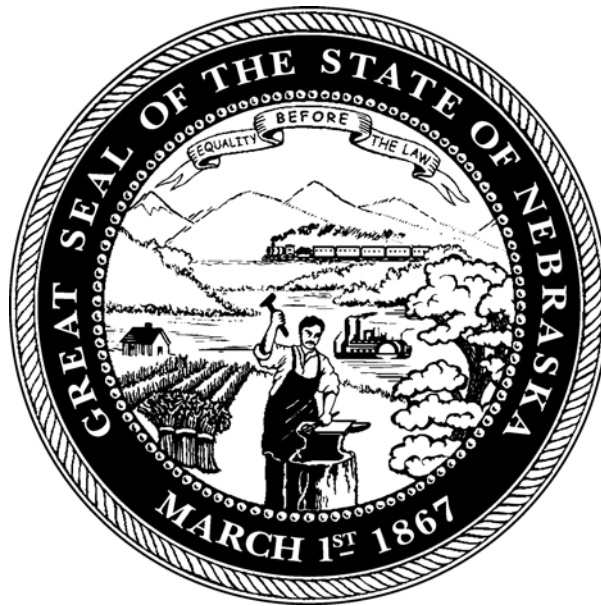


State of Nebraska

Comprehensive Annual Financial Report

Year Ended June 30, 2004



Mike Johanns

Governor

Department of Administrative Services

Lori McClurg

Director

Paul Carlson

State Accounting Administrator

Cover: A Bighorn Sheep in Western Nebraska.
A Meadowlark, the State Bird.
Sandhill Cranes along the Platte River.

December 29, 2004

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 2004.

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 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 2003 report submitted to the Government Finance Officers Association was, for the thirteenth consecutive year, awarded the prestigious Certificate of Achievement for Excellence in Financial Reporting. I am confident the 2004 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, 2004

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INTRODUCTORY SECTION

SELECTED STATE OFFICIALS

As of June 30, 2004

EXECUTIVE

Mike Johanns

Governor

David Heineman

Lieutenant Governor

Jon Bruning

Attorney General

Kate Witek

Auditor of Public Accounts

John A. Gale

Secretary of State

Ron Ross

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

Curt Bromm

Speaker of the Legislature

Nebraska Unicameral (49 Senators)

December 29, 2004

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, 2004. 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 for the fiscal year ended June 30, 2004, 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's financial statements for the fiscal year ended June 30, 2004, 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 Governmental Accounting Standards Board (GASB) statements 34 and 35, and other related statements. This reporting model's objective is 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 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's separately issued Single Audit Report.

The CAFR is presented in three sections. (1) The Introductory Section contains this letter of transmittal and some information about the State and its operations. (2) 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 various combining statements. (3) 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 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's financial statements in conformity with GAAP for governments. Because the cost of internal controls should not outweigh their benefits, the State'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's MD&A can be found immediately following the report of the independent auditors.

PROFILE OF THE GOVERNMENT

The State 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 reporting entity reflected in this CAFR is described more fully in Note 1.B. to the 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 three processes. First, a budget is required to be adopted through passage of appropriation bills by the Legislature. 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. Finally, the State's accounting system is designed to budget check each expenditure to ensure the appropriation is not exceeded.

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 66 as part of the Required Supplementary Information to the basic financial statements for the governmental funds. Budget-to-actual comparisons for Cash Funds, Construction Funds, Federal Funds, and Revolving Funds are also presented as Required Supplementary Information on pages 67 through 70.

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 operates.

Current Revenue Outlook

The General Fund operations of the State are almost entirely dependent upon the income and sales taxes the State receives each year. Such taxes represent over 92 percent of all General Fund revenues. Net revenue from income taxes and sales taxes from all funds for the fiscal year ended June 30, 2003 increased \$66 million over the prior year, due to an increased sales tax base and a sales tax rate increase to help offset a small decline in income tax revenue. In finalizing the biennium budget for the fiscal years ending June 30, 2004 and June 30, 2005, the Legislature, as required by the State Constitution, balanced the budget.

For the year ended June 30, 2004 there was a significant increase in taxes collected, as income and sales taxes from all funds increased \$229 million over last year, chiefly due to a \$163 million jump in income taxes collected. This reflects the steady, solid growth in Nebraska in all areas: jobs, income and revenue. The change was most dramatic in the area of employment, which grew again after several years in decline. Farm income also had another strong year.

The State has seen a marked improvement in revenues for the fiscal year ending June 30, 2004. Net tax revenue exceeded the prior year by \$261 million. Furthermore, the actual General Fund expenditures were less for this year when compared to last year. For the fiscal year ending June 30, 2004, the State's General Fund ended the fiscal year with a \$305 million cash and investments balance.

State Economy

The Bureau of Business Research of the University of Nebraska-Lincoln, together with the Nebraska Business Forecast Council, are cautiously optimistic on Nebraska's economic future. Total net taxable retail sales growth should continue to receive a boost from the broadening of the sales tax base. Sales tax and income tax revenue will also benefit by the increases in employment and personnel income.

	ACTUAL			PROJECTED		
	2001	2002	2003	2004	2005	2006
Nonfarm Employment:						
Annual Totals	913,200	905,700	903,800	916,000	929,800	945,300
Growth Rates	0.5%	-0.8%	-0.2%	1.4%	1.5%	1.7%
Nonfarm Personal Income:						
Annual Totals (in millions \$)	47,979	49,033	50,615	52,977	55,474	58,118
Growth Rates	3.4%	3.3%	4.0%	4.7%	4.7%	4.8%
Net Taxable Retail Sales						
Growth Rates:						
Total	3.0%	1.8%	3.1%	6.6%	4.8%	3.8%
Motor Vehicle Sales	11.2%	1.0%	-1.1%	2.4%	5.6%	3.7%
Non-motor Vehicles Sales	1.8%	1.9%	3.8%	7.2%	4.8%	3.8%

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 the Operating Investment Pool (OIP). This pool is comprised of some short-term investments and many medium-term investments. The OIP is reflected as cash and 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, 2004, there was \$1.4 billion invested in the OIP. This was invested as follows: 25 percent in government securities; 23 percent in corporate bonds; 34 percent in Federal agencies; 6 percent in time deposits; and 12 percent in money market funds and other. For the fiscal year ended June 30, 2004, the average daily balance of \$1.52 billion returned \$59 million, a 3.91% yield. This yield is a decrease from the 2003 yield of 4.05%.

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 \$6.4 billion by June 30, 2004, compared to \$5.5 billion on June 30, 2003. These are the assets of the three defined benefit plans (School, Judges and State Patrol plans), two defined contribution and cash balance plans (County and State Employees plans) and the State Employees' Deferred Compensation Plan that are administered by the State. See Note 11 to the Financial Statements for a detailed analysis of these plans.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State for its CAFR for the fiscal year ended June 30, 2003. This was the thirteenth consecutive year that the State 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 2004 CAFR 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,

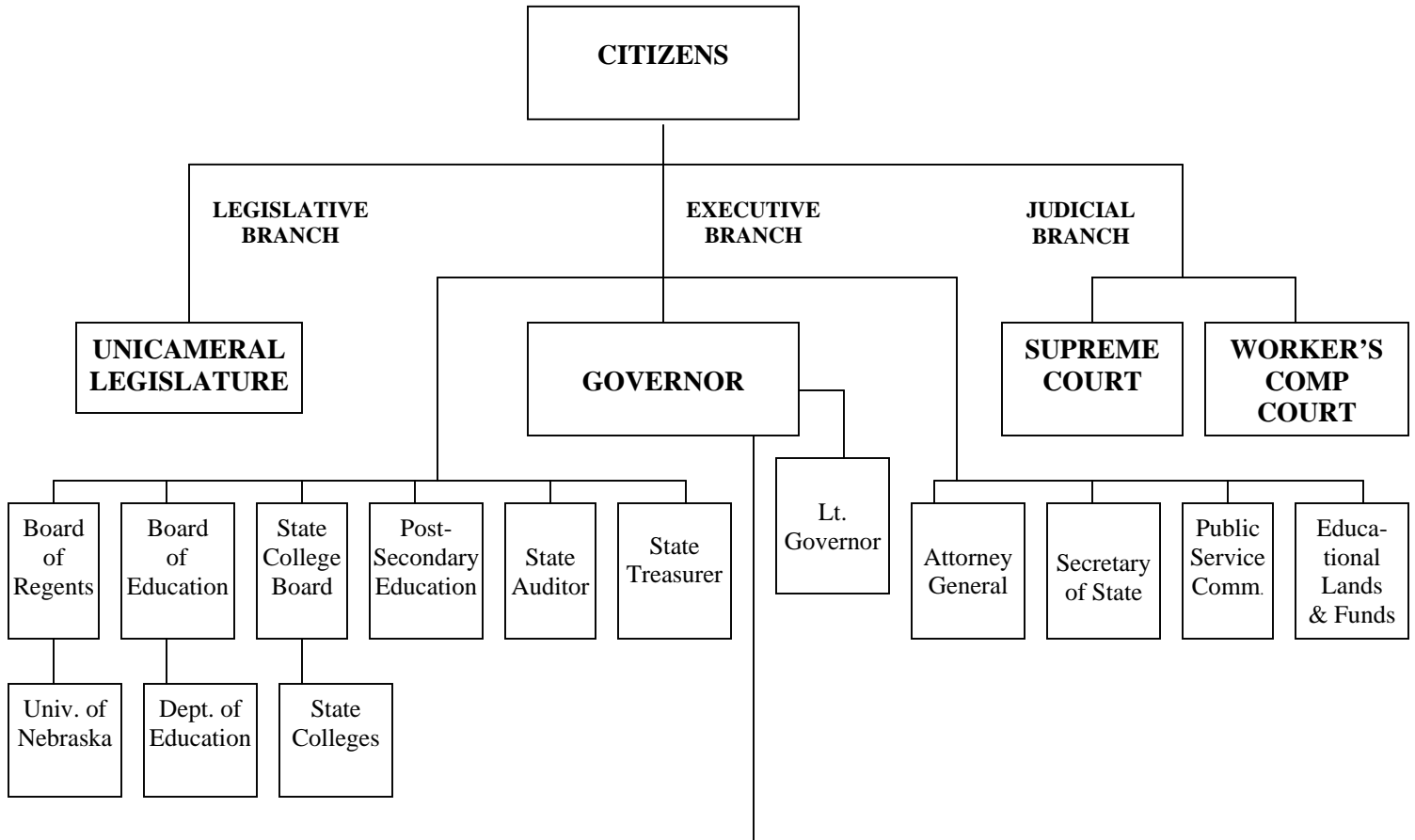


Lori McClurg
Director, Department of
Administrative Services



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 Management
Communications	Task Force
Employee Relations	Transportation
Info. Mgmt. Services	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	Educational Telecommunications Commission	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
	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, 2003

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.



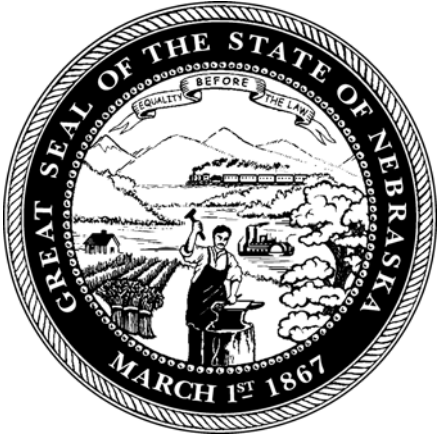
Nancy L. Zielle

President

Jeffrey R. Enen

Executive Director





FINANCIAL SECTION



KPMG LLP
Suite 1501
Two Central Park Plaza
Omaha, NE 68102

Suite 1600
233 South 13th Street
Lincoln, NE 68508-2041

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, 2004, 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 12.3% and 14.9% of the assets and revenues, respectively, of the aggregate remaining fund information. The State Lottery enterprise fund represents 4.4% and 37.9% of the assets and revenues, respectively, of the business-type activities. 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 and aggregate remaining fund information and their effects on the business-type activities 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, 2004, 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 Governmental Accounting Standards Board Technical Bulletin 2004-1, *Tobacco Settlement Recognition and Financial Reporting Entity Issues*, and Governmental Accounting Standards Board Statement No. 39, *Determining Whether Certain Organizations are Component Units, An Amendment of GASB 14*.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2004 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 16 through 29, the Budgetary Comparison Schedules—General Fund, Cash, Construction, Federal and Revolving Fund Types on pages 66 through 71; the Information About Infrastructure Assets Reported Using the Modified Approach on page 72; and the Schedules of Funding Progress and Three-Year Trend Information on page 62 and 63, respectively, 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 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 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

Lincoln, Nebraska
December 22, 2004

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, 2004. 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.

The State of Nebraska (State) implemented new standards in 2002 required by Governmental Accounting Standards Board (GASB) Statement No. 34 and related statements. As discussed in Note 15 to the financial statements, in 2004 the State implemented GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units, An Amendment of GASB 14*. The State also implemented GASB Technical Bulletin 2004-1, *Tobacco Settlement Recognition and Financial Reporting Entity Issues*.

A comparative analysis of government-wide data for the last two years is presented in this analysis.

FINANCIAL HIGHLIGHTS

Government-Wide:

The assets of the State exceeded its liabilities at June 30, 2004 by \$8.7 billion (presented as "net assets" in the CAFR). The majority of the net assets are represented by the investment in the State's infrastructure and other capital assets, which cannot be used to fund ongoing activities of the State. Of the net assets, "unrestricted net assets" was reported as \$438 million, much of which is, by statute, to be spent on nursing facilities, medical assistance programs and tobacco prevention and control. The primary government's net revenues exceeded net expenses for 2004 by \$448 million (thus, an increase in net assets). The increase in net assets was primarily a result of a more favorable economy causing an increase in taxes collected coupled with an actual reduction of expenditures from 2003.

Fund Level:

General Fund receipts for 2004 were \$13 million below the original budgeted amount. However, such receipts were above the final budget by \$109 million. Expenditures were also down \$156 million from the original budget. On a Generally Accepted Accounting Principles (GAAP) basis, the General Fund had \$208 million in excess revenues prior to \$17 million in other financing sources (uses) resulting in an ending fund balance on June 30, 2004 of \$208 million. Other governmental funds had \$152 million in excess revenues prior to other financing sources (uses) increasing such fund balances at June 30, 2004 to \$1,484 million.

The \$183 million of net assets of the Unemployment Compensation Fund represents ninety percent of the proprietary funds. Such fund only had a \$10 million decrease in net assets for 2004 (compared to a \$27 million decrease in 2003) due to a slight decrease in unemployment claims and additional revenue from customers.

Long-term Liabilities:

Long-term liabilities totaled \$ 636 million at June 30, 2004, which is a small change from the prior year. Most of these liabilities consist of (1) \$284 million of claims payable for workers' compensation claims, medical excess liability, unemployment compensation claims, employee health insurance claims, among other claims, (2) \$177 million of Medicaid claims, and (3) the calculated amount for vested sick leave due employees when they retire and accrued vacation, totaling \$109 million. Debt related to capital assets totaled \$54 million at June 30, 2004.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the State's 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 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 33) 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 34 and 35) 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. Fiduciary Funds, which include the Pension Funds, are not included in the Government-wide Financial Statements.

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. As previously noted, these Statements are commonly referred to as GAAP Fund Statements, as they are prepared in accordance with generally accepted accounting principles. The Fund Financial Statements (which begin on page 36) 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 that 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 37 and 39).

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 state employees, county employees and public school 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 48.

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 fund balances determined by GAAP used in the Fund Financial Statements for the General Fund, Cash Funds, Construction Funds,

Federal Funds, and Revolving Funds. 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.

FINANCIAL ANALYSIS OF THE STATE AS A WHOLE

Net Assets

The State's assets totaled \$10,236 million at June 30, 2004 as compared to \$9,679 at June 30, 2003. As total liabilities only totaled \$1,575 million, net assets amounted to \$8,661 million as of June 30, 2004. As of June 30, 2003, these amounts were \$1,466 million and \$8,213 million, respectively. 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
(in millions of dollars)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2004	2003	2004	2003	2004	2003
Current and Other						
Non-current Assets	\$ 2,905	\$ 2,405	\$ 297	\$ 311	\$ 3,202	\$ 2,716
Capital Assets	7,028	6,956	6	7	7,034	6,963
Total Assets	9,933	9,361	303	318	10,236	9,679
Non-current Liabilities	568	560	68	70	636	630
Other Liabilities	908	805	31	31	939	836
Total Liabilities	1,476	1,365	99	101	1,575	1,466
Net assets:						
Invested in Capital Assets, Net of Related Debt	6,980	6,909	6	7	6,986	6,916
Restricted	1,051	933	185	196	1,236	1,129
Unrestricted	426	154	13	14	439	168
Total Net Assets	\$ 8,457	\$ 7,996	\$ 204	\$ 217	\$ 8,661	\$ 8,213

The State's non-capital assets represent 31% of the State's total assets and chiefly consist of cash, investments and receivables. It should be noted that \$374 million in 2004 and \$245 million in 2003 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'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 payable for workers' compensation claims, medical excess liability, unemployment compensation claims, employee health insurance claims, among other claims (\$284 million for 2004 and \$285 million for 2003), Medicaid claims for \$177 million (\$167 million in 2003) and the calculated amount for vested sick leave due employees when they retire and accrued vacation of \$109 million of 2004 (\$107 million for 2003). Other minor amounts of 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, 2004, the State 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. Following that table is management's analysis of the changes in net assets for 2004, analyzing both the governmental activities and the business-type activities.

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

	<u>Governmental</u> <u>Activities</u>		<u>Business-type</u> <u>Activities</u>		<u>Total Primary</u> <u>Government</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
REVENUES						
Program Revenues						
Charges for Services	\$ 523	\$ 488	\$ 245	\$ 216	\$ 768	\$ 704
Operating Grants and Contributions	2,147	1,801	-	-	2,147	1,801
Capital Grants and Contributions	6	5	-	-	6	5
General Revenues					-	
Taxes	3,220	2,960	-	-	3,220	2,960
Unrestricted Investment Earnings	86	74	15	17	101	91
Miscellaneous	13	12	-	-	13	12
Total Revenues	<u>5,995</u>	<u>5,340</u>	<u>260</u>	<u>233</u>	<u>6,255</u>	<u>5,573</u>
EXPENSES						
General Government	178	283	-	-	178	283
Conservation of Natural Resources	92	88	-	-	92	88
Culture - Recreation	20	28	-	-	20	28
Economic Development and Assistance	80	84	-	-	80	84
Education	1,201	1,216	-	-	1,201	1,216
Higher Education - Colleges and Universities	438	461	-	-	438	461
Health and Social Services	2,330	2,220	-	-	2,330	2,220
Public Safety	254	238	-	-	254	238
Regulation of Business and Professions	127	117	-	-	127	117
Transportation	716	626	-	-	716	626
Intergovernmental	116	121	-	-	116	121
Interest on Long-term Debt	3	4	-	-	3	4
Unemployment Compensation	-	-	156	161	156	161
Lottery	-	-	73	61	73	61
Excess Liability	-	-	15	14	15	14
Cornhusker State Industries	-	-	8	6	8	6
Total Expenses	<u>5,555</u>	<u>5,486</u>	<u>252</u>	<u>242</u>	<u>5,807</u>	<u>5,728</u>
Excess (deficiency) Before Transfers	440	(146)	8	(9)	448	(155)
Transfers	<u>21</u>	<u>20</u>	<u>(21)</u>	<u>(20)</u>	<u>-</u>	<u>-</u>
Increase (Decrease) in Net Assets	461	(126)	(13)	(29)	448	(155)
Net Assets - Beginning - Restated	7,996	8,122	217	246	8,213	8,368
Net Assets - Ending	<u>\$ 8,457</u>	<u>\$ 7,996</u>	<u>\$ 204</u>	<u>\$ 217</u>	<u>\$ 8,661</u>	<u>\$ 8,213</u>

Governmental Activities

Governmental activities increased the State's net assets by \$461 million in 2004 (such activities reduced the net assets by \$126 million in 2003). Furthermore, governmental activities represent 96% of all the primary government's revenues. Program revenues of governmental activities were \$2,676 million and were used to partially offset program expenses of \$5,555 million, leaving net expenses of \$2,879 million. Only 3% of total expenses were spent on general government expenses. General taxes, earnings and transfers of \$3,340 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	2004	2003
General Government	\$ (83)	\$ (194)
Conservation of Natural Resources	(9)	(23)
Culture - Recreation	(3)	(9)
Economic Development and Assistance	(19)	(22)
Education	(922)	(958)
Higher Education - Colleges and University	(438)	(461)
Health and Social Services	(766)	(896)
Public Safety	(160)	(173)
Regulation of Business and Professions	(8)	(2)
Transportation	(367)	(343)
Intergovernmental	(101)	(107)
Interest on Long-Term Debt	(3)	(4)
Subtotal	<u>(2,879)</u>	<u>(3,192)</u>
General Revenues		
Taxes	3,220	2,960
Unrestricted Investment Earnings	86	74
Miscellaneous	13	12
Transfers	21	20
Increase (Decrease) in Net Assets	<u>\$ 461</u>	<u>\$ (126)</u>

Business-type Activities

The business-type activities reduced the State's net assets by \$13 million for 2004 after a \$21 million transfer to the governmental activities. Most of the \$244 million of business-type activities' program revenues was related to the business assessment fees in the Unemployment Compensation Fund and Lottery Fund revenues. The Unemployment Compensation Fund had an operating loss of \$24 million in 2004. This loss and the net loss of \$5 million incurred in the Excess Liability Fund were partially offset by \$15 million in investment income and \$2 million in net revenues from Cornhusker State Industries. Lottery revenues of \$93 million generated net revenue of \$19 million, which was offset by the \$21 million transfer to the Governmental Activities.

FINANCIAL ANALYSIS OF THE STATE'S FUNDS

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

Governmental Funds

The focus of the State's Governmental 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 designated or undesignated. If they are designated, 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 designated funds.) At the end of 2004, the State's Governmental Funds reported combined ending fund balances of \$1,692 million. The total unreserved balances amounted to \$1,343 million.

General Fund

The General Fund is the chief operating fund of the State. The major General Fund liability was the estimated tax refunds payable of \$252 million. Such refunds payable were only \$3 million less than the expected taxes owed the State. Other assets of the General Fund available to pay near-term liabilities exceeded such liabilities by \$205 million.

On June 30, 2003, the General Fund had a negative fund balance of \$17 million. As had occurred in 2003, reduction in spending continued in 2004 due to the lower than anticipated revenues due to the slow economy. In fact, expenditures for 2004 actually were \$90 million less than in 2003. However, as opposed to 2003, revenues for 2004 increased significantly over 2003 by \$261 million. The reduction in expenditures along with the increased revenues resulted in an increase in fund balance of \$208 million in 2004, which was significantly better than the \$143 million decrease that occurred in 2003. This \$208 million increase in 2004, coupled with \$17 million of other financing sources, caused the General Fund balance to increase by \$225 million, ending with a fund balance of \$208 million.

Revenues in 2004 were more than anticipated and were up \$261 million over 2003 chiefly due to (1) increased corporate income taxes because of increased revenues and companies had less losses to write off, (2) increased individual income tax revenue resulting from the effect of less capital losses being reported and increased revenues by farmers and small business owners, and (3) increased sales taxes collected because of increased retail sales and the continuing effect of the increased sales tax base. Expenditures were less than budgeted due to a concerted effort by agency heads responding to the Governor's message to be conservative in spending in addition to mandated cuts.

In 2002 and 2003, the revenues of the State were less than projected. To compensate for downturns such as this, the State has maintained a budgetary basis Cash Reserve Fund. While this Cash Reserve Fund is commingled with General fund cash in the General Fund financial statements, it is separate and distinct in that, by State Statute, it can only be used (1) when the cash balance of the General Fund is insufficient to meet General Fund current obligations and (2) for legislatively mandated transfers to other funds. Any money transferred in accordance with item one above must be repaid as soon as there is sufficient cash in the General Fund cash account to do so. Such reserve was at \$110 million at the beginning of 2003. During 2003, increases in certain taxes boosted the Cash Reserve Fund by \$37 million. An additional \$29 million, received from the federal government to help offset the State's economic losses, was temporarily placed in the Cash Reserve. However, due to transfers and loans to the General Fund cash account

totaling \$117 million, this balance was reduced to \$59 million at the start of 2004. In 2004, because of the increased revenues, the General Fund was able to repay the \$30 million that was borrowed from the Cash Reserve in 2003. Cigarette tax revenues of \$27 million were placed into the Cash Reserve in 2004 and the \$29 million of federal funds was transferred to the General Fund cash account, leaving a Cash Reserve Fund balance at the end of 2004 of \$87 million. Due to the fact that 2004 revenues exceeded the forecast, a statutory requirement caused a \$109 million transfer from the General Fund cash account to the Cash Reserve Fund in July 2004.

Expenditures in 2004 in the General Fund were not only less than budgeted, they were \$90 million less than 2003 in actual dollars spent, chiefly due to reduced spending across all categories of expenditures, including education (\$23 million), higher education (\$23 million) and health and social services (\$25 million).

Other Governmental Funds

Other governmental fund balances totaled \$1,484 million at June 30, 2004; \$348 million of such fund balances is reserved to indicate that they are not available for new spending because such funds (1) are represented by endowment principal (\$167 million), (2) are represented by an asset that has not yet been received, e.g., loans receivable (\$164 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 (\$6 million).

Of the non-General Fund unreserved fund balances of \$1,136 million, \$204 million represents permanent school funds which can be used only for support of public schools. \$879 million is represented by special revenue funds which while unreserved, normally must be spent within the confines of such special revenue funds (a majority of these same funds are considered "restricted" on the government-wide financial statements). Twenty-one million dollars is represented by other permanent funds, which again normally must be spent within the confines of the fund. Thirty-two million dollars is in the Capital Projects Fund, which, while unreserved, must be spent on a capital projects.

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 \$503 million. Of this balance, \$489 million is 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.

Governmental funds other than the General Fund saw an increase in fund balances of \$158 million. The fund balances of all such funds increased: the Highway Fund (\$2 million), the Federal Fund (\$7 million), the Health and Social Service Fund (\$80 million), the Permanent School Fund (\$37 million and other Nonmajor Funds (\$31 million).

The Highway Fund had \$73 million increase in federal funds. This more than offset the \$43 million increase in operating expenses (a 6% increase) and \$14 million less in fees and investment income. The Highway Fund also did not have the \$14 million sales tax transfer to the General Fund in 2004, which was the major cause of a \$17 million decrease in fund balance in 2003. These were the major reasons the Highway Fund had a \$2 million increase in fund balance from the prior year.

The Federal Fund received \$280 million increase in federal grants and contracts, an 18% increase over 2003. Because of such increased revenues, there were related expenditures spent in accordance with the terms of the grants and contracts of \$251 million. There was also an additional \$5 million transferred out

in 2004. Even though there was much more grant activity, at the end of 2004 there was only a net increase in the Fund of \$7 million, a \$22 million swing from the \$15 million decrease in the fund in 2003.

The Health and Social Services Fund had an increase in investment income in 2004 of \$25 million (mostly due to market fluctuations), a \$59 million decrease in expenditures chiefly due to a significant reductions in a disallowance accrual, along with an increase in other revenue of \$24 million, resulted in a \$107 million increase in net revenues when compared to 2003. The year 2003 had net expenses of \$27 million, whereas in 2004 the fund balance was increased by \$80 million.

The Permanent School Funds had a \$16 million improvement of investment earnings, earning about 8% in 2004 (a full 3% better than last year) which was the main reason the fund balances increased \$17 million more than last year, when the fund balance increased \$20 million. Other costs and revenues remained relatively stable. The Fund balance at the end of 2004 was up \$37 million.

The Nonmajor Funds were mostly stable from 2003 to 2004, except for \$14 million less in transfers out in 2004. In 2003 the Fund balance increased \$20 million; in 2004 it increased \$31 million, chiefly due to the above mentioned reduction in transfers.

Fiduciary Funds

The Pension Trust Funds represent the majority of the fiduciary funds. Such Pension Trust Funds net assets increased \$894 million to \$6,419 million in 2004 due primarily to the robust market in 2004, which provided \$748 million in appreciation of investments. Investment income in 2004 was \$106 million versus \$103 million in 2003. Contributions to the plans exceeded benefits, refunds and related administrative expenses by \$48 million. In another trust fund, \$322 million was received by the College Savings Plan and is recorded in the Private Purpose Trust Funds. Total net assets in the College Savings Plan now total \$777 million.

Proprietary Funds

The State's proprietary funds provide the same type of information found in the government-wide financial statements under Business-type Activities, but in more detail. The State's one major proprietary fund, the Unemployment Compensation Fund, had reported net assets of \$183 million at the end of 2004. This fund's net assets decreased \$10 million in 2004, due to unemployment claims paid out which exceeded the charges to customers by \$24 million which was half covered by investment income. 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 \$18 million prior to an \$21 million transfer from the Lottery to governmental funds primarily for education and environmental studies.

ANALYSIS OF GENERAL FUND BUDGET VARIATIONS

In 2004, the State began to reap the benefits of the improving national economy. Forecasted revenues, upon which the State's budgeted expenses were based, had anticipated a continuation of the recession. However, the State exceeded the revised projected tax revenues of \$ 2,565 million by \$109 million, realizing actual tax revenues of \$ 2,674 million. Because the revenues did not come in as expected early

in 2004, the State's Forecasting Board continually made new forecasts, each time reducing the expected revenues. However, as the year unfolded and the time came for final tax payments to be made (as opposed to the estimated taxes that had been remitted based upon the lower taxes that were due in the prior year), revenues began to pick up at an accelerated pace. Nonetheless, throughout the year, agencies were encouraged to spend less than their appropriations. General fund spending ended up \$92 million less than the appropriated amount. This reduction, when coupled with the increased tax revenues, allowed the State to finish 2004 with \$201 million of revenues in excess of expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2004, the State had invested \$7 billion, net of accumulated depreciation, in capital assets as reported in the Statement of Net Assets and summarized in the table below. Depreciation expense for 2004 totaled \$52 million, compared to \$43 million for 2003.

CAPITAL ASSETS AS OF JUNE 30 (net of depreciation in millions of dollars)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2004	2003	2004	2003	2004	2003
Land	\$ 473	\$ 458	\$ -	\$ -	\$ 473	\$ 458
Buildings and Equipment	344	359	6	7	350	366
Infrastructure	6,156	6,082	-	-	6,156	6,082
Subtotal	6,973	6,899	6	7	6,979	6,906
Construction in Progress	55	57	-	-	55	57
Total	\$ 7,028	\$ 6,956	\$ 6	\$ 7	\$ 7,034	\$ 6,963

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 maintained a high level of 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 2003, indicated an overall system rating of 83%, the same rating from the prior year.

For 2004, it was estimated that the State needed to spend \$179 million to preserve and maintain the roads at the abovementioned level. The State actually spent \$200 million on roads in 2004, compared to \$199 million in 2003. For 2005, it is estimated that the State needs to spend \$123 million, a considerable reduction from the past three years.

During 2004, the State added \$42 million of new depreciable capital assets. The State spent \$88 million on infrastructure and land purchases in 2004, most notably reconstructing (a) Highway 75 from Nebraska City south, (b) Highway 34 in Lincoln, (c) Highway 6 from Gretna south, and (d) Highway 81 around Strang and Geneva. This compares to \$120 million spent in 2003. Nineteen million of governmental funds were spent on capital projects in 2004 compared to twenty-eight million in 2003. Major spending on capital projects included debt service payments for certain educational facilities and the Capitol renovation project.

At June 30, 2004, the State had contractual commitments of \$465 million 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 financial statements.)

The State's General Fund capital outlay budget authorized spending \$19 million on capital projects in 2005, in addition to \$3 million of unspent capital outlay authorizations that existed on June 30, 2004.

Long-Term Debt

Long-term debt related to capital assets is minimal for reasons previously stated. For further detail and analysis of long-term debt, see Notes 8 and 9 to the financial statements.

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

	GOVERNMENTAL ACTIVITIES	
	2004	2003
<u>Bonds Payable:</u>		
Nebraska State Building Corporation	\$ 3	\$ 4
NETC Leasing Corp	24	27
	27	31
<u>Capitalized Leases:</u>	\$ 27	\$ 30

There were no new bonds issued in 2004 or 2003. There was only one small capitalized lease added in each of 2004 and 2003, which were more than offset by debt repayments. Bonds and Certificates of Participation for leases issued on behalf of the State maintain an AA rating from Standard and Poors and an Aa3 rating from Moody's.

FACTORS THAT WILL AFFECT THE FUTURE

Nebraska farm income has greatly improved and the economy has begun a measured turnaround. The ½ cent increase in the sales tax rate has been made permanent. The permanent increase in cigarette taxes will also continue to boost the State's cash position.

To help offset any future economic downturns, as previously explained, the State maintains a Cash Reserve Fund. As of June 30, 2004, this Fund had an \$87 million balance. Factors affecting the June 30,

2005 Cash Reserve Fund include legislative mandated net transfers to the General Fund of \$26 million, and revenues from cigarette taxes of \$8 million (such legislatively mandated transfers ended on September 30, 2004). In July 2004, \$109 million was transferred from the General Fund to the Cash Reserve Fund as statutorily required, due to the 2004 revenues exceeding the 2004 forecasted revenues.

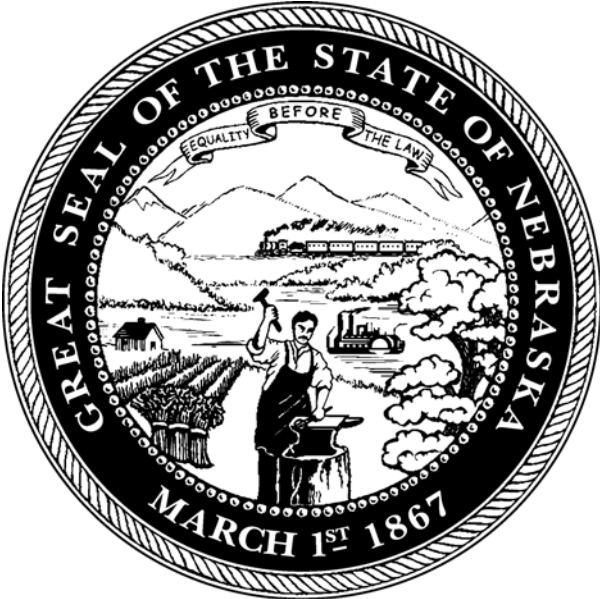
CONTACTING THE STATE ACCOUNTING OFFICE

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.



BASIC FINANCIAL STATEMENTS





State of Nebraska
STATEMENT OF NET ASSETS
June 30, 2004

(Dollars in Thousands)

	PRIMARY GOVERNMENT			COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS	
ASSETS				
Cash and Cash Equivalents	\$ 248,220	\$ 171,925	\$ 420,145	\$ 221,383
Receivables, net of allowance				
Taxes	297,682	-	297,682	-
Due from Federal Government	259,735	-	259,735	-
Other	93,681	29,911	123,592	94,388
Internal Balances	505	(505)	-	-
Due from Primary Government	-	-	-	1,609
Investments	1,449,372	73,769	1,523,141	1,181,626
Loans Receivable	163,739	-	163,739	39,016
Investment in Joint Venture	-	-	-	147,866
Other Assets	15,514	2,421	17,935	53,003
Restricted Assets:				
Cash and Cash Equivalents	19,676	-	19,676	414,742
Other	-	1,712	1,712	1,354
Securities Lending Collateral	357,101	17,213	374,314	-
Capital assets:				
Land	472,775	315	473,090	48,901
Infrastructure	6,155,691	-	6,155,691	98,159
Construction in Progress	55,288	-	55,288	100,893
Buildings and Equipment	763,357	10,398	773,755	1,375,131
Less Accumulated Depreciation	(418,928)	(4,289)	(423,217)	(528,369)
Total Capital Assets, net of depreciation	<u>7,028,183</u>	<u>6,424</u>	<u>7,034,607</u>	<u>1,094,715</u>
Total Assets	<u>\$ 9,933,408</u>	<u>\$ 302,870</u>	<u>\$ 10,236,278</u>	<u>\$ 3,249,702</u>
LIABILITIES				
Accounts Payable and Accrued Liabilities	\$ 258,722	\$ 9,652	\$ 268,374	\$ 115,576
Tax Refunds Payable	257,899	-	257,899	-
Due to Other Governments	12,936	-	12,936	-
Deposits	4,641	-	4,641	12,864
Due to Component Units	1,609	-	1,609	-
Deferred Revenue	15,056	4,733	19,789	64,889
Obligations under Securities Lending	357,101	17,213	374,314	-
Noncurrent Liabilities:				
Due within one year	222,862	28,085	250,947	43,564
Due in more than one year	345,559	39,506	385,065	465,467
Total Liabilities	<u>\$ 1,476,385</u>	<u>\$ 99,189</u>	<u>\$ 1,575,574</u>	<u>\$ 702,360</u>
NET ASSETS				
Invested in Capital Assets, net of related debt	\$ 6,980,310	\$ 6,424	\$ 6,986,734	\$ 628,140
Restricted for:				
Education	10,233	-	10,233	120,274
Health and Social Services	52,121	-	52,121	-
Transportation	87,950	-	87,950	-
Licensing and Regulation	123,749	-	123,749	-
Other Purposes	378,956	1,712	380,668	1,327,433
Unemployment Compensation Benefits	-	182,953	182,953	-
Debt Service and Construction	5,637	-	5,637	233,448
Permanent Trusts:				
Nonexpendable	167,387	-	167,387	-
Expendable	224,869	-	224,869	-
Unrestricted	425,811	12,592	438,403	238,047
Total Net Assets	<u>\$ 8,457,023</u>	<u>\$ 203,681</u>	<u>\$ 8,660,704</u>	<u>\$ 2,547,342</u>

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

State of Nebraska
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2004

(Dollars in Thousands)

FUNCTIONS/PROGRAMS	PROGRAM REVENUES			
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
PRIMARY GOVERNMENT:				
Governmental Activities:				
General Government	\$ 177,995	\$ 48,999	\$ 45,777	\$ -
Conservation of Natural Resources	91,996	31,909	50,929	251
Culture – Recreation	20,352	15,544	1,360	-
Economic Development and Assistance	80,417	3,551	57,961	-
Education	1,201,349	35,140	243,824	460
Higher Education - Colleges and University	438,225	-	-	-
Health and Social Services	2,329,940	152,240	1,412,130	-
Public Safety	254,085	26,077	62,155	5,711
Regulation of Business and Professions	126,978	116,772	1,490	-
Transportation	715,553	77,630	271,093	-
Intergovernmental	115,591	14,920	-	-
Interest on Long-term Debt	3,018	-	-	-
Total governmental activities	<u>5,555,499</u>	<u>522,782</u>	<u>2,146,719</u>	<u>6,422</u>
Business-type activities:				
Unemployment Compensation	156,172	132,379	-	-
Lottery	73,264	92,608	-	-
Excess Liability	14,595	9,683	-	-
Cornhusker State Industries	7,868	9,598	-	-
Total business-type activities	<u>251,899</u>	<u>244,268</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>\$ 5,807,398</u>	<u>\$ 767,050</u>	<u>\$ 2,146,719</u>	<u>\$ 6,422</u>
COMPONENT UNITS:				
University of Nebraska	\$ 1,290,350	\$ 492,128	\$ 333,507	\$ 3,127
State Colleges	67,936	21,952	10,966	975
Total Component Units	<u>\$ 1,358,286</u>	<u>\$ 514,080</u>	<u>\$ 344,473</u>	<u>\$ 4,102</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**

PRIMARY GOVERNMENT			COMPONENT UNITS
GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	
\$ (83,219)	\$ -	\$ (83,219)	\$ -
(8,907)	-	(8,907)	-
(3,448)	-	(3,448)	-
(18,905)	-	(18,905)	-
(921,925)	-	(921,925)	-
(438,225)	-	(438,225)	-
(765,570)	-	(765,570)	-
(160,142)	-	(160,142)	-
(8,716)	-	(8,716)	-
(366,830)	-	(366,830)	-
(100,671)	-	(100,671)	-
(3,018)	-	(3,018)	-
<u>(2,879,576)</u>	<u>-</u>	<u>(2,879,576)</u>	<u>-</u>
-	(23,793)	(23,793)	-
-	19,344	19,344	-
-	(4,912)	(4,912)	-
<u>-</u>	<u>1,730</u>	<u>1,730</u>	<u>-</u>
<u>-</u>	<u>(7,631)</u>	<u>(7,631)</u>	<u>-</u>
<u>-</u>	<u>(7,631)</u>	<u>(2,887,207)</u>	<u>-</u>
-	-	-	(461,588)
<u>-</u>	<u>-</u>	<u>-</u>	<u>(34,043)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(495,631)</u>
1,400,161	-	1,400,161	-
1,284,260	-	1,284,260	-
313,539	-	313,539	-
122,462	-	122,462	-
67,322	-	67,322	-
33,089	-	33,089	-
86,502	15,183	101,685	54,301
1,055	(3)	1,052	207,258
-	-	-	438,225
11,715	-	11,715	-
20,591	(20,591)	-	-
<u>3,340,696</u>	<u>(5,411)</u>	<u>3,335,285</u>	<u>699,784</u>
461,120	(13,042)	448,078	204,153
<u>7,995,903</u>	<u>216,723</u>	<u>8,212,626</u>	<u>2,343,189</u>
<u>\$ 8,457,023</u>	<u>\$ 203,681</u>	<u>\$ 8,660,704</u>	<u>\$ 2,547,342</u>

State of Nebraska
BALANCE SHEET
GOVERNMENTAL FUNDS
 June 30, 2004

(Dollars in Thousands)

	GENERAL FUND	HIGHWAY FUND	FEDERAL FUND	HEALTH AND SOCIAL SERVICES	PERMANENT SCHOOL FUND	NONMAJOR FUNDS	TOTALS
ASSETS:							
Cash and Cash Equivalents	\$ 43,979	\$ 15,102	\$ 39,895	\$ 6,522	\$ 9,551	\$ 67,771	\$ 182,820
Cash on Deposit with Fiscal Agents	-	-	-	-	-	19,676	19,676
Investments	260,928	93,178	2,666	353,814	345,379	393,407	1,449,372
Securities Lending Collateral	103,686	37,027	1,656	23,711	45,801	145,220	357,101
Receivables, net of allowance							
Taxes	254,540	42,920	-	-	-	222	297,682
Due from Federal Government	-	30,402	228,810	-	-	523	259,735
Loans	223	-	2,520	730	-	160,266	163,739
Other	18,716	3,481	32,713	25,473	1,570	8,492	90,445
Due from Other Funds	110,215	631	3,758	9,251	-	3,264	127,119
Inventories	252	9,719	1,798	454	-	-	12,223
Prepaid Items	50	10	248	2	-	178	488
Other	876	-	-	-	-	834	1,710
TOTAL ASSETS	\$ 793,465	\$ 232,470	\$ 314,064	\$ 419,957	\$ 402,301	\$ 799,853	\$ 2,962,110
LIABILITIES AND FUND BALANCE							
LIABILITIES:							
Accounts Payable and Accrued Liabilities	\$ 74,499	\$ 50,369	\$ 67,167	\$ 20,815	\$ 164	\$ 20,293	\$ 233,307
Tax Refunds Payable	251,528	6,371	-	-	-	-	257,899
Due to Other Governments	3,657	8,512	-	-	-	\$ 767	12,936
Deposits	878	605	1,736	230	81	1,111	4,641
Due to Other Funds	56,691	103	124,147	1,666	21	4,039	186,667
Due to Component Units	1,609	-	-	-	-	-	1,609
Obligations under Securities Lending	103,686	37,027	1,656	23,711	45,801	145,220	357,101
Claims Payable	81,665	-	92,870	-	-	-	174,535
Deferred Revenue	11,445	-	7,471	18,758	4,158	-	41,832
TOTAL LIABILITIES	585,658	102,987	295,047	65,180	50,225	171,430	1,270,527
FUND BALANCES:							
Reserved for:							
Long-Term Receivables	223	-	2,520	730	-	160,266	163,739
Inventories and Prepaid Items	302	9,729	248	456	-	178	10,913
Debt Service	-	-	-	-	-	6,146	6,146
Endowment Principal	-	-	-	-	147,826	19,561	167,387
Unreserved, reported in:							
General Fund	207,282	-	-	-	-	-	207,282
Special Revenue Funds	-	119,754	16,249	353,591	-	389,447	879,041
Permanent Funds	-	-	-	-	204,250	20,619	224,869
Capital Projects Fund	-	-	-	-	-	32,206	32,206
TOTAL FUND BALANCES	207,807	129,483	19,017	354,777	352,076	628,423	1,691,583
TOTAL LIABILITIES AND FUND BALANCES	\$ 793,465	\$ 232,470	\$ 314,064	\$ 419,957	\$ 402,301	\$ 799,853	\$ 2,962,110

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, 2004

(Dollars in Thousands)

Total fund balances for governmental funds \$ 1,691,583

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	472,775	
Infrastructure	6,155,691	
Construction in progress	55,288	
Other capital assets	707,641	
Accumulated depreciation	<u>(380,751)</u>	7,010,644

Certain tax revenues and charges are earned but not available and therefore are deferred in the funds. 27,167

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. 52,749

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	(27,265)	
Accrued interest on bonds	(509)	
Capital leases	(22,544)	
Obligations under other financing arrangements	(11,230)	
Compensated absences	(104,719)	
Claims and judgments	(158,741)	
Pension benefit obligation	<u>(112)</u>	<u>(325,120)</u>

Net assets of governmental activities \$ 8,457,023

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, 2004

(Dollars in Thousands)

	GENERAL FUND	HIGHWAY FUND	FEDERAL FUND	HEALTH AND SOCIAL SERVICES	PERMANENT SCHOOL FUND	NONMAJOR FUNDS	TOTALS
REVENUES:							
Income Taxes	\$ 1,402,371	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,402,371
Sales and Use Taxes	1,129,421	151,315	-	-	-	2,856	1,283,592
Petroleum Taxes	7,287	291,352	-	-	1,581	13,319	313,539
Excise Taxes	76,170	-	-	5,233	-	40,917	122,320
Business and Franchise Taxes	49,454	-	-	-	-	17,868	67,322
Other Taxes	26,532	2,207	-	-	-	4,350	33,089
Federal Grants and Contracts	29,223	256,718	1,833,076	637	-	33,487	2,153,141
Licenses, Fees and Permits	18,677	65,165	130	4,330	1,197	93,815	183,314
Charges for Services	2,466	8,257	16,723	32,279	-	22,595	82,320
Investment Income	4,934	(267)	1,934	36,380	32,295	8,426	83,702
Rents and Royalties	-	334	122	472	21,595	17,322	39,845
Surcharge	-	-	-	-	-	59,390	59,390
Other	3,470	4,141	1,732	97,321	12,940	43,583	163,187
TOTAL REVENUES	2,750,005	779,222	1,853,717	176,652	69,608	357,928	5,987,132
EXPENDITURES:							
Current:							
General Government	98,137	-	2,074	-	-	24,461	124,672
Conservation of Natural Resources	25,599	-	27,812	-	-	39,271	92,682
Culture – Recreation	5,040	-	1,313	-	-	19,728	26,081
Economic Development and Assistance	5,108	-	61,093	-	-	14,330	80,531
Education	903,268	-	243,258	-	32,655	24,249	1,203,430
Higher Education - Colleges and University	424,084	-	-	-	-	14,141	438,225
Health and Social Services	809,714	-	1,429,794	95,836	-	1,994	2,337,338
Public Safety	170,691	-	63,871	-	-	27,782	262,344
Regulation of Business and Professions	3,567	-	1,731	-	-	121,781	127,079
Transportation	823	775,511	-	-	-	18,008	794,342
Intergovernmental	96,363	-	-	-	-	19,319	115,682
Capital Projects	-	-	-	-	-	19,162	19,162
Debt Service:							
Principal	-	-	-	-	-	4,145	4,145
Interest	-	-	-	-	-	1,971	1,971
TOTAL EXPENDITURES	2,542,394	775,511	1,830,946	95,836	32,655	350,342	5,627,684
Excess of Revenues Over (Under) Expenditures	207,611	3,711	22,771	80,816	36,953	7,586	359,448
OTHER FINANCING SOURCES (USES):							
Transfers In	42,704	6,542	1,069	751	-	75,277	126,343
Transfers Out	(25,685)	(8,408)	(16,444)	(1,146)	-	(52,981)	(104,664)
Proceeds from Other Financing Arrangements	-	-	-	-	-	1,125	1,125
Proceeds from Capital Leases	222	-	-	-	-	-	222
TOTAL OTHER FINANCING SOURCES (USES)	17,241	(1,866)	(15,375)	(395)	-	23,421	23,026
Net Change in Fund Balances	224,852	1,845	7,396	80,421	36,953	31,007	382,474
FUND BALANCES, JULY 1	(17,045)	127,638	11,621	274,356	315,123	597,416	1,309,109
FUND BALANCES, JUNE 30	\$ 207,807	\$ 129,483	\$ 19,017	\$ 354,777	\$ 352,076	\$ 628,423	\$ 1,691,583

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, 2004

(Dollars in Thousands)

Net change in fund balances—total governmental funds **\$ 382,474**

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

Capital outlays are reported as expenditures in governmental funds. Sales of capital assets are 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	121,710	
Depreciation expense	<u>(46,867)</u>	74,843

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:

Other financing arrangements	<u>(1,125)</u>	(1,125)
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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.

(222)

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	3,695	
Other financing arrangement payments	450	
Capital lease payments	<u>1,102</u>	5,247

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.

8,649

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 decreased by this amount this year.

(1,713)

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:

Decrease in accrued interest	52	
Increase in compensated absences	(3,186)	
Increase in claims and judgments	(3,787)	
Increase in pension benefit obligation	<u>(112)</u>	<u>(7,033)</u>

Change in net assets of governmental activities **\$ 461,120**

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

State of Nebraska
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS

June 30, 2004

(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	\$ 150,799	\$ 21,126	\$ 171,925	\$ 66,072
Receivables, net of allowance	25,046	4,865	29,911	1,483
Due from Other Funds	-	364	364	43,757
Inventories	-	2,007	2,007	205
Prepaid Items	-	414	414	888
TOTAL CURRENT ASSETS	175,845	28,776	204,621	112,405
NONCURRENT ASSETS:				
Restricted Long-Term Deposits	-	1,712	1,712	-
Long-Term Investments	26,244	47,525	73,769	-
Securities Lending Collateral	10,428	6,785	17,213	-
Capital Assets:				
Land	-	315	315	-
Buildings and Equipment	251	10,147	10,398	55,716
Less Accumulated Depreciation	(244)	(4,045)	(4,289)	(38,177)
Total Capital Assets, net	7	6,417	6,424	17,539
TOTAL NONCURRENT ASSETS	36,679	62,439	99,118	17,539
TOTAL ASSETS	\$ 212,524	\$ 91,215	\$ 303,739	\$ 129,944
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES:				
Accounts Payable and Accrued Liabilities	\$ 3,957	\$ 5,695	\$ 9,652	\$ 6,291
Due to Other Funds	-	869	869	1,238
Capital Lease Obligations	-	-	-	1,833
Claims, Judgments and Compensated Absences	15,123	12,962	28,085	22,456
Deferred Revenue	-	4,733	4,733	391
TOTAL CURRENT LIABILITIES	19,080	24,259	43,339	32,209
NONCURRENT LIABILITIES:				
Capital Lease Obligations	-	-	-	2,858
Claims, Judgments and Compensated Absences	56	39,450	39,506	42,128
Obligations under Securities Lending	10,428	6,785	17,213	-
TOTAL NONCURRENT LIABILITIES	10,484	46,235	56,719	44,986
TOTAL LIABILITIES	29,564	70,494	100,058	77,195
NET ASSETS:				
Invested in Capital Assets, net of related debt	7	6,102	6,109	12,848
Restricted for:				
Lottery Prizes, Noncurrent	-	1,712	1,712	-
Unemployment Compensation Benefits	182,953	-	182,953	-
Unrestricted	-	12,907	12,907	39,901
TOTAL NET ASSETS	182,960	20,721	203,681	52,749
TOTAL LIABILITIES AND NET ASSETS	\$ 212,524	\$ 91,215	\$ 303,739	\$ 129,944

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, 2004

(Dollars in Thousands)	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			GOVERNMENTAL
	UNEMPLOYMENT COMPENSATION	NONMAJOR ENTERPRISE FUNDS	TOTALS	ACTIVITIES - INTERNAL SERVICE FUNDS
OPERATING REVENUES:				
Charges for Services	\$ 132,379	\$ 111,889	\$ 244,268	\$ 265,756
Other	-	-	-	1,136
TOTAL OPERATING REVENUES	132,379	111,889	244,268	266,892
OPERATING EXPENSES:				
Personal Services	55	4,242	4,297	29,928
Services and Supplies	37	24,355	24,392	89,120
Lottery Prizes	-	52,608	52,608	-
Unemployment Claims	155,974	-	155,974	-
Insurance Claims	-	14,076	14,076	135,479
Depreciation	106	446	552	4,968
TOTAL OPERATING EXPENSES	156,172	95,727	251,899	259,495
Operating Income (Loss)	(23,793)	16,162	(7,631)	7,397
NONOPERATING REVENUES (EXPENSES):				
Investment Income	13,403	1,780	15,183	2,800
Gain (Loss) on Sale of Capital Assets	(3)	-	(3)	(423)
Other	-	-	-	(37)
TOTAL NONOPERATING REVENUES (EXPENSES)	13,400	1,780	15,180	2,340
Income (Loss) Before Transfers	(10,393)	17,942	7,549	9,737
Transfers Out	-	(20,591)	(20,591)	(1,088)
Change in Net Assets	(10,393)	(2,649)	(13,042)	8,649
NET ASSETS, JULY 1	193,353	23,370	216,723	44,100
NET ASSETS, JUNE 30	\$ 182,960	\$ 20,721	\$ 203,681	\$ 52,749

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, 2004

(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	\$ 131,424	\$ 105,017	\$ 236,441	\$ 10,589
Cash Received from Interfund Charges	-	7,603	7,603	256,136
Cash Paid to Employees	(48)	(4,181)	(4,229)	(30,338)
Cash Paid to Suppliers	(33)	(23,730)	(23,763)	(86,410)
Cash Paid for Lottery Prizes	-	(52,196)	(52,196)	-
Cash Paid for Insurance Claims	(159,321)	(12,076)	(171,397)	(138,510)
Cash Paid for Interfund Services	(5)	(672)	(677)	(6,764)
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>(27,983)</u>	<u>19,765</u>	<u>(8,218)</u>	<u>4,703</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers Out	-	(20,808)	(20,808)	(1,088)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition and Construction of Capital Assets	(96)	(311)	(407)	(3,091)
Proceeds from Sale of Capital Assets	1	-	1	1,024
Principal Paid on Capital Leases	-	-	-	(2,639)
Interest Paid on Capital Leases	-	-	-	(37)
NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(95)</u>	<u>(311)</u>	<u>(406)</u>	<u>(4,743)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchase of Investment Securities	-	(185,825)	(185,825)	-
Proceeds from Sale of Investment Securities	12,314	185,988	198,302	-
Interest and Dividend Income	11,585	3,494	15,079	2,801
NET CASH FLOWS FROM INVESTING ACTIVITIES	<u>23,899</u>	<u>3,657</u>	<u>27,556</u>	<u>2,801</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(4,179)	2,303	(1,876)	1,673
CASH AND CASH EQUIVALENTS, JULY 1	<u>154,978</u>	<u>18,823</u>	<u>173,801</u>	<u>64,399</u>
CASH AND CASH EQUIVALENTS, JUNE 30	<u><u>\$ 150,799</u></u>	<u><u>\$ 21,126</u></u>	<u><u>\$ 171,925</u></u>	<u><u>\$ 66,072</u></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, 2004

(Dollars in Thousands)	<u>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS</u>			<u>GOVERNMENTAL</u>
	<u>UNEMPLOYMENT</u>	<u>NONMAJOR</u>		<u>ACTIVITIES -</u>
	<u>COMPENSATION</u>	<u>ENTERPRISE</u>	<u>TOTALS</u>	<u>INTERNAL</u>
		<u>FUNDS</u>		<u>SERVICE</u>
				<u>FUNDS</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH				
FLOW FROM OPERATING ACTIVITIES:				
Operating Income (Loss)	<u>\$ (23,793)</u>	<u>\$ 16,162</u>	<u>\$ (7,631)</u>	<u>\$ 7,397</u>
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:				
Depreciation	106	446	552	4,968
Change in Assets and Liabilities:				
(Increase) Decrease in Receivables	(955)	(12)	(967)	(303)
(Increase) Decrease in Due from Other Funds	-	-	-	710
(Increase) Decrease in Inventories	-	(726)	(726)	-
(Increase) Decrease in Prepaid Items	-	(71)	(71)	354
(Increase) Decrease in Long-Term Deposits	-	758	758	-
Increase (Decrease) in Accounts Payable and Accrued Liabilities	6	459	465	(4,448)
Increase (Decrease) in Due to Other Funds	-	6	6	(1,042)
Increase (Decrease) in Claims Payable	(3,347)	2,000	(1,347)	(3,031)
Increase (Decrease) in Deferred Revenue		743	743	98
Total Adjustments	<u>(4,190)</u>	<u>3,603</u>	<u>(587)</u>	<u>(2,694)</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u><u>\$ (27,983)</u></u>	<u><u>\$ 19,765</u></u>	<u><u>\$ (8,218)</u></u>	<u><u>\$ 4,703</u></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:

Capital Assets acquired through Capital Leases	\$ -	\$ -	\$ -	\$ 918
Change in Fair Value of Investments	-	(1,409)	(1,409)	-
Total Noncash Transactions	<u>\$ -</u>	<u>\$ (1,409)</u>	<u>\$ (1,409)</u>	<u>\$ 918</u>

State of Nebraska
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2004

(Dollars in Thousands)	PENSION TRUST	PRIVATE PURPOSE TRUST	AGENCY
ASSETS:			
Cash and Cash Equivalents	\$ 6,697	\$ 23,191	\$ 89,678
Investments:			
U.S. Government Securities	1,016,941	-	-
Corporate Bonds	434,317	-	-
Equity Securities	1,136,182	-	-
Foreign Investments	4,217	-	-
Municipal Bonds	19,894	-	-
Pooled Investment Contracts	120,027	-	-
Collateral Mortgage Obligations	86,824	-	-
Asset Backed Securities	67,458	-	-
Mutual Funds	3,767,022	777,469	-
Total Investments	<u>6,652,882</u>	<u>777,469</u>	-
Securities Lending Collateral	538,051	-	-
Receivables:			
Contributions	15,170	-	-
Interest and Dividends	16,526	166	379
Other	120,882	-	659
Total Receivables	<u>152,578</u>	<u>166</u>	<u>1,038</u>
Due from Other Funds	19,285	2	-
Capital Assets:			
Buildings and Equipment	15,356	-	-
Less Accumulated Depreciation	(4,525)	-	-
Total Capital Assets, net	<u>10,831</u>	<u>-</u>	<u>-</u>
Other Assets	-	9,466	-
TOTAL ASSETS	<u>\$ 7,380,324</u>	<u>\$ 810,294</u>	<u>\$ 90,716</u>
LIABILITIES AND NET ASSETS			
LIABILITIES:			
Accounts Payable and Accrued Liabilities	\$ 410,501	\$ 12,458	18,575
Due to Other Governments	-	-	46,211
Deposits	-	589	-
Due to Other Funds	29	6	1,718
Obligations under Securities Lending	538,051	-	-
Capital Lease Obligations	12,490	-	-
Accrued Compensated Absences	235	-	-
Other Liabilities	-	-	24,212
TOTAL LIABILITIES	<u>961,306</u>	<u>13,053</u>	<u>90,716</u>
NET ASSETS:			
Held in Trust for:			
Pension Benefits	6,419,018	-	-
Other Purposes	-	797,241	-
TOTAL NET ASSETS	<u>6,419,018</u>	<u>797,241</u>	<u>-</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 7,380,324</u>	<u>\$ 810,294</u>	<u>\$ 90,716</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, 2004

(Dollars in Thousands)

	PENSION TRUST	PRIVATE PURPOSE TRUST
ADDITIONS:		
Contributions:		
Participant Contributions	\$ 130,306	\$ 322,142
Client Contributions	-	212
State Contributions	66,767	-
Political Subdivision Contributions	87,350	-
Court Fees	2,002	-
Total Contributions	<u>286,425</u>	<u>322,354</u>
Investment Income:		
Net Appreciation (Depreciation) in Fair Value of Investments	748,302	68,134
Interest and Dividend Income	106,308	785
Securities Lending Income	6,454	-
Total Investment Income	<u>861,064</u>	<u>68,919</u>
Investment Expenses	10,254	1,724
Securities Lending Expenses	5,121	-
Total Investment Expense	<u>15,375</u>	<u>1,724</u>
Net Investment Income	<u>845,689</u>	<u>67,195</u>
Escheat Revenue	-	7,299
Other Additions	126	10,644
TOTAL ADDITIONS	<u>1,132,240</u>	<u>407,492</u>
DEDUCTIONS:		
Benefits	219,863	15,896
Refunds	10,641	-
Amounts Distributed to Outside Parties	-	1,622
Administrative Expenses	7,433	6,331
Transfers to Other Funds	-	24
TOTAL DEDUCTIONS	<u>237,937</u>	<u>23,873</u>
Change in Net Assets Held in Trust for:		
Pension Benefits	894,303	-
Other Purposes	-	383,619
NET ASSETS-BEGINNING OF YEAR	<u>5,524,715</u>	<u>413,622</u>
NET ASSETS-END OF YEAR	<u>\$ 6,419,018</u>	<u>\$ 797,241</u>

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

State of Nebraska
STATEMENT OF NET ASSETS
COMPONENT UNITS
June 30, 2004

(Dollars in Thousands)

	UNIVERSITY OF NEBRASKA	STATE COLLEGES	TOTALS
ASSETS			
Cash and Cash Equivalents	\$ 208,440	\$ 12,943	\$ 221,383
Receivables, net of allowance			
Loans	36,319	2,697	39,016
Other	92,655	1,733	94,388
Due from Primary Government	-	1,609	1,609
Investments	1,158,279	23,347	1,181,626
Investment in Joint Venture	147,866	-	147,866
Other Assets	52,106	897	53,003
Restricted Assets:			
Cash and Cash Equivalents	397,330	17,412	414,742
Investments Held by Trustee	-	1,354	1,354
Capital assets:			
Land	48,286	615	48,901
Infrastructure	81,707	16,452	98,159
Construction in Progress	92,914	7,979	100,893
Buildings and Equipment	1,258,912	116,219	1,375,131
Less Accumulated Depreciation	<u>(477,009)</u>	<u>(51,360)</u>	<u>(528,369)</u>
Total Capital Assets, net of depreciation	<u>1,004,810</u>	<u>89,905</u>	<u>1,094,715</u>
Total Assets	<u>\$ 3,097,805</u>	<u>\$ 151,897</u>	<u>\$ 3,249,702</u>
LIABILITIES			
Accounts Payable and Accrued Liabilities	\$ 108,447	\$ 7,129	\$ 115,576
Deposits	12,447	417	12,864
Deferred Revenue	64,389	500	64,889
Noncurrent Liabilities:			
Due within one year	39,249	4,315	43,564
Due in more than one year	<u>432,206</u>	<u>33,261</u>	<u>465,467</u>
Total Liabilities	<u>\$ 656,738</u>	<u>\$ 45,622</u>	<u>\$ 702,360</u>
NET ASSETS			
Invested in Capital Assets, net of related debt	\$ 573,741	\$ 54,399	\$ 628,140
Restricted for:			
Education	120,274	-	120,274
Other Purposes	1,302,065	25,368	1,327,433
Construction and Debt Service	218,681	14,767	233,448
Unrestricted	<u>226,306</u>	<u>11,741</u>	<u>238,047</u>
Total Net Assets	<u>\$ 2,441,067</u>	<u>\$ 106,275</u>	<u>\$ 2,547,342</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, 2004

(Dollars in Thousands)

	UNIVERSITY OF NEBRASKA	STATE COLLEGES	TOTALS
Operating Expenses:			
Compensation and benefits	\$ 760,484	\$ 43,186	\$ 803,670
Supplies and materials	192,896	4,224	197,120
Contractual services	86,982	2,377	89,359
Repairs and maintenance	42,189	1,562	43,751
Utilities	26,790	3,075	29,865
Communications	13,231	936	14,167
Depreciation	52,896	3,286	56,182
Scholarships and fellowships	103,924	1,609	105,533
Other	10,958	7,681	18,639
Total Operating Expenses	<u>1,290,350</u>	<u>67,936</u>	<u>1,358,286</u>
Program Revenues:			
Charges for Services	492,128	21,952	514,080
Operating Grants and Contributions	333,507	10,966	344,473
Capital Grants and Contributions	3,127	975	4,102
Total Program Revenues	<u>828,762</u>	<u>33,893</u>	<u>862,655</u>
Net (Expense) Revenue	<u>(461,588)</u>	<u>(34,043)</u>	<u>(495,631)</u>
General Revenue:			
Interest and investment earnings	53,199	1,102	54,301
Payments from the State of Nebraska	399,497	38,728	438,225
Miscellaneous	201,016	6,242	207,258
Total General Revenues	<u>653,712</u>	<u>46,072</u>	<u>699,784</u>
Change in Net Assets	192,124	12,029	204,153
Net Assets - Beginning - Restated	<u>2,248,943</u>	<u>94,246</u>	<u>2,343,189</u>
Net Assets - Ending	<u>\$ 2,441,067</u>	<u>\$ 106,275</u>	<u>\$ 2,547,342</u>

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

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2004

(dollars expressed in thousands)

1. Summary of Significant Accounting Policies

A. Basis of Presentation. The accompanying 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 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 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. Chadron State, Peru State and Wayne State Foundations are tax-exempt nonprofit corporations whose purpose is to provide financial support for the Nebraska State College System. 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 University's financial reporting entity also

consists of the following units: the University of Nebraska Facilities Corporation, a nonprofit corporation organized by the Board of Regents in 1930 to finance the construction and repair of buildings and hold them in trust for the University of Nebraska; the University Medical Associates, organized for the purpose of billing medical service fees generated by university clinicians; UNEMed, organized to develop and market biomedical technologies for the university; the University Dental Associates, organized for the purpose of billing dental service fees generated by university dentists; the Nebraska Utility Corporation, formed to purchase, lease, construct and finance activities relating to energy requirements of the University of Nebraska-Lincoln; and the University of Nebraska Foundation, a tax-exempt nonprofit corporation whose purpose is to provide financial support 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 basic financial statements include both government-wide and fund financial statements. The reporting model based on the GASB Statement No. 34 *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* focuses on the State as a whole in the government-wide financial statements and major individual funds in the 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 governmental activities unrestricted net assets of \$425,811. A significant portion of these net assets relate to the Health and Social Services Fund. While this 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.

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 60 days, except for federal reimbursement grants which use a one year availability period. 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 60 days (or 12 months in the case of federal reimbursement grants) 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, 2004, approximates 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 an operational 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 collections are not capitalized by the State because they are (1) held for public exhibition, education or research in furtherance of public service, rather than financial gain, (2) protected, kept unencumbered, cared for and preserved, and (3) subject to an agency policy that requires the proceeds from sales of collection items to be used to acquire other items for collections. 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 220 days (or 180 days for non-union employees). Sick leave is not vested except upon death or upon reaching the 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 expenses 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, 2004, 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, 2004, the carrying amounts of the State's deposits were \$272,803 and the bank balances were \$314,135. All bank balances were covered by federal depository insurance or by collateral held by the State's agent in the State's name.

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 twice exceeded the amount of collateral required by statute. The State Treasurer had compensating balance agreements with various banks totaling \$206,276 at June 30, 2004.

Investments. State Statute Section 72-1246 authorizes the State Investment Officer to invest the State's funds in accordance with the prudent person rule. 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 72 percent of the investments that are in Category 1.

STATE'S INVESTMENTS AT JUNE 30, 2004

	CATEGORY			TOTAL FAIR VALUE
	1	2	3	
U.S. Government Securities	\$ 1,295,519	\$ 5,440	\$ -	\$ 1,300,959
Corporate Bonds	731,497	-	-	731,497
Equity Securities				
Not on Securities Loan	1,090,368	-	-	1,090,368
On Securities Loan	6,556			6,556
Collateral Mortgage Obligations	108,715	-	-	108,715
Asset Backed Securities	74,138	-	-	74,138
Municipal Bonds	23,728	-	-	23,728
	<u>\$ 3,330,521</u>	<u>\$ 5,440</u>	<u>\$ -</u>	3,335,961
UNCATEGORIZED:				
Pooled Investment Contracts				117,157
Investment in U.S. Treasury				
Investment Pool				146,580
Investments held by Broker-Dealers				
Under Securities Loans				
U.S. Government Securities				683,863
Corporate Bonds				68,102
Equity Securities				144,985
Securities Lending Short-term Collateral				
Investment Pool				912,365
Mutual Funds				5,061,249
Foreign Investments				4,195
Less: Component Unit Investment				
in State Investment Pool				(322,016)
Total Investments				<u>\$ 10,152,441</u>

A reconciliation of deposits and investments for the State to the basic financial statements at June 30, 2004, is as follows:

Disclosure Regarding Deposits and Investments:

Total Investments	\$ 10,152,441
Carrying amount of Deposits	272,803
Total	<u>\$ 10,425,244</u>

Statement of Net Assets:

Cash and Cash Equivalents	\$ 420,145
Investments	1,523,141
Restricted Cash and Cash Equivalents	19,676
Securities Lending Collateral	374,314

Statement of Fiduciary Net Assets:

Cash and Cash Equivalents	119,566
Investments	7,430,351
Securities Lending Collateral	538,051
Total	<u>\$ 10,425,244</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 uncategorized 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 51 and 55 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. Over 80% of all such instruments are pension trust investments; the remaining are endowment investments. These instruments are used primarily to enhance performance and reduce the volatility of the portfolio, in accordance with the Investment Council-approved Derivatives Policy. The State invests in collateral mortgage obligations, futures contracts, and U.S. Treasury STRIPS. Collateral mortgage obligations, with a par value of \$156,667, 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, 2004, the State held futures contracts with a par value of \$368,453 and a fair value of \$0. Treasury STRIPS, which are backed by the full faith and credit of the United States, are utilized because the State receives a payment at a specific date. Fair value at June 30, 2004 was \$23,310 and par value was \$68,750.

3. Receivables

Receivables are reflected net of allowances for doubtful accounts. The following are such related allowances listed by major fund at June 30, 2004:

Governmental Activities:	
General Fund	\$ 15,020
Federal Fund	16,371
Health and Social Services Fund	11,310
Total Governmental Activities	<u>\$ 42,701</u>
Business-type Activities:	
Unemployment Compensation	\$ 5,276
Total Business-type Activities	<u>\$ 5,276</u>

Of the taxes and other receivables, \$8,409 and \$18,758, respectively, is not expected to be collected within the next 60 days. These amounts have been offset by deferred revenue in the General Fund and the Health and Social Services Fund.

4. Capital Assets

Capital asset activity for the year ended June 30, 2004, was as follows:

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 458,170	\$ 14,605	\$ -	\$ 472,775
Infrastructure	6,081,847	73,844	-	6,155,691
Construction in progress	57,201	22,762	24,675	55,288
Total capital assets, not being depreciated	<u>6,597,218</u>	<u>111,211</u>	<u>24,675</u>	<u>6,683,754</u>
Capital assets, being depreciated:				
Buildings and improvements	423,709	8,512	1,539	430,682
Equipment	317,331	33,143	17,799	332,675
Total capital assets, being depreciated	<u>741,040</u>	<u>41,655</u>	<u>19,338</u>	<u>763,357</u>
Less accumulated depreciation for:				
Buildings and improvements	180,053	9,475	843	188,685
Equipment	202,446	42,362	14,565	230,243
Total accumulated depreciation	<u>382,499</u>	<u>51,837</u>	<u>15,408</u>	<u>418,928</u>
Total capital assets, being depreciated, net	<u>358,541</u>	<u>(10,182)</u>	<u>3,930</u>	<u>344,429</u>
Governmental activities capital assets, net	<u>\$ 6,955,759</u>	<u>\$ 101,029</u>	<u>\$ 28,605</u>	<u>\$ 7,028,183</u>
Business-type activities:				
Unemployment Compensation				
Equipment, being depreciated	\$ 162	\$ 96	\$ 7	\$ 251
Less accumulated depreciation	141	106	3	244
Total Unemployment Compensation, net	<u>21</u>	<u>(10)</u>	<u>4</u>	<u>7</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	5,842	181	-	6,023
Equipment	3,984	140	-	4,124
Total capital assets, being depreciated	<u>9,826</u>	<u>321</u>	<u>-</u>	<u>10,147</u>
Less accumulated depreciation for:				
Buildings and improvements	1,287	161	-	1,448
Equipment	2,312	285	-	2,597
Total accumulated depreciation	<u>3,599</u>	<u>446</u>	<u>-</u>	<u>4,045</u>
Total capital assets, being depreciated, net	<u>6,227</u>	<u>(125)</u>	<u>-</u>	<u>6,102</u>
Total Nonmajor Enterprise, net	<u>6,542</u>	<u>(125)</u>	<u>-</u>	<u>6,417</u>
Business-type activities capital assets, net	<u>\$ 6,563</u>	<u>\$ (135)</u>	<u>\$ 4</u>	<u>\$ 6,424</u>

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

Governmental activities:	
General Government	\$ 14,368
Conservation of Natural Resources	2,045
Culture – Recreation	1,833
Economic Development and Assistance	393
Education	1,511
Health and Social Services	1,489
Public Safety	7,238
Regulation of Business and Professions	285
Transportation	22,675
Total depreciation expense - Governmental activities	<u>\$ 51,837</u>

Construction Commitments. At June 30, 2004, the State had contractual commitments of approximately \$464,640 for various highway and building projects. Funding of these future expenditures is expected to be provided as follows:

Federal funds	\$ 221,731
State funds	164,379
Local funds	78,530
	<u>\$ 464,640</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, 2004, 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	\$ -	\$ 120	\$ 1	\$ 361	\$ 247	\$ 70	\$ 38,293	\$ 17,599	\$ 56,691
Highway Fund	-	-	-	-	-	102	1	-	103
Federal Fund	109,782	5	-	8,850	1,897	136	3,473	4	124,147
Health and Social Services	-	-	1,400	-	30	33	203	-	1,666
Permanent School Fund	14	-	-	-	2	-	5	-	21
Nonmajor Governmental Funds	356	16	639	30	63	23	1,232	1,680	4,039
Nonmajor Enterprise Funds	-	15	-	8	815	-	31	-	869
Internal Service Funds	63	475	3	2	207	-	484	4	1,238
Fiduciary Funds	-	-	1,715	-	3	-	35	-	1,753
TOTALS	\$ 110,215	\$ 631	\$ 3,758	\$ 9,251	\$ 3,264	\$ 364	\$ 43,757	\$ 19,287	\$ 190,527

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 \$35,700 due from the General Fund to internal service funds for workers compensation liability.

Interfund transfers at June 30, 2004, consist of the following:

	TRANSFERRED TO:					TOTALS
	General Fund	Highway Fund	Federal Fund	Health and Social Services	Nonmajor Governmental Funds	
TRANSFERRED FROM:						
General Fund	\$ -	\$ -	\$ -	\$ -	\$ 25,685	\$ 25,685
Highway Fund	2,000	-	-	-	6,408	8,408
Federal Fund	-	-	-	-	16,444	16,444
Health & Social Services Fund	-	-	1,066	-	80	1,146
Nonmajor Governmental Funds	39,616	6,542	3	50	6,770	52,981
Nonmajor Enterprise Funds	-	-	-	701	19,890	20,591
Internal Service Funds	1,088	-	-	-	-	1,088
TOTALS	\$ 42,704	\$ 6,542	\$ 1,069	\$ 751	\$ 75,277	\$ 126,343

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 financial statements at June 30, 2004, 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	\$ 10,808	\$ 5,531	\$ 3,183	\$ 663	\$ -	\$ 1,514	\$ 1,478	\$ 2	\$ 210	\$ 23,389
Payables and Accruals	61,818	44,838	63,984	19,836	159	18,471	3,656	3,772	5,485	222,019
Due to Fiduciary Funds *	-	-	-	-	-	-	19,287	-	-	19,287
Miscellaneous	1,873	-	-	316	5	308	994	183	-	3,679
TOTALS	\$ 74,499	\$ 50,369	\$ 67,167	\$ 20,815	\$ 164	\$ 20,293	\$ 25,415	\$ 3,957	\$ 5,695	\$ 268,374

* 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, 2004, are summarized as follows:

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE	AMOUNTS DUE WITHIN ONE YEAR
Governmental Activities:					
Claims Payable	\$ 382,461	\$ 1,425,374	\$ 1,414,230	\$ 393,605	\$ 196,377
Bonds Payable	30,960	-	3,695	27,265	3,835
Capital Lease Obligations	29,836	1,140	3,741	27,235	5,235
Obligations Under Other Financing Arrangements	10,555	1,125	450	11,230	1,690
Compensated Absences	106,650	15,992	13,668	108,974	15,725
Pension Benefit Obligation	-	112	-	112	-
Totals	\$ 560,462	\$ 1,443,743	\$ 1,435,784	\$ 568,421	\$ 222,862
Business-type Activities:					
Unemployment Compensation:					
Claims Payable	\$ 19,175	\$ 141,499	\$ 145,560	\$ 15,114	\$ 15,114
Compensated Absences	59	15	9	65	9
Totals for Unemployment Compensation	19,234	141,514	145,569	15,179	15,123
Nonmajor Enterprise Funds:					
Claims Payable	50,000	15,881	13,881	52,000	12,903
Compensated Absences	417	75	80	412	58
Totals for Nonmajor Enterprise Funds	50,417	15,956	13,961	52,412	12,961
Totals for Business-type Activities	\$ 69,651	\$ 157,470	\$ 159,530	\$ 67,591	\$ 28,085

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

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 State's 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, 2004, 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 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, 2004 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, 2004 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, 2004 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, 2004
PRIMARY GOVERNMENT				
NETC Leasing Corporation Issue	2000,2002	2001-2010	2.70%-6.00%	\$ 24,125
Nebraska State Building Corporation Issue	2002	2002-2009	1.50%-3.85%	3,140
Primary Government Total				<u>\$ 27,265</u>
COMPONENT UNITS				
University of Nebraska	1993-2004	1993-2033	1.20%-5.80%	\$ 382,955
Nebraska State Colleges	1999-2003	2001-2028	1.60%-5.70%	35,325
Component Units Total				<u>\$ 418,280</u>

PRIMARY GOVERNMENT DEBT SERVICE REQUIREMENTS TO MATURITY			
YEAR	PRINCIPAL	INTEREST	TOTAL
2005	3,835	1,366	5,201
2006	3,995	1,209	5,204
2007	4,195	1,014	5,209
2008	4,405	808	5,213
2009	5,985	584	6,569
2010-2014	4,850	291	5,141
Total	<u>\$ 27,265</u>	<u>\$ 5,272</u>	<u>\$ 32,537</u>

COMPONENT UNITS DEBT SERVICE REQUIREMENTS TO MATURITY			
YEAR	PRINCIPAL	INTEREST	TOTAL
2005	17,160	19,374	36,534
2006	27,880	18,599	46,479
2007	25,100	17,384	42,484
2008	25,440	16,254	41,694
2009	29,340	15,074	44,414
2010-2014	96,420	58,920	155,340
2015-2019	75,660	38,514	114,174
2020-2024	63,315	22,228	85,543
Thereafter	57,965	19,884	77,849
Total	<u>\$ 418,280</u>	<u>\$ 226,231</u>	<u>\$ 644,511</u>

Changes in bonds payable for component units for fiscal year 2004 are summarized below:

Balance at July 1, 2003	\$ 284,050
New Bonds Issued:	
University of Nebraska	161,210
Nebraska State Colleges	6,910
Bonds Retired	(33,890)
Balance at June 30, 2004	<u>\$ 418,280</u>

Bond Defeasances – Component Units

On July 15, 2003, the University of Nebraska at Kearney issued \$3,705 of Refunding Bonds to refund \$520 of outstanding 1993 Series Bonds and \$3,495 of outstanding 1994 Series Bonds. As a result, the 1993 and 1994 bonds have been removed from the Statement of Net Assets. The refunding reduced total debt service payments by approximately \$890 and resulted in an economic gain of approximately \$382.

In 2004, the University of Nebraska Board of Regents authorized its own Series 2004A Revenue and Refunding Bonds. On June 3, 2004, the Board of Regents paid to the University of Nebraska Facilities Corporation \$13,358 and \$1,918, which was deposited into an irrevocable trust with an escrow agent to defease outstanding 1997 Series Bonds maturing on or after

November 1, 2005 and on November 1, 2004, respectively. As a result, the 1997 bonds are considered to be defeased. This transaction reduced total debt service payments by approximately \$461 and resulted in an economic gain of approximately \$109. At June 30, 2004, \$14,845 of 1997 bonds is outstanding.

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, 2004, \$28,820 of 1993 bonds is 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, 2004 are as follows:

YEAR	GOVERNMENTAL ACTIVITIES
2005	6,211
2006	5,722
2007	5,460
2008	4,137
2009	4,074
2010-2014	3,895
2015-2019	1,881
Total Minimum Payments	31,381
Less: Interest and executory costs	4,146
Present value of net minimum payments	<u>\$ 27,235</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, 2004:

	GOVERNMENTAL ACTIVITIES
Buildings	\$ 7,070
Equipment	36,419
Less: accumulated depreciation	(15,235)
Carrying value	<u>\$ 28,254</u>

The minimum annual lease payments for operating leases as of June 30, 2004 are as follows:

YEAR	GOVERNMENTAL ACTIVITIES
2005	\$ 7,519
2006	4,695
2007	4,061
2008	3,835
2009	3,766
2010-2014	8,694
2015-2019	582
2020-2024	116
Total	<u>\$ 33,268</u>

Primary Government operating lease payments for the year ended June 30, 2004 totaled \$12,519.

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, 2004, 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 \$25,270 were received under these and other lease agreements for the year ended June 30, 2004.

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 1.30 percent to 5.70 percent is as follows:

YEAR	PRINCIPAL	INTEREST	TOTAL
2005	\$ 1,690	\$ 486	\$ 2,176
2006	580	445	1,025
2007	605	422	1,027
2008	630	396	1,026
2009	655	369	1,024
2010-2014	3,800	1,346	5,146
2015-2019	3,270	284	3,554
Total	<u>\$ 11,230</u>	<u>\$ 3,748</u>	<u>\$ 14,978</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 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. The single-employer plan became effective by statute on January 1, 1964. Prior to January 1, 2003, the plan consisted of a defined contribution plan that covered employees of the State. Effective January 1, 2003, a cash balance benefit was added to the State Employees Retirement Act. The cash balance benefit is a type of defined benefit plan. Each member employed and participating in the retirement system prior to January 1, 2003, elected to either continue participation in the defined contribution benefit or begin participation in the cash balance benefit. All new members of the plan on and after January 1, 2003, become members of the cash balance benefit. The amounts presented in the accompanying financial statements for the State Employees' Retirement System are for the fiscal year ended December 31, 2003.

Participation in the plan is required for all permanent full-time employees upon completion of 12 months

of continuous service. Each member contributes 4.33 percent of their compensation until \$864 (not in thousands) 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, 2003, there were 14,919 active members and 1,943 inactive members. Members contributed \$23,101 and the State contributed \$36,113 during the year ended December 31, 2003, 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. This multiple-employer plan covers employees of 91 of the 93 counties and several county health districts. Douglas and Lancaster counties have separate retirement plans for their employees by State law. Prior to January 1, 2003, the plan consisted of a defined contribution plan. Effective January 1, 2003, a cash balance benefit was added to the County Employees Retirement Act. The cash balance benefit is a type of defined benefit plan. Each member employed and participating in the retirement system prior to January 1, 2003, elected to either continue participation in the defined contribution benefit or begin participation in the cash balance benefit. All new members of the Plan on and after January 1, 2003, become members of the cash balance benefit. The amounts presented in the accompanying financial statements for the County Employees' Retirement System are for the fiscal year ended December 31, 2003.

Participation in the plan is required of all full-time employees upon the completion of 12 months of continuous service and of all full-time elected officials. Full-time or part-time employees (working less than one-half of regularly scheduled hours) may elect voluntary participation upon reaching age 20 and completing a total of 12 months service within a five-year period. Part-time elected officials may exercise the option to join. County employees and elected officials contribute four and one half percent and commissioned law enforcement personnel (for participating counties with an excess of 85,000 inhabitants) contribute five and one half percent of their total compensation. The counties match a member's contribution at a rate of 150 percent. The State is not required to contribute to this plan.

As of December 31, 2003, there were 6,254 active members and 1,128 inactive members. Members contributed \$7,471 and counties contributed \$11,032 during the year ended December 31, 2003, which was 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 monthly salary, which is matched by the State Patrol. The State's contribution is based on an annual actuarial valuation.

The following tables provide the schedules of funding progress and the primary actuarial assumptions used in the most recent actuarial reports 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 (Unfunded AAL)	(a/b) Funded Ratio	(c) Covered Payroll	((a-b)/c) Excess/UAAL as a Percentage of Covered Payroll
State Cash Balance						
12/31/2003	\$ 254,176	\$ 241,192	\$ 12,984	105.4 %	\$ 171,324	7.6 %
Judges'						
6/30/2004	\$ 92,821	\$ 95,671	\$ (2,850)	97.0 %	\$ 16,655	(17.1)%
6/30/2003	91,864	85,388	6,476	107.6	16,402	39.5
6/30/2002	92,596	81,192	11,404	114.0	16,062	71.0
State Patrol						
6/30/2004	\$ 216,423	\$ 222,162	\$ (5,739)	97.4 %	\$ 22,641	(25.3)%
6/30/2003	214,657	210,931	3,726	101.8	21,929	17.0
6/30/2002	214,528	197,615	16,913	108.6	18,847	89.7

	STATE CASH BALANCE	JUDGES' RETIREMENT	STATE PATROL RETIREMENT
Actuarial Valuation Date	12/31/2003	6/30/2004	6/30/2004
Actuarial Cost Method	Entry Age	Entry Age	Entry Age
Amortization Method	Level Amount Closed	Level Amount Closed	Level Amount Closed
Amortization Period	25 Years	25 Years	25 Years
Mortality	1994 Group Annuity Table	1994 Group Annuity Table	1994 Group Annuity Table
Asset Valuation Method	5-year Smoothed Market	5-year Smoothed Market	5-year Smoothed Market
Actuarial Assumptions:			
Investment Rate of Return **	7.6%	8.0%	8.0%
Projected Salary Increases **	Graded 9.1% to 4.5%	5.0%	Graded 12.0% to 4.5%

** Includes assumed inflation of 3.5% per year.

UNAUDITED THREE-YEAR TREND INFORMATION			
YEAR ENDED JUNE 30	ANNUAL PENSION COST (APC)	PERCENTAGE OF APC CONTRIBUTED	NET PENSION OBLIGATION
State Cash Balance			
2004	\$ 11,225	100%	\$ -
County Cash Balance			
2004	\$ 4,093	100%	\$ -
School			
2004	\$ 15,416	100%	\$ -
2003	15,521	100	-
2002	14,971	100	-
Judges'			
2004	\$ 2,074	100%	\$ -
2003	1,292	50	646
2002	559	100	-
State Patrol			
2004	\$ 3,019	96%	\$ 112
2003	2,653	100	-
2002	2,428	100	-

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. Management believes 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 all of these proceedings. However, the legal proceedings that have been determined to be reasonably possible to result in an unfavorable outcome are not expected to exceed \$20.2 million. The effects of this litigation, if any, will be reflected in future years, as the uncertainties regarding the litigation are determined.

The Excess Liability Fund (Fund) of the State was established to account for activity resulting from the Nebraska Hospital-Medical Liability Act (the Act). Revenues of this fund are earned primarily from insurance premiums from certain health care providers covered under the Residual Authority administered by the Fund plus a surcharge levied on all participating health care providers in Nebraska. Expenses from this fund are used to pay judgments against participating health care providers. Under the Act, the State is limited to \$1,750 per occurrence. The State is a party to more than 80 lawsuits involving a doctor and other health care providers in Nebraska by former patients seeking recovery of damages for professional negligence and medical malpractice resulting in the claimant-patients being exposed to or contracting Hepatitis C. The State accrues for claims against the Fund when payments associated with the claims become probable and can be reasonably estimated for financial statement purposes. The State has recorded a reserve as Claims Payable for this litigation in the Fund and Government-wide Financial Statements. Management of the State believes the accrual for claims payable is appropriate based on information currently available. Management of the State also believes the State has no separate obligation to satisfy any financial obligation of the Fund. The actual costs of resolving these claims against the State may differ substantially from the amounts accrued.

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 carries some 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 three percent (\$7,880), which resulted in a liability of \$49,974.

Changes in the balances of claims liabilities during the years ended June 30, 2004, and 2003, were as follows:

	Fiscal Year	
	2004	2003
Beginning Balance	\$ 63,360	\$ 52,357
Current Year Claims and Changes in Estimates	135,479	129,571
Claim Payments	(138,510)	(118,568)
Ending Balance	<u>\$ 60,329</u>	<u>\$ 63,360</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, a Nebraska nonprofit corporation doing business as the Nebraska Medical Center (NMC). A Board of Directors comprised of six members appointed by Clarkson and six members appointed by the Board of Regents govern NMC. Upon dissolution of NMC, the University and Clarkson will share equally in the remaining net assets. Because the University has an ongoing financial interest in NMC, 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 NMC for the year ended June 30, 2004 totaling approximately \$19,349. In addition, to the extent that sufficient funds are available as determined by the NMC Board of Directors, the University will receive an annual capital distribution. A distribution of \$3,000 was declared and paid out for fiscal year 2004.

In connection with the Joint Operating Agreement, the Board of Regents also entered into an Academic Affiliation Agreement for Education and Research with NMC. In connection with this agreement, NMC has agreed to financially support certain educational, research, operational and clinical activities of the University that further the mission and objectives of NMC. During the year ended June 30, 2004, the University received approximately \$21,035 of support in connection with the agreement.

Separate financial statements of NMC can be obtained from the Nebraska Medical Center, 42nd Street and Dewey Avenue, Omaha NE 68105.

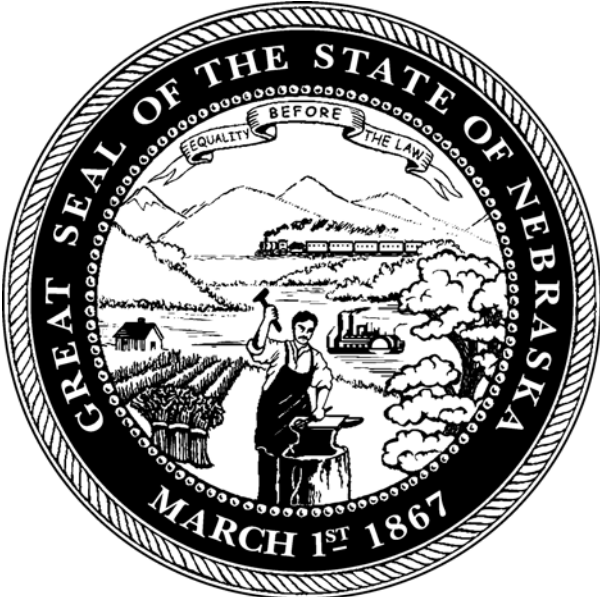
15. Accounting Changes

GASB Technical Bulletin 2004-1, *Tobacco Settlement Recognition and Financial Reporting Entity Issues*, was implemented during fiscal year 2004. This guidance requires States to recognize an asset for future tobacco settlement resources from January 1 through the end of the fiscal year. The Beginning Net Assets of the Governmental Activities were increased by \$18,959 as a result of implementing this pronouncement.

GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units, An Amendment of GASB 14*, was implemented during fiscal year 2004. This Statement provides guidance to determine whether certain organizations for which the State is not financially accountable should be reported as a component unit based on the nature and significance of the relationship. As a result of implementing this guidance, the foundations of the University and State Colleges were included with these Component Units, and Beginning Net Assets of the Component Units were increased by \$867,929.



REQUIRED SUPPLEMENTARY INFORMATION



State of Nebraska
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

For the Year Ended June 30, 2004

(Dollars in Thousands)

	GENERAL FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES:				
Taxes	\$ 2,686,830	\$ 2,564,855	\$ 2,673,582	\$ 108,727
Federal Grants and Contracts	29,216	29,216	29,216	-
Sales and Charges	21,059	21,059	21,059	-
Other	11,687	11,687	11,687	-
TOTAL REVENUES	<u>2,748,792</u>	<u>2,626,817</u>	<u>2,735,544</u>	<u>108,727</u>
EXPENDITURES:				
Current:				
General Government	97,656	98,076	91,897	6,179
Conservation of Natural Resources	36,536	36,741	25,716	11,025
Culture – Recreation	5,271	5,263	5,003	260
Economic Development and Assistance	6,013	5,985	5,519	466
Education	1,338,744	1,336,553	1,313,389	23,164
Health and Social Services	915,404	864,308	836,047	28,261
Public Safety	205,121	191,171	171,032	20,139
Regulation of Business and Professions	3,698	3,527	3,299	228
Transportation	1,514	1,029	945	84
Intergovernmental	99,912	103,372	101,274	2,098
TOTAL EXPENDITURES	<u>2,709,869</u>	<u>2,646,025</u>	<u>2,554,121</u>	<u>91,904</u>
Excess of Revenues Over (Under) Expenditures	<u>38,923</u>	<u>(19,208)</u>	<u>181,423</u>	<u>200,631</u>
OTHER FINANCING SOURCES (USES):				
Transfers In	194,544	194,544	194,544	-
Transfers Out	(176,877)	(176,877)	(176,877)	-
Other	89	89	89	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>17,756</u>	<u>17,756</u>	<u>17,756</u>	<u>-</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>56,679</u>	<u>(1,452)</u>	<u>199,179</u>	<u>200,631</u>
FUND BALANCES, JULY 1	<u>61,847</u>	<u>61,847</u>	<u>61,847</u>	<u>-</u>
FUND BALANCES, JUNE 30	<u>\$ 118,526</u>	<u>\$ 60,395</u>	<u>\$ 261,026</u>	<u>\$ 200,631</u>

A reconciliation of the budgetary basis versus GAAP fund balance for the General Fund as of June 30, 2004, follows (dollars in thousands):

Actual Fund Balances, budgetary basis, June 30, 2004	
General	\$ 173,998
Cash Reserve	87,028
Budgetary fund balances	<u>261,026</u>
DIFFERENCES DUE TO BASIS OF ACCOUNTING:	
Record amount due component units	1,609
Record taxes receivable	254,540
Record tax refund liability	(251,528)
Record State contributions due pension funds	(17,048)
Record medicaid claims payable	(81,665)
Record other net accrued receivables and liabilities	40,873
GAAP fund balance, June 30, 2004	<u>\$ 207,807</u>

See independent auditors' report

State of Nebraska
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
CASH FUNDS

For the Year Ended June 30, 2004

(Dollars in Thousands)	CASH FUNDS			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES:				
Taxes	\$ 86,895	\$ 86,895	\$ 86,895	\$ -
Federal Grants and Contracts	287,774	287,774	287,774	-
Sales and Charges	318,137	318,137	318,137	-
Other	200,506	200,506	200,506	-
TOTAL REVENUES	893,312	893,312	893,312	-
EXPENDITURES:				
Current:				
General Government	57,315	64,281	45,207	19,074
Conservation of Natural Resources	63,394	64,376	39,830	24,546
Culture – Recreation	25,558	25,364	20,089	5,275
Economic Development and Assistance	28,772	28,752	13,972	14,780
Education	307,654	308,507	242,574	65,933
Health and Social Services	166,093	168,789	108,857	59,932
Public Safety	32,369	37,052	25,670	11,382
Regulation of Business and Professions	152,604	152,717	121,374	31,343
Transportation	632,970	665,981	617,805	48,176
Intergovernmental	6,825	7,144	6,469	675
Capital Projects	41,394	41,413	12,765	28,648
TOTAL EXPENDITURES	1,514,948	1,564,376	1,254,612	309,764
Excess of Revenues Over (Under) Expenditures	(621,636)	(671,064)	(361,300)	309,764
OTHER FINANCING SOURCES (USES):				
Transfers In	837,442	837,442	837,442	-
Transfers Out	(448,939)	(448,939)	(448,939)	-
Other	8,464	8,464	8,464	-
TOTAL OTHER FINANCING SOURCES (USES)	396,967	396,967	396,967	-
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(224,669)	(274,097)	35,667	309,764
FUND BALANCES, JULY 1	557,055	557,055	557,055	-
FUND BALANCES, JUNE 30	\$ 332,386	\$ 282,958	\$ 592,722	\$ 309,764

A reconciliation of the budgetary basis versus GAAP fund balance for the Major Funds as of June 30, 2004, follows (dollars in thousands):

Actual Fund Balances, budgetary basis, June 30, 2004	
Cash	\$ 592,722
Construction	1,593
Federal	56,516
Revolving	159,378
Budgetary fund balances	810,209
DIFFERENCES DUE TO BASIS OF ACCOUNTING AND NONMAJOR FUNDS:	45,144
GAAP fund balance, June 30, 2004	<u>\$ 855,353</u>
Actual Fund Balances of Major Funds, June 30, 2004	
Highway	\$ 129,483
Federal	19,017
Health and Social Services	354,777
Permanent School	352,076
GAAP fund balance, June 30, 2004	<u>\$ 855,353</u>

See independent auditors' report

State of Nebraska
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
CONSTRUCTION FUNDS
For the Year Ended June 30, 2004

(Dollars in Thousands)

	CONSTRUCTION FUNDS			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ -
Federal Grants and Contracts	-	-	-	-
Sales and Charges	-	-	-	-
Other	151	151	151	-
TOTAL REVENUES	151	151	151	-
EXPENDITURES:				
Current:				
General Government	-	-	-	-
Conservation of Natural Resources	29	29	-	29
Culture – Recreation	-	-	-	-
Economic Development and Assistance	-	-	-	-
Education	9,038	9,038	8,120	918
Health and Social Services	-	-	-	-
Public Safety	-	-	-	-
Regulation of Business and Professions	-	-	-	-
Transportation	-	-	-	-
Intergovernmental	-	-	-	-
Capital Projects	25,951	25,856	15,081	10,775
TOTAL EXPENDITURES	35,018	34,923	23,201	11,722
Excess of Revenues Over (Under) Expenditures	(34,867)	(34,772)	(23,050)	11,722
OTHER FINANCING SOURCES (USES):				
Transfers In	21,606	21,606	21,606	-
Transfers Out	-	-	-	-
Other	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	21,606	21,606	21,606	-
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(13,261)	(13,166)	(1,444)	11,722
FUND BALANCES, JULY 1	3,037	3,037	3,037	-
FUND BALANCES, JUNE 30	\$ (10,224)	\$ (10,129)	\$ 1,593	\$ 11,722

See independent auditors' report

State of Nebraska
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
FEDERAL FUNDS
For the Year Ended June 30, 2004

(Dollars in Thousands)

	FEDERAL FUNDS			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ -
Federal Grants and Contracts	2,002,320	2,002,320	2,002,320	-
Sales and Charges	14,157	14,157	14,157	-
Other	7,334	7,334	7,334	-
TOTAL REVENUES	<u>2,023,811</u>	<u>2,023,811</u>	<u>2,023,811</u>	<u>-</u>
EXPENDITURES:				
Current:				
General Government	5,887	5,509	3,138	2,371
Conservation of Natural Resources	47,442	59,487	41,674	17,813
Culture – Recreation	2,758	3,757	1,589	2,168
Economic Development and Assistance	69,704	70,936	61,181	9,755
Education	496,994	551,461	504,566	46,895
Health and Social Services	1,220,299	1,440,146	1,324,087	116,059
Public Safety	99,067	110,347	64,719	45,628
Regulation of Business and Professions	1,532	2,125	2,020	105
Transportation	-	-	-	-
Intergovernmental	-	-	-	-
Capital Projects	15,867	15,867	2,927	12,940
TOTAL EXPENDITURES	<u>1,959,550</u>	<u>2,259,635</u>	<u>2,005,901</u>	<u>253,734</u>
Excess of Revenues Over (Under) Expenditures	<u>64,261</u>	<u>(235,824)</u>	<u>17,910</u>	<u>253,734</u>
OTHER FINANCING SOURCES (USES):				
Transfers In	3,140	3,140	3,140	-
Transfers Out	(2,533)	(2,533)	(2,533)	-
Other	(1,328)	(1,328)	(1,328)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(721)</u>	<u>(721)</u>	<u>(721)</u>	<u>-</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	63,540	(236,545)	17,189	253,734
FUND BALANCES, JULY 1	<u>39,327</u>	<u>39,327</u>	<u>39,327</u>	<u>-</u>
FUND BALANCES, JUNE 30	<u>\$ 102,867</u>	<u>\$ (197,218)</u>	<u>\$ 56,516</u>	<u>\$ 253,734</u>

See independent auditors' report

State of Nebraska

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
REVOLVING FUNDS

For the Year Ended June 30, 2004

	REVOLVING FUNDS			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
(Dollars in Thousands)				
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ -
Federal Grants and Contracts	1,486	1,486	1,486	-
Sales and Charges	379,759	379,759	379,759	-
Other	126,237	126,237	126,237	-
TOTAL REVENUES	507,482	507,482	507,482	-
EXPENDITURES:				
Current:				
General Government	182,056	182,261	140,352	41,909
Conservation of Natural Resources	-	-	-	-
Culture – Recreation	-	-	-	-
Economic Development and Assistance	964	966	367	599
Education	336,380	363,877	330,678	33,199
Health and Social Services	-	-	-	-
Public Safety	16,061	15,972	10,722	5,250
Regulation of Business and Professions	-	-	-	-
Transportation	-	-	-	-
Intergovernmental	-	-	-	-
Capital Projects	-	-	-	-
TOTAL EXPENDITURES	535,461	563,076	482,119	80,957
Excess of Revenues Over (Under) Expenditures	(27,979)	(55,594)	25,363	80,957
OTHER FINANCING SOURCES (USES):				
Transfers In	37,756	37,756	37,756	-
Transfers Out	(33,750)	(33,750)	(33,750)	-
Other	795	795	795	-
TOTAL OTHER FINANCING SOURCES (USES)	4,801	4,801	4,801	-
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(23,178)	(50,793)	30,164	80,957
FUND BALANCES, JULY 1	129,214	129,214	129,214	-
FUND BALANCES, JUNE 30	\$ 106,036	\$ 78,421	\$ 159,378	\$ 80,957

See independent auditors' report

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2004

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.

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

Cash Reserve Fund. 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. The Cash Reserve Fund is part of the budgetary basis fund balance.

Cash Funds. 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 2004, the Legislature passed deficit appropriation bills that increased the allowable expenditure level in several of the programs.

For the year ended June 30, 2004, 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, 2004

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).

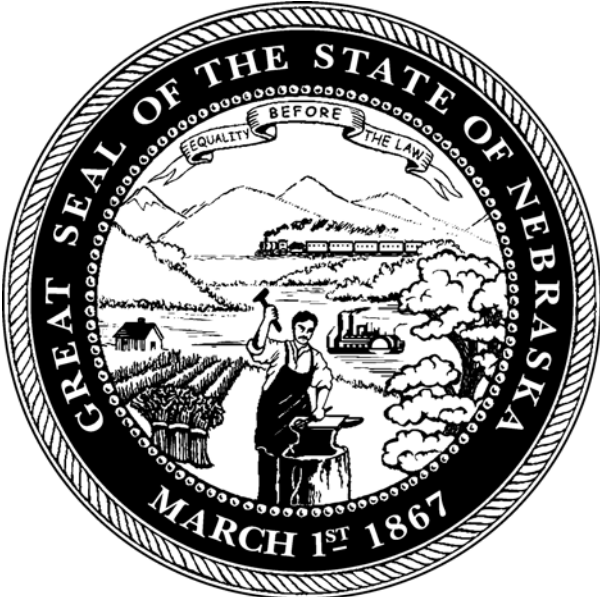
<u>Calendar Year</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
Very Good	40%	38%	48%	50%	51%
Good	44%	43%	36%	35%	35%
Fair	14%	16%	13%	13%	12%
Poor	2%	3%	3%	2%	2%
Overall System Rating	83.0%	83.0%	84.0%	84.0%	83.6%

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 years (amounts in millions). Beginning in Fiscal Year 2005, a newly developed Pavement Optimization Program was used to calculate the annual amount required to maintain the highway system at a NSI of 72 by performing a cost-benefit analysis of various improvement strategies by pavement section. This has resulted in a lower estimated annual cost. However, the actual cost of system preservation is 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 83 actual).

<u>Fiscal Year</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Estimated	\$ 123	\$ 179	\$ 174	\$ 169
Actual		200	199	194
Difference		21	25	25

COMBINING AND INDIVIDUAL FUND STATEMENTS





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 earnings, 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's 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, 2004

(Dollars in Thousands)

	SPECIAL REVENUE	CAPITAL PROJECTS	PERMANENT FUNDS	TOTALS
ASSETS:				
Cash and Cash Equivalents	\$ 61,782	\$ 4,847	\$ 1,142	\$ 67,771
Cash on Deposit with Fiscal Agents	19,676	-	-	19,676
Investments	324,356	30,153	38,898	393,407
Securities Lending Collateral	126,984	11,982	6,254	145,220
Receivables, net of allowance				
Taxes	222	-	-	222
Due from Federal Government	523	-	-	523
Loans	160,257	9	-	160,266
Other	8,022	260	210	8,492
Due from Other Funds	3,264	-	-	3,264
Prepaid Items	178	-	-	178
Other	834	-	-	834
TOTAL ASSETS	<u>\$ 706,098</u>	<u>\$ 47,251</u>	<u>\$ 46,504</u>	<u>\$ 799,853</u>
LIABILITIES AND FUND BALANCES:				
LIABILITIES:				
Accounts Payable and Accrued Liabilities	\$ 17,801	\$ 2,449	\$ 43	\$ 20,293
Due to Other Governments	767	-	-	767
Deposits	1,111	-	-	1,111
Due to Other Funds	3,407	605	27	4,039
Obligations under Securities Lending	<u>126,984</u>	<u>11,982</u>	<u>6,254</u>	<u>145,220</u>
TOTAL LIABILITIES	<u>150,070</u>	<u>15,036</u>	<u>6,324</u>	<u>171,430</u>
FUND BALANCES:				
Reserved for:				
Long-Term Receivables	160,257	9	-	160,266
Inventories and Prepaid Items	178	-	-	178
Debt Service	6,146	-	-	6,146
Endowment Principal	-	-	19,561	19,561
Unreserved	<u>389,447</u>	<u>32,206</u>	<u>20,619</u>	<u>442,272</u>
TOTAL FUND BALANCES	<u>556,028</u>	<u>32,215</u>	<u>40,180</u>	<u>628,423</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 706,098</u>	<u>\$ 47,251</u>	<u>\$ 46,504</u>	<u>\$ 799,853</u>

State of Nebraska

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

For the Year Ended June 30, 2004

(Dollars in Thousands)

	SPECIAL REVENUE	CAPITAL PROJECTS	PERMANENT FUNDS	TOTALS
REVENUES:				
Sales and Use Taxes	\$ 2,856	\$ -	\$ -	\$ 2,856
Petroleum Taxes	13,319	-	-	13,319
Excise Taxes	31,754	9,163	-	40,917
Business and Franchise Taxes	17,868	-	-	17,868
Other Taxes	4,350	-	-	4,350
Federal Grants and Contracts	31,183	2,304	-	33,487
Licenses, Fees and Permits	93,815	-	-	93,815
Charges for Services	22,595	-	-	22,595
Investment Income	4,614	249	3,563	8,426
Rents and Royalties	10,649	6,673	-	17,322
Surcharge	59,390	-	-	59,390
Other	43,505	75	3	43,583
TOTAL REVENUES	<u>335,898</u>	<u>18,464</u>	<u>3,566</u>	<u>357,928</u>
EXPENDITURES:				
Current:				
General Government	24,446	-	15	24,461
Conservation of Natural Resources	39,271	-	-	39,271
Culture – Recreation	19,728	-	-	19,728
Economic Development and Assistance	14,330	-	-	14,330
Education	24,146	-	103	24,249
Higher Education - Colleges and University	-	14,141	-	14,141
Health and Social Services	959	-	1,035	1,994
Public Safety	27,782	-	-	27,782
Regulation of Business and Professions	121,781	-	-	121,781
Transportation	17,976	-	32	18,008
Intergovernmental	19,319	-	-	19,319
Capital Projects	-	19,162	-	19,162
Debt Service:				
Principal	4,145	-	-	4,145
Interest	1,971	-	-	1,971
TOTAL EXPENDITURES	<u>315,854</u>	<u>33,303</u>	<u>1,185</u>	<u>350,342</u>
Excess of Revenues Over (Under) Expenditures	<u>20,044</u>	<u>(14,839)</u>	<u>2,381</u>	<u>7,586</u>
OTHER FINANCING SOURCES (USES):				
Transfers In	53,671	21,606	-	75,277
Transfers Out	(48,063)	(4,582)	(336)	(52,981)
Proceeds from Other Financing Arrangements	1,125	-	-	1,125
TOTAL OTHER FINANCING SOURCES (USES)	<u>6,733</u>	<u>17,024</u>	<u>(336)</u>	<u>23,421</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	26,777	2,185	2,045	31,007
FUND BALANCES, JULY 1	<u>529,251</u>	<u>30,030</u>	<u>38,135</u>	<u>597,416</u>
FUND BALANCES, JUNE 30	<u>\$ 556,028</u>	<u>\$ 32,215</u>	<u>\$ 40,180</u>	<u>\$ 628,423</u>

State of Nebraska
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
June 30, 2004

(Dollars in Thousands)

	LICENSING AND REGULATION	ECONOMIC DEVELOPMENT	AIRPORT DEVELOPMENT
ASSETS:			
Cash and Cash Equivalents	\$ 20,488	\$ 3,831	\$ 4,697
Cash on Deposit with Fiscal Agents	-	-	-
Investments	127,053	23,488	-
Securities Lending Collateral	50,487	9,333	-
Receivables, net of allowance:			
Taxes	25	-	136
Due from Federal Government	2	-	-
Loans	-	-	3,158
Other	3,344	1,164	43
Due from Other Funds	17	-	59
Prepaid Items	3	-	4
Other	169	660	-
TOTAL ASSETS	<u>\$ 201,588</u>	<u>\$ 38,476</u>	<u>\$ 8,097</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts Payable and Accrued Liabilities	\$ 4,865	\$ 313	\$ 317
Due to Other Governments	12	-	-
Deposits	444	660	-
Due to Other Funds	131	32	20
Obligations under Securities Lending	50,487	9,333	-
TOTAL LIABILITIES	<u>55,939</u>	<u>10,338</u>	<u>337</u>
FUND BALANCES:			
Reserved for:			
Long-Term Receivables	-	-	3,158
Inventories and Prepaid Items	3	-	4
Debt Service	-	-	-
Unreserved	145,646	28,138	4,598
TOTAL FUND BALANCES	<u>145,649</u>	<u>28,138</u>	<u>7,760</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 201,588</u>	<u>\$ 38,476</u>	<u>\$ 8,097</u>

GAME AND PARKS	ENERGY CONSERVATION	STATE BUILDING CORPORATION	NETC LEASING CORPORATION	OTHER SPECIAL REVENUE	TOTALS
\$ 6,219	\$ 14,178	\$ -	\$ -	\$ 12,369	\$ 61,782
-	-	516	12,193	6,967	19,676
36,412	-	-	-	137,403	324,356
14,469	-	-	-	52,695	126,984
-	-	-	-	61	222
521	-	-	-	-	523
-	15,628	-	-	141,471	160,257
682	104	2	491	2,192	8,022
648	-	-	-	2,540	3,264
56	2	-	83	30	178
-	-	-	-	5	834
<u>\$ 59,007</u>	<u>\$ 29,912</u>	<u>\$ 518</u>	<u>\$ 12,767</u>	<u>\$ 355,733</u>	<u>\$ 706,098</u>
\$ 3,384	\$ 7	\$ -	\$ 447	\$ 8,468	\$ 17,801
4	-	-	-	751	767
-	-	-	-	7	1,111
56	-	-	-	3,168	3,407
14,469	-	-	-	52,695	126,984
<u>17,913</u>	<u>7</u>	<u>-</u>	<u>447</u>	<u>65,089</u>	<u>150,070</u>
-	15,628	-	-	141,471	160,257
56	2	-	83	30	178
-	-	518	461	5,167	6,146
41,038	14,275	-	11,776	143,976	389,447
<u>41,094</u>	<u>29,905</u>	<u>518</u>	<u>12,320</u>	<u>290,644</u>	<u>556,028</u>
<u>\$ 59,007</u>	<u>\$ 29,912</u>	<u>\$ 518</u>	<u>\$ 12,767</u>	<u>\$ 355,733</u>	<u>\$ 706,098</u>

State of Nebraska
**COMBINING STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES**
NONMAJOR SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2004

(Dollars in Thousands)

	LICENSING AND REGULATION	ECONOMIC DEVELOPMENT	AIRPORT DEVELOPMENT
REVENUES:			
Sales and Use Taxes	\$ -	\$ 2,856	\$ -
Petroleum Taxes	11,081	407	1,513
Excise Taxes	7,722	15,446	-
Business and Franchise Taxes	3,417	175	-
Other Taxes	-	-	-
Federal Grants and Contracts	234	3	14,376
Licenses, Fees and Permits	43,631	6	3
Charges for Services	829	205	845
Investment Income	1,432	232	177
Rents and Royalties	-	-	694
Surcharge	59,390	-	-
Other	11,930	152	20
TOTAL REVENUES	<u>139,666</u>	<u>19,482</u>	<u>17,628</u>
EXPENDITURES:			
Current:			
General Government	-	-	-
Conservation of Natural Resources	-	-	-
Culture – Recreation	-	-	-
Economic Development and Assistance	-	13,737	-
Education	-	-	-
Health and Social Services	-	-	-
Public Safety	-	-	-
Regulation of Business and Professions	120,968	-	-
Transportation	-	-	17,976
Intergovernmental	-	-	-
Debt Service			
Principal	-	-	-
Interest	-	-	-
TOTAL EXPENDITURES	<u>120,968</u>	<u>13,737</u>	<u>17,976</u>
Excess of Revenues Over (Under) Expenditures	<u>18,698</u>	<u>5,745</u>	<u>(348)</u>
OTHER FINANCING SOURCES (USES):			
Transfers In	1,760	1,637	336
Transfers Out	(25,219)	(6,691)	-
Proceeds from Other Financing Arrangements	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(23,459)</u>	<u>(5,054)</u>	<u>336</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(4,761)	691	(12)
FUND BALANCES, JULY 1	<u>150,410</u>	<u>27,447</u>	<u>7,772</u>
FUND BALANCES, JUNE 30	<u>\$ 145,649</u>	<u>\$ 28,138</u>	<u>\$ 7,760</u>

GAME AND PARKS	ENERGY CONSERVATION	STATE BUILDING CORPORATION	NETC LEASING CORPORATION	OTHER SPECIAL REVENUE	TOTALS
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,856
-	300	-	-	18	13,319
1,309	-	-	-	7,277	31,754
-	-	-	-	14,276	17,868
-	-	-	-	4,350	4,350
6,568	15	-	-	9,987	31,183
17,965	-	-	-	32,210	93,815
3,494	17	-	-	17,205	22,595
351	482	-	333	1,607	4,614
8,257	-	624	-	1,074	10,649
-	-	-	-	-	59,390
<u>1,049</u>	<u>42</u>	<u>-</u>	<u>-</u>	<u>30,312</u>	<u>43,505</u>
<u>38,993</u>	<u>856</u>	<u>624</u>	<u>333</u>	<u>118,316</u>	<u>335,898</u>
-	-	2	-	24,444	24,446
29,449	357	-	-	9,465	39,271
18,204	-	-	-	1,524	19,728
-	-	-	-	593	14,330
-	-	-	9,311	14,835	24,146
-	-	-	-	959	959
-	-	-	-	27,782	27,782
-	-	-	-	813	121,781
-	-	-	-	-	17,976
-	-	-	-	19,319	19,319
-	-	510	3,185	450	4,145
-	-	111	1,397	463	1,971
<u>47,653</u>	<u>357</u>	<u>623</u>	<u>13,893</u>	<u>100,647</u>	<u>315,854</u>
<u>(8,660)</u>	<u>499</u>	<u>1</u>	<u>(13,560)</u>	<u>17,669</u>	<u>20,044</u>
10,161	-	-	4,582	35,195	53,671
(925)	-	-	-	(15,228)	(48,063)
-	-	-	-	1,125	1,125
<u>9,236</u>	<u>-</u>	<u>-</u>	<u>4,582</u>	<u>21,092</u>	<u>6,733</u>
576	499	1	(8,978)	38,761	26,777
<u>40,518</u>	<u>29,406</u>	<u>517</u>	<u>21,298</u>	<u>251,883</u>	<u>529,251</u>
<u>\$ 41,094</u>	<u>\$ 29,905</u>	<u>\$ 518</u>	<u>\$ 12,320</u>	<u>\$ 290,644</u>	<u>\$ 556,028</u>

State of Nebraska
COMBINING BALANCE SHEET
NONMAJOR PERMANENT FUNDS
June 30, 2004

(Dollars in Thousands)

	AERONAUTICS TRUST	NEBRASKA VETERANS AID	PERMANENT ENDOWMENT	AGRICULTURE ENDOWMENT	OTHER	TOTALS
ASSETS:						
Cash and Cash Equivalents	\$ 27	\$ 766	\$ 262	\$ 78	\$ 9	\$ 1,142
Investments	6,341	29,530	809	1,779	439	38,898
Securities Lending Collateral	3,741	2,296	63	138	16	6,254
Other Receivables, net of allowance	84	108	5	7	6	210
TOTAL ASSETS	\$ 10,193	\$ 32,700	\$ 1,139	\$ 2,002	\$ 470	\$ 46,504
LIABILITIES AND FUND BALANCES						
LIABILITIES:						
Accounts Payable and Accrued Liabilities	\$ -	\$ 11	\$ 9	\$ 21	\$ 2	\$ 43
Due to Other Funds	27	-	-	-	-	27
Obligations under Securities Lending	3,741	2,296	63	138	16	6,254
TOTAL LIABILITIES	3,768	2,307	72	159	18	6,324
FUND BALANCES:						
Reserved for Endowment Principal	6,195	12,000	503	722	141	19,561
Unreserved	230	18,393	564	1,121	311	20,619
TOTAL FUND BALANCES	6,425	30,393	1,067	1,843	452	40,180
TOTAL LIABILITIES AND FUND BALANCES	\$ 10,193	\$ 32,700	\$ 1,139	\$ 2,002	\$ 470	\$ 46,504

State of Nebraska

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

For the Year Ended June 30, 2004

(Dollars in Thousands)

	NEBRASKA					
	AERONAUTICS TRUST	VETERANS AID	PERMANENT ENDOWMENT	AGRICULTURE ENDOWMENT	OTHER	TOTALS
REVENUES:						
Investment Income	\$ (42)	\$ 3,285	\$ 100	\$ 199	\$ 21	\$ 3,563
Other	-	3	-	-	-	3
TOTAL REVENUES	<u>(42)</u>	<u>3,288</u>	<u>100</u>	<u>199</u>	<u>21</u>	<u>3,566</u>
EXPENDITURES:						
General Government	-	-	-	-	15	15
Education	-	-	30	66	7	103
Health and Social Services	-	1,035	-	-	-	1,035
Transportation	32	-	-	-	-	32
TOTAL EXPENDITURES	<u>32</u>	<u>1,035</u>	<u>30</u>	<u>66</u>	<u>22</u>	<u>1,185</u>
Excess of Revenues Over (Under) Expenditures	(74)	2,253	70	133	(1)	2,381
OTHER FINANCING SOURCES (USES):						
Transfers Out	<u>(336)</u>	-	-	-	-	<u>(336)</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(410)	2,253	70	133	(1)	2,045
FUND BALANCES, JULY 1	<u>6,835</u>	<u>28,140</u>	<u>997</u>	<u>1,710</u>	<u>453</u>	<u>38,135</u>
FUND BALANCES, JUNE 30	<u>\$ 6,425</u>	<u>\$ 30,393</u>	<u>\$ 1,067</u>	<u>\$ 1,843</u>	<u>\$ 452</u>	<u>\$ 40,180</u>



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 participating health care providers in Nebraska. Expenses from the fund are used to pay judgments against participating health care providers.

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, 2004

(Dollars in Thousands)

	LOTTERY	EXCESS LIABILITY	CORNHUSKER STATE INDUSTRIES	TOTALS
ASSETS				
CURRENT ASSETS:				
Cash and Cash Equivalents	\$ 8,014	\$ 8,377	\$ 4,735	\$ 21,126
Receivables, net of allowance	3,207	405	1,253	4,865
Due from Other Funds	-	-	364	364
Inventories	-	-	2,007	2,007
Prepaid Items	414	-	-	414
TOTAL CURRENT ASSETS	11,635	8,782	8,359	28,776
NONCURRENT ASSETS:				
Restricted Long-Term Deposits	1712	-	-	1,712
Long-Term Investments	-	47,525	-	47,525
Securities Lending Collateral	-	6,785	-	6,785
Capital Assets:				
Land	-	-	315	315
Buildings and Equipment	418	-	9,729	10,147
Less Accumulated Depreciation	(377)	-	(3,668)	(4,045)
Total Capital Assets, net	41	-	6,376	6,417
TOTAL NONCURRENT ASSETS	1,753	54,310	6,376	62,439
TOTAL ASSETS	\$ 13,388	\$ 63,092	\$ 14,735	\$ 91,215
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES:				
Accounts Payable and Accrued Liabilities	\$ 4,970	\$ 47	\$ 678	\$ 5,695
Due to Other Funds	841	-	28	869
Claims, Judgments and Compensated Absences	18	12,903	41	12,962
Deferred Revenue	-	4,733	-	4,733
TOTAL CURRENT LIABILITIES	5,829	17,683	747	24,259
NONCURRENT LIABILITIES:				
Claims, Judgments and Compensated Absences	107	39,097	246	39,450
Obligations under Securities Lending	-	6,785	-	6,785
TOTAL NONCURRENT LIABILITIES	107	45,882	246	46,235
TOTAL LIABILITIES	5,936	63,565	993	70,494
NET ASSETS:				
Invested in Capital Assets, net of related debt	41	-	6,061	6,102
Restricted for:				
Lottery Prizes, Noncurrent	1,712	-	-	1,712
Unrestricted	5,699	(473)	7,681	12,907
TOTAL NET ASSETS	7,452	(473)	13,742	20,721
TOTAL LIABILITIES AND NET ASSETS	\$ 13,388	\$ 63,092	\$ 14,735	\$ 91,215

State of Nebraska

**COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS
NONMAJOR ENTERPRISE FUNDS**

For the Year Ended June 30, 2004

(Dollars in Thousands)

	LOTTERY	EXCESS LIABILITY	CORNHUSKER STATE INDUSTRIES	TOTALS
OPERATING REVENUES:				
Charges for Services	<u>\$ 92,608</u>	<u>\$ 9,683</u>	<u>\$ 9,598</u>	<u>\$ 111,889</u>
OPERATING EXPENSES:				
Personal Services	1,382	-	2,860	4,242
Services and Supplies	19,223	519	4,613	24,355
Lottery Prizes	52,608	-	-	52,608
Insurance Claims	-	14,076	-	14,076
Depreciation	<u>51</u>	<u>-</u>	<u>395</u>	<u>446</u>
TOTAL OPERATING EXPENSES	<u>73,264</u>	<u>14,595</u>	<u>7,868</u>	<u>95,727</u>
Operating Income (Loss)	<u>19,344</u>	<u>(4,912)</u>	<u>1,730</u>	<u>16,162</u>
NONOPERATING REVENUES (EXPENSES):				
Investment Income	<u>453</u>	<u>1,169</u>	<u>158</u>	<u>1,780</u>
Income (Loss) Before Transfers	19,797	(3,743)	1,888	17,942
Transfers Out	<u>(20,591)</u>	<u>-</u>	<u>-</u>	<u>(20,591)</u>
Change in Net Assets	(794)	(3,743)	1,888	(2,649)
NET ASSETS, JULY 1	<u>8,246</u>	<u>3,270</u>	<u>11,854</u>	<u>23,370</u>
NET ASSETS, JUNE 30	<u>\$ 7,452</u>	<u>\$ (473)</u>	<u>\$ 13,742</u>	<u>\$ 20,721</u>

State of Nebraska
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
For the Year Ended June 30, 2004

(Dollars in Thousands)

	LOTTERY	EXCESS LIABILITY	CORNHUSKER STATE INDUSTRIES	TOTALS
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash Received from Customers	\$ 93,691	\$ 10,426	\$ 900	\$105,017
Cash Received from Interfund Charges	-	-	7,603	7,603
Cash Paid to Employees	(1,397)	-	(2,784)	(4,181)
Cash Paid to Suppliers	(18,598)	(390)	(4,742)	(23,730)
Cash Paid for Lottery Prizes	(52,196)	-	-	(52,196)
Cash Paid for Insurance Claims	-	(12,076)	-	(12,076)
Cash Paid for Interfund Services	(271)	(109)	(292)	(672)
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>21,229</u>	<u>(2,149)</u>	<u>685</u>	<u>19,765</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers Out	<u>(20,808)</u>	-	-	<u>(20,808)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING:				
Acquisition and Construction of Capital Assets	<u>(9)</u>	-	(302)	<u>(311)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchase of Investment Securities	-	(185,825)	-	(185,825)
Proceeds from Sale of Investment Securities	-	185,988	-	185,988
Interest and Dividend Income	724	2,613	157	3,494
NET CASH FLOWS FROM INVESTING ACTIVITIES	<u>724</u>	<u>2,776</u>	<u>157</u>	<u>3,657</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,136	627	540	2,303
CASH AND CASH EQUIVALENTS, JULY 1	<u>6,878</u>	<u>7,750</u>	<u>4,195</u>	<u>18,823</u>
CASH AND CASH EQUIVALENTS, JUNE 30	<u>\$ 8,014</u>	<u>\$ 8,377</u>	<u>\$ 4,735</u>	<u>\$ 21,126</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES:				
Operating Income (Loss)	<u>\$ 19,344</u>	<u>\$ (4,912)</u>	<u>\$ 1,730</u>	<u>\$ 16,162</u>
Adjustments to reconcile operating income to net cash flows from operating activities:				
Depreciation	51	-	395	446
Change in Assets and Liabilities:				
(Increase) Decrease in Receivables	1,083	-	(1,095)	(12)
(Increase) Decrease in Inventories	-	-	(726)	(726)
(Increase) Decrease in Prepaid Items	(71)	-	-	(71)
(Increase) Decrease in Long-Term Deposits	758	-	-	758
Increase (Decrease) in Accounts Payable and Accrued Liabilities	66	20	373	459
Increase (Decrease) in Due to Other Funds	(2)	-	8	6
Increase (Decrease) in Claims Payable	-	2,000	-	2,000
Increase (Decrease) in Deferred Revenue	-	743	-	743
Total adjustments	<u>1,885</u>	<u>2,763</u>	<u>(1,045)</u>	<u>3,603</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ 21,229</u>	<u>\$ (2,149)</u>	<u>\$ 685</u>	<u>\$ 19,765</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	<u>\$ -</u>	<u>\$ (1,409)</u>	<u>\$ -</u>	<u>\$ (1,409)</u>

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, State 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, State 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, 2004

(Dollars in Thousands)

	BUILDINGS AND GROUNDS	GENERAL SERVICES	COMMUNICATIONS
ASSETS			
CURRENT ASSETS:			
Cash and Cash Equivalents	\$ 9,594	\$ 5,475	\$ 3,005
Receivables, net of allowance			
Accounts	5	34	515
Accrued Interest	77	40	21
Due from Other Funds	192	495	1,440
Inventories	-	205	-
Prepaid Items	667	221	-
TOTAL CURRENT ASSETS	<u>10,535</u>	<u>6,470</u>	<u>4,981</u>
NONCURRENT ASSETS:			
Capital Assets:			
Buildings and Equipment	2,892	8,156	4,901
Less Accumulated Depreciation	<u>(2,157)</u>	<u>(4,857)</u>	<u>(3,970)</u>
Total Capital Assets, net	<u>735</u>	<u>3,299</u>	<u>931</u>
TOTAL ASSETS	<u>\$ 11,270</u>	<u>\$ 9,769</u>	<u>\$ 5,912</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES:			
Accounts Payable and Accrued Liabilities	\$ 943	\$ 1,024	\$ 439
Due to Other Funds	48	1,016	52
Capital Lease Obligations	176	-	-
Claims, Judgments and Compensated Absences	127	64	22
Deferred Revenue	-	-	391
TOTAL CURRENT LIABILITIES	<u>1,294</u>	<u>2,104</u>	<u>904</u>
NONCURRENT LIABILITIES:			
Capital Lease Obligations	70	-	-
Claims, Judgments and Compensated Absences	<u>751</u>	<u>377</u>	<u>130</u>
TOTAL NONCURRENT LIABILITIES	<u>821</u>	<u>377</u>	<u>130</u>
TOTAL LIABILITIES	<u>2,115</u>	<u>2,481</u>	<u>1,034</u>
NET ASSETS:			
Invested in Capital Assets, net of related debt	489	3,299	931
Unrestricted	<u>8,666</u>	<u>3,989</u>	<u>3,947</u>
TOTAL NET ASSETS	<u>9,155</u>	<u>7,288</u>	<u>4,878</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 11,270</u>	<u>\$ 9,769</u>	<u>\$ 5,912</u>

INFORMATION MANAGEMENT SERVICES	TRANSPORTATION SERVICES	RISK MANAGEMENT	ACCOUNTING SERVICES	OTHER INTERNAL SERVICE	TOTALS
\$ 15,113	\$ 2,990	\$ 27,239	\$ 357	\$ 2,299	\$ 66,072
274	27	56	5	30	946
107	21	243	20	8	537
4,305	1,203	35,703	-	419	43,757
-	-	-	-	-	205
-	-	-	-	-	888
<u>19,799</u>	<u>4,241</u>	<u>63,241</u>	<u>382</u>	<u>2,756</u>	<u>112,405</u>
18,856	19,423	-	71	1,417	55,716
<u>(17,802)</u>	<u>(8,055)</u>	<u>-</u>	<u>(32)</u>	<u>(1,304)</u>	<u>(38,177)</u>
<u>1,054</u>	<u>11,368</u>	<u>-</u>	<u>39</u>	<u>113</u>	<u>17,539</u>
<u>\$ 20,853</u>	<u>\$ 15,609</u>	<u>\$ 63,241</u>	<u>\$ 421</u>	<u>\$ 2,869</u>	<u>\$ 129,944</u>
\$ 1,520	\$ 823	\$ 1,156	\$ 155	\$ 231	\$ 6,291
36	59	10	15	2	1,238
662	995	-	-	-	1,833
339	10	21,845	31	18	22,456
-	-	-	-	-	391
<u>2,557</u>	<u>1,887</u>	<u>23,011</u>	<u>201</u>	<u>251</u>	<u>32,209</u>
713	2,075	-	-	-	2,858
<u>2,012</u>	<u>61</u>	<u>38,505</u>	<u>186</u>	<u>106</u>	<u>42,128</u>
<u>2,725</u>	<u>2,136</u>	<u>38,505</u>	<u>186</u>	<u>106</u>	<u>44,986</u>
<u>5,282</u>	<u>4,023</u>	<u>61,516</u>	<u>387</u>	<u>357</u>	<u>77,195</u>
(321)	8,298	-	39	113	12,848
<u>15,892</u>	<u>3,288</u>	<u>1,725</u>	<u>(5)</u>	<u>2,399</u>	<u>39,901</u>
<u>15,571</u>	<u>11,586</u>	<u>1,725</u>	<u>34</u>	<u>2,512</u>	<u>52,749</u>
<u>\$ 20,853</u>	<u>\$ 15,609</u>	<u>\$ 63,241</u>	<u>\$ 421</u>	<u>\$ 2,869</u>	<u>\$ 129,944</u>

State of Nebraska

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

For the Year Ended June 30, 2004

(Dollars in Thousands)	BUILDINGS AND GROUNDS	GENERAL SERVICES	COMMUNICATIONS
OPERATING REVENUES:			
Charges for Services	\$ 24,692	\$ 16,484	\$ 18,281
Other	933	-	-
TOTAL OPERATING REVENUES	<u>25,625</u>	<u>16,484</u>	<u>18,281</u>
OPERATING EXPENSES:			
Personal Services	3,161	2,714	1,256
Services and Supplies	19,834	12,372	16,012
Insurance Claims	-	-	-
Depreciation	310	851	277
TOTAL OPERATING EXPENSES	<u>23,305</u>	<u>15,937</u>	<u>17,545</u>
Operating Income (Loss)	<u>2,320</u>	<u>547</u>	<u>736</u>
NONOPERATING REVENUES (EXPENSES):			
Investment Income	367	194	136
Gain (Loss) on Sale of Capital Assets	7	(490)	(23)
Other	(19)	-	-
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>355</u>	<u>(296)</u>	<u>113</u>
Income (Loss) Before Transfers	2,675	251	849
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Assets	2,675	251	849
NET ASSETS, JULY 1	<u>6,480</u>	<u>7,037</u>	<u>4,029</u>
NET ASSETS, JUNE 30	<u>\$ 9,155</u>	<u>\$ 7,288</u>	<u>\$ 4,878</u>

INFORMATION MANAGEMENT SERVICES	TRANSPORTATION SERVICES	RISK MANAGEMENT	ACCOUNTING SERVICES	OTHER INTERNAL SERVICE	TOTALS
\$ 54,317	\$ 5,019	\$ 136,175	\$ 2,851	\$ 7,937	\$ 265,756
45	4	-	45	109	1,136
<u>54,362</u>	<u>5,023</u>	<u>136,175</u>	<u>2,896</u>	<u>8,046</u>	<u>266,892</u>
15,682	531	142	1,251	5,191	29,928
33,741	2,969	188	1,651	2,353	89,120
-	-	135,479	-	-	135,479
<u>1,100</u>	<u>2,380</u>	<u>-</u>	<u>5</u>	<u>45</u>	<u>4,968</u>
<u>50,523</u>	<u>5,880</u>	<u>135,809</u>	<u>2,907</u>	<u>7,589</u>	<u>259,495</u>
3,839	(857)	366	(11)	457	7,397
488	100	1,359	103	53	2,800
(3)	84	-	-	2	(423)
<u>96</u>	<u>(114)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(37)</u>
<u>581</u>	<u>70</u>	<u>1,359</u>	<u>103</u>	<u>55</u>	<u>2,340</u>
4,420	(787)	1,725	92	512	9,737
<u>(1,088)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,088)</u>
3,332	(787)	1,725	92	512	8,649
<u>12,239</u>	<u>12,373</u>	<u>-</u>	<u>(58)</u>	<u>2,000</u>	<u>44,100</u>
<u>\$ 15,571</u>	<u>\$ 11,586</u>	<u>\$ 1,725</u>	<u>\$ 34</u>	<u>\$ 2,512</u>	<u>\$ 52,749</u>

State of Nebraska
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Year Ended June 30, 2004

(Dollars in Thousands)	BUILDINGS AND GROUNDS	GENERAL SERVICES	COMMUNICATIONS
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Received from Customers	\$ 924	\$ 129	\$ 1,378
Cash Received from Interfund Charges	24,871	15,588	16,901
Cash Paid to Employees	(4,028)	(2,607)	(1,231)
Cash Paid to Suppliers	(18,866)	(11,754)	(17,058)
Cash Paid for Insurance Claims	-	-	-
Cash Paid for Interfund Services	(1,093)	(267)	(602)
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>1,808</u>	<u>1,089</u>	<u>(612)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers Out	-	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition and Construction of Capital Assets	(146)	(1,151)	(256)
Proceeds from Sale of Capital Assets	6	3	3
Principal Paid on Capital Leases	(209)	-	-
Interest Paid on Capital Leases	(19)	-	-
NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(368)</u>	<u>(1,148)</u>	<u>(253)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment Income	362	192	143
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,802	133	(722)
CASH AND CASH EQUIVALENTS, JULY 1	<u>7,792</u>	<u>5,342</u>	<u>3,727</u>
CASH AND CASH EQUIVALENTS, JUNE 30	<u>\$ 9,594</u>	<u>\$ 5,475</u>	<u>\$ 3,005</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES:			
Operating Income (Loss)	\$ 2,320	\$ 547	\$ 736
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:			
Depreciation	310	851	277
Change in Assets and Liabilities:			
(Increase) Decrease in Receivables	120	3	(200)
(Increase) Decrease in Due from Other Funds	50	(98)	100
(Increase) Decrease in Prepaid Items	51	303	-
Increase (Decrease) in Accounts Payable and Accrued Liabilities	(1,068)	175	(1,636)
Increase (Decrease) in Due to Other Funds	25	(692)	13
Increase (Decrease) in Claims Payable	-	-	-
Increase (Decrease) in Deferred Revenue	-	-	98
Total Adjustments	<u>(512)</u>	<u>542</u>	<u>(1,348)</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ 1,808</u>	<u>\$ 1,089</u>	<u>\$ (612)</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:			
Capital Assets acquired through Capital Leases	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

INFORMATION MANAGEMENT SERVICES	TRANSPORTATION SERVICES	RISK MANAGEMENT	ACCOUNTING SERVICES	OTHER INTERNAL SERVICE	TOTALS
\$ 214	\$ 76	\$ 2,913	\$ 48	\$ 4,907	\$ 10,589
54,642	5,054	133,220	2,876	2,984	256,136
(15,361)	(522)	(136)	(1,298)	(5,155)	(30,338)
(34,348)	(1,212)	(311)	(531)	(2,330)	(86,410)
-	-	(138,510)	-	-	(138,510)
<u>(2,368)</u>	<u>(992)</u>	<u>(82)</u>	<u>(1,152)</u>	<u>(208)</u>	<u>(6,764)</u>
<u>2,779</u>	<u>2,404</u>	<u>(2,906)</u>	<u>(57)</u>	<u>198</u>	<u>4,703</u>
<u>(1,088)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,088)</u>
-	(1,458)	-	(42)	(38)	(3,091)
317	693	-	-	2	1,024
(1,460)	(965)	-	-	(5)	(2,639)
<u>96</u>	<u>(114)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(37)</u>
<u>(1,047)</u>	<u>(1,844)</u>	<u>-</u>	<u>(42)</u>	<u>(41)</u>	<u>(4,743)</u>
<u>477</u>	<u>96</u>	<u>1,364</u>	<u>109</u>	<u>58</u>	<u>2,801</u>
1,121	656	(1,542)	10	215	1,673
<u>13,992</u>	<u>2,334</u>	<u>28,781</u>	<u>347</u>	<u>2,084</u>	<u>64,399</u>
<u>\$ 15,113</u>	<u>\$ 2,990</u>	<u>\$ 27,239</u>	<u>\$ 357</u>	<u>\$ 2,299</u>	<u>\$ 66,072</u>
<u>\$ 3,839</u>	<u>\$ (857)</u>	<u>\$ 366</u>	<u>\$ (11)</u>	<u>\$ 457</u>	<u>\$ 7,397</u>
1,100	2,380	-	5	45	4,968
(254)	(13)	(39)	28	52	(303)
748	120	(3)	-	(207)	710
-	-	-	-	-	354
(2,362)	745	(200)	37	(139)	(4,448)
(292)	29	1	(116)	(10)	(1,042)
-	-	(3,031)	-	-	(3,031)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>98</u>
<u>(1,060)</u>	<u>3,261</u>	<u>(3,272)</u>	<u>(46)</u>	<u>(259)</u>	<u>(2,694)</u>
<u>\$ 2,779</u>	<u>\$ 2,404</u>	<u>\$ (2,906)</u>	<u>\$ (57)</u>	<u>\$ 198</u>	<u>\$ 4,703</u>
<u>\$ 918</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 918</u>



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 outside persons to restore the person to gainful employment. Funding comes from assessments to insurance companies and self-insurers. This is not a State program.

Canteen and Welfare Fund. This fund provides entertainment activities and equipment at correctional facilities for youth and adult offenders. Such expenditures are not in the context of the State's responsibility for prisoner care and welfare. Revenues are from vending sales, canteen sales and interest earned. Such sales are 100% from inmate purchases. This is not a State program and uses no State funds.

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. However, the only funds shown in this trust are those funds determined to be paid at a future date to rightful owners of those funds.

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

Other Private Purpose Trust Funds. Amos Trust, Agriculture and University Land Lease, Public Service Commission Trust Account, and Miscellaneous Private Purpose 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, Comprehensive Health Insurance Pool, the Department of Correctional Services Inmate Trust Funds, and the Health and Human Services System Trust Funds.

State of Nebraska
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
PENSION TRUST FUNDS

June 30, 2004

(Dollars in Thousands)

	DEFERRED COMPENSATION	STATE EMPLOYEES RETIREMENT DEFINED CONTRIBUTION	CASH BALANCE
ASSETS:			
Cash and Cash Equivalents	\$ 44	\$ 423	\$ 33
Investments:			
U.S. Government Securities	-	-	46,541
Corporate Bonds	-	-	28,300
Equity Securities	-	-	-
Foreign Investments	-	-	-
Municipal Bonds	-	-	991
Pooled Investment Contracts	-	81,986	14,287
Collateral Mortgage Obligations	-	-	1,687
Asset Backed Securities	-	-	11,166
Mutual Funds	118,928	515,505	178,542
Total Investments	<u>118,928</u>	<u>597,491</u>	<u>281,514</u>
Securities Lending Collateral	-	2,804	21,571
Receivables:			
Contributions	-	-	2
Interest and Dividends	-	44	1,048
Other	-	-	2,738
Total Receivables	<u>-</u>	<u>44</u>	<u>3,788</u>
Due from Other Funds	3	-	
Capital Assets:			
Buildings and Equipment	46	872	1,607
Less Accumulated Depreciation	<u>(32)</u>	<u>(327)</u>	<u>(115)</u>
Total Capital Assets, net	<u>14</u>	<u>545</u>	<u>1,492</u>
TOTAL ASSETS	<u>\$ 118,989</u>	<u>\$ 601,307</u>	<u>\$ 308,398</u>
LIABILITIES AND NET ASSETS			
LIABILITIES:			
Accounts Payable and Accrued Liabilities	\$ -	\$ 75	\$ 8,001
Due to Other Funds	-	-	-
Obligations under Securities Lending	-	2,804	21,571
Capital Lease Obligations	14	655	1,428
Accrued Compensated Absences	<u>3</u>	<u>19</u>	<u>8</u>
TOTAL LIABILITIES	<u>17</u>	<u>3,553</u>	<u>31,008</u>
NET ASSETS:			
Held in Trust for Pension Benefits	<u>118,972</u>	<u>597,754</u>	<u>277,390</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 118,989</u>	<u>\$ 601,307</u>	<u>\$ 308,398</u>

COUNTY EMPLOYEES RETIREMENT				STATE	
DEFINED	CASH	SCHOOL	JUDGES	PATROL	
CONTRIBUTION	BALANCE	RETIREMENT	RETIREMENT	RETIREMENT	TOTALS
\$ 64	\$ 10	\$ 5,994	\$ 81	\$ 48	\$ 6,697
-	12,690	903,470	16,208	38,032	1,016,941
-	7,716	375,743	6,741	15,817	434,317
-	-	1,071,834	19,228	45,120	1,136,182
-	-	3,978	71	168	4,217
-	270	17,578	315	740	19,894
19,818	3,936	-	-	-	120,027
-	460	79,881	1,433	3,363	86,824
-	3,044	50,233	901	2,114	67,458
<u>117,821</u>	<u>48,681</u>	<u>2,629,672</u>	<u>47,175</u>	<u>110,698</u>	<u>3,767,022</u>
137,639	76,797	5,132,389	92,072	216,052	6,652,882
675	5,880	478,400	8,582	20,139	538,051
354	241	14,377	196	-	15,170
-	286	14,289	257	602	16,526
<u>10</u>	<u>749</u>	<u>110,736</u>	<u>1,987</u>	<u>4,662</u>	<u>120,882</u>
364	1,276	139,402	2,440	5,264	152,578
-	8	17,796	420	1,058	19,285
409	846	8,335	1,634	1,607	15,356
<u>(239)</u>	<u>(60)</u>	<u>(3,140)</u>	<u>(308)</u>	<u>(304)</u>	<u>(4,525)</u>
<u>170</u>	<u>786</u>	<u>5,195</u>	<u>1,326</u>	<u>1,303</u>	<u>10,831</u>
<u>\$ 138,912</u>	<u>\$ 84,757</u>	<u>\$ 5,779,176</u>	<u>\$ 104,921</u>	<u>\$ 243,864</u>	<u>\$ 7,380,324</u>
\$ 48	\$ 1,872	\$ 377,947	\$ 6,746	\$ 15,812	\$ 410,501
6	-	21	1	1	29
675	5,880	478,400	8,582	20,139	538,051
268	751	6,136	1,633	1,605	12,490
<u>9</u>	<u>5</u>	<u>176</u>	<u>7</u>	<u>8</u>	<u>235</u>
<u>1,006</u>	<u>8,508</u>	<u>862,680</u>	<u>16,969</u>	<u>37,565</u>	<u>961,306</u>
<u>137,906</u>	<u>76,249</u>	<u>4,916,496</u>	<u>87,952</u>	<u>206,299</u>	<u>6,419,018</u>
<u>\$ 138,912</u>	<u>\$ 84,757</u>	<u>\$ 5,779,176</u>	<u>\$ 104,921</u>	<u>\$ 243,864</u>	<u>\$ 7,380,324</u>

State of Nebraska

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS PENSION TRUST FUNDS

For the Year Ended June 30, 2004

(Dollars in Thousands)

	DEFERRED COMPENSATION	STATE EMPLOYEES RETIREMENT DEFINED CONTRIBUTION	CASH BALANCE
ADDITIONS:			
Contributions:			
Participant Contributions	\$ 7,261	\$ 15,923	\$ 7,178
State Contributions	-	24,887	11,226
Political Subdivision Contributions	-	-	-
Court Fees	-	-	-
Total Contributions	<u>7,261</u>	<u>40,810</u>	<u>18,404</u>
Investment Income:			
Net Appreciation (Depreciation) in Fair Value of Investments	-	88,916	46,537
Interest and Dividend Income	16,322	-	-
Securities Lending Income	-	40	233
Total Investment Income	<u>16,322</u>	<u>88,956</u>	<u>46,770</u>
Investment Expenses	53	-	-
Securities Lending Expenses	-	31	191
Total Investment Expense	<u>53</u>	<u>31</u>	<u>191</u>
Net Investment Income	<u>16,269</u>	<u>88,925</u>	<u>46,579</u>
Other Additions	56	-	-
TOTAL ADDITIONS	<u>23,586</u>	<u>129,735</u>	<u>64,983</u>
DEDUCTIONS:			
Benefits	6,301	20,680	5,476
Refunds	-	-	-
Administrative Expenses	43	943	484
TOTAL DEDUCTIONS	<u>6,344</u>	<u>21,623</u>	<u>5,960</u>
TRANSFERS:			
Transfers In (Out)	-	(218,367)	218,367
Change in Net Assets	17,242	(110,255)	277,390
NET ASSETS-BEGINNING OF YEAR	<u>101,730</u>	<u>708,009</u>	<u>-</u>
NET ASSETS-END OF YEAR	<u>\$ 118,972</u>	<u>\$ 597,754</u>	<u>\$ 277,390</u>

<u>COUNTY EMPLOYEES RETRIEMENT</u>		<u>SCHOOL RETIREMENT</u>	<u>JUDGES RETIREMENT</u>	<u>STATE PATROL RETIREMENT</u>	<u>TOTALS</u>
<u>DEFINED CONTRIBUTION</u>	<u>CASH BALANCE</u>				
\$ 4,707	\$ 2,764	\$ 89,165	\$ 735	\$ 2,573	\$ 130,306
6,939	4,093	16,642	73	2,907	66,767
-	-	87,350	-	-	87,350
-	-	-	2,002	-	2,002
<u>11,646</u>	<u>6,857</u>	<u>193,157</u>	<u>2,810</u>	<u>5,480</u>	<u>286,425</u>
20,275	13,018	546,309	9,927	23,320	748,302
-	-	84,834	1,540	3,612	106,308
<u>10</u>	<u>63</u>	<u>5,762</u>	<u>104</u>	<u>242</u>	<u>6,454</u>
20,285	13,081	636,905	11,571	27,174	861,064
-	-	9,621	173	407	10,254
<u>8</u>	<u>52</u>	<u>4,565</u>	<u>82</u>	<u>192</u>	<u>5,121</u>
<u>8</u>	<u>52</u>	<u>14,186</u>	<u>255</u>	<u>599</u>	<u>15,375</u>
<u>20,277</u>	<u>13,029</u>	<u>622,719</u>	<u>11,316</u>	<u>26,575</u>	<u>845,689</u>
-	-	68	2	-	126
<u>31,923</u>	<u>19,886</u>	<u>815,944</u>	<u>14,128</u>	<u>32,055</u>	<u>1,132,240</u>
7,296	1,732	165,357	3,874	9,147	219,863
-	-	10,533	99	9	10,641
<u>663</u>	<u>290</u>	<u>4,137</u>	<u>447</u>	<u>426</u>	<u>7,433</u>
<u>7,959</u>	<u>2,022</u>	<u>180,027</u>	<u>4,420</u>	<u>9,582</u>	<u>237,937</u>
<u>(58,385)</u>	<u>58,385</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(34,421)	76,249	635,917	9,708	22,473	894,303
<u>172,327</u>	<u>-</u>	<u>4,280,579</u>	<u>78,244</u>	<u>183,826</u>	<u>5,524,715</u>
<u>\$ 137,906</u>	<u>\$ 76,249</u>	<u>\$ 4,916,496</u>	<u>\$ 87,952</u>	<u>\$ 206,299</u>	<u>\$ 6,419,018</u>

State of Nebraska

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

June 30, 2004

(Dollars in Thousands)	VOCATIONAL REHABILITATION	CANTEEN AND WELFARE	ESCHEAT TRUST	COLLEGE SAVINGS PLAN	OTHER	TOTALS
ASSETS:						
Cash and Cash Equivalents	\$ 6,263	\$ 2,842	\$ 7,804	\$ -	\$ 6,282	\$ 23,191
Investments in Mutual Funds	-	-	-	777,469	-	777,469
Receivables:						
Interest and Dividends	46	22	57	-	41	166
Due from Other Funds	-	2	-	-	-	2
Other Assets	-	-	8,877	-	589	9,466
TOTAL ASSETS	<u>\$ 6,309</u>	<u>\$ 2,866</u>	<u>\$ 16,738</u>	<u>\$ 777,469</u>	<u>\$ 6,912</u>	<u>\$ 810,294</u>
LIABILITIES AND NET ASSETS:						
LIABILITIES:						
Accounts Payable and Accrued Liabilities	\$ 5	\$ 298	\$ 12,150	\$ -	\$ 5	\$ 12,458
Deposits	-	-	-	-	589	589
Due to Other Funds	-	-	3	-	3	6
TOTAL LIABILITIES	<u>5</u>	<u>298</u>	<u>12,153</u>	<u>-</u>	<u>597</u>	<u>13,053</u>
NET ASSETS:						
Held in Trust for Other Purposes	<u>6,304</u>	<u>2,568</u>	<u>4,585</u>	<u>777,469</u>	<u>6,315</u>	<u>797,241</u>
TOTAL NET ASSETS	<u>6,304</u>	<u>2,568</u>	<u>4,585</u>	<u>777,469</u>	<u>6,315</u>	<u>797,241</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 6,309</u>	<u>\$ 2,866</u>	<u>\$ 16,738</u>	<u>\$ 777,469</u>	<u>\$ 6,912</u>	<u>\$ 810,294</u>

State of Nebraska

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

For the Year Ended June 30, 2004

(Dollars in Thousands)

	VOCATIONAL REHABILITATION	CANTEEN AND WELFARE	ESCHEAT TRUST	COLLEGE SAVINGS PLAN	OTHER	TOTALS
ADDITIONS:						
Contributions:						
Participant Contributions	\$ -	\$ -	\$ -	\$ 322,142	\$ -	\$ 322,142
Client Contributions	-	212	-	-	-	212
Investment Income:						
Net Appreciation (Depreciation) in Fair Value of Investments	-	-	-	68,134	-	68,134
Interest and Dividend Income	109	105	356	-	215	785
Investment Expenses	-	-	-	1,724	-	1,724
Total Investment Income	109	105	356	66,410	215	67,195
Escheat Revenue	-	-	5,048	-	2,251	7,299
Other Additions	5,594	4,335	4	-	711	10,644
TOTAL ADDITIONS	5,703	4,652	5,408	388,552	3,177	407,492
DEDUCTIONS:						
Benefits	-	-	-	15,896	-	15,896
Amounts Distributed to Outside Parties	1,622	-	-	-	-	1,622
Administrative Expenses	363	4,317	823	15	813	6,331
Transfers to Other Funds	-	-	-	-	24	24
TOTAL DEDUCTIONS	1,985	4,317	823	15,911	837	23,873
Change in Net Assets Held in Trust for Other Purposes	3,718	335	4,585	372,641	2,340	383,619
NET ASSETS-BEGINNING OF YEAR	2,586	2,233	-	404,828	3,975	413,622
NET ASSETS-END OF YEAR	\$ 6,304	\$ 2,568	\$ 4,585	\$ 777,469	\$ 6,315	\$ 797,241

State of Nebraska

COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES AGENCY FUNDS

June 30, 2004

(Dollars in Thousands)

	LOCAL GOVERNMENT FUND	OTHER	TOTALS
ASSETS:			
Cash and Cash Equivalents	\$ 46,385	\$ 43,293	\$ 89,678
Receivables:			
Interest and Dividends Receivable	254	125	379
Other	-	659	659
TOTAL ASSETS	<u>\$ 46,639</u>	<u>\$ 44,077</u>	<u>\$ 90,716</u>
LIABILITIES:			
Accounts Payable and Accrued Liabilities	\$ 428	\$ 18,147	\$ 18,575
Due to Other Governments	46,211	-	46,211
Due to Other Funds	-	1,718	1,718
Other Liabilities	-	24,212	24,212
TOTAL LIABILITIES	<u>\$ 46,639</u>	<u>\$ 44,077</u>	<u>\$ 90,716</u>

State of Nebraska
**COMBINING STATEMENT OF CHANGES
 IN ASSETS AND LIABILITIES
 AGENCY FUNDS**
 For the Year Ended June 30, 2004

(Dollars in Thousands)	BALANCE JULY 1, 2003	ADDITIONS	REDUCTIONS	BALANCE JUNE 30, 2004
LOCAL GOVERNMENT FUND				
ASSETS				
Cash and Cash Equivalents	\$ 44,948	\$ 434,781	\$ 433,344	\$ 46,385
Interest and Dividends Receivable	268	1,158	1,172	254
TOTAL ASSETS	<u>\$ 45,216</u>	<u>\$ 435,939</u>	<u>\$ 434,516</u>	<u>\$ 46,639</u>
LIABILITIES				
Accounts Payable and Accrued Liabilities	\$ 122	\$ 213,262	\$ 212,956	\$ 428
Due to Other Governments	45,094	222,677	221,560	46,211
TOTAL LIABILITIES	<u>\$ 45,216</u>	<u>\$ 435,939</u>	<u>\$ 434,516</u>	<u>\$ 46,639</u>
OTHER				
ASSETS				
Cash and Cash Equivalents	\$ 38,446	\$ 446,160	\$ 441,313	\$ 43,293
Receivables:				
Interest and Dividends Receivable	111	724	710	125
Other	576	8,353	8,270	659
Due from Other Funds	3	-	3	-
TOTAL ASSETS	<u>\$ 39,136</u>	<u>\$ 455,237</u>	<u>\$ 450,296</u>	<u>\$ 44,077</u>
LIABILITIES				
Accounts Payable and Accrued Liabilities	\$ 13,585	\$ 44,356	\$ 39,794	\$ 18,147
Due to Other Funds	-	1,718	-	1,718
Other Liabilities	25,551	409,163	410,502	24,212
TOTAL LIABILITIES	<u>\$ 39,136</u>	<u>\$ 455,237</u>	<u>\$ 450,296</u>	<u>\$ 44,077</u>





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
1995 – 2004

(Dollars in Thousands)

	1995	1996	1997	1998
REVENUES:				
Taxes:				
Income	\$ 867,037	\$ 947,508	\$ 1,075,095	\$ 1,121,849
Sales and Use	774,012	824,590	857,684	910,437
Petroleum	255,278	240,605	266,852	269,761
Excise	93,822	99,007	93,715	94,557
Business and Franchise	42,786	32,435	33,195	31,486
Other	13,616	16,097	22,679	25,480
Total Taxes	<u>2,046,551</u>	<u>2,160,242</u>	<u>2,349,220</u>	<u>2,453,570</u>
Federal Grants and Contracts	1,112,819	1,191,748	1,130,846	1,263,946
Licenses, Fees and Permits	131,832	138,288	145,598	146,128
Charges for Services	69,008	75,372	73,571	68,634
Investment Income	50,665	66,404	99,956	125,904
Rents and Royalties	28,064	27,865	32,561	31,614
Other	39,879	38,066	46,413	73,267
TOTAL REVENUES	<u>3,478,818</u>	<u>3,697,985</u>	<u>3,878,165</u>	<u>4,163,063</u>
EXPENDITURES:				
Current:				
General Government	77,103	74,545	94,041	92,529
Conservation of Natural Resources	62,144	66,495	67,638	73,637
Culture – Recreation	17,309	17,714	20,094	21,311
Economic Development and Assistance	59,904	64,202	68,133	71,240
Education	768,206	793,418	827,735	853,687
Higher Education - Colleges and University	340,714	356,200	376,718	392,403
Health and Social Services	1,241,956	1,332,712	1,342,694	1,469,078
Public Safety	166,367	152,065	152,321	170,797
Regulation of Business and Professions	46,508	49,458	44,464	42,367
Transportation	569,733	622,523	622,572	600,957
Intergovernmental	90,287	87,286	91,544	94,841
Capital Projects	3,234	4,288	11,899	18,404
Debt Service	2,579	2,814	3,298	3,467
TOTAL EXPENDITURES	<u>3,446,044</u>	<u>3,623,720</u>	<u>3,723,151</u>	<u>3,904,718</u>
EXCESS OF REVENUES OVER (UNDER)				
EXPENDITURES	32,774	74,265	155,014	258,345
Transfers In	65,172	84,938	113,205	104,979
Transfers Out	(44,053)	(61,648)	(89,388)	(86,071)
Other	3,872	2,945	7,912	3,002
Net Change for the Year	57,765	100,500	186,743	280,255
Restatements	27,470	-	25,496	-
BEGINNING FUND BALANCE	<u>629,363</u>	<u>714,598</u>	<u>815,098</u>	<u>1,027,337</u>
ENDING FUND BALANCE	<u>\$ 714,598</u>	<u>\$ 815,098</u>	<u>\$ 1,027,337</u>	<u>\$ 1,307,592</u>

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

1999	2000	2001	2002	2003	2004
\$ 1,199,499	\$ 1,310,210	\$ 1,374,256	\$ 1,252,950	\$ 1,237,075	\$ 1,402,371
868,620	1,083,692	1,068,832	1,135,014	1,215,621	1,283,592
266,419	280,700	291,545	309,245	311,198	313,539
94,142	95,324	86,518	83,567	107,227	122,320
40,396	42,095	56,420	57,321	59,490	67,322
24,590	27,735	35,621	24,912	25,187	33,089
<u>2,493,666</u>	<u>2,839,756</u>	<u>2,913,192</u>	<u>2,863,009</u>	<u>2,955,798</u>	<u>3,222,233</u>
1,400,439	1,557,699	1,591,531	1,789,617	1,806,377	2,153,141
154,352	160,915	159,338	169,748	177,317	183,314
75,343	78,647	81,691	82,058	74,470	82,320
93,522	91,173	114,774	57,660	71,225	83,702
31,954	34,123	33,711	33,586	44,561	39,845
115,983	181,894	146,874	148,168	196,148	222,577
<u>4,365,259</u>	<u>4,944,207</u>	<u>5,041,111</u>	<u>5,143,846</u>	<u>5,325,896</u>	<u>5,987,132</u>
95,568	108,303	113,810	98,621	131,442	124,672
82,049	95,824	94,481	102,401	88,716	92,682
22,588	22,754	24,059	29,002	26,844	26,081
74,672	80,559	81,045	86,401	83,378	80,531
1,032,960	1,080,926	1,089,059	1,172,525	1,208,046	1,203,430
404,314	429,865	442,176	466,397	461,325	438,225
1,646,773	1,794,428	1,960,469	2,159,887	2,219,154	2,337,338
177,519	189,850	197,363	238,874	236,277	262,344
42,930	68,044	81,855	104,364	116,560	127,079
658,509	760,048	670,896	750,704	752,810	794,342
107,443	106,795	154,425	126,825	120,788	115,682
23,177	66,478	45,321	25,961	27,773	19,162
5,897	14,353	4,824	10,691	5,764	6,116
<u>4,374,399</u>	<u>4,818,227</u>	<u>4,959,783</u>	<u>5,372,653</u>	<u>5,478,877</u>	<u>5,627,684</u>
(9,140)	125,980	81,328	(228,807)	(152,981)	359,448
123,474	174,364	151,673	151,187	147,825	126,343
(106,603)	(158,142)	(129,619)	(130,025)	(126,721)	(104,664)
55	30,636	2,947	37,719	5,013	1,347
7,786	172,838	106,329	(169,926)	(126,864)	382,474
-	-	-	11,354	-	-
<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>	<u>1,309,109</u>
<u>\$ 1,315,378</u>	<u>\$ 1,488,216</u>	<u>\$ 1,594,545</u>	<u>\$ 1,435,973</u>	<u>\$ 1,309,109</u>	<u>\$ 1,691,583</u>

State of Nebraska
REVENUE BOND COVERAGE
COLLEGES AND UNIVERSITIES
 1995 – 2004

(Dollars in Thousands)

FISCAL YEAR	DEDICATED REVENUES	RELATED EXPENSES	NET REVENUES AVAILABLE FOR DEBT SERVICE	DEBT SERVICE REQUIREMENT	COVERAGE RATIO
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
2003	67,284	53,080	14,204	8,313	1.71
2004	71,976	54,497	17,479	9,056	1.93

SOURCE: University of Nebraska and State Colleges.

State of Nebraska

COMPARATIVE POPULATION GROWTH NEBRASKA AND UNITED STATES

1940 – 2003 (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	1,713,000	0.10	284,797,000	1.20
2002	1,728,000	0.88	287,974,000	1.12
2003	1,739,000	0.64	290,810,000	0.98
1940-2002		32.16 %		120.11 %

SOURCE: U.S. Census Bureau

State of Nebraska
COMPARATIVE UNEMPLOYMENT
NEBRASKA AND UNITED STATES
1950 – 2003

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%	5.3%
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	5.6
1991	835,206	812,074	23,132	2.8	6.8
1992	838,477	813,076	25,401	3.0	7.5
1993	858,400	835,581	22,819	2.7	6.9
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	5.4
1997	906,256	882,615	23,641	2.6	4.9
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	4.7
2002	954,013	920,662	33,351	3.5	5.8
2003	976,034	936,664	39,370	4.0	6.0

(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;
1984-2002 Nebraska Department of Labor, Labor Market Information
United States Unemployment – U.S. Department of Labor, Bureau of Labor Statistics

State of Nebraska

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

1994 – 2003

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
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	26,569	7,779,511	27,880	512,109	26,787
2000	47,599	27,781	8,398,871	29,760	547,878	28,430
2001	49,642	28,861	8,677,490	30,413	566,737	29,257
2002	51,086	29,544	8,891,093	30,832	582,958	29,942
2003	52,755	30,331	9,148,680	31,459	594,716	30,391

(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

2003

NAME OF COMPANY	RANK
Tyson Foods Inc.	1
Walmart	2
First Data Corp.	3
Union Pacific Corp.	4
Alegent Health	5
First National of Nebraska Inc.	6
First of Omaha	7
Mutual of Omaha Ins. Co.	8
Hy-vee Food Stores	9
Burlington Northern	10

SOURCE: Nebraska Department of Economic Development, Research Division

State of Nebraska

TRANSPORTATION RELATED STATISTICS

1994 – 2003

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
STATE HIGHWAY MILEAGE BY SURFACE TYPE (a)										
RURAL										
Gravel	74	51	44	44	44	44	44	44	43	43
Asphalt, Bitumen	7,794	7,834	7,849	7,819	7,841	7,901	7,911	7,905	7,956	7,958
Concrete, Brick	1,449	1,445	1,455	1,487	1,453	1,391	1,375	1,374	1,313	1,310
TOTAL RURAL	9,317	9,330	9,348	9,350	9,338	9,336	9,330	9,323	9,312	9,311
MUNICIPAL										
Asphalt, Bitumen	347	353	351	344	350	351	350	353	354	346
Concrete, Brick	279	277	270	276	279	282	287	294	303	302
TOTAL MUNICIPAL	626	630	621	620	629	633	637	647	657	648
TOTAL RURAL AND MUNICIPAL	9,943	9,960	9,969	9,970	9,967	9,969	9,967	9,970	9,969	9,959
MOTOR VEHICLE REGISTRATIONS (b)										
Automobiles	955,138	965,100	977,252	981,372	1,011,801	1,038,583	1,043,491	1,057,498	1,076,415	1,081,868
Trucks										
Farm	148,664	148,181	148,051	149,471	148,433	149,034	148,421	149,116	148,456	147,571
Other	272,685	279,781	312,213	324,010	337,946	355,438	364,198	370,272	372,929	378,615
Motorcycles	19,084	18,696	18,094	18,441	19,344	20,612	22,758	25,010	26,931	29,794
All Other	264,965	281,287	330,929	341,058	349,547	369,682	381,986	388,482	394,198	402,855
TOTAL	1,660,536	1,693,045	1,786,539	1,814,352	1,867,071	1,933,349	1,960,854	1,990,378	2,018,929	2,040,703

SOURCE: (a) Nebraska Department of Roads.

(b) Nebraska Department of Motor Vehicles.

State of Nebraska

NEBRASKA CASH RECEIPTS FROM FARM MARKETING AND GOVERNMENT PAYMENTS

1994 – 2003

(Dollars in Millions)

YEAR	CASH RECEIPTS FROM FARM MARKETINGS			GOVERNMENT PAYMENTS	TOTAL
	CROPS	LIVESTOCK AND LIVESTOCK PRODUCTS	TOTAL CROPS AND LIVESTOCK		
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	4,298.6	5,507.2	9,805.8	454.6	10,260.4
1998	3,892.9	5,124.4	9,017.3	814.7	9,832.0
1999	2,962.6	5,426.3	8,388.9	1,411.9	9,800.8
2000	3,038.3	5,917.0	8,955.3	1,407.0	10,362.3
2001	3,125.8	6,095.2	9,221.0	1,297.6	10,518.6
2002	3,764.4	5,824.3	9,588.7	485.1	10,073.8
2003	3,753.9	6,867.4	10,621.3	725.8	11,347.1

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

State of Nebraska

NEBRASKA HOUSING UNITS AUTHORIZED FOR CONSTRUCTION

1994 – 2003

YEAR	HOUSING UNITS AUTHORIZED	PERCENT CHANGE
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)
2002	9,340	13.93
2003	10,339	10.70

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

1994 – 2003

YEAR	IMPORTING DEALERS	DIESEL FUELS	GASOHOL	TOTAL	PERCENT CHANGE
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
2002	568,121,161	357,685,438	326,135,113	1,251,941,712	2.19
2003	514,113,710	346,195,727	367,609,147	1,227,918,584	(1.92)

SOURCE: Nebraska Department of Revenue Annual Report.

State of Nebraska

BANK DEMAND AND TIME DEPOSITS

1994 – 2003

(Dollars in Millions)

YEAR	DEMAND DEPOSITS	TIME DEPOSITS	TOTAL DEPOSITS	PERCENT CHANGE
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
2002	4,121	21,080	25,201	2.16
2003	3,616	20,271	23,887	(5.21)

NOTE: This data represents balances at December 31.

SOURCE: Federal Deposit Insurance Corporation.

State of Nebraska

**PUBLIC AND STATE OPERATED ENROLLMENT
PREKINDERGARTEN – GRADE 12**

1994/95 – 2003/04

ACADEMIC YEAR	PRE KDG. AND KDG.	GRADES 1 – 3	GRADES 4 – 6	GRADES 7 – 9	GRADES 10 – 12	TOTAL ALL GRADES
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
2002 – 2003	25,931	60,645	64,003	68,546	66,257	285,382
2003 – 2004	26,639	60,673	63,120	69,359	65,751	285,542

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

State of Nebraska

**PUBLIC HIGHER EDUCATION INSTITUTIONS
TOTAL FALL HEADCOUNT ENROLLMENT**

1994 – 2003

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
COLLEGES AND UNIVERSITIES:										
Chadron State College	3,189	3,063	2,905	2,931	2,809	2,768	2,686	2,804	2,712	2,667
Peru State College	1,665	1,754	1,774	1,807	1,695	1,664	1,698	1,629	1,687	1,618
Wayne State College	3,886	3,868	3,828	3,839	3,835	3,601	3,518	3,311	3,220	3,305
University of Nebraska										
Lincoln (1)	24,089	24,578	24,189	23,104	22,669	22,394	22,502	22,998	23,241	22,734
Omaha	15,051	14,691	14,474	13,710	13,274	13,264	13,479	14,143	14,451	13,931
Kearney	7,584	7,620	7,680	7,133	6,849	6,780	6,506	6,426	6,395	6,311
Medical Center	2,778	2,770	2,718	2,618	2,599	2,590	2,696	2,724	2,819	2,865
TOTAL COLLEGES AND UNIVERSITIES	<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>	<u>54,525</u>	<u>53,431</u>
COMMUNITY COLLEGES										
Central CC (2)	5,011	5,839	6,476	6,743	7,474	7,095	7,126	6,399	6,417	6,364
Metropolitan CC	10,686	10,666	10,759	11,213	11,583	11,658	11,534	11,704	12,253	12,177
Mid-Plains CC	2,934	2,528	2,925	2,694	2,487	2,518	2,607	2,816	3,020	3,001
Northeast CC	3,612	3,413	4,235	4,440	4,754	4,671	4,520	4,600	4,832	4,805
Southeast CC	6,647	6,240	7,041	6,951	7,122	7,351	7,396	7,935	8,912	8,451
Western CC	2,308	2,291	1,960	2,008	1,704	1,836	2,264	2,150	2,152	2,420
TOTAL COMMUNITY COLLEGES	<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>	<u>37,586</u>	<u>37,218</u>
TOTAL ALL INSTITUTIONS	<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>	<u>92,111</u>	<u>90,649</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, 2004

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	451

SOURCE: Nebraska Blue Book, 2003-2004.

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
Amy Wilson, CPA
Lynda Roesler
Bob Halada
Ramona Hartley
Amber Johnson, Student Intern

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 and for creating the front cover.

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