control of unclaimed property and funds held for inmates and clients or wards of the State. The State also has Agency Funds whereby the State holds funds earmarked as aid for other political subdivisions and funds due to outside organizations as a result of payroll deductions.

Component Units Financial Statements

As mentioned in the discussion of the Government-wide Financial Statements, the State has included the net assets and activities of the University of Nebraska and the Nebraska State College System in a single column of such statements, labeling them as discretely presented component units. We have provided separate, but brief, component unit statements to allow the reader to analyze each of these two units separately.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in all of the basic financial statements. The notes can be found immediately following the component units' financial statements beginning on page 46.

Required Supplementary Information

Following the basic financial statements, and the accompanying notes thereto, is additional Required Supplementary Information that further explains and supports the information in such financial statements. The required supplementary information includes budgetary comparison schedules reconciling statutory fund balances used for budgetary purposes to the General Fund balances determined by GAAP used in the Fund Financial Statements. Other information included is the condition and maintenance data regarding certain aspects of the State's infrastructure.

Other Supplementary Information

Other supplementary information includes the combining statements for non-major governmental, proprietary and fiduciary funds. These funds are summarized by fund type and presented in single columns in the basic financial statements, but are not reported individually, as with major funds, on the Governmental Fund Financial Statements. Also presented is a statistical section providing a variety of data about the State of Nebraska.

FINANCIAL ANALYSIS OF THE GOVERNMENT AS A WHOLE

Net Assets

The State's assets totaled \$9,658 million at June 30, 2002. As total liabilities only totaled \$1,309 million, net assets amounted to \$8,349 million as of June 30, 2002. By far the largest portion of the State of Nebraska's net assets (81 percent) reflects the State's investment in capital assets (e.g., land, buildings, equipment and infrastructure – highways, bridges, etc.) The State uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Restricted net assets are subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. They also are not available for future spending.

STATE OF NEBRASKA
Net Assets as of June 30, 2002
(in millions of dollars)

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Primary Government</u>
Current and Other			
Non-current Assets	\$ 2,543	\$ 317	\$ 2,860
Capital Assets	<u>6,791</u>	<u>7</u>	<u>6,798</u>
Total Assets	<u>9,334</u>	<u>324</u>	<u>9,658</u>
Noncurrent Liabilities	225	62	287
Other Liabilities	<u>1,006</u>	<u>16</u>	<u>1,022</u>
Total Liabilities	<u>1,231</u>	<u>78</u>	<u>1,309</u>
Net assets:			
Invested in Capital Assets,			
Net of Related Debt	6,749	7	6,756
Restricted	1,005	223	1,228
Unrestricted	<u>349</u>	<u>16</u>	<u>365</u>
Total Net Assets	<u>\$ 8,103</u>	<u>\$ 246</u>	<u>\$ 8,349</u>

The State's non-capital assets represent 30% of the State's total assets and chiefly consist of cash, investments and receivables. It should be noted that \$293 million of such assets represent "Securities Lending Collateral," an amount created by a journal entry required by GASB in order to record a lending transaction. Since the asset is offset by a corresponding equal liability, the net

asset is zero and thus the asset cannot be spent (For more detail, see Note 2 to the financial statements.)

Since the State of Nebraska's Constitution generally prohibits the State from incurring debt, the Statement of Net Assets presents few long-term liabilities (shown as noncurrent liabilities). The majority of such liabilities are for claims (\$116 million) and the calculated amount for vested sick leave due employees when they retire and accrued vacation (\$98 million). Other long-term liabilities consist chiefly of capital lease obligations (See Note 9 to the Financial Statements), and bonds payable related to NETC Leasing Corporation and Nebraska State Building Corporation bonds. Both of these entities are legally separate from the State, but are so intertwined with the State that they are, in substance, the same as the State (See Note 1.B. to the Financial Statements).

At the end of June 30, 2002, the State of Nebraska is able to report positive balances in all of the three categories of net assets.

The net assets for business-type activities represents chiefly cash set aside for future unemployment compensation benefits.

Changes In Net Assets

The condensed financial information on the following page was derived from the Government-wide Statement of Activities and reflects how the State's net assets changed during the year.

STATE OF NEBRASKA
CHANGES IN NET ASSETS FOR THE YEAR ENDED JUNE 30, 2002
(in millions of dollars)

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Primary Government</u>
REVENUES			
Program Revenues			
Charges for Services	\$ 434	\$ 220	\$ 654
Operating Grants and Contributions	1,784	-	1,784
Capital Grants and Contributions	1	-	1
General Revenues			
Taxes	2,867	-	2,867
Unrestricted Investment Earnings	66	15	81
Miscellaneous	10	-	10
Total Revenues	<u>5,162</u>	<u>235</u>	<u>5,397</u>
EXPENSES			
General Government	124	-	124
Conservation of Natural Resources	100	-	100
Culture - Recreation	24	-	24
Economic Development and Assistance	87	-	87
Education	1,173	-	1,173
Higher Education - Colleges and University	466	-	466
Health and Social Services	2,167	-	2,167
Public Safety	234	-	234
Regulation of Business and Professions	105	-	105
Transportation	664	-	664
Intergovernmental	127	-	127
Interest on Long-term Debt	3	-	3
Unemployment Compensation	-	132	132
Lottery	-	56	56
Excess Liability	-	11	11
Cornhusker State Industries	-	9	9
Total Expenses	<u>5,274</u>	<u>208</u>	<u>5,482</u>
Excess (deficiency) Before Transfers	(112)	27	(85)
Transfers	18	(18)	-
Increase (Decrease) in Net Assets	(94)	9	(85)
Net Assets - Beginning - Restated	8,197	237	8,434
Net Assets - Ending	<u>\$ 8,103</u>	<u>\$ 246</u>	<u>\$ 8,349</u>

Governmental Activities

Governmental activities reduced the State's net assets by \$94 million after an \$18 million transfer in from business-type activities. Furthermore, governmental activities represent 95% of all the primary government's revenues. Program revenues were \$2,219 million and were used to partially offset program expenses of \$5,274 million, leaving net expenses of \$3,055 million. General taxes, transfers and earnings of \$2,961 million were used to cover most of the remaining costs of the programs as shown below.

GOVERNMENTAL ACTIVITIES (in millions of dollars)

Program Expenditures, Net of Revenue	
General Government	\$ (69)
Conservation of Natural Resources	(30)
Culture - Recreation	(4)
Economic Development and Assistance	(24)
Education	(940)
Higher Education - Colleges and University	(466)
Health and Social Services	(790)
Public Safety	(175)
Regulation of Business and Professions	(60)
Transportation	(367)
Intergovernmental	(127)
Interest on Long-Term Debt	<u>(3)</u>
Subtotal	(3,055)
General Revenues	
Taxes	2,867
Unrestricted Investment Earnings	66
Miscellaneous	10
Transfers	<u>18</u>
Decrease in Net Assets	<u><u>\$ (94)</u></u>

Business-type Activities

The business-type activities increased the State's net assets by \$9 million, after an \$18 million transfer to the governmental activities. Most of the \$220 million of business-type activities' program revenues was related to the activities of the Unemployment Compensation Fund; such fund generated \$11 million of the \$27 million income before transfers produced by business-type activities.

FINANCIAL ANALYSIS OF THE STATE'S FUNDS

As noted earlier, the State of Nebraska uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the State's Government Funds is to provide information on near-term inflows and outflows and the availability of spendable resources. In particular, the unreserved balance may

provide some indication of the State's net resources available for spending at the end of the fiscal year. (Unreserved balances may be restricted or unrestricted. If they are restricted, they are unreserved only as long as they are used for the purposes of the fund involved. In the Governmental Funds, most of the unreserved balances reside in restricted funds.) At the end of 2002, the State of Nebraska's Governmental Funds reported combined ending fund balances of \$1,436 million. The total unreserved balances amounted to \$1,130 million.

General Fund

The General Fund is the chief operating fund of the State of Nebraska. The General Fund unreserved balance was \$81 million. The major General Fund asset was the expected taxes owed the State; estimated tax refunds exceed such receivables by \$36 million; other assets available exceeded the near-term liabilities of the General Fund by \$104 million.

At the beginning of the year, the General Fund had a \$304 million fund balance. Significant differences between the original budget and the final amended budget resulted due to the slow economy. Mandated cuts in appropriated expenditures affected almost all programs. Actual expenditures were \$142 million less than the original appropriated budget. Actual revenues fell short of the original budget by \$266 million. This, coupled with other changes in reserves for certain liabilities and receivables, caused the General Fund balance to decrease by \$223 million.

Revenues were less than anticipated chiefly due to (1) lower corporate income taxes because companies were less profitable, (2) lower individual income taxes resulting from lower reportable capital gains and lower revenues by small business owners, and (3) lower sales taxes collected because of lower retail sales. Expenditures were less than budgeted due to a concerted effort by agency heads responding to the Governor's message to be conservative in spending.

Other Governmental Funds

Governmental funds other than the General Fund saw an increase in fund balances of \$53 million. A decrease in the Federal Fund (\$9 million) was partially offset by increases in the Health and Social Services Fund (\$32 million), the Licensing and Regulation Fund (\$14 million) and other funds (\$16 million).

Of the total other governmental fund balances of \$1,355 million, \$306 million is reserved to indicate such funds are not available for new spending because such funds (1) are represented by endowment principal (\$143 million), which means the funds cannot be spent, (2) are represented by an asset that has not yet been received, e.g., loans receivable (\$148 million), (3) have been expended for other assets, chiefly inventories (\$11 million) and thus the funds are not available, or (4) have been committed for debt service (\$4 million).

Of the non-General Fund unreserved fund balances of \$1,049 million, \$171 million represents permanent school funds which can be used only for support of public schools. \$837 million is represented by special revenue funds which are only unreserved as long as the funds are spent within the confines of such special revenue funds (a majority of these same funds are considered "restricted" on the government-wide financial statements). Eighteen million is represented by other permanent funds, which again are unreserved only if spent within the confines of the fund. Twenty-three million dollars are in the Capital Projects Fund, which is unreserved as long as it is spent on a capital project.

The three major funds presented as special revenue funds are the Highway Fund, the Federal Fund and the Health and Social Services Fund, with total fund balances of \$483 million, \$468 of which are classified as unreserved, but which are restricted in the government-wide statements in

that the funds are unreserved only within the confines of such funds. These three funds had \$25 million of revenues in excess of expenditures and transfers.

Fiduciary Funds

The Pension Trust Funds represent the majority of the fiduciary funds. Such Pension Trust Funds net assets declined \$274 million to \$5,315 million in 2002 due to the declining market value of investments (a \$431 million loss), which was partially offset by interest and dividend income. Contributions to the plan exceeded benefits and refunds by \$37 million. In another trust fund, \$203 million was received by the College Savings Plan and is recorded in the Private Purpose Trust Funds.

Proprietary Funds

The State's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The State's one major proprietary fund, the Unemployment Compensation Fund, had reported net assets of \$220 million at the end of 2002. This fund's net assets increased \$11 million in 2002. Other proprietary or enterprise funds – the Lottery Fund, the Excess Liability Fund (this fund was established to provide limited liability for physicians working in Nebraska) and Cornhusker State Industries (this operation utilizes incarcerated persons to manufacture and sell items) had combined income of \$16 million prior to an \$18 million transfer from the Lottery to governmental funds for education and environmental studies.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2002, the State had invested \$6.8 billion, net of accumulated depreciation, in capital assets as reported in the Statement of Net Assets and summarized in the table below. Depreciation for this fiscal year totaled \$40 million.

Capital Assets, net of depreciation as of June 30, 2002 (in millions of dollars)

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Primary Government</u>
Land	\$ 438	\$ -	\$ 438
Buildings and Equipment	342	7	349
Infrastructure	<u>5,981</u>	<u>-</u>	<u>5,981</u>
Subtotal	6,761	7	6,768
Construction in Progress	<u>30</u>	<u>-</u>	<u>30</u>
Total	<u>\$ 6,791</u>	<u>\$ 7</u>	<u>\$ 6,798</u>

The most significant change during the year was a change in accounting for capital assets resulting in the inclusion of infrastructure assets and related land, which heretofore had not been recorded. Such change increased capital assets by \$6.7 billion.

GASB Statement No. 34, requires the State to select one of two methods to account for its infrastructure assets. One process is to record depreciation expense on selected infrastructure assets. The State has adopted an alternative process, referred to as the modified approach. Under this alternative method, the State expenses certain maintenance and preservation costs and does not record any depreciation expense. Assets accounted for under the modified approach include approximately 10,000 miles of roads that the State is responsible to maintain.

The State has consistently improved the assessed condition of roads over the past five years. The State's goal is to maintain at least an overall system rating of 72 percent or above. The most recent condition assessment, completed for calendar year 2001, indicated an overall system rating of 84%, the same rating as in the prior year.

For 2002, it was estimated that the State needed to spend \$169 million to preserve and maintain the roads at the abovementioned level. The State actually spent \$194 million on roads in 2002.

During 2002, the State added \$153 million of new depreciable capital assets. The State spent \$89 million on infrastructure and land purchases in 2002, most notably a new four-lane highway in central Nebraska. Twenty-six million of general funds was spent on capital projects. Major project spending included \$5.7 million on a new satellite transmission system, \$5.3 million on Capitol renovations and \$5.2 million on a new correctional facility.

At June 30, 2002, the State had contractual commitments of \$537 million of non-General Funds for various highway and building projects. Most of the related expenditures will be expensed and not capitalized. (See Notes 1.J and 4 to the basic financial statements.)

The State's General Fund capital outlay budget authorized spending \$20 million on capital projects in 2003, in addition to \$15 million of unspent capital outlay authorizations that existed on June 30, 2002.

Long-Term Debt

Long-term debt related to capital assets is minimal for reasons previously stated.

CERTAIN LONG-TERM DEBT AS OF JUNE 30, 2002 (in millions of dollars)

Bonds Payable:

Nebraska State Building Corporation	\$ 4
NETC Leasing Corporation	29
	33
	33

Capitalized Leases:

	\$ 32
	32

The State refinanced the Building Corporation bonds and some of the capitalized leases in 2002 in order to take advantage of lower interest rates. A new \$18 million lease was signed to help finance the State's new \$29 million Nebraska Information System, expected to be completed in 2003. Such system will provide new electronic processing for accounting, human

resources/payroll, inventory, grants management and budget. The NETC Leasing Corporation issued \$10 million of new bonds to finance additional educational television facilities. Bonds issued on behalf of the State maintain an AA rating from Standard and Poors and an Aa3 rating from Moody's.

ECONOMIC CONDITION AND CURRENT OUTLOOK

General tax revenues will likely increase in the short-term as the sales tax rate was increased ½ cent (a 10% increase) until October 1, 2003 and the sales tax base was increased to include many services. The cigarette tax rate was increased 30 cents a pack (an 88% increase) until October 1, 2004. Ninety-three percent of the increased cigarette tax revenue is being placed in the Cash Reserve Fund in order to provide additional cash reserves for the future. The Nebraska Economic Forecasting Board has forecasted unrestricted net sales and income tax revenues in 2003 at approximately \$2,370 million, which is \$199 million more than actual 2002 and \$94 million more than actual 2001. As expected revenues declined, the Nebraska Legislature mandated spending reductions for 2001 and 2002 to balance the budget.

According to the Bureau of Business Research of the University of Nebraska, the State has weathered the national recession well. They report that while the State did not slide into the depths of a recession, neither will it experience a spectacular rise in the next few years. As of November 2002, Nebraska's unemployment rate was 3.3% compared to the national rate of 6.0%. The Bureau did indicate, however, that even with federal farm payments, it is likely that Nebraska's agriculture sector will restrain future economic growth rates.

The State has maintained a Cash Reserve Fund, which is to be used when revenues are not sufficient to meet General Fund expenditures. Such reserve was at \$170 million at the end of 2001. Due to transfers to the General Fund to make up for lagging revenues, this balance was reduced to \$110 million at the end of 2002 and is projected to be at \$62 million at the end of 2003, \$94 million at the end of 2004, and \$125 million at the end of 2005. While there are additional scheduled transfers to the General Fund in 2003, such transfers will be offset by additional cigarette tax revenues.

On September 30, 2002 the U.S. District Court for Nebraska awarded a \$151 million judgment against the State of Nebraska (See Note 12 to the basic Financial Statements). While the State will vigorously contest this award, should the State lose all its appeals, the impact of such judgment would have a significant impact on the financial statements of the State.

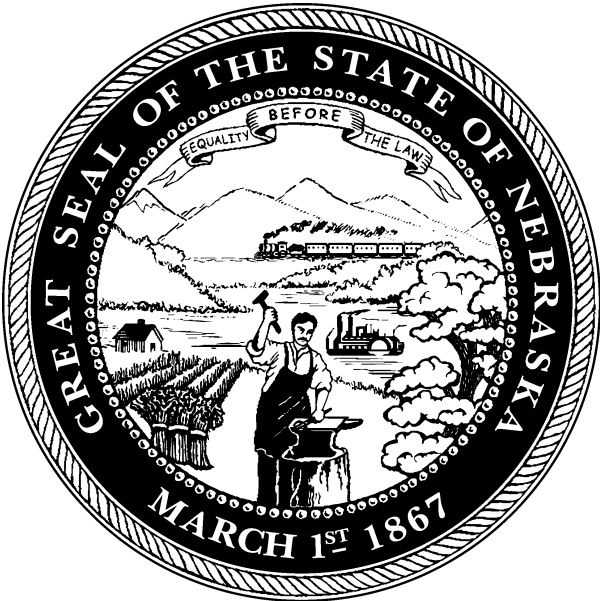
CONTACTING THE STATE ACCOUNTING OFFICE

This report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the State's finances and to demonstrate the State's accountability for the money it receives. If you have any questions about this report or need additional information, contact the State Accounting Division of the Department of Administrative Services, Suite 1309 State Capitol, Lincoln, NE 68509-4664, (402) 471-2581.

The State's component units issue their own separately issued audited financial statements. These statements may be obtained by directly contacting the component units. For the University of Nebraska, contact the University of Nebraska, Director of University Accounting, 209 Varner Hall, 3835 Holdrege, Lincoln, NE 68583, (402) 472-2191. For the State College System, contact the Nebraska State College System, Fiscal and Facilities Management, 11th Floor State Capitol, Lincoln, NE 68509-4605, (402) 471-2505.

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BASIC FINANCIAL STATEMENTS





State of Nebraska
STATEMENT OF NET ASSETS
June 30, 2002

(Dollars in Thousands)

	PRIMARY GOVERNMENT			COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS	
ASSETS				
Cash and Cash Equivalents	\$ 392,106	\$ 233,574	\$ 625,680	\$ 224,807
Receivables, net of allowance				
Taxes	249,301	-	249,301	-
Due from Federal Government	302,002	-	302,002	-
Other	64,767	23,293	88,060	96,641
Internal Balances	521	(521)	-	-
Due from Primary Government	-	-	-	5,587
Investments	1,026,924	49,844	1,076,768	271,508
Loans Receivable	147,841	-	147,841	37,259
Inventories	23,690	1,556	25,246	9,037
Prepaid Items	1,298	332	1,630	3,974
Investment in Joint Venture	-	-	-	119,645
Other Assets	946	-	946	23,751
Restricted Assets:				
Cash and Cash Equivalents	47,394	-	47,394	173,123
Other	-	2,458	2,458	1,614
Securities Lending Collateral	286,324	6,503	292,827	-
Capital assets:				
Land	438,290	-	438,290	44,670
Infrastructure	5,980,917	-	5,980,917	82,263
Construction in Progress	29,856	-	29,856	128,433
Buildings and Equipment	706,524	10,116	716,640	1,169,808
Less Accumulated Depreciation	(364,351)	(3,122)	(367,473)	(474,772)
Total Capital Assets, net of depreciation	<u>6,791,236</u>	<u>6,994</u>	<u>6,798,230</u>	<u>950,402</u>
Total Assets	<u>\$ 9,334,350</u>	<u>\$ 324,033</u>	<u>\$ 9,658,383</u>	<u>\$ 1,917,348</u>
LIABILITIES				
Accounts Payable and Accrued Liabilities	\$ 414,172	\$ 7,122	\$ 421,294	\$ 81,965
Tax Refunds Payable	251,558	-	251,558	-
Due to Other Governments	19,198	-	19,198	-
Deposits	5,827	-	5,827	302
Due to Component Units	5,587	-	5,587	-
Deferred Revenue	23,235	2,547	25,782	66,536
Obligations under Securities Lending	286,324	6,503	292,827	-
Noncurrent Liabilities:				
Due within one year	39,141	29,293	68,434	37,111
Due in more than one year	185,937	32,470	218,407	309,240
Total Liabilities	<u>\$ 1,230,979</u>	<u>\$ 77,935</u>	<u>\$ 1,308,914</u>	<u>\$ 495,154</u>
NET ASSETS				
Invested in Capital Assets, net of related debt	\$ 6,749,014	\$ 6,994	\$ 6,756,008	\$ 662,717
Restricted for:				
Education	14,564	-	14,564	61,002
Health and Social Services	46,915	-	46,915	-
Transportation	154,376	-	154,376	-
Licensing and Regulation	129,815	-	129,815	-
Other Purposes	322,563	2,458	325,021	302,531
Unemployment Compensation Benefits	-	220,076	220,076	-
Debt Service and Construction	3,921	-	3,921	220,001
Permanent Trusts:				
Nonexpendable	143,280	-	143,280	-
Expendable	189,612	-	189,612	-
Unrestricted	349,311	16,570	365,881	175,943
Total Net Assets	<u>\$ 8,103,371</u>	<u>\$ 246,098</u>	<u>\$ 8,349,469</u>	<u>\$ 1,422,194</u>

The accompanying notes are an integral part of the financial statements.

State of Nebraska
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2002

(Dollars in Thousands)

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTION
PRIMARY GOVERNMENT:				
Governmental Activities:				
General Government	\$ 124,494	\$ 52,894	\$ 2,563	\$ -
Conservation of Natural Resources	99,687	24,704	44,543	-
Culture – Recreation	23,961	17,140	2,366	-
Economic Development and Assistance	86,874	3,763	58,985	-
Education	1,172,967	25,496	207,779	-
Higher Education - Colleges and University	466,397	-	-	-
Health and Social Services	2,167,183	160,294	1,215,420	1,360
Public Safety	233,666	23,229	35,744	-
Regulation of Business and Professions	104,768	43,918	1,376	-
Transportation	664,228	82,542	214,573	-
Intergovernmental	126,936	-	-	-
Interest on Long-term Debt	2,468	-	-	-
Total governmental activities	<u>5,273,629</u>	<u>433,980</u>	<u>1,783,349</u>	<u>1,360</u>
Business-type activities:				
Unemployment Compensation	132,284	133,766	-	-
Lottery	56,133	73,957	-	-
Excess Liability	10,756	3,264	-	-
Cornhusker State Industries	9,043	9,783	-	-
Total business-type activities	<u>208,216</u>	<u>220,770</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>\$ 5,481,845</u>	<u>\$ 654,750</u>	<u>\$ 1,783,349</u>	<u>\$ 1,360</u>
COMPONENT UNITS:				
University of Nebraska	1,148,835	400,352	291,539	33,322
State Colleges	67,011	20,814	6,525	-
Total Component Units	<u>\$ 1,215,846</u>	<u>\$ 421,166</u>	<u>\$ 298,064</u>	<u>\$ 33,322</u>

General revenues:
Income Taxes
Sales and Use Taxes
Petroleum Taxes
Excise Taxes
Business and Franchise Taxes
Other Taxes
Unrestricted Investment earnings
Miscellaneous
Payments from State of Nebraska
Contributions to Permanent Fund Principal
Transfers
Total General Revenues and Transfers
Change in Net Assets
Net Assets - Beginning - Restated
Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

**NET (EXPENSE) REVENUE AND
CHANGES IN NET ASSETS**

S	PRIMARY GOVERNMENT			COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	
	\$ (69,037)	\$ -	\$ (69,037)	\$ -
	(30,440)	-	(30,440)	-
	(4,455)	-	(4,455)	-
	(24,126)	-	(24,126)	-
	(939,692)	-	(939,692)	-
	(466,397)	-	(466,397)	-
	(790,109)	-	(790,109)	-
	(174,693)	-	(174,693)	-
	(59,474)	-	(59,474)	-
	(367,113)	-	(367,113)	-
	(126,936)	-	(126,936)	-
	(2,468)	-	(2,468)	-
	<u>(3,054,940)</u>	<u>-</u>	<u>(3,054,940)</u>	<u>-</u>
	-	1,482	1,482	-
	-	17,824	17,824	-
	-	(7,492)	(7,492)	-
	-	740	740	-
	-	<u>12,554</u>	<u>12,554</u>	-
	-	<u>12,554</u>	<u>(3,042,386)</u>	-
	-	-	-	(423,622)
	-	-	-	<u>(39,672)</u>
	-	-	-	<u>(463,294)</u>
	1,254,699	-	1,254,699	-
	1,134,048	-	1,134,048	-
	310,401	-	310,401	-
	85,969	-	85,969	-
	57,322	-	57,322	-
	24,366	-	24,366	-
	65,776	15,120	80,896	18,505
	350	-	350	9,296
	-	-	-	466,397
	9,938	-	9,938	-
	18,486	(18,486)	-	-
	<u>2,961,355</u>	<u>(3,366)</u>	<u>2,957,989</u>	<u>494,198</u>
	(93,585)	9,188	(84,397)	30,904
	<u>8,196,956</u>	<u>236,910</u>	<u>8,433,866</u>	<u>1,391,290</u>
	<u>\$ 8,103,371</u>	<u>\$ 246,098</u>	<u>\$ 8,349,469</u>	<u>\$ 1,422,194</u>

State of Nebraska
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2002

(Dollars in Thousands)

	GENERAL FUND	HIGHWAY FUND	FEDERAL FUND	HEALTH AND SOCIAL SERVICES	PERMANENT SCHOOL FUND	NONMAJOR FUNDS	TOTALS
ASSETS:							
Cash and Cash Equivalents	\$ 48,471	\$ 53,292	\$ 31,398	\$ 46,052	\$ 36,824	\$108,905	\$ 324,942
Cash on Deposit with Fiscal Agents	-	-	-	-	-	47,394	47,394
Investments	142,348	77,999	2,793	240,742	261,131	301,911	1,026,924
Securities Lending Collateral	55,879	30,619	1,771	62,065	26,915	109,075	286,324
Receivables, net of allowance							
Taxes	209,705	39,366	-	-	-	230	249,301
Due from Federal Government	-	38,136	263,135	-	-	731	302,002
Loans	-	-	2,899	1,372	-	143,570	147,841
Other	10,501	14,499	18,540	9,471	1,750	8,641	63,402
Due from Other Funds	126,954	445	47	12,542	-	5,282	145,270
Inventories	-	9,670	13,046	715	-	-	23,431
Prepaid Items	87	10	44	14	-	99	254
Other	373	-	-	-	-	573	946
TOTAL ASSETS	\$594,318	\$264,036	\$333,673	\$372,973	\$326,620	\$726,411	\$2,618,031
LIABILITIES AND FUND BALANCE							
LIABILITIES:							
Accounts Payable and Accrued Liabilities	\$143,766	\$ 54,018	\$154,922	\$ 9,025	\$ 154	\$ 21,770	\$ 383,655
Tax Refunds Payable	245,583	5,908	-	-	-	67	251,558
Due to Other Governments	1,715	17,403	-	-	-	80	19,198
Deposits	1,407	544	1,559	298	79	1,940	5,827
Due to Other Funds	49,345	1,168	131,175	175	1,271	16,093	199,227
Due to Component Units	5,587	-	-	-	-	-	5,587
Obligations under Securities Lending	55,879	30,619	1,771	62,065	26,915	109,075	286,324
Deferred Revenue	10,337	-	17,151	-	3,057	137	30,682
TOTAL LIABILITIES	513,619	109,660	306,578	71,563	31,476	149,162	1,182,058
FUND BALANCES:							
Fund Balances:							
Reserved for:							
Long-Term Receivables	-	-	2,899	1,372	-	143,570	147,841
Inventories and Prepaid Items	87	9,680	44	729	-	99	10,639
Debt Service	-	-	-	-	-	4,468	4,468
Endowment Principal	-	-	-	-	123,715	19,565	143,280
Unreserved, reported in:							
General Fund	80,612	-	-	-	-	-	80,612
Special Revenue Funds	-	144,696	24,152	299,309	-	368,850	837,007
Permanent Funds	-	-	-	-	171,429	18,183	189,612
Capital Projects Fund	-	-	-	-	-	22,514	22,514
TOTAL FUND BALANCES	80,699	154,376	27,095	301,410	295,144	577,249	1,435,973
TOTAL LIABILITIES AND FUND BALANCES	\$594,318	\$264,036	\$333,673	\$372,973	\$326,620	\$726,411	\$2,618,031

The accompanying notes are an integral part of the financial statements.

State of Nebraska

RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS

June 30, 2002

Total fund balances for governmental funds \$ 1,435,973

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Land	438,290	
Infrastructure	5,980,917	
Construction in progress	29,856	
Other capital assets	642,690	
Accumulated depreciation	<u>(321,960)</u>	6,769,793

Certain tax revenues are earned but not available and therefore are deferred in the funds. 7,757

Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets. 57,563

Certain long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

Bonds payable	(33,210)	
Accrued interest on bonds	(547)	
Capital leases	(23,905)	
Obligations under other financing arrangements	(7,185)	
Compensated absences	(93,350)	
Contingent liabilities	(7,048)	
Claims and judgments	<u>(2,470)</u>	<u>(167,715)</u>

Net assets of governmental activities \$ 8,103,371

The accompanying notes are an integral part of the financial statements.

State of Nebraska

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS

For the Year Ended June 30, 2002

(Dollars in Thousands)

	GENERAL FUND	HIGHWAY FUND	FEDERAL FUND	HEALTH AND SOCIAL SERVICES	PERMANENT SCHOOL FUND	NONMAJOR FUNDS	TOTALS
REVENUES:							
Income Taxes	\$1,252,950	\$ -	\$ -	\$ -	\$ -	\$ -	\$1,252,950
Sales and Use Taxes	917,904	151,220	-	-	-	65,890	1,135,014
Petroleum Taxes	6,365	289,927	-	-	-	12,953	309,245
Excise Taxes	44,144	-	-	4,861	-	34,562	83,567
Business and Franchise Taxes	36,472	-	-	-	-	20,849	57,321
Other Taxes	22,034	2,878	-	-	-	-	24,912
Federal Grants and Contracts	747	190,852	1,562,616	335	-	35,067	1,789,617
Licenses, Fees and Permits	18,751	65,791	-	2,575	-	82,631	169,748
Charges for Services	2,611	12,989	16,627	28,447	-	21,384	82,058
Investment Income	22,753	6,880	2,216	4,732	(5,177)	26,256	57,660
Rents and Royalties	-	339	117	156	23,193	9,781	33,586
Other	3,526	4,623	5,687	108,728	6,004	19,600	148,168
TOTAL REVENUES	2,328,257	725,499	1,587,263	149,834	24,020	328,973	5,143,846
EXPENDITURES:							
Current:							
General Government	80,586	-	3,360	-	-	14,675	98,621
Conservation of Natural Resources	35,432	-	18,656	-	-	48,313	102,401
Culture – Recreation	5,617	-	2,174	-	-	21,211	29,002
Economic Development and Assistance	8,802	-	61,336	-	-	16,263	86,401
Education	911,958	-	209,587	-	33,724	17,256	1,172,525
Higher Education - Colleges and University	445,477	-	-	-	-	20,920	466,397
Health and Social Services	793,440	-	1,245,139	119,078	-	2,230	2,159,887
Public Safety	178,691	-	35,308	-	-	24,875	238,874
Regulation of Business and Professions	3,504	-	1,094	-	-	99,766	104,364
Transportation	781	722,858	-	-	-	27,065	750,704
Intergovernmental	106,778	-	-	-	-	20,047	126,825
Capital Projects	-	-	-	-	-	25,961	25,961
Debt Service:							
Principal	-	-	-	-	-	8,805	8,805
Interest	-	-	-	-	-	1,886	1,886
TOTAL EXPENDITURES	2,571,066	722,858	1,576,654	119,078	33,724	349,273	5,372,653
Excess of Revenues Over (Under) Expenditures	(242,809)	2,641	10,609	30,756	(9,704)	(20,300)	(228,807)
OTHER FINANCING SOURCES (USES):							
Transfers In	44,319	3,602	-	1,113	5,021	97,132	151,187
Transfers Out	(46,467)	(4,701)	(19,254)	-	-	(59,603)	(130,025)
Proceeds from Bond Issuance	-	-	-	-	-	14,005	14,005
Proceeds from Other Financing Arrangement	-	-	-	-	-	2,180	2,180
Proceeds from Capital Leases	21,534	-	-	-	-	-	21,534
TOTAL OTHER FINANCING SOURCES (USES)	19,386	(1,099)	(19,254)	1,113	5,021	53,714	58,881
Net Change in Fund Balances	(223,423)	1,542	(8,645)	31,869	(4,683)	33,414	(169,926)
FUND BALANCES, JULY 1, AS RESTATED	304,122	152,834	35,740	269,541	299,827	543,835	1,605,899
FUND BALANCES, JUNE 30	\$ 80,699	\$154,376	\$ 27,095	\$301,410	\$295,144	\$577,249	\$1,435,973

The accompanying notes are an integral part of the financial statements.

State of Nebraska

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2002

Net change in fund balances—total governmental funds \$ (169,926)

Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlays are reported as expenditures in governmental funds. Sale of capital assets is reported as revenues. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay net of gains or losses	139,393	
Depreciation expense	<u>(33,562)</u>	105,831

Bond proceeds and other financing arrangements provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the Statement of Net Assets. In the current period, proceeds were received from:

Bonds issued	(14,005)	
Other financing arrangements	<u>(2,180)</u>	(16,185)

Some capital additions were financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the Statement of Net Assets, the lease obligation is reported as a liability. (21,534)

Repayment of long-term debt and other financing arrangements is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. In the current year these amounts consisted of:

Bond principal retirement	6,465	
Other financing arrangement payments	2,340	
Capital lease payments	<u>4,436</u>	13,241

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of the internal service funds is reported with governmental activities. 5,526

Because some revenues will not be collected in the next year, they are not considered available revenues and are deferred in the governmental funds. Deferred revenues increased by this amount this year. 783

Some items reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported in as expenditures in governmental funds. These activities consist of:

Increase in accrued interest	(5)	
Increase in compensated absences	(5,173)	
Increase in contingent liabilities	(7,048)	
Decrease in claims and judgments	<u>905</u>	<u>(11,321)</u>

Change in net assets of governmental activities \$ (93,585)

The accompanying notes are an integral part of the financial statements.

State of Nebraska
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS

June 30, 2002

(Dollars in Thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			GOVERNMENTAL
	UNEMPLOYMENT COMPENSATION	NONMAJOR ENTERPRISE FUNDS	TOTALS	ACTIVITIES - INTERNAL SERVICE FUNDS
ASSETS				
CURRENT ASSETS:				
Cash and Cash Equivalents	\$ 221,268	\$ 12,306	\$ 233,574	\$ 67,833
Receivables, net of allowance	18,449	4,844	23,293	1,295
Due from Other Funds	-	431	431	37,953
Inventories	-	1,556	1,556	259
Prepaid Items	-	332	332	1,044
TOTAL CURRENT ASSETS	239,717	19,469	259,186	108,384
RESTRICTED ASSETS:				
Long-Term Deposits	-	2,458	2,458	-
NONCURRENT ASSETS:				
Long-Term Investments	-	49,844	49,844	-
Securities Lending Collateral	-	6,503	6,503	-
Capital Assets:				
Buildings and Equipment	177	9,939	10,116	63,834
Less Accumulated Depreciation	(151)	(2,971)	(3,122)	(42,391)
Total Capital Assets	26	6,968	6,994	21,443
TOTAL NONCURRENT ASSETS	26	63,315	63,341	21,443
TOTAL ASSETS	\$ 239,743	\$ 85,242	\$ 324,985	\$ 129,827
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES:				
Accounts Payable and Accrued Liabilities	\$ 2,802	\$ 4,320	\$ 7,122	\$ 6,210
Due to Other Funds	-	952	952	786
Capital Lease Obligations	-	-	-	2,820
Claims, Judgments and Compensated Absences	16,792	12,501	29,293	19,736
Deferred Revenue	-	2,547	2,547	310
TOTAL CURRENT LIABILITIES	19,594	20,320	39,914	29,862
NONCURRENT LIABILITIES:				
Capital Lease Obligations	-	-	-	5,160
Claims, Judgments and Compensated Absences	47	32,423	32,470	37,242
Obligations under Securities Lending	-	6,503	6,503	-
TOTAL NONCURRENT LIABILITIES	47	38,926	38,973	42,402
TOTAL LIABILITIES	19,641	59,246	78,887	72,264
NET ASSETS:				
Invested in Capital Assets, net of related debt	26	6,968	6,994	13,463
Restricted for:				
Lottery Prizes	-	2,458	2,458	-
Unemployment Compensation Benefits	220,076	-	220,076	-
Unrestricted	-	16,570	16,570	44,100
TOTAL NET ASSETS	220,102	25,996	246,098	57,563
TOTAL LIABILITIES AND NET ASSETS	\$ 239,743	\$ 85,242	\$ 324,985	\$ 129,827

The accompanying notes are an integral part of the financial statements.

State of Nebraska
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Year Ended June 30, 2002

(Dollars in Thousands)	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			GOVERNMENTAL
	UNEMPLOYMENT COMPENSATION	NONMAJOR ENTERPRISE FUNDS	TOTALS	ACTIVITIES - INTERNAL SERVICE FUNDS
OPERATING REVENUES:				
Charges for Services	\$ 133,766	\$ 86,907	\$ 220,673	\$ 197,745
Other	-	97	97	1,477
TOTAL OPERATING REVENUES	<u>133,766</u>	<u>87,004</u>	<u>220,770</u>	<u>199,222</u>
OPERATING EXPENSES:				
Personal Services	48	3,921	3,969	35,300
Services and Supplies	94	21,829	21,923	92,119
Lottery Prizes	-	39,450	39,450	-
Unemployment Claims	132,132	-	132,132	-
Insurance Claims	-	10,368	10,368	68,116
Depreciation	10	364	374	6,138
TOTAL OPERATING EXPENSES	<u>132,284</u>	<u>75,932</u>	<u>208,216</u>	<u>201,673</u>
Operating Income (Loss)	<u>1,482</u>	<u>11,072</u>	<u>12,554</u>	<u>(2,451)</u>
NONOPERATING REVENUES (EXPENSES):				
Investment Income	9,614	5,506	15,120	2,924
Gain (Loss) on Sale of Fixed Assets	-	-	-	(89)
Other	-	-	-	2,542
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>9,614</u>	<u>5,506</u>	<u>15,120</u>	<u>5,377</u>
Income Before Transfers	11,096	16,578	27,674	2,926
Transfers In	-	-	-	2,600
Transfers Out	-	(18,486)	(18,486)	-
Change in Net Assets	11,096	(1,908)	9,188	5,526
NET ASSETS, JULY 1	<u>209,006</u>	<u>27,904</u>	<u>236,910</u>	<u>52,037</u>
NET ASSETS, JUNE 30	<u>\$ 220,102</u>	<u>\$ 25,996</u>	<u>\$ 246,098</u>	<u>\$ 57,563</u>

The accompanying notes are an integral part of the financial statements.

State of Nebraska
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2002

(Dollars in Thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			GOVERNMENTAL
	UNEMPLOYMENT COMPENSATION	NONMAJOR ENTERPRISE FUNDS	TOTALS	ACTIVITIES - INTERNAL SERVICE FUNDS
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash Received from Customers	\$ 131,409	\$ 78,440	\$ 209,849	\$ 9,261
Cash Received from Interfund Charges	-	8,920	8,920	190,256
Cash Paid to Employees	(48)	(3,850)	(3,898)	(34,573)
Cash Paid to Suppliers	-	(19,121)	(19,121)	(79,230)
Cash Paid for Lottery Prizes	-	(39,990)	(39,990)	-
Cash Paid for Insurance Claims	(126,825)	(12,068)	(138,893)	(54,790)
Cash Paid for Interfund Services	(94)	(1,266)	(1,360)	(13,166)
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>4,442</u>	<u>11,065</u>	<u>15,507</u>	<u>17,758</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Interfund Loans	-	-	-	(500)
Cigarette Tax Proceeds	-	-	-	2,402
Transfers In	-	-	-	2,600
Transfers Out	-	(18,237)	(18,237)	-
NET CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	<u>-</u>	<u>(18,237)</u>	<u>(18,237)</u>	<u>4,502</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition and Construction of Capital Assets	-	(1,537)	(1,537)	(4,181)
Proceeds from Sale of Fixed Assets	-	-	-	1,443
Principal Paid on Capital Leases	-	-	-	(3,247)
Interest Paid on Capital Leases	-	-	-	(210)
NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	<u>-</u>	<u>(1,537)</u>	<u>(1,537)</u>	<u>(6,195)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchase of Investment Securities	-	(228,800)	(228,800)	-
Proceeds from Sale of Investment Securities	-	229,947	229,947	-
Interest and Dividend Income	12,299	4,136	16,435	2,735
NET CASH FLOWS FROM INVESTING ACTIVITIES	<u>12,299</u>	<u>5,283</u>	<u>17,582</u>	<u>2,735</u>
NET INCREASE (DECREASE) IN CASH	16,741	(3,426)	13,315	18,800
CASH AND CASH EQUIVALENTS, JULY 1	<u>204,527</u>	<u>15,732</u>	<u>220,259</u>	<u>49,033</u>
CASH AND CASH EQUIVALENTS, JUNE 30	<u>\$ 221,268</u>	<u>\$ 12,306</u>	<u>\$ 233,574</u>	<u>\$ 67,833</u>

The accompanying notes are an integral part of the financial statements.

State of Nebraska
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (Continued)
For the Year Ended June 30, 2002

(Dollars in Thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
	UNEMPLOYMENT COMPENSATION	NON-MAJOR ENTERPRISE FUNDS	TOTALS	
RECONCILIATION OF OPERATING INCOME TO NET CASH				
FLOWS FROM OPERATING ACTIVITIES:				
Operating Income (Loss)	\$ 1,482	\$ 11,072	\$ 12,554	\$ (2,451)
Adjustments to reconcile operating income to net cash flows from operating activities:				
Depreciation	10	364	374	6,138
Change in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	(2,482)	(1,364)	(3,846)	133
(Increase) Decrease in Due from Other Funds	-	405	405	470
(Increase) Decrease in Inventories	-	1,004	1,004	13
(Increase) Decrease in Prepaid Expenses	-	(165)	(165)	22
(Increase) Decrease in Other Assets	-	363	363	-
Increase (Decrease) in Accounts Payable and Accrued Liabilities	125	(227)	(102)	289
Increase (Decrease) in Due to Other Funds	-	(2)	(2)	(203)
Increase (Decrease) in Claims Payable	5,307	(1,700)	3,607	13,326
Increase (Decrease) in Deferred Revenue	-	1,315	1,315	21
Total Adjustments	2,960	(7)	2,953	20,209
NET CASH FLOWS FROM OPERATING ACTIVITIES	\$ 4,442	\$ 11,065	\$ 15,507	\$ 17,758
NONCASH TRANSACTIONS (dollars in thousands):				
Noncash transactions are investing and financing activities that affect assets and liabilities but do not result in cash receipts or payments.				
The following noncash transactions occurred during the year:				
Fixed Assets acquired through Capital Leases	\$ -	\$ -	\$ -	\$ 5,196
Change in Fair Value of Investments	-	123	123	-
Total Noncash Transactions	\$ -	\$ 123	\$ 123	\$ 5,196

State of Nebraska
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2002

(Dollars in Thousands)	PENSION TRUST	PRIVATE PURPOSE TRUST	AGENCY
ASSETS:			
Cash and Cash Equivalents	\$ 2,159	\$ 13,870	\$ 81,373
Investments:			
U.S. Government Securities	820,077	-	-
Corporate Bonds	541,242	-	-
Equity Securities	1,255,901	-	-
Foreign Government Securities	23,818	-	-
Municipal Bonds	5,735	-	-
Pooled Investment Contracts	1,019,065	-	-
Mutual Funds	<u>1,603,508</u>	<u>201,258</u>	<u>-</u>
Total Investments	5,269,346	201,258	-
Securities Lending Collateral	531,859	-	-
Receivables:			
Contributions	12,181	-	-
Interest and Dividends	21,312	230	601
Other	<u>-</u>	<u>2</u>	<u>-</u>
Total Receivables	33,493	232	601
Due from Other Funds	16,112	1,269	-
Capital Assets:			
Buildings and Equipment	2,418	-	-
Less Accumulated Depreciation	<u>(735)</u>	<u>-</u>	<u>-</u>
Total Capital Assets	1,683	-	-
Other Assets	<u>-</u>	<u>2,986</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 5,854,652</u>	<u>\$ 219,615</u>	<u>\$ 81,974</u>
LIABILITIES AND NET ASSETS:			
LIABILITIES:			
Accounts Payable and Accrued Liabilities	\$ 4,855	\$ 9,993	\$ -
Due to Other Governments	-	-	42,964
Deposits	-	570	-
Due to Other Funds	60	10	-
Obligations under Securities Lending	531,859	-	-
Capital Lease Obligations	2,199	-	-
Accrued Compensated Absences	188	-	-
Other Liabilities	<u>-</u>	<u>40</u>	<u>39,010</u>
TOTAL LIABILITIES	<u>539,161</u>	<u>10,613</u>	<u>81,974</u>
NET ASSETS:			
Held in Trust for:			
Pension Benefits	5,315,491	-	-
Other Purposes	<u>-</u>	<u>209,002</u>	<u>-</u>
TOTAL NET ASSETS	<u>5,315,491</u>	<u>209,002</u>	<u>-</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 5,854,652</u>	<u>\$ 219,615</u>	<u>\$ 81,974</u>

The accompanying notes are an integral part of the financial statements.

State of Nebraska

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS FIDUCIARY FUNDS

For the Year Ended June 30, 2002

(Dollars in Thousands)

	PENSION TRUST	PRIVATE PURPOSE TRUST
ADDITIONS:		
Contributions:		
Participant Contributions	\$ 116,213	\$ 203,473
Client Contributions	-	129
State Contributions	47,537	-
Political Subdivision Contributions	88,351	-
Court Fees	493	-
Total Contributions	<u>252,594</u>	<u>203,602</u>
Investment Income:		
Net Appreciation (Depreciation) in Fair Value of Investments	(431,302)	(8,078)
Interest and Dividend Income	132,187	713
Securities Lending Income	10,413	-
Total Investment Income	<u>(288,702)</u>	<u>(7,365)</u>
Investment Expenses	10,550	210
Securities Lending Expenses	8,095	-
Total Investment Expense	<u>18,645</u>	<u>210</u>
Net Investment Income	<u>(307,347)</u>	<u>(7,575)</u>
Escheat Revenue	-	5,369
Other Additions	177	5,261
TOTAL ADDITIONS	<u>(54,576)</u>	<u>206,657</u>
DEDUCTIONS:		
Benefits	203,138	1,290
Refunds	11,626	-
Amounts Distributed to Clients or Third Parties	-	6,078
Administrative Expenses	4,353	707
Transfers to Other Funds	-	5,276
TOTAL DEDUCTIONS	<u>219,117</u>	<u>13,351</u>
Change in Net Assets Held in Trust for:		
Pension Benefits	(273,693)	-
Other Purposes	-	193,306
NET ASSETS-BEGINNING OF YEAR	<u>5,589,184</u>	<u>15,696</u>
NET ASSETS-END OF YEAR	<u>\$ 5,315,491</u>	<u>\$ 209,002</u>

The accompanying notes are an integral part of the financial statements.

State of Nebraska
STATEMENT OF NET ASSETS
COMPONENT UNITS

June 30, 2002

(Dollars in Thousands)

	UNIVERSITY OF NEBRASKA	STATE COLLEGES	TOTALS
ASSETS			
Cash and Cash Equivalents	\$ 209,654	\$ 15,153	\$ 224,807
Receivables, net of allowance			
Loans	34,716	2,543	37,259
Other	95,915	726	96,641
Due from Primary Government	1,811	3,776	5,587
Investments	264,271	7,237	271,508
Inventories	8,939	98	9,037
Prepaid Items	3,809	165	3,974
Investment in Joint Venture	119,645	-	119,645
Other Assets	23,598	153	23,751
Restricted Assets:			
Cash and Cash Equivalents	168,448	4,675	173,123
Investments held by trustee	-	1,614	1,614
Capital assets:			
Land	44,135	535	44,670
Infrastructure	71,451	10,812	82,263
Construction in Progress	118,960	9,473	128,433
Buildings and Equipment	1,075,268	94,540	1,169,808
Less Accumulated Depreciation	(429,279)	(45,493)	(474,772)
Total Capital Assets, Net of Depreciation	<u>880,535</u>	<u>69,867</u>	<u>950,402</u>
Total Assets	<u>\$ 1,811,341</u>	<u>\$ 106,007</u>	<u>\$ 1,917,348</u>
LIABILITIES			
Accounts Payable and Accrued Liabilities	\$ 75,010	\$ 6,955	\$ 81,965
Deposits	-	302	302
Deferred Revenue	66,151	385	66,536
Noncurrent Liabilities:			
Due within one year	34,680	2,431	37,111
Due in more than one year	282,957	26,283	309,240
Total Liabilities	<u>\$ 458,798</u>	<u>\$ 36,356</u>	<u>\$ 495,154</u>
NET ASSETS			
Invested in Capital Assets, net of related debt	\$ 607,793	\$ 54,924	\$ 662,717
Restricted for:			
Education	61,002	-	61,002
Other Purposes	298,743	3,788	302,531
Construction and Debt Service	213,711	6,290	220,001
Unrestricted	<u>171,294</u>	<u>4,649</u>	<u>175,943</u>
Total Net Assets	<u>\$ 1,352,543</u>	<u>\$ 69,651</u>	<u>\$ 1,422,194</u>

The accompanying notes are an integral part of the financial statements.

State of Nebraska
STATEMENT OF ACTIVITIES
COMPONENT UNITS
For the Year Ended June 30, 2002

(Dollars in Thousands)

	UNIVERSITY OF NEBRASKA	STATE COLLEGES	TOTALS
Expenses	<u>\$ 1,148,835</u>	<u>\$ 67,011</u>	<u>\$ 1,215,846</u>
Program Revenues:			
Charges for Services	400,352	20,814	421,166
Operating Grants and Contributions	291,539	6,525	298,064
Capital Grants and Contributions	<u>33,322</u>	<u>-</u>	<u>33,322</u>
Total Program Revenues	<u>725,213</u>	<u>27,339</u>	<u>752,552</u>
Net (Expense) Revenue	<u>(423,622)</u>	<u>(39,672)</u>	<u>(463,294)</u>
General Revenue:			
Interest and investment earnings	17,471	1,034	18,505
Payments from the State of Nebraska	421,939	44,458	466,397
Miscellaneous	<u>5,854</u>	<u>3,442</u>	<u>9,296</u>
Total General Revenues	<u>445,264</u>	<u>48,934</u>	<u>494,198</u>
Change in Net Assets	21,642	9,262	30,904
Net Assets - Beginning - Restated	<u>1,330,901</u>	<u>60,389</u>	<u>1,391,290</u>
Net Assets - Ending	<u><u>\$ 1,352,543</u></u>	<u><u>\$ 69,651</u></u>	<u><u>\$ 1,422,194</u></u>

The accompanying notes are an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2002

(dollars expressed in thousands)

1. Summary of Significant Accounting Policies

A. Basis of Presentation. The accompanying basic financial statements of the State of Nebraska (the "State") and its component units have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The basic financial statements have been prepared primarily from accounts maintained by the State Accounting Administrator of the Department of Administrative Services. Additional data has been derived from audited financial statements of certain entities and from reports prescribed by the State Accounting Administrator and prepared by various State agencies and departments based on independent or subsidiary accounting systems maintained by them.

B. Reporting Entity. In determining its financial reporting entity, the State has considered all potential component units for which it is financially accountable, and other organizations which are fiscally dependent on the State, or the significance of their relationship with the State are such that exclusion would be misleading or incomplete. The GASB has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the State to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the State.

As required by GAAP, these financial statements present the State of Nebraska and its component units. The component units are included in the State's reporting entity because of the significance of their operational or financial relationships with the State. Complete financial statements of the individual component units that issue separate financial statements, as noted below, can be obtained from their respective administrative offices.

Blended Component Units. The following component units are entities that are legally separate from the State, but are so intertwined with the State that they are, in substance, the same as the State. They are reported as part of the State and blended into the appropriate funds.

NETC Leasing Corporation. The NETC Leasing Corporation is a nonprofit corporation formed by the State in 1999 to acquire property to be leased

to and purchased by the Nebraska Educational Telecommunications Commission (NETC), a State agency. The Governor appoints the members of the Board of Commissioners of the NETC and they in turn appoint and elect the five members of the Board of Directors of the NETC Leasing Corporation. Even though it is legally separate, the NETC Leasing Corporation is reported as if it were part of the State because it provides services entirely to the State.

Nebraska State Building Corporation. The Nebraska State Building Corporation (NSBC) is a nonprofit corporation formed by the State in 1987 to finance the acquisition of property to be used by the State. Even though it is legally separate, the NSBC is reported as if it were part of the State because it provides services entirely to the State.

Discretely Presented Component Units. The following component units are entities that are legally separate from the State, but are financially accountable to the State, or their relationships with the State are such that their exclusion would cause the State's financial statements to be misleading or incomplete. The component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the State and governed by separate boards.

Nebraska State College System. The Board of Trustees of the Nebraska State Colleges governs Chadron State College, Peru State College and Wayne State College. The Board of Trustees is also the Board of Directors of the Nebraska State Colleges Facilities Corporation, a nonprofit corporation incorporated in 1983 to finance the repair or construction of buildings or the acquisition of equipment for use by the State Colleges. The Board of Trustees consists of the Commissioner of Education and six members appointed by the Governor. Audit reports have been issued under separate cover.

University of Nebraska. The University of Nebraska consists of the following campuses: University of Nebraska – Lincoln, University of Nebraska at Omaha, University of Nebraska at Kearney, and University of Nebraska Medical Center. The University of Nebraska is governed by an elected eight-member Board of Regents. The Board of Regents is also the Board of Directors of the University of Nebraska Facilities Corporation, a nonprofit corporation organized by the Board of Regents in 1930 to finance buildings and hold them in trust for the University of Nebraska. The University of Nebraska is included as a component unit because it is fiscally dependant on the State.

Audit reports have been issued under separate cover.

The university and colleges are funded chiefly through State appropriations, tuition, federal grants, private donations and grants, and auxiliary operations.

Related Organizations. The State's officials are responsible for appointing members of boards of other organizations, but the State's accountability for these organizations does not extend beyond making these appointments. The Governor appoints the boards of the following organizations: Nebraska Educational Facilities Authority, Nebraska Investment Finance Authority, Research and Development Authority, and Wyuka Cemetery.

C. Government-Wide and Fund Financial Statements. The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The Statement of Net Assets presents the reporting entity's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Investment in Capital Assets, net of related debt. This category reflects the portion of net assets associated with capital assets, net of accumulated depreciation and reduced by outstanding bonds and other debt that are attributed to the acquisition, construction or improvement of those assets.

Restricted Net Assets. This category results when constraints are externally imposed on net asset use by creditors, grantors or contributors, or imposed by law through constitutional provisions or enabling legislation.

It is the policy of the State to spend restricted net assets only when unrestricted net assets are insufficient or unavailable.

Unrestricted Net Assets. This category represents net assets that do not meet the definition of the preceding two categories. Unrestricted net assets often have constraints on resources that are

imposed by management, but those constraints can be removed or modified.

The Statement of Net Assets reports total unrestricted net assets of \$365,881. These net assets chiefly consist of the unrestricted General Fund (approximately \$81,000) and the Health and Social Services Fund (approximately \$261,000). While this latter fund is reported as unrestricted, a significant portion of the fund has statutory provisions requiring the fund be spent on nursing facilities, medical assistance programs and tobacco prevention and control. Furthermore, the public has been led to believe such fund will be used for health related purposes, even though enabling legislation is lacking for the entire amount of such fund.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Indirect expenses are reflected in the general government function. Administrative overhead charges of internal service funds are included in direct expenses. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment; and 3) investment earnings of permanent funds that are legally restricted for a specific program. Taxes and other items not meeting the definition of program revenues are instead reported as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements, with nonmajor funds being combined into a single column.

D. Basis of Accounting. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. With the economic resources measurement focus, all assets and all liabilities associated with the operations are included on the statement of net assets. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues and related receivables are recognized as they become susceptible to accrual; generally when they become both measurable and available, i.e., earned and collected within the next 12 months. Revenues are generally considered to be susceptible to accrual when the underlying transaction takes place or when eligibility requirements are met. Major revenues that are determined to be susceptible to accrual include sales taxes, income taxes, other taxpayer-assessed tax revenues, unemployment compensation taxes, federal grants and contracts, charges for services, and investment income. All other revenue items, including estate taxes, are considered to be measurable and available when cash is received by the State. Receivables not expected to be collected in the next 12 months are offset by deferred revenue.

Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, expenditures related to debt service, compensated absences, and claims and judgments are recorded only when payment is due and payable.

The State reports the following major governmental funds:

General Fund. This is the State's primary operating fund. It reflects transactions related to resources received and used for those services traditionally provided by a state government, which are not accounted for in any other fund.

Highway Fund. This fund accounts for the maintenance and preservation of State highways financed with sales tax on motor vehicles, gas taxes, federal aid and other highway user fees.

Federal Fund. This fund accounts for substantially all federal monies received by the State, except those received by the Highway Fund.

Health and Social Services Fund. This fund accounts for activities of agencies, boards, and commissions providing health care and social services financed primarily by user fees and tobacco settlement proceeds.

Permanent School Fund. This fund receives proceeds from any sale of the school lands held in trust for public education, payments for easements and rights-of-way over these lands, royalties and severance taxes paid on oil, gas and minerals produced from this lands, escheats, unclaimed property and other items provided by law. Income is distributed to public schools.

The State reports the following major enterprise fund:

Unemployment Compensation Fund. This fund accounts for the State's unemployment compensation benefits. Revenues consist of taxes assessed on employers to pay benefits to qualified unemployed persons.

Additionally, the State reports the following fund types:

Governmental Fund Types:

Special Revenue Funds. Reflect transactions related to resources received and used for restricted or specific purposes.

Capital Projects Fund. Reflects transactions related to resources received and used for the acquisition, construction, or improvement of capital facilities.

Permanent Funds. Reflects transactions related to resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that benefit the government or its citizens, such as veterans, state airports and others.

Proprietary Fund Types:

Enterprise Funds. Reflect transactions used to account for those operations that are financed and operated in a manner similar to private business or where the governing body has decided that the determination of revenues earned, expenses incurred and/or net income is necessary for management accountability.

Internal Service Funds. These funds account for fleet management, facilities management, accounting, risk management, communication, information technology, printing, purchasing, and postal services provided to other funds on a cost reimbursement basis.

Fiduciary Fund Types:

Pension Trust Funds. These funds account for State Employee Retirement System, County Employee Retirement System, School Retirement System, Judges Retirement System, State Patrol Retirement System and Deferred Compensation pension benefits.

Private Purpose Trust Funds. These funds account for property escheated to the State held for private individuals, Nebraska College Savings Plan activity held for private individuals and assets held for clients and inmates.

Agency Funds. These funds account for assets held by the State pending distribution to other governments and individuals.

In reporting the financial activity of its proprietary funds, the State applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989,

unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise and internal service funds are charges to customers for sales and services. Operating expenses for enterprise and internal service funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

E. Cash and Cash Equivalents. In addition to bank accounts and petty cash, this classification includes all short-term investments such as certificates of deposit, repurchase agreements, and U.S. treasury bills having original maturities (remaining time to maturity at acquisition) of three months or less. These investments are stated at cost, which at June 30, 2002, approximated market. Banks pledge collateral, as required by law, to guarantee State funds held in time and demand deposits.

Cash and cash equivalents are under the control of the State Treasurer or other administrative bodies as determined by law. All cash deposited with the State Treasurer is initially maintained in a pooled cash account. On a daily basis, the State Treasurer invests cash not needed for current operations with the State's Investment Council that maintains a short-term investment pool for such investments. Interest earned on these investments is allocated to funds based on their percentage of the investment pool.

F. Investments. Investments as reported in the basic financial statements include long-term investments. Law or legal instruments may restrict these investments. All investments of the State and its component units are stated at fair value based on quoted market prices. Investments are under the control of the State Treasurer or other administrative bodies as determined by law.

G. Receivables. Receivables are stated net of estimated allowances for uncollectible amounts, which are determined based upon past collection experience and current economic conditions.

H. Inventories. Inventories of materials and supplies are determined by both physical counts and through perpetual inventory systems. Significant inventories of governmental funds are valued using weighted

average cost. Proprietary Funds' valuation method is primarily at the lower of cost (first-in, first-out) or market. Expenditures (governmental funds) and expenses (proprietary funds) are recognized using the consumption method (i.e., when used or sold).

Food stamps and commodities on hand at fiscal year end are reflected as inventories, offset by a like amount of deferred revenue, in the Federal Fund. Food stamp inventory is reported at face value and commodities are reported at fair values established by the federal government at the date received.

I. Restricted Assets. Assets held by the trustees for the NETC Leasing Corporation, the Nebraska State Building Corporation, the State Revolving Fund, and the Master Lease Purchase Program are classified as restricted assets on the Statement of Net Assets because they are maintained in separate bank accounts and their use is limited by applicable bond and lease covenants. These assets are reflected as cash on deposit with fiscal agents in the fund financial statements. The nonmajor enterprise funds reflect long-term deposits with the Multi-State Lottery as restricted assets.

J. Capital Assets. Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the applicable governmental or business-type activities columns in the Statement of Net Assets. All capital assets are valued at cost where historical records are available and at estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The State possesses certain assets that have not been capitalized and depreciated, because the assets cannot be reasonably valued and/or the assets have inexhaustible useful lives. These assets include works of art and historical treasures, such as statues; historical documents; paintings; rare library books; and miscellaneous capitol-related artifacts and furnishings.

Generally, equipment that has a cost in excess of \$5 at the date of acquisition and has an expected useful life of two or more years is capitalized. Substantially all initial building costs, land and land improvements costing in excess of \$100 are capitalized. Building improvements and renovations in excess of \$100 are capitalized if a substantial portion of the life of the asset has expired and if the useful life of the asset has been extended as a result of the renovation or improvement. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Buildings and equipment are depreciated using the straight-line method. The following estimated useful lives are used to compute depreciation:

Buildings	40 years
Equipment	3-10 years

The State has elected to use the “modified approach” to account for certain infrastructure assets, as provided in GASB Statement No. 34. Under this process, the State does not record depreciation expense nor are amounts capitalized in connection with improvements to these assets, unless the improvements expand the capacity or efficiency of an asset. Utilization of this approach requires the State to: commit to maintaining and preserving affected assets at or above a condition level established by the State; maintain an inventory of the assets and perform periodic condition assessments to ensure that the condition level is being maintained; and make annual estimates of the amounts that must be expended to maintain and preserve assets at the predetermined condition levels. Roads and bridges maintained by the Department of Roads are accounted for using the modified approach.

K. Compensated Employee Absences. All permanent employees earn sick and annual leave. Temporary and intermittent employees and Board and Commission members are not eligible for paid leave. The liability has been calculated using the vesting method, in which leave amounts, for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination, are included.

State employees accrue vested annual leave at a variable rate based on years of service. Generally, accrued annual leave cannot exceed 35 days at the end of a calendar year. Employees accrue sick leave at a variable rate based on years of service. In general, accrued sick leave cannot exceed 180 days. Sick leave is not vested except upon death or upon reaching the retirement eligibility age of 55, at which time, the State is liable for 25 percent of the employee’s accumulated sick leave. In addition, some State agencies permit employees to accumulate compensatory leave rather than paying overtime

The government-wide, proprietary, and fiduciary fund financial statements recognize the expense and accrued liability when vacation and compensatory leave is earned or when sick leave is expected to be paid as termination payments.

L. Reservations. Reservations of fund balance are established to identify the existence of assets that are not available for subsequent year appropriations (i.e., prepaid items and inventories) or have been legally segregated for specific purposes. Assets of legally restricted budgetary funds are an example of this

type of reservation. Reservations of fund balance are also established for assets that are not current in nature, such as long-term loans receivable.

M. Interfund Transactions. Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions are reported as transfers.

The effect of interfund activity has been eliminated from the government-wide financial statements.

N. Use of 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 at fiscal year-end and revenues and expenditures during the reporting period. Actual results could differ from those estimates.

2. Deposits and Investments Portfolio

Listed below is a summary of the deposit and investment portfolio that comprises the Cash and Cash Equivalents and Investments on the June 30, 2002, basic financial statements. All securities purchased or held must either be in the custody of the State or deposited with an agent in the State’s name.

Deposits. At June 30, 2002, the carrying amounts of the Primary Government’s deposits were \$152,180 and the bank balances were \$222,632. \$220,164 of the bank balance was covered by federal depository insurance or by collateral held by the State’s agent in the State’s name; \$2,468 was not collateralized.

State Statutes require that the aggregate amount of collateral securities deposited by a bank with the State Treasurer shall be at least one hundred two percent of the amount of public funds deposited in that bank, less the amount insured by the Federal Deposit Insurance Corporation. During the year the amount of public funds deposited with a bank occasionally exceeded the amount of collateral required by statute. The State Treasurer had compensating balance agreements with various banks totaling \$66,887 at June 30, 2002.

Investments. State Statute Section 72-1246 authorizes the State Investment Officer to invest the State’s funds in accordance with the prudent person rule. The State Investment Officer may not buy on margin, buy call options, or buy put options. Certain State entities are also allowed by statute to invest in real estate and other investments.

The State’s investments are categorized to give an indication of the level of custodial risk assumed by the State

at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the State or its agent in the State's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the State's name. Category 3 includes uninsured and unregistered investments for

which the securities are held by the counterparty or by its trust department or agent but not in the State's name.

The Pension Funds own approximately 66 percent of the investments that are in Category 1.

INVESTMENTS – PRIMARY GOVERNMENT AT JUNE 30, 2002

	CATEGORY			TOTAL FAIR VALUE
	1	2	3	
U.S. Government Securities	\$ 1,147,856	\$ 11,029	\$ -	\$ 1,158,885
Corporate Bonds	842,432	-	-	842,432
Equity Securities				
Not on Securities Loan	1,141,721	-	-	1,141,721
On Securities Loan	361			361
Collateral Mortgage Obligations	174,132	-	-	174,132
Commercial Paper	33,626	-	-	33,626
Foreign Government Securities	26,535	-	-	26,535
Municipal Bonds	6,238	-	-	6,238
	<u>\$ 3,372,901</u>	<u>\$ 11,029</u>	<u>\$ -</u>	3,383,930
UNCATEGORIZED:				
Pooled Investment Contracts				1,014,166
Investment in U.S. Treasury				
Investment Pool				177,588
Investments held by Broker-Dealers				
Under Securities Loans				
U.S. Government Securities				579,683
Corporate Bonds				53,037
Equity Securities				174,291
Securities Lending Short-term Collateral				
Investment Pool				824,686
Mutual Funds				2,063,505
Less: Component Unit Investment				
in State Investment Pool				(280,532)
Total Investments				<u>\$ 7,990,354</u>

A reconciliation of deposits and investments for the Primary Government to the basic financial statements at June 30, 2002, is as follows:

Disclosure Regarding Deposits and Investments:

Total Investments	\$ 7,990,354
Carrying amount of Deposits	<u>152,180</u>
Total	<u>\$ 8,142,534</u>

Statement of Net Assets:

Cash and Cash Equivalents	\$ 625,680
Investments	1,076,768
Restricted Cash and Cash Equivalents	47,394
Securities Lending Collateral	292,827

Statement of Fiduciary Net Assets:

Cash and Cash Equivalents	97,402
Investments	5,470,604
Securities Lending Collateral	<u>531,859</u>
Total	<u>\$ 8,142,534</u>

Securities Lending Transactions. The State participates in securities lending transactions, where securities are loaned to broker-dealers and banks with a simultaneous agreement to return the collateral for the same securities in the future. The State's custodial bank administers the securities lending program and receives cash, United States government or government agency obligations, or convertible bonds at least equal in value to the market value of the loaned securities as collateral for securities of the type on loan at year-end. Securities lent at year-end for cash collateral are presented as unclassified in the preceding schedule of custodial risk; securities lent for securities collateral are classified according to the category for the collateral. At year-end, the State had no credit risk exposure to borrowers because the amounts the State owes the borrowers exceed the amounts the borrowers owe the State. The collateral securities cannot be pledged or sold by the State unless the borrower defaults. There are no restrictions on the amount of securities that can be loaned, and there were no losses resulting from borrower default during the year.

Either the State or the borrowers can terminate all securities loans on demand. Cash collateral is invested in one of the lending agent's short-term investment pools that had average durations of 53 and 63 days. Because loans were terminable at will, their duration did not generally match the duration of the investments made with cash collateral. There is no loss indemnification provided to the State by the contract with the custodian.

Derivative Financial Instruments. Derivative instruments are financial contracts whose underlying values depend on the values of one or more underlying assets, reference rates or financial indices. The State invests in collateral mortgage obligations and futures contracts. Collateral mortgage obligations are traded on exchanges and carried at fair value. Futures represent commitments to purchase or sell securities or money market

instruments at a future date and at a specific price. The State invests in futures contracts related to securities of the U.S. Government or Government Agency obligations, which are traded on organized exchanges, thereby minimizing the State's credit risk. The net change in the futures contract value is settled daily in cash with the exchanges. At June 30, 2002, the State held \$193,438 of futures contracts.

Component Units

Deposits. At June 30, 2002, the carrying amounts of the Component Units' deposits were \$2,022 and the bank balances were \$2,775. Of the bank balances, \$2,156 was covered by federal depository insurance or by collateral held by the component units' agent in the component units' name, \$364 was collateralized with securities held by the pledging financial institution's trust department or agent but not in the component units' name and \$255 was not collateralized.

Investments. Component unit investments are all classified as category 3 investments, except for mutual funds, which are not categorized. Investments for the component units at June 30, 2002, consist of the following:

U.S. Government Securities	\$ 100,180
Corporate Bonds	89,157
Mutual Funds	<u>83,785</u>
Total Investments	<u>\$ 273,122</u>

The investments for the component units are presented on the Statement of Net Assets at June 30, 2002, as follows:

Statement of Net Assets:

Investments	\$ 271,508
Restricted Other Assets	<u>1,614</u>
Total	<u>\$ 273,122</u>

3. Receivables

Receivables are reflected net of allowances for doubtful accounts of the following amounts at June 30, 2002:

Governmental Activities:

General Fund	\$ 6,791
Federal Fund	<u>10,312</u>
Total Governmental Activities	<u>\$ 17,103</u>

Business-type Activities:

Unemployment Compensation	<u>\$ 4,117</u>
Total Business-type Activities	<u>\$ 4,117</u>

Taxes receivable of \$7,757 are not expected to be collected within the next year. This amount has been offset by deferred revenue in the General Fund.

4. Capital Assets

Capital asset activity for the year ended June 30, 2002, was as follows:

	BEGINNING BALANCE (Restated)	INCREASES	DECREASES	ENDING BALANCE
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 421,157	\$ 18,311	\$ 1,178	\$ 438,290
Infrastructure	5,909,918	70,999	-	5,980,917
Construction in progress	119,997	21,017	111,158	29,856
Total capital assets, not being depreciated	<u>6,451,072</u>	<u>110,327</u>	<u>112,336</u>	<u>6,449,063</u>
Capital assets, being depreciated:				
Buildings and improvements	304,875	117,205	1,570	420,510
Equipment	268,746	35,349	18,081	286,014
Total capital assets, being depreciated	<u>573,621</u>	<u>152,554</u>	<u>19,651</u>	<u>706,524</u>
Less accumulated depreciation for:				
Buildings and improvements	163,452	9,149	899	171,702
Equipment	177,107	30,550	15,008	192,649
Total accumulated depreciation	<u>340,559</u>	<u>39,699</u>	<u>15,907</u>	<u>364,351</u>
Total capital assets, being depreciated, net	<u>233,062</u>	<u>112,855</u>	<u>3,744</u>	<u>342,173</u>
Governmental activities capital assets, net	<u>\$ 6,684,134</u>	<u>\$ 223,182</u>	<u>\$ 116,080</u>	<u>\$ 6,791,236</u>
Business-type activities:				
Unemployment Compensation				
Equipment, being depreciated	\$ 177	\$ -	\$ -	\$ 177
Less accumulated depreciation	141	10	-	151
Total Unemployment Compensation, net	<u>36</u>	<u>(10)</u>	<u>-</u>	<u>26</u>
Nonmajor Enterprise Funds				
Capital assets, not being depreciated:				
Land	315	-	-	315
Total capital assets, not being depreciated	<u>315</u>	<u>-</u>	<u>-</u>	<u>315</u>
Capital assets, being depreciated:				
Buildings and improvements	5,599	191	95	5,695
Equipment	2,731	1,345	147	3,929
Total capital assets, being depreciated	<u>8,330</u>	<u>1,536</u>	<u>242</u>	<u>9,624</u>
Less accumulated depreciation for:				
Buildings and improvements	982	147	95	1,034
Equipment	1,867	217	147	1,937
Total accumulated depreciation	<u>2,849</u>	<u>364</u>	<u>242</u>	<u>2,971</u>
Total capital assets, being depreciated, net	<u>5,481</u>	<u>1,172</u>	<u>-</u>	<u>6,653</u>
Business-type activities capital assets, net	<u>\$ 5,832</u>	<u>\$ 1,162</u>	<u>\$ -</u>	<u>\$ 6,994</u>

Current period depreciation expense was charged to functions of the primary government as follows:

Governmental activities:	
General Government	\$ 7,827
Conservation of Natural Resources	156
Culture – Recreation	2,548
Economic Development and Assistance	460
Education	1,858
Health and Social Services	1,503
Public Safety	7,897
Regulation of Business and Professions	366
Transportation	17,084
Total depreciation expense -	
Governmental activities	<u>\$ 39,699</u>

Construction Commitments. At June 30, 2002, the State had contractual commitments of approximately \$537,033 for various highway and building projects. Funding of these future expenditures is expected to be provided as follows:

Federal funds	\$ 161,290
State funds	358,153
Local funds	17,590
	<u>\$ 537,033</u>

Most of these commitments will not be reflected as capital asset increases when they are paid because the State is using the modified approach to account for infrastructure. Under this method, capital asset additions are only reflected when improvements expand the capacity or efficiency of an asset.

5. Interfund Balances

Due To/From Other Funds at June 30, 2002, consists of the following:

	DUE TO								TOTALS
	General Fund	Highway Fund	Federal Fund	Health and Social Services	Nonmajor Governmental Funds	Nonmajor Enterprise Funds	Internal Service Funds	Fiduciary Funds	
DUE FROM									
General Fund	\$ -	\$ 88	\$ 6	\$ 69	\$ 1,850	\$ 68	\$ 31,421	\$ 15,843	\$ 49,345
Highway Fund	43	-	-	-	687	121	317	-	1,168
Federal Fund	113,525	1	-	12,460	1,784	30	3,375	-	131,175
Health and Social Services	-	-	-	-	7	-	168	-	175
Permanent School Fund	-	-	-	-	-	-	2	1,269	1,271
Nonmajor Governmental Funds	13,325	10	41	4	27	211	2,206	269	16,093
Nonmajor Enterprise Funds	-	3	-	9	903	-	37	-	952
Internal Service Funds	61	343	-	-	24	1	357	-	786
Fiduciary Funds	-	-	-	-	-	-	70	-	70
TOTALS	\$ 126,954	\$ 445	\$ 47	\$ 12,542	\$ 5,282	\$ 431	\$ 37,953	\$ 17,381	\$ 201,035

Interfund receivables and payables are recorded for: (1) short term borrowings, (2) billing for services provided between agencies, (3) pension liabilities, and (4) risk management liabilities. All interfund receivables and payables are considered short term in nature, except for \$27,778 due from the General Fund to internal service funds for workers compensation liability.

Interfund transfers at June 30, 2002, consist of the following:

	TRANSFERRED TO:						TOTALS
	General Fund	Highway Fund	Health and Social Services	Permanent School Fund	Nonmajor Governmental Funds	Internal Service Funds	
TRANSFERRED FROM:							
General Fund	\$ -	\$ -	\$ 250	\$ -	\$ 44,717	\$ 1,500	\$ 46,467
Highway Fund	-	-	-	-	4,701	-	4,701
Federal Fund	-	-	-	-	19,254	-	19,254
Nonmajor Governmental Funds	44,319	3,602	183	31	10,368	1,100	59,603
Nonmajor Enterprise Funds	-	-	680	-	17,806	-	18,486
Fiduciary Funds	-	-	-	4,990	286	-	5,276
TOTALS	\$ 44,319	\$ 3,602	\$ 1,113	\$ 5,021	\$ 97,132	\$ 2,600	\$ 153,787

Transfers are used to (1) move revenues from the fund that statutes require to collect them to the fund that statutes require to expend them, (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, and (3) move profits from the State Lottery Fund as required by law.

6. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities as presented in the basic financial statements at June 30, 2002, consists of the following:

	General Fund	Highway Fund	Federal Fund	Health and Social Services	Permanent School Fund	Nonmajor Governmental Funds	Other Funds	Unemployment Compensation	Nonmajor Enterprise Funds	TOTALS
Payroll and withholdings	\$ 24,736	\$ 4,109	\$ 2,063	\$ 454	\$ 1	\$ 1,271	\$ 962	\$ 2	\$ 158	\$ 33,756
Accounts payable	35,967	49,730	51,607	4,496	153	20,482	9,206	2,542	4,088	178,271
Medicaid claims	82,388	-	101,250	-	-	-	-	-	-	183,638
Due to Fiduciary Funds *	-	-	-	-	-	-	17,381	-	-	17,381
Miscellaneous	675	179	2	4,075	-	17	2,968	258	74	8,248
TOTALS	\$ 143,766	\$ 54,018	\$ 154,922	\$ 9,025	\$ 154	\$ 21,770	\$ 30,517	\$ 2,802	\$ 4,320	\$ 421,294

* This amount represents amounts due to fiduciary funds, which were classified as external payables on the government-wide Statement of Net Assets.

7. Noncurrent Liabilities

Changes in noncurrent liabilities for the year ended June 30, 2002, are summarized as follows:

	BEGINNING BALANCE (Restated)	INCREASES	DECREASES	ENDING BALANCE	AMOUNTS DUE WITHIN ONE YEAR
Governmental Activities:					
Claims Payable	\$ 42,406	\$ 82,697	\$ 70,276	\$ 54,827	\$ 19,069
Bonds Payable	25,670	14,005	6,465	33,210	2,250
Capital Lease Obligations	12,838	26,730	7,683	31,885	3,355
Obligations Under Other Financing Arrangements	7,345	2,180	2,340	7,185	330
Compensated Absences	92,140	17,614	11,783	97,971	14,137
Totals	<u>\$ 180,399</u>	<u>\$ 143,226</u>	<u>\$ 98,547</u>	<u>\$ 225,078</u>	<u>\$ 39,141</u>
Business-type Activities:					
Unemployment Compensation:					
Claims Payable	\$ 11,842	\$ 137,074	\$ 132,132	\$ 16,784	\$ 16,784
Compensated Absences	52	11	8	55	8
Totals for Unemployment Compensation	<u>11,894</u>	<u>137,085</u>	<u>132,140</u>	<u>16,839</u>	<u>16,792</u>
Nonmajor Enterprise Funds:					
Claims Payable	46,200	8,668	10,368	44,500	12,440
Compensated Absences	370	107	53	424	61
Totals for Nonmajor Enterprise Funds	<u>46,570</u>	<u>8,775</u>	<u>10,421</u>	<u>44,924</u>	<u>12,501</u>
Totals for Business-type Activities	<u>\$ 58,464</u>	<u>\$ 145,860</u>	<u>\$ 142,561</u>	<u>\$ 61,763</u>	<u>\$ 29,293</u>

Compensated absences and capital lease obligations typically have been liquidated in the general, special revenue and internal service funds. Claims payable have been liquidated in the general and internal service funds. Bonds payable and obligations under other financing arrangements have been liquidated in the special revenue funds.

Constitution that permits the issuance of revenue bonds for: (1) construction of highways; and (2) construction of water conservation and management structures. At June 30, 2002, there was no outstanding debt for either of these purposes.

The State created the NETC Leasing Corporation for the purpose of acquiring property to be leased to and purchased by the State. In February 2000, the NETC Leasing Corporation issued \$22,515 of lease rental revenue bonds to construct and acquire digital television facilities and equipment and related facilities. In May

8. Bonds Payable

Article XIII of the State's Constitution prohibits the State from incurring debt in excess of one hundred thousand dollars. However, there is a provision in the

2002, the NETC Leasing Corporation issued \$9,850 of lease rental revenue bonds to renovate facilities. The NETC Leasing Corporation is not subject to State constitutional restrictions on the incurrence of debt, which may apply to the State itself. The obligations outstanding at June 30, 2002 are collateralized by the revenues of the NETC Leasing Corporation, which consist primarily of rental paid by the State.

The State created the Nebraska State Building Corporation (NSBC) to finance the purchase of a building used by the State for its data processing and general services operations. In September 1987, the NSBC issued \$7,700 of lease revenue bonds to finance the purchase of the building. In June 1992, the NSBC issued \$7,645 of lease revenue bonds to refund the 1987 bonds. In June 2002, the NSBC issued \$4,155 of lease revenue bonds to refund the 1992 bonds. The NSBC is not subject to State constitutional restrictions on the incurrence of debt, which may apply to the State itself. The obligations

outstanding at June 30, 2002 are collateralized by the revenues of the NSBC, which consist primarily of building rental paid by the State.

The component units issue bonds for various purposes including student housing, parking facilities and special event centers. Net revenues from student housing and dining facilities, special student fees and parking facilities fees are pledged to secure the appropriate issues.

All outstanding bond issues of the University of Nebraska Facilities Corporation and the Nebraska State College Facilities Corporation are general obligations of these corporations. They are separate legal entities that are not subject to State constitutional restrictions on the incurrence of debt, which may apply to the State itself. The obligations outstanding at June 30, 2002 are collateralized by a special allocation of a portion of the State cigarette tax.

BONDS PAYABLE	DATES ISSUED	MATURITY DATES	INTEREST RATES	BALANCE JUNE 30, 2002
PRIMARY GOVERNMENT				
NETC Leasing Corporation Issue	2000, 2002	2001-2010	2.70%-6.00%	\$ 29,055
Nebraska State Building Corporation Issue	1992, 2002	1992-2009	1.50%-6.50%	<u>4,155</u>
Primary Government Total				<u>\$ 33,210</u>
COMPONENT UNITS				
University of Nebraska	1966-2002	1966-2021	3.50%-5.90%	\$ 236,565
Nebraska State Colleges	1994-2002	1994-2014	2.00%-5.70%	<u>27,085</u>
Component Units Total				<u>\$ 263,650</u>

**PRIMARY GOVERNMENT
DEBT SERVICE REQUIREMENTS TO MATURITY**

YEAR	PRINCIPAL	INTEREST	TOTAL
2003	\$ 2,250	\$ 1,549	\$ 3,799
2004	3,695	1,507	5,202
2005	3,835	1,366	5,201
2006	3,995	1,209	5,204
2007	4,195	1,014	5,209
2008 - 2012	<u>15,240</u>	<u>1,683</u>	<u>16,923</u>
Total	<u>\$ 33,210</u>	<u>\$ 8,328</u>	<u>\$ 41,538</u>

**COMPONENT UNITS
DEBT SERVICE REQUIREMENTS TO MATURITY**

YEAR	PRINCIPAL	INTEREST	TOTAL
2003	\$ 13,645	\$ 12,721	\$ 26,366
2004	16,255	12,095	28,350
2005	18,370	11,389	29,759
2006	26,245	10,554	36,799
2007	21,395	9,358	30,753
2008 - 2012	100,760	31,792	132,552
2013 - 2017	46,600	12,565	59,165
2018 - 2022	<u>20,380</u>	<u>3,566</u>	<u>23,946</u>
Total	<u>\$ 263,650</u>	<u>\$ 104,040</u>	<u>\$ 367,690</u>

Changes in bonds payable for component units for fiscal year 2002 are summarized below:

Balance at July 1, 2001	\$ 185,375
New Bonds Issued:	
University of Nebraska	78,575
Nebraska State Colleges	11,375
Bonds Retired	<u>(11,675)</u>
Balance at June 30, 2002	<u>\$ 263,650</u>

Bond Defeasances – Primary Government

On June 7, 2002, NSBC issued \$4,155 of Series 2002 Lease Rental Revenue Bonds to advance refund \$4,385 of outstanding Series 1992 Lease Rental Revenue Refunding Bonds. The net proceeds of \$4,105, plus an additional \$298 of 1992 bond fund monies were used to advance refund the 1992 bonds. Outstanding bonds on July 8, 2002 were redeemed at a price equal to the principal amount plus accrued interest. The refunding resulted in a decrease in net debt service payments over the life of the bonds of \$617. This is equivalent to an economic gain of \$306. At June 30, 2002, \$4,385 of the Series 1992 Bonds are outstanding.

Bond Defeasances – Component Units

On July 15, 1993, the University of Nebraska Facilities Corporation issued \$45,570 of Refunding Bonds. On September 30, 1997, the University of Nebraska Facilities Corporation deposited \$34,764 into an irrevocable trust with an escrow agent to defease outstanding 1993 Series Bonds. Outstanding bonds on July 1, 2005 will be redeemed at a price equal to the principal amount plus accrued interest. As a result, the 1993 bonds are considered to be defeased and the liability for these bonds has been removed from bonds payable. At June 30, 2002, \$28,815 of 1993 bonds are outstanding.

9. Lease Commitments

Capital and Operating Leases. The State leases land, office facilities, equipment, and other assets under both capital and operating leases. Although the lease terms may vary, all leases are subject to annual appropriation by the Legislature.

The minimum annual lease payments and the present value of future minimum payments for capital leases as of June 30, 2002 are as follows:

YEAR	GOVERNMENTAL ACTIVITIES	FIDUCIARY FUNDS
2003	\$ 4,458	\$ 396
2004	3,953	392
2005	5,437	395
2006	5,237	398
2007	5,154	398
2008-2012	10,972	504
2013-2017	2,655	-
2018-2022	<u>289</u>	<u>-</u>
Total Minimum Payments	38,155	2,483
Less: interest and executory costs	<u>6,270</u>	<u>284</u>
Present value of net minimum payments	<u>\$ 31,885</u>	<u>\$ 2,199</u>

Capital leases have been recorded at the present value of the future minimum lease payments as of the date of their inception. The following is an analysis of property and equipment under capital leases as of June 30, 2002:

	GOVERNMENTAL ACTIVITIES	FIDUCIARY FUNDS
Buildings	\$ 7,070	\$ -
Equipment	32,625	2,412
Less: accumulated depreciation	<u>(8,669)</u>	<u>(732)</u>
Carrying value	<u>\$ 31,026</u>	<u>\$ 1,680</u>

The minimum annual lease payments for operating leases as of June 30, 2002 are as follows:

YEAR	GOVERNMENTAL ACTIVITIES
2003	\$ 3,835
2004	2,952
2005	2,952
2006	2,952
2007	2,952
2008-2012	9,070
2013-2017	534
2018-2022	<u>320</u>
Total	<u>\$ 25,567</u>

Primary Government operating lease payments for the year ended June 30, 2002 totaled \$12,009.

Lessor Transactions. The State also is a lessor of property, primarily farm land leased by the Board of Educational Lands and Funds to farmers and ranchers. At June 30, 2002, the State owned approximately 1.5 million acres of land that was under lease. Under the terms of the leases, the annual payments are subject to change based on annual market analysis. Total rents of \$22,702 were received under these and other lease agreements for the year ended June 30, 2002.

10. Obligations Under Other Financing Arrangements

The State has entered into special financing arrangements with certain public benefit corporations to fund certain grant programs. Under these arrangements, the State enters into an agreement with a public benefit corporation, the Nebraska Investment Finance Authority (NIFA), whereby NIFA issues bonds, the proceeds of which, along with federal capitalization grants, are used to provide loans to various municipalities and local units of government in Nebraska that qualify for such loans. Such loans are used for improvements to wastewater and drinking water treatment facilities. Funds to repay NIFA come from the municipalities and units of government to which the loans are given.

A summary of the future minimum contractual obligations including interest at rates from 3.90 percent to 5.70 percent is as follows:

YEAR	PRINCIPAL	INTEREST	TOTAL
2003	\$ 330	\$ 371	\$ 701
2004	345	355	700
2005	365	338	703
2006	375	321	696
2007	395	302	697
2008-2012	2,315	1,178	3,493
2013-2017	<u>3,060</u>	<u>427</u>	<u>3,487</u>
Total	<u>\$ 7,185</u>	<u>\$ 3,292</u>	<u>\$ 10,477</u>

11. Pension Plans

Plans Administered by the Public Employees Retirement Board

The Public Employees Retirement Board (the Board), which consists of seven members, was created in 1971 to administer the Nebraska retirement plans then in existence. Those plans were the School, State Employees', Judges' and State Patrol plans. In October of 1973, the Board assumed the administration of the Nebraska Counties Retirement System. The plans have been created in accordance with Internal Revenue Code, Sections 401(a) and 414(h). Contribution and benefit provisions are established by State law and may only be amended by the State Legislature.

The Board prepares separate reports for the defined contribution plans and for the defined benefit plans. Copies of these reports that include financial statements and required supplementary information for the plans may be obtained by writing to Public Employees Retirement Systems, P.O. Box 94816, Lincoln, NE 68509-4816, or by calling 402-471-2053.

Basis of Accounting. The financial statements of the plans are prepared using the accrual basis of accounting, and are included as pension trust funds in the accompanying basic financial statements. Plan member and employer contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

Plan Description and Funding Policy. By State law, there is to be an equitable allocation of expenses among the retirement systems administered by the Board, and all expenses shall be provided from the investment income earned by the various retirement funds. Following is a summary of each of these plans:

State Employees' Retirement. This plan became effective January 1, 1964, and is a single-employer defined contribution plan established to provide benefits at retirement to general employees of the State. The amounts presented in the accompanying financial statements for the State Employees' Retirement System are for the fiscal year ended December 31, 2001.

Participation in the plan is required for all permanent full-time employees upon reaching the age of 30 and completion of 24 months of continuous service. Each member contributes 4.33 percent of their compensation until \$864 has been paid and 4.8 percent of pay for the rest of the calendar year. The State matches a member's contribution at a rate of 156 percent.

As of December 31, 2001, there were 12,750 active members and 2,070 inactive members. Members contributed \$19,754 and the State contributed

\$30,066 during the year ended December 31, 2001, which was equal to required contributions.

County Employees' Retirement. In 1973, the State Legislature brought the County Employees' Retirement System under the administration of the Board. The amounts presented in the accompanying financial statements for the County Employees' Retirement System are for the fiscal year ended December 31, 2001.

The plan is a multiple-employer defined contribution plan that covers employees of 91 of the 93 counties. Participation in the plan is required of all employees working 20 or more hours per week upon the completion of 12 months of continuous service and of all elected officials. County employees and elected officials contribute four percent and commissioned law enforcement personnel (for participating counties with an excess of 85,000 inhabitants) contribute six percent of their total compensation. The counties contribute six percent and eight percent, respectively. The State is not required to contribute to this plan.

As of December 31, 2001, there were 5,983 active members and 1,083 inactive members. Members contributed \$5,716 and counties contributed \$8,128 during the year ended December 31, 2001, which were equal to required contributions.

School Retirement. The School Retirement System is a cost-sharing multiple-employer defined benefit pension plan with 603 participating school districts. All regular public school employees in Nebraska, other than those who have their own retirement plan, are members of the system. The benefits are based on both service and contributions.

The State's contribution is based on an annual actuarial valuation. The employees' contribution is 7.25 percent of their total pay and the school district's contribution is 101 percent of the employees' contribution.

Judges' Retirement. The Judges' Retirement System is a single-employer defined benefit pension system. The membership includes judges and associate judges employed by the State for the Supreme Court, Court of Appeals, District Court, Workers' Compensation Court, County Court, and Juvenile Court. Benefits are based on both service and final average salary. Benefits vest when the judge takes office.

Members' contributions, a portion of court fees collected, and the State's contribution, which is based on an annual actuarial valuation, fund the plan. The judges contribute six percent of their salary.

State Patrol Retirement. The State Patrol Retirement System is a single-employer defined benefit pension system for officers of the patrol. The

benefits are based on a percentage of the final average salary multiplied by years of service, not to exceed 75 percent of the average salary. Participation is mandated upon employment.

Members are required to contribute eleven percent of their annual pay, which is matched by the State Patrol. The State's contribution is based on an annual actuarial valuation.

The actuarial cost method for the Judges' and the State Patrol Retirement Systems changed from frozen entry age to entry age as of June 30, 2002. The schedule on the right presents the primary actuarial assumptions used in the most recent actuarial reports for the single-employer defined benefit plans:

	JUDGES' RETIREMENT	STATE PATROL RETIREMENT
Actuarial Valuation Date	6/30/2002	6/30/2002
Actuarial Cost Method	Entry Age	Entry Age
Amortization Method	Level Amount Closed	Level Amount Closed
Amortization Period	25 Years	25 Years
Mortality	1994 Group Annuity Table	1994 Group Annuity Table
Asset Valuation Method	5-year Smoothed Market	5-year Smoothed Market
Actuarial Assumptions:		
Investment Rate of Return **	8.0%	8.0%
Projected Salary Increases **	5.0%	Graded 12.0% to 4.5%

** Includes assumed inflation of 3.5% per year.

The following table provides the schedules of funding progress for the single-employer defined benefit plans:

UNAUDITED REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES OF FUNDING PROGRESS						
Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(a-b) Excess of Assets over AAL	(a/b) Funded Ratio	(c) Covered Payroll	((a-b)/c) Excess as a Percentage of Covered Payroll
Judges'						
6/30/02	\$ 92,596	\$ 81,192	\$ 11,404	114.0 %	\$ 16,062	71.0 %
6/30/01	90,686	90,686	-	100.0	15,188	-
6/30/00	84,483	84,483	-	100.0	13,913	-
State Patrol						
6/30/02	\$ 214,528	\$ 197,615	\$ 16,913	108.6 %	\$ 18,847	89.7 %
6/30/01	208,373	187,284	21,089	111.3	16,727	126.1
6/30/00	193,020	169,546	23,474	113.8	15,789	148.7

UNAUDITED THREE-YEAR TREND INFORMATION			
YEAR ENDED JUNE 30	ANNUAL PENSION COST (APC)	PERCENTAGE OF APC CONTRIBUTED	NET PENSION OBLIGATION
School			
2002	\$ 14,971	100%	\$ -
2001	14,452	100	-
2000	14,102	100	-
Judges'			
2002	\$ -	- %	\$ -
2001	-	-	-
2000	-	-	-
State Patrol			
2002	\$ 2,428	100%	\$ -
2001	2,258	100	-
2000	2,204	100	-

Other Plans

Component Units. The Teachers Insurance and Annuity Association/College Retirement Equity Fund, a

privately administered defined contribution retirement plan, provides individual retirement fund contracts for eligible employees of the University and State Colleges. Under the plan, eligible employees contribute 3.5 percent to 6.0 percent of monthly earnings and the institutions match the employees' contributions plus an additional 1.5 percent to 2.5 percent of earnings. Participation in the plan is required upon reaching the age of 30 with two years of continuous service. Voluntary participation is permitted upon reaching the age of 25 and two years of continuous service. The plan benefits are fully vested at the date of contribution. The State assumes no liability for the plan other than payment of contributions.

The total payroll for the University and State Colleges for fiscal year 2002 was \$626,124 of which \$466,911 was covered by the plan. The institutions' contributions were \$27,401 or 5.87 percent of covered payroll and the employees' contributions were \$19,814 or 4.24 percent of covered payroll.

12. Contingencies and Commitments

Grants and Contracts. The State participates in various federally assisted grant programs that are subject to review and audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a federal audit may become a liability of the State.

All State agencies including institutions of higher education are required to comply with various federal regulations issued by the U.S. Office of Management and Budget if such agency or institution is a recipient of federal grants, contracts, or other sponsored agreements. Certain agencies or institutions may not be in total compliance with these regulations. Failure to comply may result in questions concerning the allowability of related direct and indirect charges pursuant to such agreements. It is believed that the ultimate disallowance pertaining to these regulations, if any, will not be material to the overall financial condition of the State.

Litigation. The State is named as a party in legal proceedings that occur in the normal course of governmental operations. Such litigation includes, but is not limited to, claims asserted against the State arising from alleged torts, alleged breaches of contract, condemnation proceedings and other alleged violations of State and Federal laws. It is not possible at the present time to estimate ultimate outcome or liability, if any, of the State for these proceedings. It is the State's opinion that the ultimate liability for these and other proceedings is not expected to have a material adverse effect on the State's financial position.

The State also has been named as a party in legal proceedings that occur outside of the normal course of governmental operations. It is not possible at the present time to estimate the ultimate outcome or liability, if any, of the State for these proceedings. The effects of this litigation, if any, will be reflected in future years, as the uncertainties regarding the litigation are determined.

Entergy Arkansas, Inc. and other interested parties filed suit against the State of Nebraska alleging that the State improperly, and in bad faith, denied the application of US Ecology to construct and operate a low-level waste disposal facility in the State. On September 30, 2002, the U.S. District Court for Nebraska awarded a \$151,000 judgment against the State. The State plans to continue to vigorously contest the case by appealing this judgment to the Eighth Circuit Court of Appeals, and, if necessary, to the U.S. Supreme Court. On October 30, 2002, the State filed a Notice of Appeal with the Eighth Circuit Court, which, management and outside counsel believe, contains sufficient technical evidence for the Court to reverse the decision of the district court. However, the outcome of the appeal is uncertain and difficult to predict. The prospects for settlement are also

uncertain, but unlikely, pending completion of the appeal. While the State will vigorously contest this award, should the State lose all its appeals, the impact of such judgment on the financial statements could be significant.

On June 1, 2000, a District Court opined that the statutory \$1,250 limit on the total amount of damages recoverable in any medical malpractice action was unconstitutional. This case has been appealed to the Nebraska Supreme Court. That court previously determined the Medical Malpractice Act constitutional. Should the court reverse its previous position, it is not possible, at the present time, should the limit be eliminated, to estimate the increase in liability to the Excess Liability Enterprise Fund.

During the first part of fiscal year 2003, the Excess Liability Enterprise fund received notice that 44 separate cases had been filed alleging improper sterilization techniques at a Fremont oncology clinic that resulted in the contraction of Hepatitis C. Approximately 80 patients at the clinic have tested positive for Hepatitis C. At the present time, it is not possible to estimate any increase in liability to the Excess Liability Enterprise fund.

13. Risk Management

Through the Department of Administrative Services, Divisions of Risk Management and State Personnel, the State maintains insurance and self-insurance programs. Workers' compensation, health care, employee liability and general liability are generally self-insured. However, the State does carry surety bonds for constitutional officers and limited general liability on two buildings. Motor vehicle liability is insured with a \$5,000 limit and a \$300 retention per occurrence (the self-insured retention for vehicular pursuit is \$1,000) and employee dishonesty is insured with a \$1,000 limit with a \$25 retention per incident. The State insures against property damage, maintaining a policy with a \$100,000 limit and a \$200 retention per occurrence. The State also provides insurance for personal property damage. Settled claims have not exceeded this commercial insurance coverage in any of the past three years. The Division of State Personnel provides life insurance for eligible State employees. These activities are reported in the Risk Management Internal Service Fund.

Claims liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. The balance of claims liabilities is determined by an analysis of past, current, and future estimated loss experience. Because actual claims liabilities depend on such factors as inflation, changes in legal doctrines and damage awards, the process used in computing claims liability may not result in an exact amount. Claims liabilities are

evaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors.

The liability for workers' compensation is recorded at a discounted rate of five percent (\$14,630), which resulted in a liability of \$42,065.

Changes in the balances of claims liabilities during the years ended June 30, 2002, and 2001, were as follows:

	Fiscal Year	
	2002	2001
Beginning Balance	\$ 39,031	\$ 34,411
Current Year Claims and Changes in Estimates	68,116	18,111
Claim Payments	(54,790)	(13,491)
Ending Balance	<u>\$ 52,357</u>	<u>\$ 39,031</u>

14. Joint Venture

On October 1, 1997, the Board of Regents of the University of Nebraska and Bishop Clarkson Memorial Hospital (Clarkson) entered into a Joint Operating Agreement forming the Nebraska Health System (NHS), a Nebraska nonprofit corporation. A Board of Directors comprised of six members appointed by Clarkson and six members appointed by the Board of Regents govern NHS. Upon dissolution of NHS, the University and Clarkson will share equally in the remaining assets. Because the University has an ongoing financial interest in NHS, the University is accounting for the joint venture under the equity method. The University has recorded fifty percent equity in the change in net assets of NHS for the year ended June 30, 2002 totaling approximately \$(1,099). In addition, to the extent that sufficient funds are available as determined by the NHS Board of Directors, the University will receive an annual capital distribution. A distribution was declared in fiscal year 2001, of which the University received \$3,000 in August 2001. There were no distributions declared in fiscal year 2002.

In connection with the Joint Operating Agreement, the Board of Regents also entered into an Academic Affiliation Agreement for Education and Research with NHS. In connection with this agreement, NHS has agreed to financially support certain educational, research, operational and clinical activities of the University that further the mission and objectives of NHS. During the year ended June 30, 2002, the University received approximately \$15,815 of support in connection with the agreement.

Separate financial statements of NHS can be obtained from the Nebraska Health System, 42nd Street and Dewey Avenue, Omaha NE 68105.

15. Accounting Changes

GASB Statements No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, No. 35, *Basic Financial Statements-and Management's Discussion and Analysis-for Public Colleges and Universities*, No. 37, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments: Omnibus*, and No. 38, *Certain Financial Statement Disclosures* were implemented during fiscal year 2002.

Statement No. 34, as amended by Statement No. 37, establishes new financial reporting standards for state and local governments. This statement's requirements represent a significant change in the financial reporting model used by state governments, including statement formats and changes in fund types and account groups. In addition to fund financial statements, governments are required to report government-wide financial statements, prepared using the accrual basis of accounting and the economic resources measurement focus. As a result, fund reclassifications and adjustments to the fund equities reported in the prior financial statement balances were required.

Statement No. 35 establishes accounting and financial reporting standards for public colleges and universities within the financial reporting guidelines of Statement No. 34. The State Colleges and University of Nebraska, reported as discretely presented component units, adopted the requirements of Statement No. 35.

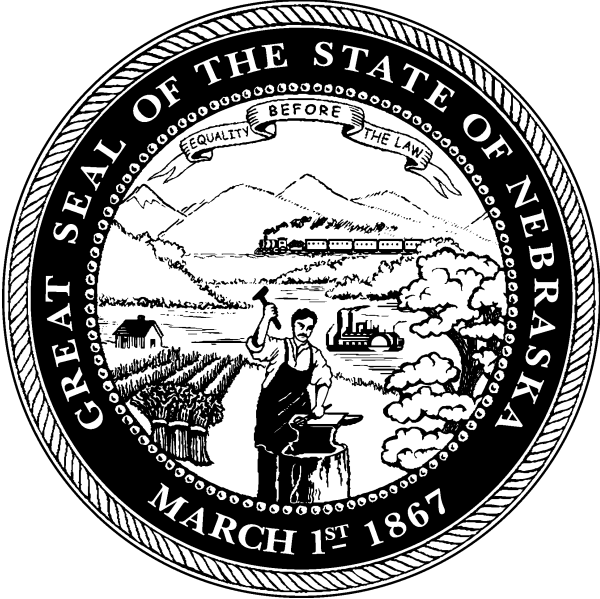
Statement No. 38 requires certain note disclosures when Statement No. 34 is implemented.

The provisions of these new statements have been incorporated into the financial statements and notes. The table on the following page summarizes changes to fund equities as previously reported on the Combined Balance Sheet. The changes resulted primarily from implementation of these GASB Statements; however, the prior amount due to components from the General Fund decreased \$15,384 due to a restatement by the University.

RESTATEMENT OF BEGINNING FUND EQUITIES/NET ASSETS

	June 30, 2001 As Previously Reported	Fund Reclassifications	Prior Period Adjustments	June 30, 2001 As Restated
GOVERNMENTAL FUNDS AND ACTIVITIES				
Major Funds:				
General Fund	\$ 199,848	\$ 88,890	\$ 15,384	\$ 304,122
Highway Fund	-	152,834	-	152,834
Federal Fund	-	35,740	-	35,740
Health and Social Services	-	269,541	-	269,541
Permanent School Fund	-	303,881	(4,054)	299,827
Nonmajor Funds:				
Special Revenue Funds	1,033,318	(546,981)	-	486,337
Capital Projects Fund	17,581	-	-	17,581
Permanent Funds	-	39,917	-	39,917
Total Nonmajor Funds	<u>1,050,899</u>	<u>(507,064)</u>	<u>-</u>	<u>543,835</u>
Total Governmental Funds	<u>1,250,747</u>	<u>343,822</u>	<u>11,330</u>	<u>1,605,899</u>
Adoption of GASB Statement No. 34				
Capital Assets, net of depreciation	-	681,489	5,982,473	6,663,962
Long-term Liabilities	-	-	(131,374)	(131,374)
Other Liabilities	-	-	(542)	(542)
Revenue Recognition	-	-	6,974	6,974
Internal Service Funds	-	52,037	-	52,037
Adoption of GASB Statement No. 34	-	733,526	5,857,531	6,591,057
TOTAL GOVERNMENTAL FUNDS AND ACTIVITIES	<u>\$ 1,250,747</u>	<u>\$ 1,077,348</u>	<u>\$ 5,868,861</u>	<u>\$ 8,196,956</u>
PROPRIETARY FUNDS AND BUSINESS-TYPE ACTIVITIES				
Major Funds:				
Unemployment Compensation	\$ -	\$ 209,025	\$ (19)	\$ 209,006
Nonmajor Funds:				
Enterprise	16,190	11,714	-	27,904
Internal Service Funds	63,751	(63,751)	-	-
TOTAL PROPRIETARY FUNDS AND BUSINESS-TYPE ACTIVITIES	<u>\$ 79,941</u>	<u>\$ 156,988</u>	<u>\$ (19)</u>	<u>\$ 236,910</u>
FIDUCIARY FUNDS				
Pension Trust Funds	\$ -	\$ 5,589,184	\$ -	\$ 5,589,184
Private Purpose Trust Funds	-	8,333	7,363	15,696
Trust and Agency Funds	6,153,364	(6,153,364)	-	-
TOTAL FIDUCIARY FUNDS	<u>\$ 6,153,364</u>	<u>\$ (555,847)</u>	<u>\$ 7,363</u>	<u>\$ 5,604,880</u>
General Fixed Assets Account Group	<u>\$ 678,489</u>	<u>(678,489)</u>	<u>-</u>	<u>\$ -</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 8,162,541</u>	<u>\$ -</u>	<u>\$ 5,876,205</u>	<u>\$ 14,038,746</u>
DISCRETELY PRESENTED COMPONENT UNITS	\$ 1,895,370	-	-	\$ 1,895,370
Adoption of GASB Statements No. 34 and 35				
Capital Assets, net of depreciation	-	-	(472,374)	(472,374)
Deferred Revenues	-	-	(31,706)	(31,706)
TOTAL DISCRETELY PRESENTED COMPONENT UNITS	<u>\$ 1,895,370</u>	<u>\$ -</u>	<u>\$ (504,080)</u>	<u>\$ 1,391,290</u>

REQUIRED SUPPLEMENTARY INFORMATION



State of Nebraska

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

For the Year Ended June 30, 2002

	GENERAL FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES:				
Taxes	\$ 2,544,882	\$ 2,404,034	\$ 2,278,543	\$ (125,491)
Federal Grants and Contracts	747	747	747	-
Sales and Charges	21,236	21,236	21,236	-
Other	25,351	25,351	25,351	-
TOTAL REVENUES	<u>2,592,216</u>	<u>2,451,368</u>	<u>2,325,877</u>	<u>(125,491)</u>
EXPENDITURES:				
Current:				
General Government	108,222	104,009	92,610	11,399
Conservation of Natural Resources	50,038	48,185	36,140	12,045
Culture – Recreation	6,202	5,992	5,622	370
Economic Development and Assistance	11,687	10,601	7,905	2,696
Education	1,378,649	1,358,124	1,339,342	18,782
Health and Social Services	853,482	821,656	811,054	10,602
Public Safety	179,943	170,242	157,704	12,538
Regulation of Business and Professions	3,722	3,188	2,883	305
Transportation	1,084	1,075	781	294
Intergovernmental	108,342	108,725	105,358	3,367
Capital Projects	-	-	-	-
TOTAL EXPENDITURES	<u>2,701,371</u>	<u>2,631,797</u>	<u>2,559,399</u>	<u>72,398</u>
Excess of Revenues Over (Under) Expenditures	<u>(109,155)</u>	<u>(180,429)</u>	<u>(233,522)</u>	<u>(53,093)</u>
OTHER FINANCING SOURCES (USES):				
Transfers In	105,644	105,644	105,644	-
Transfers Out	(52,978)	(52,978)	(52,978)	-
Other	862	862	862	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>53,528</u>	<u>53,528</u>	<u>53,528</u>	<u>-</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>(55,627)</u>	<u>(126,901)</u>	<u>(179,994)</u>	<u>(53,093)</u>
FUND BALANCES, JULY 1	<u>234,036</u>	<u>234,036</u>	<u>234,036</u>	<u>-</u>
FUND BALANCES, JUNE 30	<u>\$ 178,409</u>	<u>\$ 107,135</u>	<u>\$ 54,042</u>	<u>\$ (53,093)</u>

A reconciliation of the budgetary basis versus GAAP fund balance for the General Fund as of June 30, 2002, follows (dollars in thousands):

Actual Fund Balances, budgetary basis, June 30, 2002	
General	\$ 54,042
Cash Reserve	110,066
Budgetary fund balances	<u>164,108</u>
DIFFERENCES DUE TO BASIS OF ACCOUNTING:	
Record amount due component units	(5,587)
Record taxes receivable	209,705
Record tax refund liability	(245,583)
Record State contributions due pension funds	(15,389)
Record medicaid claims payable	(82,388)
Record other net accrued receivables and liabilities	55,833
GAAP fund balance, June 30, 2002	<u>\$ 80,699</u>

See independent auditor's report

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2002

Budgetary Process

The State's biennial budget cycle ends on June 30 of the odd-numbered years. By September 15, prior to a biennium, all State agencies, including the university and colleges, must submit their budget requests for the biennium beginning the following July 1. The requests are submitted on forms that show estimated funding requirements by programs, subprograms, and activities. The Governor reviews the agency requests, establishes priorities, and presents the Legislature with one or more pieces of legislation covering the biennium. The Legislature holds hearings on the Governor's proposed budget, adopts changes and presents final legislation to the Governor. The Governor can either: a) approve the appropriation bill in its entirety, b) veto the bill, or c) line item veto certain sections of the bill. Any vetoed bill or line item can be overridden by a three-fifths majority of the Legislature.

The approved appropriations set spending limits by fund type for programs within each agency. These limits may include up to five budgetary fund types. Thus, the legal level of control is fund type within program within agency. The central accounting system maintains this control. A separate publication titled "Annual Budgetary Report" shows the detail of this legal level of control. This publication is available from the State Accounting Division of the Department of Administrative Services.

Appropriations are made for each fiscal year of the biennium; balances at the end of the first fiscal year are carried over into the second fiscal year, unless directed otherwise by the Legislature. For most appropriations, balances lapse at the end of the biennium.

The budgetary fund types used by the State differ from those presented in the basic financial statements. The budgetary funds, which are listed below, are generally segregated by revenue sources. Of these seven fund types, only the first five are subject to the spending limits set by the appropriations bills. The General Fund is the only major fund that corresponds to a budgetary fund type, so it is the only major fund presented in the required supplementary information.

General Fund. To account for activities funded by general tax dollars, primarily sales and income taxes.

Cash Reserve and Cash Funds. To account for financial resources used as a reserve for the General Fund if the General Fund balance should become inadequate to meet current obligations, to account for

the financing of goods or services provided by a State agency to individuals or entities outside State government on a cost-reimbursement basis, and to account for the revenues and expenditures related to highway construction.

Construction Funds. To account for financial resources to be used for the acquisition or construction of major capital facilities.

Federal Funds. To account for the financial resources related to the receipt and disbursement of funds generated from the federal government as a result of grants and contracts, except for federal highway monies accounted for in the Cash Funds.

Revolving Funds. To account for the financing of goods or services provided by one State agency to another State agency on a cost-reimbursement basis.

Trust Funds. To account for assets held in a trustee capacity.

Distributive Funds. To account for assets held as an agent for individuals, private organizations, and other governments and/or other funds.

The accompanying basic financial statements were prepared by converting budgetary fund data into the fund format required by GAAP. The cash basis of accounting is used for all budgetary fund types.

All State budgetary expenditures for the general, cash, construction, federal and revolving fund types are made pursuant to appropriations that may be amended by the Legislature, upon approval by the Governor. State agencies may allocate appropriations between object of expenditure accounts, except that personal service expenditures that exceed limitations contained in the appropriations bill require Legislative amendment. Any changes in appropriations are made through an annual deficit bill or other legislation. Appropriations from the federal fund type are considered to be estimated and the Legislature has approved an administrative procedure for changing them. During fiscal year 2002, the Legislature passed deficit appropriation bills that increased the allowable expenditure level in several of the programs.

For the year ended June 30, 2002, there were no budgetary programs in which expenditures exceeded appropriations. Revenues are not budgeted for any funds except for General Fund tax revenues.

REQUIRED SUPPLEMENTARY INFORMATION INFORMATION ABOUT INFRASTRUCTURE ASSETS REPORTED USING THE MODIFIED APPROACH

For the Year Ended June 30, 2002

As allowed by GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis for State and Local Governments*, the State has adopted an alternative process for recording depreciation expense on selected infrastructure assets. Under this alternative method, referred to as the modified approach, the State expenses certain maintenance and preservation costs and does not report depreciation expense. Assets accounted for under the modified approach include approximately 10,000 miles of highway and bridges the State is responsible to maintain.

In order to utilize the modified approach, the State is required to:

- Maintain an asset management system that includes an up-to-date inventory of eligible infrastructure assets.
- Perform condition assessments of eligible assets and summarize the results using a measurement scale.
- Estimate each year the annual amount to maintain and preserve the assets at the condition level established and disclosed by the State.
- Document that the assets are being preserved approximately at, or above, the established condition level.

Measurement Scale

The Nebraska Department of Roads uses the Nebraska Serviceability Index (NSI) to measure and monitor pavement conditions. The NSI is a numerical pavement rating scale used to monitor the condition on a scale ranging from 0 to 100 with 0 being the worst and 100 being the best. NSI represents the condition of the pavement at the time of measurement and is based on pavement’s surface distresses. Surface distresses include, cracking, patching, roughness, rutting, and faulting.

Established Condition Level

It is the policy of the Nebraska Department of Roads to maintain at least an overall system rating of 72 percent or above.

Assessed Condition

The State assesses conditions on a calendar year basis. The following table reports the percentage of pavements meeting ratings of “Very Good”, “Good”, “Fair”, and “Poor”. This condition index is used to classify roads in very good (90-100), good (70-89), fair (50-69), and poor (0-49).

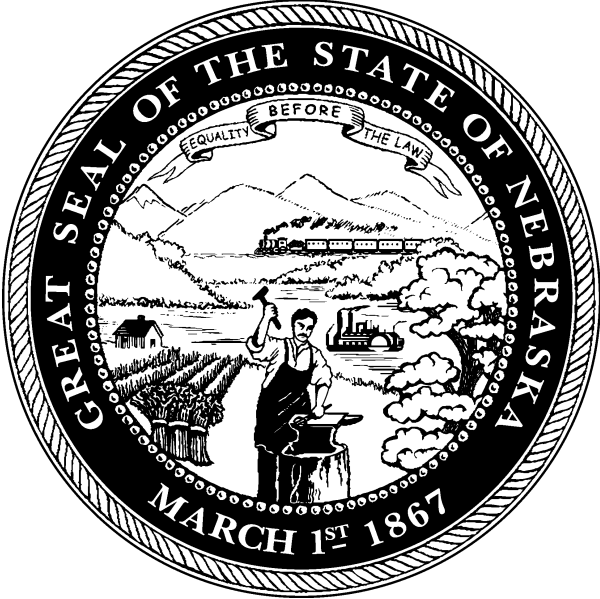
Calendar Year	2001	2000	1999	1998	1997
Very Good	48%	50%	51%	47%	50%
Good	36%	35%	35%	33%	26%
Fair	13%	13%	12%	18%	20%
Poor	3%	2%	2%	2%	4%
Overall System Rating	84.0%	84.0%	83.6%	82.7%	81.9%

Estimated and Actual Costs to Maintain

The following table presents the State’s estimate of spending necessary to preserve and maintain the roads at, or above, the established condition level cited above, and the actual amount spent during the past fiscal year (amounts in millions). The actual cost of system preservation will be greater than estimated as a result of maintaining the system at a NSI level higher than the base level established for GASB-34 purposes (72 base versus 84 actual).

Fiscal Year	2003	2002
Estimated	\$ 174	\$ 169
Actual		194
Difference		25

COMBINING AND INDIVIDUAL FUND STATEMENTS



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NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

Licensing and Regulation. This fund accounts for all activities of agencies, boards, and commissions whose primary function is licensing individuals and regulating industry and professions. This includes a diverse group of professions such as abstracters, medical professions, barbers, engineers, architects and accountants.

Economic Development. This fund accounts for activities to develop and promote the growth of industry, agriculture, commerce and tourism, and utilization of resources within Nebraska.

Airport Development. This fund accounts for the activities relating to aircraft fuels tax, which is administered by the Department of Aeronautics for the support and maintenance of public airports.

Game and Parks. This fund accounts for the activities related to the Nebraska Game and Parks Commission, which is responsible for the development and preservation of the fish and wildlife resources of Nebraska, and operation and administration of the State park system.

Energy Conservation. This fund accounts for activities relating to the oil and gas severance taxes as well as energy conservation and development activities. The State Energy Office is responsible for providing technical assistance on energy conservation and development, distributing funds for the school weatherization program, and administering and distributing federal funds provided to the State in the area of energy efficiency.

State Building Corporation. This fund accounts for the activities of a blended component unit.

NETC Leasing Corporation. This fund accounts for the activities of a blended component unit.

Other Special Revenue. This fund accounts for various other revenues that must be used for specific purposes.

CAPITAL PROJECTS FUND

The Capital Projects Fund is used to account for construction of buildings financed with tax dollars.

PERMANENT FUNDS

Permanent funds are used to report resources that are legally restricted to the extent that only earning, not principal, may be used for purposes that support the reporting government's programs.

Aeronautics Trust Fund. This fund receives proceeds from the sale of state-owned airfields. Investment income is used to pay for expenses of the Department of Aeronautics.

Nebraska Veterans' Aid Fund. This fund accounts for the investment activity of a General Fund contribution made in a prior year. Earnings on the investment are used to provide emergency financial assistance to eligible veterans and dependents.

Permanent Endowment Fund. This fund receives the proceeds of sales of land and investments endowed to the University by the Federal Government. This fund is under the control of the Board of Educational Lands and Funds, which is a part of the primary government. Income on these funds is used for support and maintenance of the University.

Agriculture Endowment Fund. This fund receives the proceeds of sales of land and investments endowed to the University Agriculture College by the Federal Government. This fund is under the control of the Board of Educational Lands and Funds, which is a part of the primary government. Income from this fund is used for support and maintenance of the Agriculture College.

Other Permanent Funds. Normal School Endowment, J.J. Soukup, and Miscellaneous Permanent Trust.

State of Nebraska
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2002

(Dollars in Thousands)

	SPECIAL REVENUE	CAPITAL PROJECTS	PERMANENT FUNDS	TOTALS
ASSETS:				
Cash and Cash Equivalents	\$ 81,622	\$ 25,870	\$ 1,413	\$ 108,905
Cash on Deposit with Fiscal Agents	47,394	-	-	47,394
Investments	265,748	-	36,163	301,911
Securities Lending Collateral	102,748	-	6,327	109,075
Receivables, net of allowance				
Taxes	230	-	-	230
Due from Federal Government	731	-	-	731
Loans	143,570	-	-	143,570
Other	8,020	386	235	8,641
Due from Other Funds	4,632	650	-	5,282
Prepaid Items	99	-	-	99
Other	573	-	-	573
TOTAL ASSETS	<u>\$ 655,367</u>	<u>\$ 26,906</u>	<u>\$ 44,138</u>	<u>\$ 726,411</u>
LIABILITIES AND FUND BALANCES:				
LIABILITIES:				
Accounts Payable and Accrued Liabilities	\$ 17,551	\$ 4,190	\$ 29	\$ 21,770
Tax Refunds Payable	67	-	-	67
Due to Other Governments	80	-	-	80
Deposits	1,940	-	-	1,940
Due to Other Funds	15,857	202	34	16,093
Obligations under Securities Lending	102,748	-	6,327	109,075
Deferred Revenue	137	-	-	137
TOTAL LIABILITIES	<u>138,380</u>	<u>4,392</u>	<u>6,390</u>	<u>149,162</u>
FUND BALANCES:				
Reserved for:				
Long-Term Receivables	143,570	-	-	143,570
Inventories and Prepaid Items	99	-	-	99
Debt Service	4,468	-	-	4,468
Endowment Principal	-	-	19,565	19,565
Unreserved	368,850	22,514	18,183	409,547
TOTAL FUND BALANCES	<u>516,987</u>	<u>22,514</u>	<u>37,748</u>	<u>577,249</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 655,367</u>	<u>\$ 26,906</u>	<u>\$ 44,138</u>	<u>\$ 726,411</u>

State of Nebraska

**COMBINING STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS**

For the Year Ended June 30, 2002

(Dollars in Thousands)

	SPECIAL REVENUE	CAPITAL PROJECTS	PERMANENT FUNDS	TOTALS
REVENUES:				
Sales and Use Taxes	\$ 65,890	\$ -	\$ -	\$ 65,890
Petroleum Taxes	12,953	-	-	12,953
Excise Taxes	28,017	6,545	-	34,562
Business and Franchise Taxes	20,849	-	-	20,849
Federal Grants and Contracts	33,148	1,919	-	35,067
Licenses, Fees and Permits	82,631	-	-	82,631
Charges for Services	21,384	-	-	21,384
Investment Income	25,029	1,245	(18)	26,256
Rents and Royalties	9,781	-	-	9,781
Other	12,147	7,443	10	19,600
TOTAL REVENUES	<u>311,829</u>	<u>17,152</u>	<u>(8)</u>	<u>328,973</u>
EXPENDITURES:				
Current:				
General Government	14,499	-	176	14,675
Conservation of Natural Resources	48,313	-	-	48,313
Culture – Recreation	21,211	-	-	21,211
Economic Development and Assistance	16,263	-	-	16,263
Education	17,159	-	97	17,256
Higher Education - Colleges and University	-	20,920	-	20,920
Health and Social Services	795	-	1,435	2,230
Public Safety	24,875	-	-	24,875
Regulation of Business and Professions	99,766	-	-	99,766
Transportation	27,006	-	59	27,065
Intergovernmental	20,047	-	-	20,047
Capital Projects	-	25,961	-	25,961
Debt Service:				
Principal	8,805	-	-	8,805
Interest	1,886	-	-	1,886
TOTAL EXPENDITURES	<u>300,625</u>	<u>46,881</u>	<u>1,767</u>	<u>349,273</u>
Excess of Revenues Over (Under) Expenditures	<u>11,204</u>	<u>(29,729)</u>	<u>(1,775)</u>	<u>(20,300)</u>
OTHER FINANCING SOURCES (USES):				
Transfers In	58,444	38,688	-	97,132
Transfers Out	(55,183)	(4,026)	(394)	(59,603)
Proceeds from Bond Issuance	14,005	-	-	14,005
Proceeds from Other Financing Arrangements	2,180	-	-	2,180
TOTAL OTHER FINANCING SOURCES (USES)	<u>19,446</u>	<u>34,662</u>	<u>(394)</u>	<u>53,714</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	30,650	4,933	(2,169)	33,414
FUND BALANCES, JULY 1	<u>486,337</u>	<u>17,581</u>	<u>39,917</u>	<u>543,835</u>
FUND BALANCES, JUNE 30	<u>\$516,987</u>	<u>\$22,514</u>	<u>\$37,748</u>	<u>\$577,249</u>

State of Nebraska
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
June 30, 2002

(Dollars in Thousands)

	LICENSING AND REGULATION	ECONOMIC DEVELOPMENT	AIRPORT DEVELOPMENT
ASSETS:			
Cash and Cash Equivalents	\$ 38,357	\$ 6,756	\$ 3,775
Cash on Deposit with Fiscal Agents	-	-	-
Investments	120,618	20,121	-
Securities Lending Collateral	47,349	7,899	-
Receivables, net of allowance:			
Taxes	49	-	134
Due from Federal Government	2	-	272
Loans	-	65	3,410
Other	3,370	1,116	102
Due from Other Funds	7	547	68
Prepaid Items	18	-	3
Other	15	555	-
TOTAL ASSETS	<u>\$ 209,785</u>	<u>\$ 37,059</u>	<u>\$ 7,764</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts Payable and Accrued Liabilities	\$ 4,461	\$ 809	\$ 801
Tax Refunds Payable	67	-	-
Due to Other Governments	51	-	-
Deposits	1,358	555	-
Due to Other Funds	250	24	13
Obligations under Securities Lending	47,349	7,899	-
Deferred Revenue	-	-	-
TOTAL LIABILITIES	<u>53,536</u>	<u>9,287</u>	<u>814</u>
FUND BALANCES:			
Reserved for:			
Long-Term Receivables	-	65	3,410
Inventories and Prepaid Items	18	-	3
Debt Service	-	-	-
Unreserved	156,231	27,707	3,537
TOTAL FUND BALANCES	<u>156,249</u>	<u>27,772</u>	<u>6,950</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 209,785</u>	<u>\$ 37,059</u>	<u>\$ 7,764</u>

GAME AND PARKS	ENERGY CONSERVATION	STATE BUILDING CORPORATION	NETC LEASING CORPORATION	OTHER SPECIAL REVENUE	TOTALS
\$ 13,931	\$ 8,158	\$ -	\$ -	\$ 10,645	\$ 81,622
-	-	488	29,563	17,343	47,394
32,885	-	-	-	92,124	265,748
12,909	-	-	-	34,591	102,748
-	-	-	-	47	230
457	-	-	-	-	731
-	21,070	-	-	119,025	143,570
724	124	2	617	1,965	8,020
572	-	-	-	3,438	4,632
55	-	-	-	23	99
-	-	-	-	3	573
<u>\$ 61,533</u>	<u>\$ 29,352</u>	<u>\$ 490</u>	<u>\$ 30,180</u>	<u>\$ 279,204</u>	<u>\$ 655,367</u>
\$ 5,763	\$ 9	\$ -	\$ 982	\$ 4,726	\$ 17,551
-	-	-	-	-	67
5	-	-	-	24	80
9	-	-	-	18	1,940
69	2	-	-	15,499	15,857
12,909	-	-	-	34,591	102,748
137	-	-	-	-	137
<u>18,892</u>	<u>11</u>	<u>-</u>	<u>982</u>	<u>54,858</u>	<u>138,380</u>
-	21,070	-	-	119,025	143,570
55	-	-	-	23	99
-	-	490	551	3,427	4,468
<u>42,586</u>	<u>8,271</u>	<u>-</u>	<u>28,647</u>	<u>101,871</u>	<u>368,850</u>
<u>42,641</u>	<u>29,341</u>	<u>490</u>	<u>29,198</u>	<u>224,346</u>	<u>516,987</u>
<u>\$ 61,533</u>	<u>\$ 29,352</u>	<u>\$ 490</u>	<u>\$ 30,180</u>	<u>\$ 279,204</u>	<u>\$ 655,367</u>

State of Nebraska
**COMBINING STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES**
NONMAJOR SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2002

(Dollars in Thousands)

	LICENSING AND REGULATION	ECONOMIC DEVELOPMENT	AIRPORT DEVELOPMENT
REVENUES:			
Sales and Use Taxes	\$ 63,332	\$ 2,558	\$ -
Petroleum Taxes	10,756	362	1,511
Excise Taxes	6,249	12,700	-
Business and Franchise Taxes	3,394	166	-
Federal Grants and Contracts	369	113	23,059
Licenses, Fees and Permits	39,407	-	-
Charges for Services	1,539	202	206
Investment Income	11,071	1,793	198
Rents and Royalties	-	-	687
Other	2,109	178	77
TOTAL REVENUES	<u>138,226</u>	<u>18,072</u>	<u>25,738</u>
EXPENDITURES:			
Current:			
General Government	-	-	-
Conservation of Natural Resources	-	-	-
Culture – Recreation	-	-	-
Economic Development and Assistance	-	15,327	-
Education	-	-	-
Health and Social Services	-	-	-
Public Safety	-	-	-
Regulation of Business and Professions	98,832	-	-
Transportation	-	-	27,006
Intergovernmental	-	-	-
Debt Service			
Principal	-	-	-
Interest	-	-	-
TOTAL EXPENDITURES	<u>98,832</u>	<u>15,327</u>	<u>27,006</u>
Excess of Revenues Over (Under) Expenditures	<u>39,394</u>	<u>2,745</u>	<u>(1,268)</u>
OTHER FINANCING SOURCES (USES):			
Transfers In	4,225	3,652	394
Transfers Out	(29,346)	(3,623)	-
Proceeds from Bond Issuance	-	-	-
Proceeds from Other Financing Arrangements	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(25,121)</u>	<u>29</u>	<u>394</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	14,273	2,774	(874)
FUND BALANCES, JULY 1	<u>141,976</u>	<u>24,998</u>	<u>7,824</u>
FUND BALANCES, JUNE 30	<u>\$ 156,249</u>	<u>\$ 27,772</u>	<u>\$ 6,950</u>

GAME AND PARKS	ENERGY CONSERVATION	STATE BUILDING CORPORATION	NETC LEASING CORPORATION	OTHER SPECIAL REVENUE	TOTALS
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 65,890
-	300	-	-	24	12,953
1,309	-	-	-	7,759	28,017
-	-	-	-	17,289	20,849
6,752	42	-	-	2,813	33,148
17,760	-	-	-	25,464	82,631
3,603	5	-	-	15,829	21,384
3,159	405	29	855	7,519	25,029
7,507	-	615	-	972	9,781
3,767	2	-	100	5,914	12,147
<u>43,857</u>	<u>754</u>	<u>644</u>	<u>955</u>	<u>83,583</u>	<u>311,829</u>
-	-	27	-	14,472	14,499
34,494	609	-	-	13,210	48,313
20,402	-	-	-	809	21,211
-	-	-	-	936	16,263
-	-	-	4,156	13,003	17,159
-	-	-	-	795	795
-	-	-	-	24,875	24,875
-	-	-	-	934	99,766
-	-	-	-	-	27,006
-	-	-	-	20,047	20,047
-	-	4,800	1,665	2,340	8,805
-	-	313	1,183	390	1,886
<u>54,896</u>	<u>609</u>	<u>5,140</u>	<u>7,004</u>	<u>91,811</u>	<u>300,625</u>
<u>(11,039)</u>	<u>145</u>	<u>(4,496)</u>	<u>(6,049)</u>	<u>(8,228)</u>	<u>11,204</u>
9,131	-	-	2,848	38,194	58,444
-	-	-	-	(22,214)	(55,183)
-	-	4,155	9,850	-	14,005
-	-	-	-	2,180	2,180
<u>9,131</u>	<u>-</u>	<u>4,155</u>	<u>12,698</u>	<u>18,160</u>	<u>19,446</u>
(1,908)	145	(341)	6,649	9,932	30,650
<u>44,549</u>	<u>29,196</u>	<u>831</u>	<u>22,549</u>	<u>214,414</u>	<u>486,337</u>
<u>\$ 42,641</u>	<u>\$ 29,341</u>	<u>\$ 490</u>	<u>\$ 29,198</u>	<u>\$ 224,346</u>	<u>\$ 516,987</u>

State of Nebraska
COMBINING BALANCE SHEET
NONMAJOR PERMANENT FUNDS
June 30, 2002

(Dollars in Thousands)

	AERONAUTICS TRUST	NEBRASKA VETERANS AID	PERMANENT ENDOWMENT	AGRICULTURE ENDOWMENT	OTHER	TOTALS
ASSETS:						
Cash and Cash Equivalents	\$ 70	\$ 1,020	\$ 240	\$ 71	\$ 12	\$ 1,413
Investments	6,440	26,954	738	1,624	407	36,163
Securities Lending Collateral	3,272	2,778	76	167	34	6,327
Other Receivables, net of allowance	82	132	7	8	6	235
TOTAL ASSETS	<u>\$9,864</u>	<u>\$30,884</u>	<u>\$1,061</u>	<u>\$1,870</u>	<u>\$459</u>	<u>\$44,138</u>
LIABILITIES AND FUND BALANCES						
LIABILITIES:						
Accounts Payable and Accrued Liabilities	\$ -	\$ 7	\$ 6	\$ 14	\$ 2	\$ 29
Due to Other Funds	34	-	-	-	-	34
Obligations under Securities Lending	3,272	2,778	76	167	34	6,327
TOTAL LIABILITIES	<u>3,306</u>	<u>2,785</u>	<u>82</u>	<u>181</u>	<u>36</u>	<u>6,390</u>
FUND BALANCES:						
Reserved for Endowment Principal	6,195	12,000	503	722	145	19,565
Unreserved	363	16,099	476	967	278	18,183
TOTAL FUND BALANCES	<u>6,558</u>	<u>28,099</u>	<u>979</u>	<u>1,689</u>	<u>423</u>	<u>37,748</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$9,864</u>	<u>\$30,884</u>	<u>\$1,061</u>	<u>\$1,870</u>	<u>\$459</u>	<u>\$44,138</u>

State of Nebraska

**COMBINING STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR PERMANENT FUNDS**

For the Year Ended June 30, 2002

(Dollars in Thousands)

	NEBRASKA					TOTALS
	AERONAUTICS TRUST	VETERANS AID	PERMANENT ENDOWMENT	AGRICULTURE ENDOWMENT	OTHER	
REVENUES:						
Investment Income	\$ 662	\$ (658)	\$ (8)	\$ (40)	\$ 26	\$ (18)
Other	-	10	-	-	-	10
TOTAL REVENUES	<u>662</u>	<u>(648)</u>	<u>(8)</u>	<u>(40)</u>	<u>26</u>	<u>(8)</u>
EXPENDITURES:						
General Government	-	-	-	-	176	176
Education	-	-	28	62	7	97
Health and Social Services	-	1,435	-	-	-	1,435
Transportation	59	-	-	-	-	59
TOTAL EXPENDITURES	<u>59</u>	<u>1,435</u>	<u>28</u>	<u>62</u>	<u>183</u>	<u>1,767</u>
Excess of Revenues Over (Under) Expenditures	603	(2,083)	(36)	(102)	(157)	(1,775)
OTHER FINANCING SOURCES (USES):						
Transfers Out	(394)	-	-	-	-	(394)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	209	(2,083)	(36)	(102)	(157)	(2,169)
FUND BALANCES, JULY 1	<u>6,349</u>	<u>30,182</u>	<u>1,015</u>	<u>1,791</u>	<u>580</u>	<u>39,917</u>
FUND BALANCES, JUNE 30	<u>\$ 6,558</u>	<u>\$ 28,099</u>	<u>\$ 979</u>	<u>\$ 1,689</u>	<u>\$ 423</u>	<u>\$ 37,748</u>

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NONMAJOR ENTERPRISE FUNDS

Enterprise Funds are maintained to account for operations that are financed and operated in a manner similar to private business enterprises—where the costs of providing goods and services to the general public are financed primarily through user charges.

Lottery Fund. This fund accounts for all receipts and expenses from the operations of the State Lottery.

Excess Liability Fund. This fund accounts for the activity resulting from implementation of the Nebraska Hospital-Medical Liability Act. Revenues are primarily insurance premiums from certain health care providers and a surcharge levied on all health care providers in Nebraska. Expenses from the fund are used to pay judgments against the insured health care provider.

Cornhusker State Industries. The activities of Cornhusker State Industries in the Department of Correctional Services are accounted for in this fund.

State of Nebraska
COMBINING STATEMENT OF NET ASSETS
NONMAJOR ENTERPRISE FUNDS
June 30, 2002

(Dollars in Thousands)

	LOTTERY	EXCESS LIABILITY	CORNHUSKER STATE INDUSTRIES	TOTALS
ASSETS				
CURRENT ASSETS:				
Cash and Cash Equivalents	\$ 7,070	\$ 1,672	\$ 3,564	\$ 12,306
Receivables, net of allowance	3,629	442	773	4,844
Due from Other Funds	-	-	431	431
Inventories	-	-	1,556	1,556
Prepaid Items	332	-	-	332
TOTAL CURRENT ASSETS	<u>11,031</u>	<u>2,114</u>	<u>6,324</u>	<u>19,469</u>
RESTRICTED ASSETS:				
Long-Term Deposits	<u>2,458</u>	-	-	<u>2,458</u>
NONCURRENT ASSETS:				
Long-Term Investments	-	49,844	-	49,844
Securities Lending Collateral	-	6,503	-	6,503
Capital Assets:				
Buildings and Equipment	444	-	9,495	9,939
Less Accumulated Depreciation	<u>(335)</u>	-	<u>(2,636)</u>	<u>(2,971)</u>
Total Capital Assets	<u>109</u>	-	<u>6,859</u>	<u>6,968</u>
TOTAL NONCURRENT ASSETS	<u>109</u>	<u>56,347</u>	<u>6,859</u>	<u>63,315</u>
TOTAL ASSETS	<u>\$ 13,598</u>	<u>\$ 58,461</u>	<u>\$ 13,183</u>	<u>\$ 85,242</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES:				
Accounts Payable and Accrued Liabilities	\$ 4,020	\$ 25	\$ 275	\$ 4,320
Due to Other Funds	930	3	19	952
Claims, Judgments and Compensated Absences	20	12,440	41	12,501
Deferred Revenue	-	<u>2,547</u>	-	<u>2,547</u>
TOTAL CURRENT LIABILITIES	<u>4,970</u>	<u>15,015</u>	<u>335</u>	<u>20,320</u>
NONCURRENT LIABILITIES:				
Claims, Judgments and Compensated Absences	122	32,060	241	32,423
Obligations under Securities Lending	-	<u>6,503</u>	-	<u>6,503</u>
TOTAL NONCURRENT LIABILITIES	<u>122</u>	<u>38,563</u>	<u>241</u>	<u>38,926</u>
TOTAL LIABILITIES	<u>5,092</u>	<u>53,578</u>	<u>576</u>	<u>59,246</u>
NET ASSETS:				
Invested in Capital Assets, net of related debt	109	-	6,859	6,968
Restricted for:				
Lottery Prizes	2,458	-	-	2,458
Unrestricted	<u>5,939</u>	<u>4,883</u>	<u>5,748</u>	<u>16,570</u>
TOTAL NET ASSETS	<u>8,506</u>	<u>4,883</u>	<u>12,607</u>	<u>25,996</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 13,598</u>	<u>\$ 58,461</u>	<u>\$ 13,183</u>	<u>\$ 85,242</u>

State of Nebraska
**COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS**
NONMAJOR ENTERPRISE FUNDS
For the Year Ended June 30, 2002

(Dollars in Thousands)

	LOTTERY	EXCESS LIABILITY	CORNHUSKER STATE INDUSTRIES	TOTALS
OPERATING REVENUES:				
Charges for Services	\$ 73,957	\$ 3,264	\$ 9,686	\$ 86,907
Other	-	-	97	97
TOTAL OPERATING REVENUES	<u>73,957</u>	<u>3,264</u>	<u>9,783</u>	<u>87,004</u>
OPERATING EXPENSES:				
Personal Services	1,257	-	2,664	3,921
Services and Supplies	15,355	388	6,086	21,829
Lottery Prizes	39,450	-	-	39,450
Insurance Claims	-	10,368	-	10,368
Depreciation	71	-	293	364
TOTAL OPERATING EXPENSES	<u>56,133</u>	<u>10,756</u>	<u>9,043</u>	<u>75,932</u>
Operating Income (Loss)	<u>17,824</u>	<u>(7,492)</u>	<u>740</u>	<u>11,072</u>
NONOPERATING REVENUES (EXPENSES):				
Investment Income	640	4,713	153	5,506
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>640</u>	<u>4,713</u>	<u>153</u>	<u>5,506</u>
Income (Loss) Before Transfers	<u>18,464</u>	<u>(2,779)</u>	<u>893</u>	<u>16,578</u>
Transfers Out	<u>(18,486)</u>	<u>-</u>	<u>-</u>	<u>(18,486)</u>
Change in Net Assets	(22)	(2,779)	893	(1,908)
NET ASSETS, JULY 1	<u>8,528</u>	<u>7,662</u>	<u>11,714</u>	<u>27,904</u>
NET ASSETS, JUNE 30	<u>\$ 8,506</u>	<u>\$ 4,883</u>	<u>\$ 12,607</u>	<u>\$ 25,996</u>

State of Nebraska

COMBINING STATEMENT OF CASH FLOWS

NONMAJOR ENTERPRISE FUNDS

For the Year Ended June 30, 2002

(Dollars in Thousands)

	LOTTERY	EXCESS LIABILITY	CORNHUSKER STATE INDUSTRIES	TOTALS
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash Received from Customers	\$ 73,105	\$ 4,579	\$ 756	\$ 78,440
Cash Received from Interfund Charges	-	-	8,920	8,920
Cash Paid to Employees	(1,232)	-	(2,618)	(3,850)
Cash Paid to Suppliers	(14,790)	(314)	(4,017)	(19,121)
Cash Paid for Lottery Prizes	(39,990)	-	-	(39,990)
Cash Paid for Insurance Claims	-	(12,068)	-	(12,068)
Cash Paid for Interfund Services	(281)	(55)	(930)	(1,266)
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>16,812</u>	<u>(7,858)</u>	<u>2,111</u>	<u>11,065</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers Out	(18,237)	-	-	(18,237)
NET CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	<u>(18,237)</u>	<u>-</u>	<u>-</u>	<u>(18,237)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING:				
Acquisition and Construction of Capital Assets	(26)	-	(1,511)	(1,537)
NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(26)</u>	<u>-</u>	<u>(1,511)</u>	<u>(1,537)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchase of Investment Securities	-	(228,800)	-	(228,800)
Proceeds from Sale of Investment Securities	-	229,947	-	229,947
Interest and Dividend Income	600	3,394	142	4,136
NET CASH FLOWS FROM INVESTING ACTIVITIES	<u>600</u>	<u>4,541</u>	<u>142</u>	<u>5,283</u>
NET INCREASE (DECREASE) IN CASH	(851)	(3,317)	742	(3,426)
CASH AND CASH EQUIVALENTS, JULY 1	<u>7,921</u>	<u>4,989</u>	<u>2,822</u>	<u>15,732</u>
CASH AND CASH EQUIVALENTS, JUNE 30	<u>\$ 7,070</u>	<u>\$ 1,672</u>	<u>\$ 3,564</u>	<u>\$ 12,306</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES:				
Operating Income (Loss)	\$ 17,824	\$ (7,492)	\$ 740	\$ 11,072
Adjustments to reconcile operating income to net cash flows from operating activities:				
Depreciation	71	-	293	364
Change in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	(852)	-	(512)	(1,364)
(Increase) Decrease in Due from Other Funds	-	-	405	405
(Increase) Decrease in Inventories	-	-	1,004	1,004
(Increase) Decrease in Prepaid Expenses	(165)	-	-	(165)
(Increase) Decrease in Other Assets	363	-	-	363
Increase (Decrease) in Accounts Payable and Accrued Liabilities	(417)	25	165	(227)
Increase (Decrease) in Due to Other Funds	(12)	(6)	16	(2)
Increase (Decrease) in Claims Payable	-	(1,700)	-	(1,700)
Increase (Decrease) in Deferred Revenue	-	1,315	-	1,315
Total adjustments	<u>(1,012)</u>	<u>(366)</u>	<u>1,371</u>	<u>(7)</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ 16,812</u>	<u>\$ (7,858)</u>	<u>\$ 2,111</u>	<u>\$ 11,065</u>
NONCASH TRANSACTIONS (dollars in thousands):				
Noncash transactions are investing and financing activities that affect assets and liabilities but do not result in cash receipts or payments.				
The following noncash transactions occurred during the year:				
Change in Fair Value of Investments	\$ -	\$ 123	\$ -	\$ 123

INTERNAL SERVICE FUNDS

Internal Service Funds are used to account for the operations of State agencies that provide goods and services to other departments or agencies within State government on a cost-reimbursement basis. The State has the following internal service funds:

Buildings and Grounds. The activities of the Department of Administrative Services, Building Division, for space rental, office and storage, and operating the parking areas are accounted for in this fund.

General Services. This fund accounts for the operations of central services provided by the Department of Administrative Services, Materiel Division. These operations are the central mailroom, printing, central stores, purchasing services, surplus State property, and other miscellaneous office services.

Communications. This fund accounts for the activities of the central communications network maintained by the Department of Administrative Services, Communications Division.

Information Management Services. The central data processing operations maintained by the Department of Administrative Services, Information Management Services Division, are accounted for in this fund.

Transportation Services Bureau. This fund accounts for the operations of the central motor pool, which is under the Department of Administrative Services, Transportation Services Bureau.

Risk Management. The activities of the Department of Administrative Services, Division of Risk Management, which include workers' compensation and general liability claims, and of the State Employees Insurance Fund, which include life and health insurance programs, are accounted for in this fund.

Accounting Services. The accounting operations maintained by the Department of Administrative Services, Accounting Division, are accounted for in this fund.

Other Internal Service Funds. This fund accounts for the micrographics services and warehousing of records by the Records Management Division of the Secretary of State, the activities of the Investment Council, and the temporary employee pool maintained by the Department of Administrative Services, Division of State Personnel.

State of Nebraska
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
June 30, 2002

(Dollars in Thousands)	BUILDINGS AND GROUNDS	GENERAL SERVICES	COMMUNICATIONS
ASSETS			
CURRENT ASSETS:			
Cash and Cash Equivalents	\$ 6,839	\$ 5,075	\$ 2,604
Receivables, net of allowance			
Accounts	2	18	232
Accrued Interest	111	73	42
Due from Other Funds	126	1,123	1,402
Inventories	-	254	-
Prepaid Items	740	288	-
TOTAL CURRENT ASSETS	<u>7,818</u>	<u>6,831</u>	<u>4,280</u>
Capital Assets:			
Buildings and Equipment	2,304	6,779	3,994
Less Accumulated Depreciation	<u>(1,336)</u>	<u>(3,200)</u>	<u>(3,148)</u>
Total Capital Assets	<u>968</u>	<u>3,579</u>	<u>846</u>
TOTAL ASSETS	<u>\$ 8,786</u>	<u>\$ 10,410</u>	<u>\$ 5,126</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES:			
Accounts Payable and Accrued Liabilities	\$ 828	\$ 1,435	\$ 1,628
Due to Other Funds	29	629	21
Capital Lease Obligations	200	-	-
Claims, Judgments and Compensated Absences	195	47	18
Deferred Revenue	-	-	310
TOTAL CURRENT LIABILITIES	<u>1,252</u>	<u>2,111</u>	<u>1,977</u>
NONCURRENT LIABILITIES:			
Capital Lease Obligations	455	-	-
Claims, Judgments and Compensated Absences	1,159	276	109
TOTAL NONCURRENT LIABILITIES	<u>1,614</u>	<u>276</u>	<u>109</u>
TOTAL LIABILITIES	<u>2,866</u>	<u>2,387</u>	<u>2,086</u>
NET ASSETS:			
Invested in Capital Assets, net of related debt	313	3,579	846
Unrestricted	5,607	4,444	2,194
TOTAL NET ASSETS	<u>5,920</u>	<u>8,023</u>	<u>3,040</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 8,786</u>	<u>\$ 10,410</u>	<u>\$ 5,126</u>

INFORMATION MANAGEMENT SERVICES	TRANSPORTATION SERVICES	RISK MANAGEMENT	ACCOUNTING SERVICES	OTHER INTERNAL SERVICE	TOTALS
\$ 19,602	\$ 1,706	\$ 28,543	\$ 1,291	\$ 2,173	\$ 67,833
17	39	-	-	3	311
289	26	384	39	20	984
5,257	1,894	27,788	-	363	37,953
-	5	-	-	-	259
-	-	-	-	16	1,044
<u>25,165</u>	<u>3,670</u>	<u>56,715</u>	<u>1,330</u>	<u>2,575</u>	<u>108,384</u>
27,576	21,405	-	28	1,748	63,834
<u>(26,268)</u>	<u>(6,762)</u>	<u>-</u>	<u>(24)</u>	<u>(1,653)</u>	<u>(42,391)</u>
<u>1,308</u>	<u>14,643</u>	<u>-</u>	<u>4</u>	<u>95</u>	<u>21,443</u>
<u>\$ 26,473</u>	<u>\$ 18,313</u>	<u>\$ 56,715</u>	<u>\$ 1,334</u>	<u>\$ 2,670</u>	<u>\$ 129,827</u>
\$ 1,663	\$ 124	\$ 196	\$ 82	\$ 254	\$ 6,210
17	22	2	60	6	786
1,650	955	-	-	15	2,820
347	9	19,070	27	23	19,736
-	-	-	-	-	310
<u>3,677</u>	<u>1,110</u>	<u>19,268</u>	<u>169</u>	<u>298</u>	<u>29,862</u>
665	4,035	-	-	5	5,160
<u>2,055</u>	<u>51</u>	<u>33,292</u>	<u>162</u>	<u>138</u>	<u>37,242</u>
<u>2,720</u>	<u>4,086</u>	<u>33,292</u>	<u>162</u>	<u>143</u>	<u>42,402</u>
<u>6,397</u>	<u>5,196</u>	<u>52,560</u>	<u>331</u>	<u>441</u>	<u>72,264</u>
(1,007)	9,653	-	4	75	13,463
<u>21,083</u>	<u>3,464</u>	<u>4,155</u>	<u>999</u>	<u>2,154</u>	<u>44,100</u>
<u>20,076</u>	<u>13,117</u>	<u>4,155</u>	<u>1,003</u>	<u>2,229</u>	<u>57,563</u>
<u>\$ 26,473</u>	<u>\$ 18,313</u>	<u>\$ 56,715</u>	<u>\$ 1,334</u>	<u>\$ 2,670</u>	<u>\$ 129,827</u>

State of Nebraska

**COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS**

For the Year Ended June 30, 2002

(Dollars in Thousands)	BUILDINGS AND GROUNDS	GENERAL SERVICES	COMMUNICATIONS
OPERATING REVENUES:			
Charges for Services	\$ 30,247	\$ 15,170	\$ 19,508
Other	<u>766</u>	<u>3</u>	<u>2</u>
TOTAL OPERATING REVENUES	<u>31,013</u>	<u>15,173</u>	<u>19,510</u>
OPERATING EXPENSES:			
Personal Services	9,380	2,216	1,098
Services and Supplies	19,716	12,440	18,528
Insurance Claims	-	-	-
Depreciation	<u>301</u>	<u>1,086</u>	<u>350</u>
TOTAL OPERATING EXPENSES	<u>29,397</u>	<u>15,742</u>	<u>19,976</u>
Operating Income (Loss)	<u>1,616</u>	<u>(569)</u>	<u>(466)</u>
NONOPERATING REVENUES (EXPENSES):			
Investment Income	323	252	170
Gain (Loss) on Sale of Fixed Assets	-	(42)	2
Other	<u>(31)</u>	<u>-</u>	<u>-</u>
TOTAL NONOPERATING REVENUES, NET	<u>292</u>	<u>210</u>	<u>172</u>
Income (Loss) Before Transfers	<u>1,908</u>	<u>(359)</u>	<u>(294)</u>
Transfers In	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Assets	1,908	(359)	(294)
NET ASSETS, JULY 1	<u>4,012</u>	<u>8,382</u>	<u>3,334</u>
NET ASSETS, JUNE 30	<u>\$ 5,920</u>	<u>\$ 8,023</u>	<u>\$ 3,040</u>

INFORMATION MANAGEMENT SERVICES	TRANSPORTATION SERVICES	RISK MANAGEMENT	ACCOUNTING SERVICES	OTHER INTERNAL SERVICE	TOTALS
\$ 47,801	\$ 5,029	\$ 70,130	\$ 1,962	\$ 7,898	\$ 197,745
-	34	-	23	649	1,477
<u>47,801</u>	<u>5,063</u>	<u>70,130</u>	<u>1,985</u>	<u>8,547</u>	<u>199,222</u>
15,440	502	109	1,080	5,475	35,300
33,873	3,514	239	1,006	2,803	92,119
-	-	68,116	-	-	68,116
<u>2,759</u>	<u>1,599</u>	<u>-</u>	<u>3</u>	<u>40</u>	<u>6,138</u>
<u>52,072</u>	<u>5,615</u>	<u>68,464</u>	<u>2,089</u>	<u>8,318</u>	<u>201,673</u>
<u>(4,271)</u>	<u>(552)</u>	<u>1,666</u>	<u>(104)</u>	<u>229</u>	<u>(2,451)</u>
972	65	924	159	59	2,924
4	(81)	-	-	28	(89)
<u>2,223</u>	<u>350</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,542</u>
<u>3,199</u>	<u>334</u>	<u>924</u>	<u>159</u>	<u>87</u>	<u>5,377</u>
<u>(1,072)</u>	<u>(218)</u>	<u>2,590</u>	<u>55</u>	<u>316</u>	<u>2,926</u>
<u>2,600</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,600</u>
1,528	(218)	2,590	55	316	5,526
<u>18,548</u>	<u>13,335</u>	<u>1,565</u>	<u>948</u>	<u>1,913</u>	<u>52,037</u>
<u>\$ 20,076</u>	<u>\$ 13,117</u>	<u>\$ 4,155</u>	<u>\$ 1,003</u>	<u>\$ 2,229</u>	<u>\$ 57,563</u>

State of Nebraska
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Year Ended June 30, 2002

(Dollars in Thousands)	BUILDINGS AND GROUNDS	GENERAL SERVICES	COMMUNICATIONS
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Received from Customers	\$ 1,381	\$ 111	\$ 1,412
Cash Received from Interfund Charges	29,735	15,933	18,394
Cash Paid to Employees	(9,208)	(2,196)	(1,110)
Cash Paid to Suppliers	(18,087)	(11,937)	(17,828)
Cash Paid for Insurance Claims	-	-	-
Cash Paid for Interfund Services	(1,766)	(965)	(852)
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>2,055</u>	<u>946</u>	<u>16</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Interfund Loans	-	-	-
Cigarette Tax Proceeds	-	-	-
Transfers In	-	-	-
NET CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	<u>-</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition and Construction of Capital Assets	(132)	(2,230)	(1,118)
Proceeds from Sale of Fixed Assets	-	53	2
Principal Paid on Capital Leases	(225)	-	-
Interest Paid on Capital Leases	(31)	-	-
NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(388)</u>	<u>(2,177)</u>	<u>(1,116)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment Income	301	262	191
NET CASH FLOWS FROM INVESTING ACTIVITIES	<u>301</u>	<u>262</u>	<u>191</u>
NET INCREASE (DECREASE) IN CASH	1,968	(969)	(909)
CASH AND CASH EQUIVALENTS, JULY 1	<u>4,871</u>	<u>6,044</u>	<u>3,513</u>
CASH AND CASH EQUIVALENTS, JUNE 30	<u>\$ 6,839</u>	<u>\$ 5,075</u>	<u>\$ 2,604</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES:			
Operating Income (Loss)	\$ 1,616	\$ (569)	\$ (466)
Adjustments to reconcile operating income to net cash flows from operating activities:			
Depreciation	301	1,086	350
Change in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable	-	10	126
(Increase) Decrease in Due from Other Funds	103	864	149
(Increase) Decrease in Inventories	-	14	-
(Increase) Decrease in Prepaid Expenses	(57)	39	-
Increase (Decrease) in Accounts Payable and Accrued Liabilities	173	(522)	(154)
Increase (Decrease) in Due to Other Funds	(81)	24	(10)
Increase (Decrease) in Claims Payable	-	-	-
Increase (Decrease) in Deferred Revenue	-	-	21
Total Adjustments	<u>439</u>	<u>1,515</u>	<u>482</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ 2,055</u>	<u>\$ 946</u>	<u>\$ 16</u>
NONCASH TRANSACTIONS (dollars in thousands):			
Noncash transactions are investing and financing activities that affect assets and liabilities but do not result in cash receipts or payments.			
The following noncash transactions occurred during the year:			
Fixed Assets acquired through Capital Leases	<u>\$ 206</u>	<u>\$ -</u>	<u>\$ -</u>

INFORMATION MANAGEMENT SERVICES	TRANSPORTATION SERVICES	RISK MANAGEMENT	ACCOUNTING SERVICES	OTHER INTERNAL SERVICE	TOTALS
\$ 212	\$ 52	\$ 1,760	\$ 4	\$ 4,329	\$ 9,261
47,839	3,955	68,370	1,981	4,049	190,256
(14,926)	(495)	(111)	(1,049)	(5,478)	(34,573)
(27,995)	(1,819)	(114)	(224)	(1,226)	(79,230)
-	-	(54,790)	-	-	(54,790)
(5,834)	(1,683)	(99)	(805)	(1,162)	(13,166)
<u>(704)</u>	<u>10</u>	<u>15,016</u>	<u>(93)</u>	<u>512</u>	<u>17,758</u>
-	-	(500)	-	-	(500)
2,402	-	-	-	-	2,402
<u>2,600</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,600</u>
<u>5,002</u>	<u>-</u>	<u>(500)</u>	<u>-</u>	<u>-</u>	<u>4,502</u>
-	(674)	-	-	(27)	(4,181)
4	1,356	-	-	28	1,443
(3,009)	-	-	-	(13)	(3,247)
<u>(179)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(210)</u>
<u>(3,184)</u>	<u>682</u>	<u>-</u>	<u>-</u>	<u>(12)</u>	<u>(6,195)</u>
<u>966</u>	<u>57</u>	<u>740</u>	<u>163</u>	<u>55</u>	<u>2,735</u>
<u>966</u>	<u>57</u>	<u>740</u>	<u>163</u>	<u>55</u>	<u>2,735</u>
2,080	749	15,256	70	555	18,800
<u>17,522</u>	<u>957</u>	<u>13,287</u>	<u>1,221</u>	<u>1,618</u>	<u>49,033</u>
<u>\$ 19,602</u>	<u>\$ 1,706</u>	<u>\$ 28,543</u>	<u>\$ 1,291</u>	<u>\$ 2,173</u>	<u>\$ 67,833</u>
<u>\$ (4,271)</u>	<u>\$ (552)</u>	<u>\$ 1,666</u>	<u>\$ (104)</u>	<u>\$ 229</u>	<u>\$ (2,451)</u>
2,759	1,599	-	3	40	6,138
31	(33)	-	-	(1)	133
219	(1,023)	-	-	158	470
-	(1)	-	-	-	13
-	-	-	-	40	22
562	36	32	77	85	289
(4)	(16)	(8)	(69)	(39)	(203)
-	-	13,326	-	-	13,326
-	-	-	-	-	21
<u>3,567</u>	<u>562</u>	<u>13,350</u>	<u>11</u>	<u>283</u>	<u>20,209</u>
<u>\$ (704)</u>	<u>\$ 10</u>	<u>\$ 15,016</u>	<u>\$ (93)</u>	<u>\$ 512</u>	<u>\$ 17,758</u>
<u>\$ -</u>	<u>\$ 4,990</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,196</u>

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FIDUCIARY FUNDS

Fiduciary funds are used to account for assets held by the State of Nebraska in a fiduciary capacity. The State has the following fiduciary funds:

PENSION TRUST FUNDS

Deferred Compensation, State Employees' Retirement, County Employees' Retirement, Judges' Retirement, State Patrol Retirement, and School Retirement Systems.

PRIVATE PURPOSE TRUST FUNDS

Vocational Rehabilitation Fund. This fund provides rehabilitation services to employees to restore the employee to gainful employment. Funding comes from assessments to insurance companies and self-insurers.

Canteen and Welfare Fund. This fund provides general entertainment at correctional facilities for youth and adult offenders. Revenues are from vending sales, projects, donations and gifts.

Escheat Trust Fund. This fund makes payments to rightful owners for financial assets turned over to the State Treasurer because the assets were left unclaimed at corporations, business associations, banking and financial organizations, insurance companies, utilities and public authorities. If the rightful owners cannot be located, excess funds are transferred to the Permanent School Fund.

College Savings Plan. This fund accounts for the Nebraska savings plan qualified under section 529 of the Internal Revenue Code.

Other Expendable Trust Funds. Amos Trust, Agriculture and University Land Lease, Public Service Commission Trust Account, and Miscellaneous Expendable Trust.

AGENCY FUNDS

Local Government Fund. This fund receives money for redistribution to counties and other political subdivisions.

Other Agency Funds. Ohio College Library Service, Severance Tax Fund, Court Ordered Settlement, County Court Trust Funds, the Department of Correctional Services Inmate Trust Funds, and the Department of Public Institutions Trust Funds.

State of Nebraska
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
PENSION TRUST FUNDS
June 30, 2002

(Dollars in Thousands)

	DEFERRED COMPENSATION	STATE EMPLOYEES RETIREMENT	COUNTY EMPLOYEES RETIREMENT	SCHOOL RETIREMENT	JUDGES RETIREMENT	STATE PATROL RETIREMENT	TOTALS
ASSETS:							
Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ 2,097	\$ 22	\$ 40	\$ 2,159
Investments:							
U.S. Government Securities	-	-	-	771,057	14,775	34,245	820,077
Corporate Bonds	-	-	-	508,890	9,751	22,601	541,242
Equity Securities	-	-	-	1,180,830	22,627	52,444	1,255,901
Foreign Government Securities	-	-	-	22,394	429	995	23,818
Municipal Bonds	-	-	-	5,393	103	239	5,735
Pooled Investment Contracts	99,443	742,264	177,358	-	-	-	1,019,065
Mutual Funds	-	-	-	1,507,659	28,890	66,959	1,603,508
Total Investments	99,443	742,264	177,358	3,996,223	76,575	177,483	5,269,346
Securities Lending Collateral	-	4,622	1,108	494,680	9,479	21,970	531,859
Receivables:							
Contributions	-	8	447	11,676	50	-	12,181
Interest and Dividends	-	733	176	19,182	368	853	21,312
Other	-	-	-	-	-	-	-
Total Receivables	-	741	623	30,858	418	853	33,493
Due from Other Funds	4	-	-	15,274	137	697	16,112
Capital Assets:							
Buildings and Equipment	33	-	-	2,319	33	33	2,418
Less Accumulated Depreciation	(10)	-	-	(705)	(10)	(10)	(735)
Total Capital Assets	23	-	-	1,614	23	23	1,683
TOTAL ASSETS	\$ 99,470	\$ 747,627	\$ 179,089	\$ 4,540,746	\$ 86,654	\$ 201,066	\$ 5,854,652
LIABILITIES AND NET ASSETS:							
LIABILITIES:							
Accounts Payable and Accrued Liabilities	\$ -	\$ 133	\$ 39	\$ 4,541	\$ 43	\$ 99	\$ 4,855
Due to Other Funds	-	9	4	47	-	-	60
Obligations under Securities Lending	-	4,622	1,108	494,680	9,479	21,970	531,859
Capital Lease Obligations	30	-	-	2,109	30	30	2,199
Accrued Compensated Absences	4	24	14	142	2	2	188
TOTAL LIABILITIES	34	4,788	1,165	501,519	9,554	22,101	539,161
NET ASSETS:							
Held in Trust for Pension Benefits	99,436	742,839	177,924	4,039,227	77,100	178,965	5,315,491
TOTAL NET ASSETS	99,436	742,839	177,924	4,039,227	77,100	178,965	5,315,491
TOTAL LIABILITIES AND NET ASSETS	\$ 99,470	\$ 747,627	\$ 179,089	\$ 4,540,746	\$ 86,654	\$ 201,066	\$ 5,854,652

State of Nebraska

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PENSION TRUST FUNDS**

For the Year Ended June 30, 2002

(Dollars in Thousands)

	DEFERRED COMPENSATION	STATE EMPLOYEES RETIREMENT	COUNTY EMPLOYEES RETIREMENT	SCHOOL RETIREMENT	JUDGES RETIREMENT	STATE PATROL RETIREMENT	TOTALS
ADDITIONS:							
Contributions:							
Participant Contributions	\$ 6,458	\$ 19,754	\$ 5,716	\$ 81,461	\$ 741	\$ 2,083	\$ 116,213
State Contributions	-	30,066	-	14,971	72	2,428	47,537
Political Subdivision Contributions	-	-	8,128	80,223	-	-	88,351
Court Fees	-	-	-	-	493	-	493
Total Contributions	6,458	49,820	13,844	176,655	1,306	4,511	252,594
Investment Income:							
Net Appreciation (Depreciation) in							
Fair Value of Investments	(14,407)	(11,400)	(2,527)	(378,596)	(7,367)	(17,005)	(431,302)
Interest and Dividend Income	-	-	-	124,179	2,420	5,588	132,187
Securities Lending Income	-	88	21	9,688	186	430	10,413
Total Investment Income	(14,407)	(11,312)	(2,506)	(244,729)	(4,761)	(10,987)	(288,702)
Investment Expenses	134	-	-	9,787	190	439	10,550
Securities Lending Expenses	-	76	18	7,523	144	334	8,095
Total Investment Expense	134	76	18	17,310	334	773	18,645
Net Investment Income	(14,541)	(11,388)	(2,524)	(262,039)	(5,095)	(11,760)	(307,347)
Other Additions	59	-	-	33	-	85	177
TOTAL ADDITIONS	(8,024)	38,432	11,320	(85,351)	(3,789)	(7,164)	(54,576)
DEDUCTIONS:							
Benefits	11,468	41,118	7,925	130,662	3,710	8,255	203,138
Refunds	-	-	-	11,626	-	-	11,626
Administrative Expenses	71	827	403	2,979	36	37	4,353
TOTAL DEDUCTIONS	11,539	41,945	8,328	145,267	3,746	8,292	219,117
Change in Net Assets	(19,563)	(3,513)	2,992	(230,618)	(7,535)	(15,456)	(273,693)
NET ASSETS-BEGINNING OF YEAR	118,999	746,352	174,932	4,269,845	84,635	194,421	5,589,184
NET ASSETS-END OF YEAR	\$ 99,436	\$ 742,839	\$ 177,924	\$ 4,039,227	\$ 77,100	\$ 178,965	\$ 5,315,491

State of Nebraska

**COMBINING STATEMENT OF FIDUCIARY NET ASSETS
PRIVATE PURPOSE TRUST FUNDS**

June 30, 2002

(Dollars in Thousands)

	VOCATIONAL REHABILITATION	CANTEEN AND WELFARE	ESCHEAT TRUST	COLLEGE SAVINGS PLAN	OTHER	TOTALS
ASSETS:						
Cash and Cash Equivalents	\$ 4,083	\$ 2,274	\$ 6,023	\$ -	\$ 1,490	\$ 13,870
Investments in Mutual Funds	-	-	-	201,258	-	201,258
Receivables:						
Interest and Dividends	63	32	91	-	44	230
Other	-	2	-	-	-	2
Due from Other Funds	-	-	1,269	-	-	1,269
Other Assets	-	-	2,416	-	570	2,986
TOTAL ASSETS	<u>\$ 4,146</u>	<u>\$ 2,308</u>	<u>\$ 9,799</u>	<u>\$ 201,258</u>	<u>\$ 2,104</u>	<u>\$ 219,615</u>
LIABILITIES AND NET ASSETS:						
LIABILITIES:						
Accounts Payable and Accrued Liabilities	\$ -	\$ 140	\$ 9,799	\$ -	\$ 54	\$ 9,993
Deposits	-	-	-	-	570	570
Due to Other Funds	-	8	-	-	2	10
Other Liabilities	-	40	-	-	-	40
TOTAL LIABILITIES	<u>-</u>	<u>188</u>	<u>9,799</u>	<u>-</u>	<u>626</u>	<u>10,613</u>
NET ASSETS:						
Held in Trust for Other Purposes	<u>4,146</u>	<u>2,120</u>	<u>-</u>	<u>201,258</u>	<u>1,478</u>	<u>209,002</u>
TOTAL NET ASSETS	<u>4,146</u>	<u>2,120</u>	<u>-</u>	<u>201,258</u>	<u>1,478</u>	<u>209,002</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,146</u>	<u>\$ 2,308</u>	<u>\$ 9,799</u>	<u>\$ 201,258</u>	<u>\$ 2,104</u>	<u>\$ 219,615</u>

State of Nebraska

COMBINING STATEMENT OF CHANGES IN NET ASSETS PRIVATE PURPOSE TRUST FUNDS

For the Year Ended June 30, 2002

(Dollars in Thousands)

	VOCATIONAL REHABILITATION	CANTEEN AND WELFARE	ESCHEAT TRUST	COLLEGE SAVINGS PLAN	OTHER	TOTALS
ADDITIONS:						
Contributions:						
Participant Contributions	\$ -	\$ -	\$ -	\$ 203,473	\$ -	\$ 203,473
Client Contributions	-	129	-	-	-	129
Investment Income:						
Net Appreciation (Depreciation) in Fair Value of Investments	-	-	-	(8,078)	-	(8,078)
Interest and Dividend Income	252	112	287	-	62	713
Investment Expenses	-	-	-	210	-	210
Total Investment Income	<u>252</u>	<u>112</u>	<u>287</u>	<u>(8,288)</u>	<u>62</u>	<u>(7,575)</u>
Escheat Revenue	-	-	5,369	-	-	5,369
Other Additions	-	<u>4,571</u>	-	-	<u>690</u>	<u>5,261</u>
TOTAL ADDITIONS	<u>252</u>	<u>4,812</u>	<u>5,656</u>	<u>195,185</u>	<u>752</u>	<u>206,657</u>
DEDUCTIONS:						
Benefits	-	-	-	1,290	-	1,290
Amounts Distributed to Clients or Third Parties	1,145	4,602	-	-	331	6,078
Administrative Expenses	-	-	666	-	41	707
Transfers to Other Funds	<u>286</u>	<u>-</u>	<u>4,990</u>	<u>-</u>	<u>-</u>	<u>5,276</u>
TOTAL DEDUCTIONS	<u>1,431</u>	<u>4,602</u>	<u>5,656</u>	<u>1,290</u>	<u>372</u>	<u>13,351</u>
Change in Net Assets Held in Trust for Other Purposes	(1,179)	210	-	193,895	380	193,306
NET ASSETS-BEGINNING OF YEAR	<u>5,325</u>	<u>1,910</u>	<u>-</u>	<u>7,363</u>	<u>1,098</u>	<u>15,696</u>
NET ASSETS-END OF YEAR	<u>\$ 4,146</u>	<u>\$ 2,120</u>	<u>\$ -</u>	<u>\$ 201,258</u>	<u>\$ 1,478</u>	<u>\$ 209,002</u>

State of Nebraska

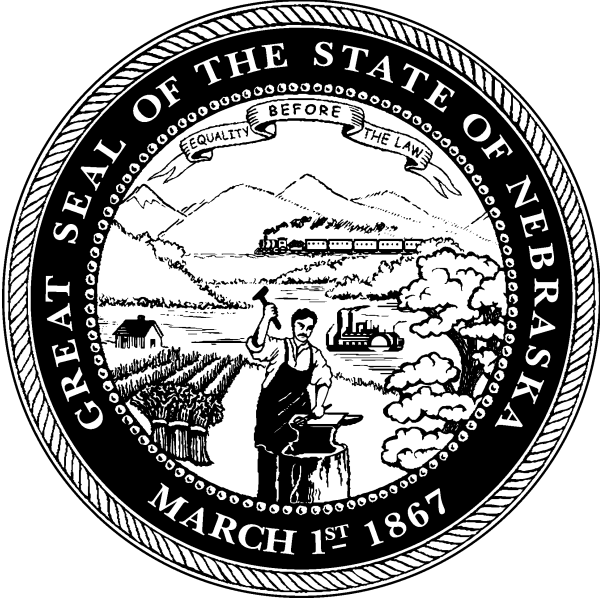
COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES AGENCY FUNDS

June 30, 2002

(Dollars in Thousands)

	LOCAL GOVERNMENT FUND	OTHER	TOTALS
ASSETS:			
Cash and Cash Equivalents	\$ 42,524	\$ 38,849	\$ 81,373
Interest and Dividends Receivable	440	161	601
TOTAL ASSETS	<u>\$ 42,964</u>	<u>\$ 39,010</u>	<u>\$ 81,974</u>
LIABILITIES:			
Due to Other Governments	\$ 42,964	\$ -	\$ 42,964
Other Liabilities	-	39,010	39,010
TOTAL LIABILITIES	<u>\$ 42,964</u>	<u>\$ 39,010</u>	<u>\$ 81,974</u>

OTHER SUPPLEMENTARY INFORMATION



State of Nebraska
BUDGETARY COMPARISON SCHEDULE
BUDGETARY (CASH) BASIS – CASH,
CONSTRUCTION, FEDERAL AND REVOLVING FUND TYPES
For the Year Ended June 30, 2002

(Dollars in Thousands)

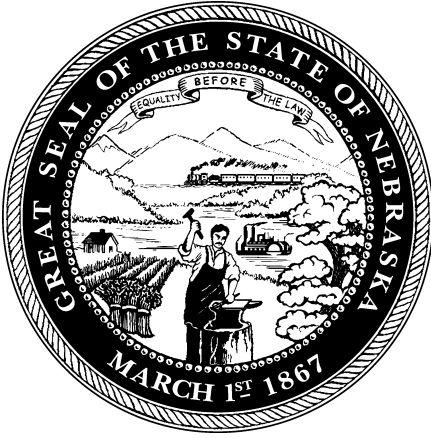
CASH RESERVE AND CASH FUNDS

	BUDGET	ACTUAL	VARIANCE
REVENUES:			
Taxes	\$ 136,960	\$ 136,960	\$ -
Federal Grants and Contracts	231,669	231,669	-
Sales and Charges	245,968	245,968	-
Other	156,829	156,829	-
TOTAL REVENUES	771,426	771,426	-
EXPENDITURES:			
Current:			
General Government	46,296	34,901	11,395
Conservation of Natural Resources	70,600	43,484	27,116
Culture – Recreation	32,389	19,929	12,460
Economic Development and Assistance	34,287	15,392	18,895
Education	341,213	196,586	144,627
Health and Social Services	202,697	133,815	68,882
Public Safety	33,446	22,397	11,049
Regulation of Business and Professions	134,821	95,426	39,395
Transportation	584,814	566,273	18,541
Intergovernmental	16,912	5,926	10,986
Capital Projects	27,028	10,907	16,121
TOTAL EXPENDITURES	1,524,503	1,145,036	379,467
Excess of Revenues Over (Under) Expenditures	(753,077)	(373,610)	379,467
OTHER FINANCING SOURCES (USES):			
Operating Transfers In	836,073	836,073	-
Operating Transfers Out	(516,876)	(516,876)	-
Other	1,323	1,323	-
TOTAL OTHER FINANCING SOURCES (USES)	320,520	320,520	-
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(432,557)	(53,090)	379,467
FUND BALANCES, JULY 1	798,919	798,919	-
FUND BALANCES, JUNE 30	\$ 366,362	\$ 745,829	\$ 379,467

Note: The Budget column for Revenues and Other Financing Sources (Uses) are equal to actual since these amounts are not budgeted.

CONSTRUCTION FUNDS			FEDERAL FUNDS			REVOLVING FUNDS		
BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	1,748,703	1,748,703	-	1,468	1,468	-
-	-	-	19,960	19,960	-	346,889	346,889	-
49	49	-	7,400	7,400	-	121,500	121,500	-
<u>49</u>	<u>49</u>	<u>-</u>	<u>1,776,063</u>	<u>1,776,063</u>	<u>-</u>	<u>469,857</u>	<u>469,857</u>	<u>-</u>
-	-	-	6,242	3,315	2,927	180,300	144,950	35,350
-	-	-	58,784	39,637	19,147	-	-	-
-	-	-	4,215	2,141	2,074	-	-	-
-	-	-	69,016	62,222	6,794	1,095	419	676
18,919	15,764	3,155	457,633	414,969	42,664	349,327	302,633	46,694
-	-	-	1,256,112	1,201,877	54,235	-	-	-
-	-	-	45,629	38,472	7,157	16,369	11,747	4,622
-	-	-	2,149	1,747	402	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
36,842	23,605	13,237	4,560	2,344	2,216	-	-	-
<u>55,761</u>	<u>39,369</u>	<u>16,392</u>	<u>1,904,340</u>	<u>1,766,724</u>	<u>137,616</u>	<u>547,091</u>	<u>459,749</u>	<u>87,342</u>
(55,712)	(39,320)	16,392	(128,277)	9,339	137,616	(77,234)	10,108	87,342
39,539	39,539	-	1,798	1,798	-	21,779	21,779	-
(78)	(78)	-	(1,924)	(1,924)	-	(20,735)	(20,735)	-
-	-	-	323	323	-	1,216	1,216	-
<u>39,461</u>	<u>39,461</u>	<u>-</u>	<u>197</u>	<u>197</u>	<u>-</u>	<u>2,260</u>	<u>2,260</u>	<u>-</u>
(16,251)	141	16,392	(128,080)	9,536	137,616	(74,974)	12,368	87,342
983	983	-	27,313	27,313	-	119,897	119,897	-
<u>\$ (15,268)</u>	<u>\$ 1,124</u>	<u>\$ 16,392</u>	<u>\$ (100,767)</u>	<u>\$ 36,849</u>	<u>\$ 137,616</u>	<u>\$ 44,923</u>	<u>\$ 132,265</u>	<u>\$ 87,342</u>

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STATISTICAL SECTION

The Statistical Section presents comparative data for the past ten years, and other pertinent information involving taxes, revenues, expenditures, demographic data and other miscellaneous statistics.

The statistical data is presented to give report users a better historical perspective and assist in assessing current financial status and trends of the governmental unit. Economic data is presented to allow a broader understanding of the economic and social environment in which State government operates.

State of Nebraska
**TEN YEAR SCHEDULE OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES**
GOVERNMENTAL FUNDS
1993 – 2002

(Dollars in Thousands)

	1993	1994	1995	1996
REVENUES:				
Taxes:				
Income	\$ 780,823	\$ 835,934	\$ 867,037	\$ 947,508
Sales and Use	653,455	746,429	774,012	824,590
Petroleum	227,228	247,134	255,278	240,605
Excise	77,693	92,912	93,822	99,007
Business and Franchise	35,591	44,140	42,786	32,435
Other	19,782	17,980	13,616	16,097
Total Taxes	<u>1,794,572</u>	<u>1,984,529</u>	<u>2,046,551</u>	<u>2,160,242</u>
Federal Grants and Contracts	859,581	978,526	1,112,819	1,191,748
Licenses, Fees and Permits	106,958	123,279	131,832	138,288
Charges for Services	48,091	62,069	69,008	75,372
Investment Income	60,140	37,551	50,665	66,404
Rents and Royalties	8,971	27,426	28,064	27,865
Other	28,438	36,893	39,879	38,066
TOTAL REVENUES	<u>2,906,751</u>	<u>3,250,273</u>	<u>3,478,818</u>	<u>3,697,985</u>
EXPENDITURES:				
Current:				
General Government	70,300	72,557	77,103	74,545
Conservation of Natural Resources	55,860	58,582	62,144	66,495
Culture – Recreation	14,501	14,912	17,309	17,714
Economic Development and Assistance	55,684	54,401	59,904	64,202
Education	679,276	710,517	768,206	793,418
Higher Education - Colleges and University	326,465	335,749	340,714	356,200
Health and Social Services	968,858	1,102,173	1,241,956	1,332,712
Public Safety	109,404	155,750	166,367	152,065
Regulation of Business and Professions	40,647	44,290	46,508	49,458
Transportation	511,157	543,012	569,733	622,523
Intergovernmental	124,316	93,941	90,287	87,286
Capital Projects	10,552	3,886	3,234	4,288
Debt Service	1,221	2,413	2,579	2,814
TOTAL EXPENDITURES	<u>2,968,241</u>	<u>3,192,183</u>	<u>3,446,044</u>	<u>3,623,720</u>
EXCESS OF REVENUES OVER (UNDER)				
EXPENDITURES	(61,490)	58,090	32,774	74,265
Transfers In	47,794	42,651	65,172	84,938
Transfers Out	(44,212)	(28,710)	(44,053)	(61,648)
Other	3,100	2,472	3,872	2,945
Net Change for the Year	<u>(54,808)</u>	<u>74,503</u>	<u>57,765</u>	<u>100,500</u>
Restatements	-	944	27,470	-
BEGINNING FUND BALANCE	<u>608,724</u>	<u>553,916</u>	<u>629,363</u>	<u>714,598</u>
ENDING FUND BALANCE	<u>\$ 553,916</u>	<u>\$ 629,363</u>	<u>\$ 714,598</u>	<u>\$ 815,098</u>

SOURCE: Department of Administrative Services, Accounting Division.
Nebraska Comprehensive Annual Financial Report

1997	1998	1999	2000	2001	2002
\$ 1,075,095	\$ 1,121,849	\$ 1,199,499	\$ 1,310,210	\$ 1,374,256	\$ 1,252,950
857,684	910,437	868,620	1,083,692	1,068,832	1,135,014
266,852	269,761	266,419	280,700	291,545	309,245
93,715	94,557	94,142	95,324	86,518	83,567
33,195	31,486	40,396	42,095	56,420	57,321
22,679	25,480	24,590	27,735	35,621	24,912
<u>2,349,220</u>	<u>2,453,570</u>	<u>2,493,666</u>	<u>2,839,756</u>	<u>2,913,192</u>	<u>2,863,009</u>
1,130,846	1,263,946	1,400,439	1,557,699	1,591,531	1,789,617
145,598	146,128	154,352	160,915	159,338	169,748
73,571	68,634	75,343	78,647	81,691	82,058
99,956	125,904	93,522	91,173	114,774	57,660
32,561	31,614	31,954	34,123	33,711	33,586
46,413	73,267	115,983	181,894	146,874	148,168
<u>3,878,165</u>	<u>4,163,063</u>	<u>4,365,259</u>	<u>4,944,207</u>	<u>5,041,111</u>	<u>5,143,846</u>
94,041	92,529	95,568	108,303	113,810	98,621
67,638	73,637	82,049	95,824	94,481	102,401
20,094	21,311	22,588	22,754	24,059	29,002
68,133	71,240	74,672	80,559	81,045	86,401
827,735	853,687	1,032,960	1,080,926	1,089,059	1,172,525
376,718	392,403	404,314	429,865	442,176	466,397
1,342,694	1,469,078	1,646,773	1,794,428	1,960,469	2,159,887
152,321	170,797	177,519	189,850	197,363	238,874
44,464	42,367	42,930	68,044	81,855	104,364
622,572	600,957	658,509	760,048	670,896	750,704
91,544	94,841	107,443	106,795	154,425	126,825
11,899	18,404	23,177	66,478	45,321	25,961
3,298	3,467	5,897	14,353	4,824	10,691
<u>3,723,151</u>	<u>3,904,718</u>	<u>4,374,399</u>	<u>4,818,227</u>	<u>4,959,783</u>	<u>5,372,653</u>
155,014	258,345	(9,140)	125,980	81,328	(228,807)
113,205	104,979	123,474	174,364	151,673	151,187
(89,388)	(86,071)	(106,603)	(158,142)	(129,619)	(130,025)
7,912	3,002	55	30,636	2,947	37,719
186,743	280,255	7,786	172,838	106,329	(169,926)
25,496	-	-	-	-	11,354
815,098	1,027,337	1,307,592	1,315,378	1,488,216	1,594,545
<u>\$ 1,027,337</u>	<u>\$ 1,307,592</u>	<u>\$ 1,315,378</u>	<u>\$ 1,488,216</u>	<u>\$ 1,594,545</u>	<u>\$ 1,435,973</u>

State of Nebraska
REVENUE BOND COVERAGE
COLLEGES AND UNIVERSITIES
1992 – 2002

(Dollars in Thousands)

FISCAL YEAR	DEDICATED REVENUES	RELATED EXPENSES	NET REVENUES AVAILABLE FOR DEBT SERVICE	DEBT SERVICE REQUIREMENT	COVERAGE RATIO
1993	\$ 40,167	\$ 31,082	\$ 9,085	\$ 5,747	1.58
1994	45,730	36,743	8,987	5,694	1.58
1995	49,059	38,680	10,379	5,825	1.78
1996	52,928	43,464	9,464	6,084	1.56
1997	54,029	44,652	9,377	7,175	1.31
1998	56,878	46,176	10,702	7,736	1.38
1999	48,965	38,267	10,698	8,072	1.33
2000	52,176	40,774	11,402	7,454	1.53
2001	54,108	43,168	10,940	7,876	1.39
2002	63,195	50,605	12,590	7,219	1.74

SOURCE: University of Nebraska and State Colleges.

State of Nebraska

**COMPARATIVE POPULATION GROWTH
NEBRASKA AND UNITED STATES**

1940 – 2001 (As of July 1)

YEAR	NEBRASKA	PERCENT CHANGE	UNITED STATES	PERCENT CHANGE
1940	1,315,834		132,122,446	
1950	1,325,510	0.74 %	152,271,417	15.25 %
1960	1,411,921	6.52	180,671,158	18.65
1970	1,485,333	5.20	205,052,174	13.49
1971	1,508,000	1.53	207,661,000	1.27
1972	1,528,000	1.33	209,896,000	1.08
1973	1,533,000	0.33	211,909,000	0.96
1974	1,537,000	0.26	213,854,000	0.92
1975	1,544,000	0.46	215,973,000	0.99
1976	1,552,000	0.52	218,035,000	0.95
1977	1,555,000	0.19	220,239,000	1.01
1978	1,565,000	0.64	222,585,000	1.07
1979	1,574,000	0.58	225,055,000	1.11
1980	1,569,825	(0.27)	227,224,681	0.96
1981	1,577,000	0.46	229,466,000	0.99
1982	1,586,000	0.57	231,664,000	0.96
1983	1,597,000	0.69	233,792,000	0.92
1984	1,605,000	0.50	235,825,000	0.87
1985	1,606,000	0.06	237,924,000	0.89
1986	1,598,000	(0.50)	240,133,000	0.93
1987	1,594,000	(0.25)	242,289,000	0.90
1988	1,602,000	0.50	244,499,000	0.91
1989	1,611,000	0.56	246,819,000	0.95
1990	1,578,417	(2.02)	249,439,545	1.06
1991	1,591,000	0.80	252,124,000	1.08
1992	1,603,000	0.75	255,002,000	1.14
1993	1,613,000	0.62	257,753,000	1.08
1994	1,623,000	0.62	260,292,000	0.99
1995	1,636,000	0.80	262,761,000	0.95
1996	1,649,000	0.79	265,179,000	0.92
1997	1,657,000	0.49	267,636,000	0.93
1998	1,661,000	0.24	270,248,000	0.98
1999	1,666,000	0.30	272,691,000	0.90
2000	1,711,263	2.72	281,421,906	3.20
2001	1,713,235	0.12	284,796,887	1.20
1940-2001		30.20 %		115.56 %

SOURCE: U.S. Census Bureau

State of Nebraska
COMPARATIVE UNEMPLOYMENT
NEBRASKA AND UNITED STATES
 1950 – 2001

YEAR	NEBRASKA			NEBRASKA UNEMPLOYMENT AS PERCENT OF LABOR FORCE	UNITED STATES UNEMPLOYMENT AS PERCENT OF LABOR FORCE
	TOTAL LABOR FORCE	TOTAL EMPLOYMENT	UNEMPLOYMENT		
1950	608,500	590,600	17,900	2.9%	5.2%
1960	630,200	613,000	17,200	2.7	5.5
1970(a)	631,700	612,300	19,400	3.1	4.9
1971	644,000	620,500	23,500	3.6	5.9
1972	666,300	643,800	22,500	3.4	5.6
1973	688,900	666,200	22,700	3.3	4.9
1974	719,500	688,600	30,900	4.3	5.6
1975	706,000	663,200	42,800	6.1	8.5
1976	717,100	680,900	36,200	5.0	7.7
1977(b)	750,000	722,000	28,000	3.7	7.1
1978	772,000	749,000	23,000	3.0	6.1
1979	771,000	747,000	24,000	3.1	5.8
1980	763,000	732,000	31,000	4.1	7.1
1981	777,000	745,000	32,000	4.1	7.6
1982	789,000	741,000	48,000	6.1	9.7
1983	791,000	746,000	45,000	5.7	9.6
1984	796,000	761,000	35,000	4.4	7.5
1985	806,000	762,000	44,000	5.5	7.2
1986	813,000	772,000	41,000	5.0	7.0
1987	812,000	772,000	40,000	4.9	6.2
1988	818,000	789,000	29,000	3.5	5.5
1989	812,000	787,000	25,000	3.1	5.3
1990	814,489	796,352	18,137	2.2	5.5
1991	835,206	812,074	23,132	2.8	6.7
1992	838,477	813,076	25,401	3.0	7.4
1993	858,400	835,581	22,819	2.7	6.8
1994	880,246	854,975	25,271	2.9	6.1
1995	898,113	874,357	23,756	2.6	5.6
1996	909,932	883,284	26,648	2.9	5.7
1997	906,256	882,615	23,641	2.6	5.3
1998(c)	916,440	891,709	24,731	2.7	4.5
1999	911,831	885,755	26,076	2.9	4.2
2000	924,298	896,761	27,537	3.0	4.0
2001	928,297	899,429	28,868	3.1	4.8

(a) Data for 1970 and later are based on a Labor Force concept rather than the Work Force used previously, and are not strictly comparable with data for previous years.

(b) Data for 1977 and later are not comparable to prior years because of changes in the method of estimating the labor force.

(c) Numbers for 1998 to 2000 revised to March 2001 benchmark.

SOURCE: Nebraska Statistics – 1950-1983 Nebraska Statistical Handbook, Nebraska Department of Economic Development;
 1984-2001 Nebraska Department of Labor, Labor Market Information

United States Unemployment – U.S. Census Bureau

State of Nebraska

**TOTAL PERSONAL AND PER CAPITA INCOME
NEBRASKA, UNITED STATES AND THE PLAINS
1992 – 2001**

YEAR	NEBRASKA		UNITED STATES		PLAINS (a)	
	PERSONAL INCOME (IN MILLIONS)	PER CAPITA INCOME	PERSONAL INCOME (IN MILLIONS)	PER CAPITA INCOME	PERSONAL INCOME (IN MILLIONS)	PER CAPITA INCOME
1992	\$ 30,812	\$ 19,688	\$ 5,260,922	\$ 21,082	\$ 349,261	\$ 19,928
1993	31,785	20,167	5,469,485	21,718	358,347	20,389
1994	33,029	21,168	5,741,050	22,581	380,442	21,558
1995	36,293	21,903	6,192,235	23,255	410,645	22,138
1996	39,618	23,670	6,538,103	24,270	439,948	23,520
1997	40,724	24,148	6,928,545	25,412	462,173	24,517
1998	43,340	25,541	7,418,754	26,893	493,711	26,001
1999	45,274	26,656	7,779,511	27,843	512,109	26,769
2000	47,534	27,630	8,398,796	29,469	547,631	28,228
2001	49,489	28,564	8,678,255	30,271	566,457	29,106

(a) States included in the Plains are Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, and South Dakota.

SOURCE: U.S. Department of Commerce, Bureau of Economic Analysis.

State of Nebraska

**TEN LARGEST PRIVATE EMPLOYERS
2001**

NAME OF COMPANY	RANK
Walmart	1
ConAgra, Inc.	2
First Data Resources, Inc.	3
Union Pacific Corp.	4
Alegent Health	5
Iowa Beef Processors, Inc.	6
Mutual of Omaha Ins. Co.	7
Burlington Northern	8
Nebraska Health System	9
Hy-vee Food Stores	10

SOURCE: Nebraska Department of Economic Development, Research Division

State of Nebraska

TRANSPORTATION RELATED STATISTICS

1992 – 2001

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
STATE HIGHWAY MILEAGE BY SURFACE TYPE (a)										
RURAL										
Gravel	74	74	74	51	44	44	44	44	44	44
Asphalt, Bitumen	7,786	7,794	7,794	7,834	7,849	7,819	7,841	7,901	7,911	7,905
Concrete, Brick	1,484	1,453	1,449	1,445	1,455	1,487	1,453	1,391	1,375	1,374
TOTAL RURAL	9,344	9,321	9,317	9,330	9,348	9,350	9,338	9,336	9,330	9,323
MUNICIPAL										
Asphalt, Bitumen	331	342	347	353	351	344	350	351	350	353
Concrete, Brick	274	281	279	277	270	276	279	282	287	294
TOTAL MUNICIPAL	605	623	626	630	621	620	629	633	637	647
TOTAL RURAL AND MUNICIPAL	9,949	9,944	9,943	9,960	9,969	9,970	9,967	9,969	9,967	9,970

MOTOR VEHICLE REGISTRATIONS (b)

Automobiles	895,461	940,667	955,138	965,100	977,252	981,372	1,011,801	1,038,583	1,043,491	1,057,498
Trucks										
Farm	140,095	149,403	148,664	148,181	148,051	149,471	148,433	149,034	148,421	149,116
Other	269,195	288,608	272,685	279,781	312,213	324,010	337,946	355,438	364,198	370,272
Motorcycles	19,582	18,882	19,084	18,696	18,094	18,441	19,344	20,612	22,758	25,010
All Other	296,302	301,757	264,965	281,287	330,929	341,058	349,547	369,682	381,986	388,482
TOTAL	1,620,635	1,699,317	1,660,536	1,693,045	1,786,539	1,814,352	1,867,071	1,933,349	1,960,854	1,990,378

SOURCE: (a) Nebraska Department of Roads.

(b) Nebraska Department of Motor Vehicles.

State of Nebraska

NEBRASKA CASH RECEIPTS FROM FARM MARKETING AND GOVERNMENT PAYMENTS

1992 – 2001

(Dollars in Millions)

YEAR	CASH RECEIPTS FROM FARM MARKETINGS			GOVERNMENT PAYMENTS	TOTAL
	CROPS	LIVESTOCK AND LIVESTOCK PRODUCTS	TOTAL CROPS AND LIVESTOCK		
1992	3,009.6	5,675.7	8,685.3	478.7	9,164.0
1993	3,018.3	5,853.0	8,871.3	806.3	9,677.6
1994	3,110.2	5,398.9	8,509.1	348.2	8,857.3
1995	3,837.0	5,146.1	8,983.1	507.3	9,490.4
1996	3,922.7	5,318.7	9,241.4	388.8	9,630.2
1997	4,297.8	5,507.2	9,805.0	454.6	10,259.6
1998	3,892.0	5,124.4	9,016.4	814.7	9,831.1
1999	2,961.8	5,426.3	8,388.1	1,411.9	9,800.0
2000	3,075.5	5,917.0	8,992.5	1,407.0	10,399.5
2001	3,402.3	6,086.2	9,488.5	1,297.6	10,786.1

SOURCE: Economic Research Service, U.S. Department of Agriculture.

State of Nebraska

NEBRASKA HOUSING UNITS AUTHORIZED FOR CONSTRUCTION

1992 – 2001

YEAR	HOUSING UNITS AUTHORIZED	PERCENT CHANGE
1992	6,745	8.18 %
1993	7,751	14.91
1994	7,877	1.63
1995	8,164	3.64
1996	10,091	23.60
1997	9,880	(2.09)
1998	9,560	(3.24)
1999	8,696	(9.04)
2000	9,105	4.70
2001	8,198	(9.96)

SOURCE: U.S. Dept. of Commerce, Bureau of the Census, Current Construction Reports, Housing Units Authorized by Building Permits

State of Nebraska

MOTOR FUELS NET TAXABLE GALLONS

1992 – 2001

YEAR	IMPORTING DEALERS	DIESEL FUELS	GASOHOL	TOTAL	PERCENT CHANGE
1992	396,493,898	207,628,838	360,390,088	964,512,824	4.40 %
1993	502,952,626	222,520,682	278,733,437	1,004,206,745	4.12
1994	525,261,561	228,490,205	230,802,731	984,554,497	(1.96)
1995	587,503,297	248,461,579	238,027,521	1,073,992,397	9.08
1996	636,785,443	255,896,982	183,903,344	1,076,585,769	0.24
1997	629,887,065	286,107,488	206,250,862	1,122,245,415	4.24
1998	661,061,910	316,724,293	189,956,805	1,167,743,008	4.05
1999	655,569,949	342,368,345	213,395,320	1,211,333,614	3.73
2000	575,163,734	343,393,346	299,174,495	1,217,731,575	0.53
2001	634,574,152	351,211,826	239,371,359	1,225,157,337	0.61

SOURCE: Nebraska Department of Revenue Annual Report.

State of Nebraska

BANK DEMAND AND TIME DEPOSITS

1992 – 2001

(Dollars in Millions)

YEAR	DEMAND DEPOSITS	TIME DEPOSITS	TOTAL DEPOSITS	PERCENT CHANGE
1992	\$ 3,175	\$ 16,440	\$ 19,615	5.55 %
1993	3,221	17,655	20,876	6.43
1994	3,246	17,413	20,659	(1.04)
1995	3,506	19,051	22,557	9.19
1996	3,713	19,546	23,259	3.11
1997	3,293	18,313	21,606	(7.11)
1998	3,440	19,601	23,041	6.64
1999	3,297	19,705	23,002	(0.17)
2000	3,609	20,071	23,680	2.95
2001	4,041	20,626	24,667	4.17

NOTE: This data represents balances at December 31.

SOURCE: Federal Deposit Insurance Corporation.

State of Nebraska
PUBLIC AND STATE OPERATED ENROLLMENT
PREKINDERGARTEN – GRADE 12
1992/93 – 2001/02

ACADEMIC YEAR	PRE KDG. AND KDG.	GRADES 1 – 3	GRADES 4 – 6	GRADES 7 – 9	GRADES 10 – 12	TOTAL ALL GRADES
1992 – 1993	24,667	66,313	67,139	65,603	58,157	281,879
1993 – 1994	24,600	65,258	67,374	68,270	58,957	284,459
1994 – 1995	25,304	64,171	67,092	69,186	60,680	286,433
1995 – 1996	25,779	64,010	66,957	68,796	62,842	288,384
1996 – 1997	25,599	64,800	66,058	69,937	65,023	291,417
1997 – 1998	25,543	65,014	64,721	70,452	66,389	292,119
1998 – 1999	25,740	64,664	64,256	69,991	66,485	291,136
1999 – 2000	25,219	63,118	64,409	69,099	66,386	288,231
2000 – 2001	25,216	60,896	64,942	67,392	66,576	285,022
2001 – 2002	25,931	60,645	64,003	68,566	66,251	285,396

SOURCE: Statistics and Facts About Nebraska Schools, Nebraska Department of Education.

State of Nebraska
PUBLIC HIGHER EDUCATION INSTITUTIONS
TOTAL FALL HEADCOUNT ENROLLMENT
1992 – 2001

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
COLLEGES AND UNIVERSITIES:										
Chadron State College	3,190	3,021	3,189	3,063	2,905	2,931	2,809	2,768	2,686	2,804
Peru State College	1,527	1,601	1,665	1,754	1,774	1,807	1,695	1,664	1,698	1,629
Wayne State College	3,761	3,765	3,886	3,868	3,828	3,839	3,835	3,601	3,518	3,311
University of Nebraska										
Lincoln (1)	24,752	24,695	24,089	24,578	24,189	23,104	22,669	22,394	22,502	22,998
Omaha	16,227	15,899	15,051	14,691	14,474	13,710	13,274	13,264	13,479	14,143
Kearney	8,374	8,045	7,584	7,620	7,680	7,133	6,849	6,780	6,506	6,426
Medical Center	2,759	2,703	2,778	2,770	2,718	2,618	2,599	2,590	2,696	2,724
TOTAL COLLEGES AND UNIVERSITIES	<u>60,590</u>	<u>59,729</u>	<u>58,242</u>	<u>58,344</u>	<u>57,568</u>	<u>55,142</u>	<u>53,730</u>	<u>53,061</u>	<u>53,085</u>	<u>54,035</u>
COMMUNITY COLLEGES										
Central CC (2)	4,885	4,686	5,011	5,839	6,476	6,743	7,474	7,095	7,126	6,399
Metropolitan CC	10,301	10,978	10,686	10,666	10,759	11,213	11,583	11,658	11,534	11,704
Mid-Plains CC	3,055	3,337	2,934	2,528	2,925	2,694	2,487	2,518	2,607	2,816
Northeast CC	3,257	3,408	3,612	3,413	4,235	4,440	4,754	4,671	4,520	4,600
Southeast CC	6,002	5,777	6,647	6,240	7,041	6,951	7,122	7,351	7,396	7,935
Western CC	2,248	2,591	2,308	2,291	1,960	2,008	1,704	1,836	2,264	2,150
TOTAL COMMUNITY COLLEGES	<u>29,748</u>	<u>30,777</u>	<u>31,198</u>	<u>30,977</u>	<u>33,396</u>	<u>34,049</u>	<u>35,124</u>	<u>35,129</u>	<u>35,447</u>	<u>35,604</u>
TOTAL ALL INSTITUTIONS	<u>90,338</u>	<u>90,506</u>	<u>89,440</u>	<u>89,321</u>	<u>90,964</u>	<u>89,191</u>	<u>88,854</u>	<u>88,190</u>	<u>88,532</u>	<u>89,639</u>

NOTE: (1) University of Nebraska-Lincoln count includes NCTA-Curtis for all years.
(2) Central CC reporting under continuous enrollment practice abandoned in 1996. Enrollment numbers have been retroactively changed to the reporting practice consistent with that of the other Community Colleges.

SOURCE: Nebraska Coordinating Commission for Postsecondary Education

State of Nebraska

MISCELLANEOUS STATISTICS

June 30, 2002

Date Entered Union	March 1, 1867 (37th State)
Form of Government	Legislative – Executive – Judicial
Land Area	77,358 square miles (16th largest in U.S.)
Elevation	840 to 5,424 feet above sea level
Capital	Lincoln
Largest City	Omaha
Origin of Name	From Oto Indian word "Nebrathka" meaning "flat water"
Nickname	Cornhusker State (from method of harvesting or "husking" corn by hand)
Recreation:	
Fish Hatcheries	9
State Parks	8
Historical Parks	10
Recreation and Wildlife Management Areas	320
State Police Protection:	
Number of Troops	6
Number of Patrolmen	504

SOURCE: Nebraska Blue Book, 2000-2001.

Acknowledgments

The State Accounting Division of the Department of Administrative Services (DAS) prepared the Comprehensive Annual Financial Report. The following State Accounting Division staff were key members in the preparation of the report:

Bruce Snyder, CPA, CGFM
Scott Yank, CPA¹
Bob Halada
Ramona Hartley

¹ Inactive Permit.

Special acknowledgment goes to:

All fiscal and accounting staff throughout the State whose cooperation and efforts contributed to the compilation of the financial information.

DAS Materiel Division staff who contributed to the report's production and assembly.

Nebraska Game and Parks Commission staff for granting permission to utilize photographs from NEBRASKAland Magazine.