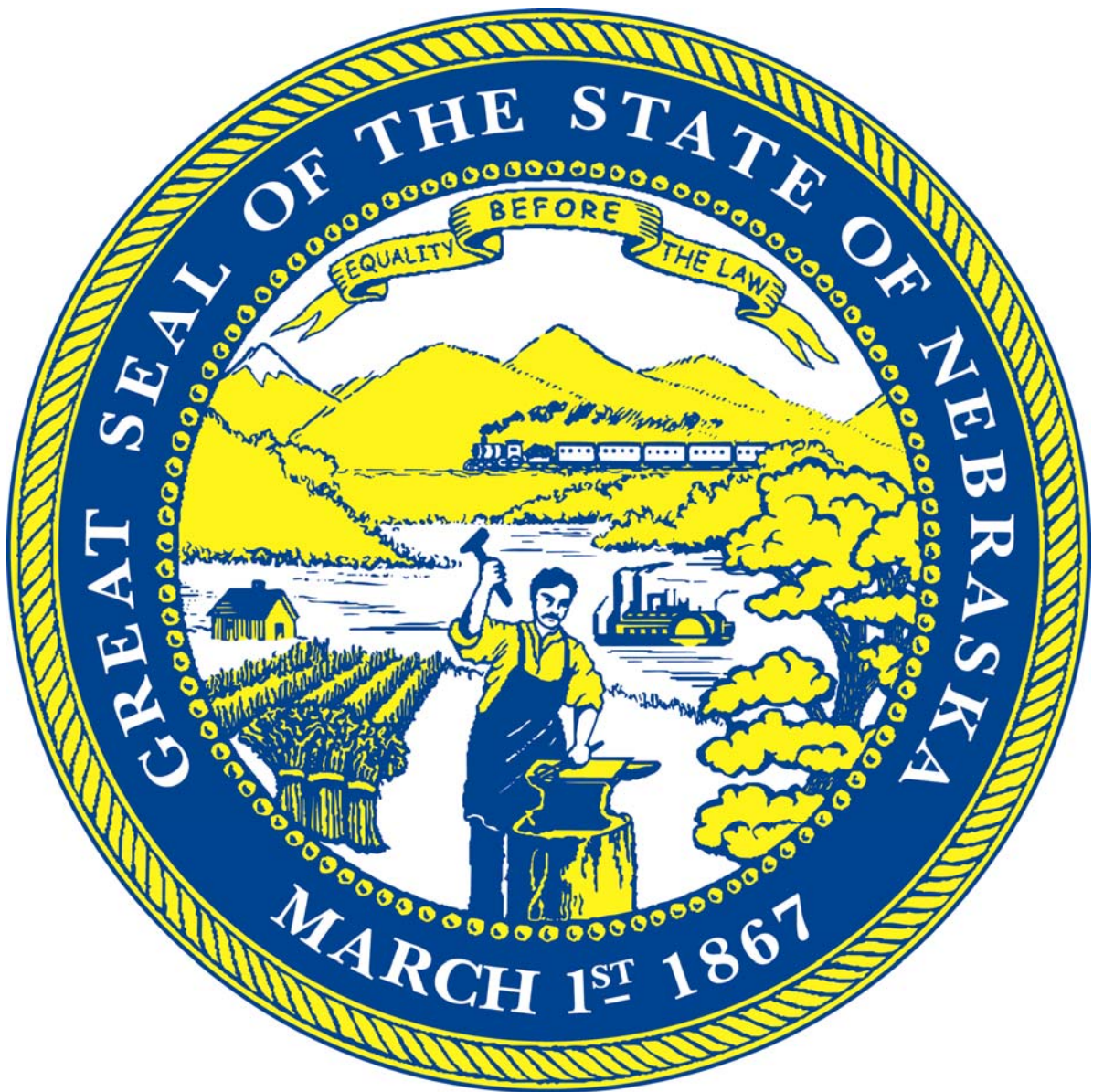


State of Nebraska

Comprehensive Annual Financial Report

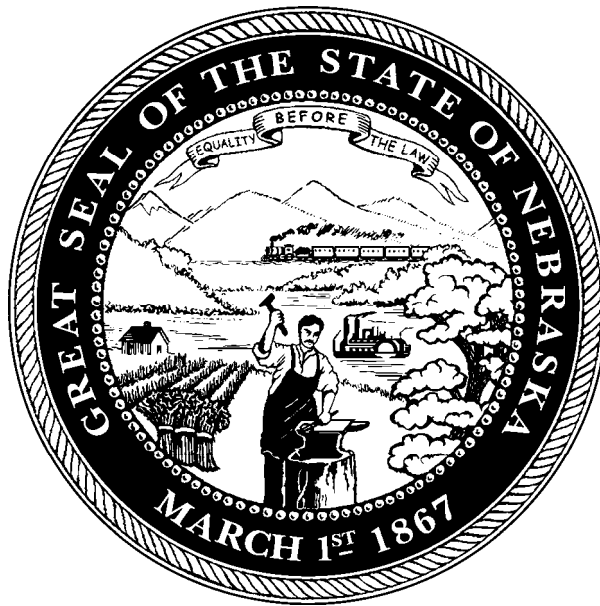
Fiscal Year Ended June 30, 2008



State of Nebraska

Comprehensive Annual Financial Report

Year Ended June 30, 2008



Dave Heineman

Governor

Administrative Services

Carlos Castillo, Jr.

Director

Paul Carlson

State Accounting Administrator

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2008

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INTRODUCTORY SECTION

SELECTED STATE OFFICIALS

As of June 30, 2008

EXECUTIVE

Dave Heineman

Governor

Rick Sheehy

Lieutenant Governor

Jon Bruning

Attorney General

Mike Foley

Auditor of Public Accounts

John A. Gale

Secretary of State

Shane Osborn

State Treasurer

JUDICIAL

Supreme Court of Nebraska

Michael G. Heavican, 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

Mike Flood

Speaker of the Legislature

Nebraska Unicameral (49 Senators)

December 24, 2008

The Honorable Dave Heineman, 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, 2008. 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 the State of Nebraska Auditor of Public Accounts. 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, 2008, 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, 2008, 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 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 checks 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, 2008 increased \$110 million over the prior year, due to the steady growth in Nebraska in all areas: jobs, income and revenue. In finalizing the biennium budget for the fiscal years ending June 30, 2008 and June 30, 2009, the Legislature, as required by the State Constitution, balanced the budget.

For the fiscal year ending June 30, 2008, the State's General Fund ended the fiscal year with a cash and investments balance that exceeded one billion dollars for the second year in a row, at \$1.139 billion.

The current forecast for fiscal year 2009 anticipates net receipts in the General Fund to increase only about \$50 million, or approximately a 1.5% increase over fiscal year 2008. No significant changes in revenue are anticipated in the other funds.

Economy of the State

The Bureau of Business Research of the University of Nebraska-Lincoln and the Nebraska Business Forecast Council are cautious on forecasting Nebraska's economic future and have not yet published any comments following the current recession and the market freefall in the national economy. However, they did publish a forecast in June, 2008 as shown on the following chart. A reading of the displayed forecasts must be read with the understanding that the year-end forecast yet to be published will not show as strong a forecast for 2008-2010. In 2008 the Nebraska farm economy was strong as was the related agriculture manufacturing. How the agriculture market will fare in 2009 is not highly predictable, but it appears 2009 will not be as robust. The national housing market crisis has not affected Nebraska as much as it did nationally. We do know that many of Nebraska's citizens have had their savings and retirement portfolios greatly diminished, following the national trend. Nebraska likely will achieve no better than an average year in 2009. There may even be some job losses. At best, we can only state the immediate future of Nebraska's economy is an unknown, but will, as it has in the past, likely not suffer as much of a decline in its economy as will befall the national economy.

| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
|---------------------------------|---------|---------|---------|---------|---------|-----------|
| Nonfarm Employment: | | | | | | |
| Annual Totals | 934,900 | 946,800 | 962,600 | 973,900 | 988,300 | 1,005,300 |
| Growth Rates | 1.4% | 1.3% | 1.7% | 1.2% | 1.5% | 1.7% |
| Nonfarm Personal Income: | | | | | | |
| Annual Totals (in millions \$) | 56,131 | 59,648 | 63,091 | 66,188 | 69,347 | 72,650 |
| Growth Rates | 4.8% | 6.3% | 5.8% | 4.9% | 4.8% | 4.8% |
| Net Taxable Retail Sales | | | | | | |
| Growth Rates: | | | | | | |
| Total | 3.5% | 2.2% | 5.0% | 2.7% | 3.6% | 4.6% |
| Motor Vehicle Sales | -4.6% | -3.3% | 9.1% | 5.0% | 3.2% | 0.3% |
| Non-motor Vehicles Sales | 4.6% | 2.9% | 4.6% | 2.4% | 3.6% | 5.1% |

Long-term Financial Planning

The State always is looking at least four years out in its analysis of the status of the financial condition of the State in preparing the State's budgets. Currently, we have a working model of the biennium budget for fiscal years 2010 and 2011. In our analysis, we use forecasting models to forecast revenue and then examine major expenditures, especially those that have a trend of outpacing revenues. Future General Fund revenues for 2010 and 2011 are projected to annually increase only 1.4% and 3.3%, respectively. This slow growth is compounded by the fact that the Legislature recently passed the largest tax relief package in the history of the State, which reduced the 2008 fund balance by \$105 million and a like amount will reduce the 2009 fund balance. Should this property tax relief continue past 2009 into 2010 and beyond, the General Fund will be greatly affected. This low percentage income growth will not be enough to counter the future estimates of increasing school aid, Medicaid and public assistance. Since these expenditures comprise about half of the General Fund expenditures, this puts tremendous pressure to keep all other costs of running the State to a flat or declining mode in order to provide a mandated balanced budget. To ensure we do have a balanced budget, the State exerts considerable time and effort in reviewing the trends of future revenues and expenditures.

Major Initiatives

One of the Governor's four priorities is economic vitality. To help boost Nebraska's economy, he continues to work towards obtaining foreign trade agreements for Nebraska wheat, soybeans, corn, dry beans, pork and beef. In 2007 he opened Nebraska's first international trade office abroad with the opening of the Nebraska Center in Tokyo, Japan.

Another priority of his is gaining efficiency in government. The Legislature in 2007 enacted a bill making the Department of Health and Human Services a more efficient and effective agency. All agencies are also examining ways to reduce costs in order to ease the upcoming budget "squeeze" as described in the previous section.

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, 2007. This was the seventeenth 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 2008 CAFR represents the continuous effort on our part to fulfill this commitment. We wish to express our appreciation to the accounting staff of the State Accounting Division 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,

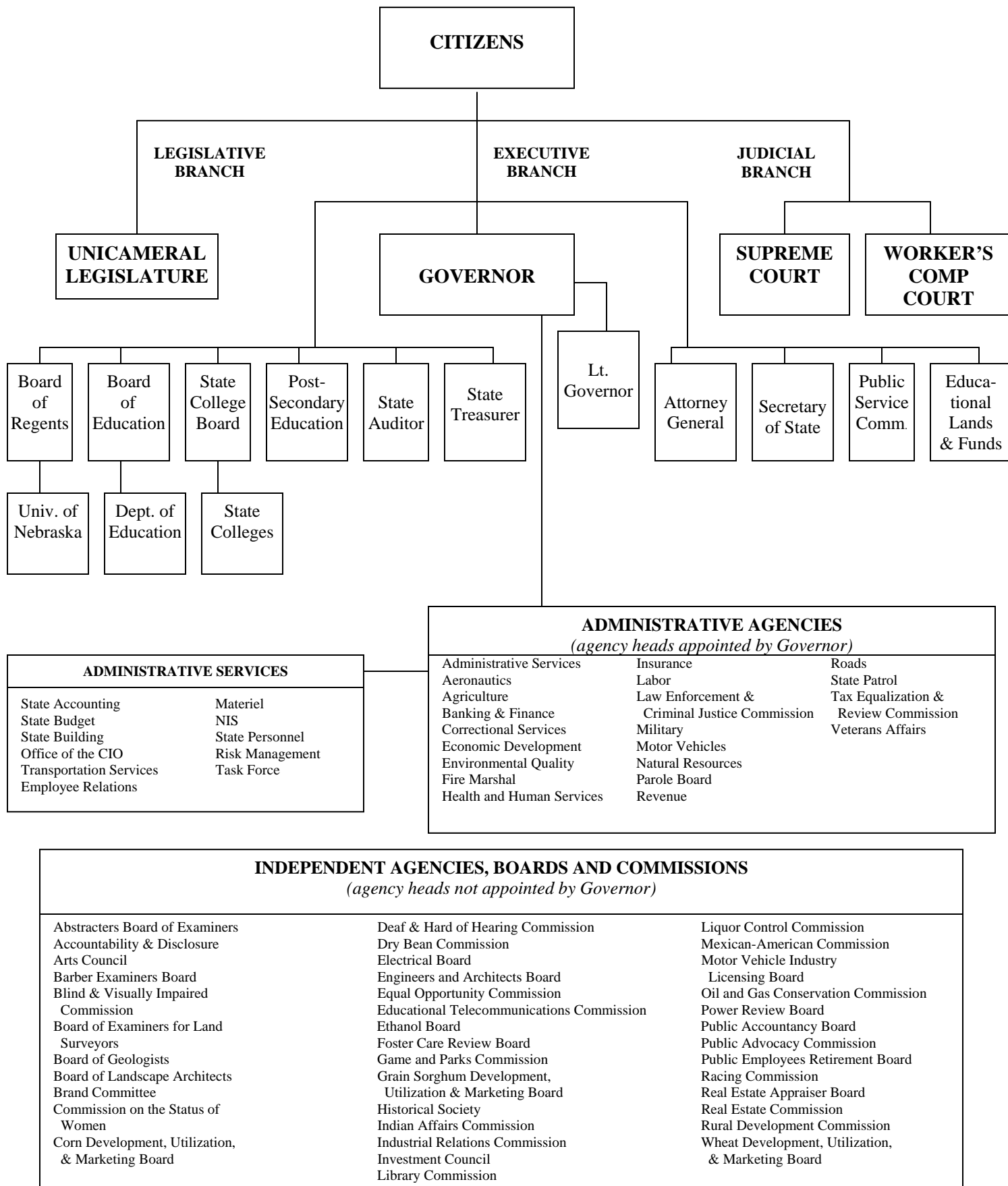


Carlos Castillo, Jr.
Director, Administrative Services



Paul Carlson
State Accounting Administrator

Nebraska State Government Organization Chart



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, 2007

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.



President

Executive Director





FINANCIAL SECTION



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

Mike Foley
State Auditor

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P.O. Box 98917
State Capitol, Suite 2303
Lincoln, Nebraska 68509
402-471-2111, FAX 402-471-3301
www.auditors.state.ne.us

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, 2008, 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 College Savings Plan and the NETC Leasing Corporation. The College Savings Plan and the NETC Leasing Corporation represent 15% and 38% of the assets and revenues, respectively, of the aggregate remaining fund information. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the College Savings Plan and the NETC Leasing Corporation 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. The financial statements of the College Savings Plan and the NETC Leasing Corporation were not audited in accordance with *Government Auditing Standards*. 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, 2008, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2008 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 on pages 66 through 71; and the Information About Infrastructure Assets Reported Using the Modified Approach on page 72, 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 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 reports 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.

Lincoln, Nebraska
December 19, 2008


Don Dunlap, CPA
Assistant Deputy Auditor

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, 2008. 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 three new standards in 2008 required by the Governmental Accounting Standards Board (GASB): Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which has no material effect on the State's financial statements; Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, which had no material effect on the financial statements; and Statement No. 50, *Pension Disclosures*, which only slightly changed the disclosures regarding the retirement plans shown in Footnote 11 to the financial statements.

A comparative analysis of government-wide data for the last two years is presented in this analysis. Additionally, we are presenting an analysis of activity in the State's funds for the fiscal year ended June 30, 2008 along with an analysis of the State's capital assets and long-term debt related to capital assets.

FINANCIAL HIGHLIGHTS

Government-wide:

The assets of the State exceeded its liabilities at June 30, 2008 by \$10.9 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 were reported as \$1,126 million, most of which is available to be used to fund future needs of the State. The primary government's net revenues exceeded net expenses for 2008 resulting in an increase in net assets of \$338 million. The increase in net assets was only half of the increase the State enjoyed in 2007, due to a \$131 million decrease in investment earnings (a result of unrealized market losses) coupled with an increase of expenses, net of revenue, of \$310 million, which more than offset the small increase in tax revenues of \$95 million.

Fund Level:

General Fund receipts for 2008 were \$117 million above the original budgeted amount and above the final budget by \$99 million. Expenditures were \$220 million less than the original budget. On a Generally Accepted Accounting Principles (GAAP) basis, the General Fund had \$128 million in excess revenues prior to a legislatively mandated property tax relief transfer of \$105 million and \$21 million in other financing uses, resulting in an ending fund balance on June 30, 2008 of \$974 million. Other governmental funds expenditures exceeded revenues by \$35 million, chiefly due to unrealized market losses; in addition, such other funds received \$160 million in other financing sources (namely net transfers in for capital projects) increasing such fund balances at June 30, 2008 to \$1,966 million.

The \$343 million of net assets of the Unemployment Insurance Fund represents eighty-six percent of the proprietary funds. Such fund had a \$23 million increase in net assets for 2008 compared to a \$47 million increase in 2007, a \$24 million smaller increase. This was due to a \$24 million decrease in business

assessment fees collected from employers (due to a lower rate being charged) and a \$4 million increase in unemployment claims, offset by a \$4 million increase in investment income.

Long-term Liabilities:

Long-term liabilities shown on the government-wide financial statements totaled \$492 million at June 30, 2008, which is a slight decrease from the prior year. Most of these liabilities consist of claims payable for workers' compensation, medical excess liability, litigation, unemployment insurance, employee health insurance, and Medicaid, in addition to the calculated amount for accrued vacation and vested sick leave due employees when they retire. After a retired employee reaches the age of 65, the State has no further obligation for other post employment benefits, except for a very small number of employees.

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 96% 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 insurance 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 entities for which the State has financial accountability (in which the State provides over one-fourth of their funding) 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 has 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.

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 State data.

FINANCIAL ANALYSIS OF THE STATE AS A WHOLE

Net Assets

The State's assets totaled \$12,600 million at June 30, 2008 as compared to \$12,273 at June 30, 2007. As total liabilities only totaled \$1,746 million, net assets amounted to \$10,854 million as of June 30, 2008. As of June 30, 2007, these amounts were \$1,757 million and \$10,516 million, respectively. By far the largest portion of the State of Nebraska's net assets (70 percent) reflects the State's investment in capital assets (e.g., land, buildings, equipment and infrastructure – highways, bridges, dams, etc.). The State uses these capital assets to provide services to citizens; thus, 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 general government spending.

For Governmental Activities other than capital assets, the majority of the restricted net assets consist of the Permanent School Trust, the Tobacco Settlement Trust, the Intergovernmental Trust and the loans to political subdivisions for drinking water and clean water projects.

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

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

| | Governmental Activities | | Business-type Activities | | Total Primary Government | |
|--|----------------------------|------------------|-----------------------------|---------------|-----------------------------|------------------|
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| Current and Other | | | | | | |
| Non-current Assets | \$ 4,503 | \$ 4,363 | \$ 475 | \$ 440 | \$ 4,978 | \$ 4,803 |
| Capital Assets | 7,616 | 7,464 | 6 | 6 | 7,622 | 7,470 |
| Total Assets | 12,119 | 11,827 | 481 | 446 | 12,600 | 12,273 |
| Non-current Liabilities | 444 | 447 | 48 | 52 | 492 | 499 |
| Other Liabilities | 1,219 | 1,222 | 35 | 36 | 1,254 | 1,258 |
| Total Liabilities | 1,663 | 1,669 | 83 | 88 | 1,746 | 1,757 |
| Net assets: | | | | | | |
| Invested in Capital Assets, Net of Related Debt | 7,588 | 7,428 | 6 | 6 | 7,594 | 7,434 |
| Restricted | 1,790 | 1,763 | 344 | 321 | 2,134 | 2,084 |
| Unrestricted | 1,078 | 967 | 48 | 31 | 1,126 | 998 |
| Total Net Assets | \$ 10,456 | \$ 10,158 | \$ 398 | \$ 358 | \$ 10,854 | \$ 10,516 |

Over 74% of the State's non-capital assets consist of cash and investments. It should be noted that \$457 million in 2008 and \$512 million in 2007 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.) Receivables, chiefly from taxes and the federal government, represent 20% of the non-capital assets.

Liabilities largely reflect three groupings which represent 93% of total State liabilities, not including the obligations under securities lending explained in the above paragraph. These are operational payables, which consist of accounts payables and accrued liabilities of \$403 million (\$344 million in 2007); tax refunds payable of \$310 million (\$299 million in 2007); and long-term payables explained next.

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), which total only \$492 million (\$499 million in 2007). The majority of such liabilities are for claims payable for workers' compensation, medical excess liability, litigation, unemployment insurance, and employee health insurance totaling \$128 million for 2008 (\$138 million for 2007), Medicaid claims for \$196 million (\$192 million in 2007) and the calculated amount for vested sick leave due employees when they retire and accrued vacation of \$123 million in 2008 (\$118 million for 2007). Other minor amounts of long-term liabilities consist chiefly of capital lease obligations (See Note 8 to the Financial Statements), and bonds payable related to NETC Leasing Corporation and Nebraska State Building Corporation bonds (See Note 7 to the Financial Statements). 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). Such debt related to capital assets totaled \$30 million at June 30, 2008. There was also \$15 million of obligations under other financing arrangements (See Note 9 to the Financial Statements).

The change in net assets of Governmental Activities, other than an increase of \$160 million in capital assets, was due to the \$128 million increase in unrestricted net assets and the \$50 million increase in restricted net assets. This was the result of a small increase in taxes collected coupled with lower spending than expected which offset the decreased amount of investment income in 2008.

At the end of June 30, 2008, the State is able to report positive balances in all of the three categories of net assets.

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 2008, 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 Activities</u> | | <u>Business-type Activities</u> | | <u>Total Primary Government</u> | |
|---|------------------------------------|------------------|-------------------------------------|---------------|-------------------------------------|------------------|
| | <u>2008</u> | <u>2007</u> | <u>2008</u> | <u>2007</u> | <u>2008</u> | <u>2007</u> |
| REVENUES | | | | | | |
| Program Revenues | | | | | | |
| Charges for Services | \$ 549 | \$ 516 | \$ 246 | \$ 263 | \$ 795 | \$ 779 |
| Operating Grants and Contributions | 2,235 | 2,218 | - | - | 2,235 | 2,218 |
| Capital Grants and Contributions | 21 | 8 | - | - | 21 | 8 |
| General Revenues | | | | | | |
| Taxes | 3,966 | 3,871 | - | - | 3,966 | 3,871 |
| Unrestricted Investment Earnings | 114 | 250 | 23 | 18 | 137 | 268 |
| Miscellaneous | 4 | 1 | - | - | 4 | 1 |
| Total Revenues | <u>6,889</u> | <u>6,864</u> | <u>269</u> | <u>281</u> | <u>7,158</u> | <u>7,145</u> |
| EXPENSES | | | | | | |
| General Government | 438 | 355 | - | - | 438 | 355 |
| Conservation of Natural Resources | 113 | 119 | - | - | 113 | 119 |
| Culture - Recreation | 26 | 27 | - | - | 26 | 27 |
| Economic Development and Assistance | 85 | 89 | - | - | 85 | 89 |
| Education | 1,450 | 1,369 | - | - | 1,450 | 1,369 |
| Higher Education - Colleges and Universities | 558 | 529 | - | - | 558 | 529 |
| Health and Social Services | 2,744 | 2,650 | - | - | 2,744 | 2,650 |
| Public Safety | 373 | 360 | - | - | 373 | 360 |
| Regulation of Business and Professions | 131 | 156 | - | - | 131 | 156 |
| Transportation | 714 | 615 | - | - | 714 | 615 |
| Interest on Long-term Debt | 2 | 2 | - | - | 2 | 2 |
| Unemployment Insurance | - | - | 98 | 94 | 98 | 94 |
| Lottery | - | - | 92 | 86 | 92 | 86 |
| Excess Liability | - | - | (3) | 14 | (3) | 14 |
| Cornhusker State Industries | - | - | 11 | 11 | 11 | 11 |
| Total Expenses | <u>6,634</u> | <u>6,271</u> | <u>198</u> | <u>205</u> | <u>6,832</u> | <u>6,476</u> |
| Excess (deficiency) Before Transfers and Contributions to Permanent Fund Principal | 255 | 593 | 71 | 76 | 326 | 669 |
| Transfers Contributions to Permanent Fund Principal | 31 | 29 | (31) | (29) | - | - |
| | 12 | 19 | - | - | 12 | 19 |
| Increase (Decrease) in Net Assets | 298 | 641 | 40 | 47 | 338 | 688 |
| Net Assets - Beginning | 10,158 | 9,517 | 358 | 311 | 10,516 | 9,828 |
| Net Assets - Ending | <u>\$ 10,456</u> | <u>\$ 10,158</u> | <u>\$ 398</u> | <u>\$ 358</u> | <u>\$ 10,854</u> | <u>\$ 10,516</u> |

Governmental Activities

Governmental activities increased the State's net assets by \$298 million in 2008 (\$641 million in 2007). Furthermore, governmental activities represent 96% of all the primary government's revenues. Program revenues of governmental activities were \$2,805 million and were used to partially offset program expenses of \$6,634 million, leaving net expenses of \$3,829 million. Only 7% of total expenses were spent on general government expenses. General taxes, investment earnings, contributions to the permanent fund principal and transfers all totaling \$4,127 million were used to more than cover the remaining costs of the governmental activities' programs as shown below.

Program revenues only increased 2% from 2007. Tax revenues were up \$95 million (almost identical to the increase recorded in 2007), which fell short of offsetting the \$300 million increase in program expenses, net of revenues. In addition, investment earnings decreased \$136 million, as opposed to a \$157 million increase in 2007. These items were the chief reasons the increase in net assets was \$343 million lower in 2008 than the \$641 million increase recorded in 2007. The decrease in investment earnings was the result of unrealized market valuation losses on investments held in the Health and Social Services and Permanent School Fund programs in 2008 of \$57 million, as opposed to unrealized gains of \$94 million in 2007, a negative difference of \$151 million, which was only offset somewhat by increased actual investment earnings received. While the General Fund has more investments than both of those programs, it maintains safer investments and actually showed an increase in investment income in 2008 over 2007 of \$13 million.

Program expenses, net of revenue, increased by \$300 million in 2008, as shown below:

GOVERNMENTAL ACTIVITIES (in millions of dollars)

| Program Expenses, Net of Revenue | <u>2008</u> | <u>2007</u> |
|--|----------------|----------------|
| General Government | \$ (342) | \$ (254) |
| Conservation of Natural Resources | (33) | (38) |
| Culture - Recreation | (7) | (7) |
| Economic Development and Assistance | (29) | (30) |
| Education | (1,122) | (1,043) |
| Higher Education - Colleges and University | (558) | (529) |
| Health and Social Services | (1,192) | (1,101) |
| Public Safety | (211) | (214) |
| Regulation of Business and Professions | (6) | (35) |
| Transportation | (327) | (276) |
| Interest on Long-Term Debt | (2) | (2) |
| Subtotal | <u>(3,829)</u> | <u>(3,529)</u> |
| General Revenues | | |
| Taxes | 3,966 | 3,871 |
| Unrestricted Investment Earnings | 114 | 250 |
| Miscellaneous | 4 | 1 |
| Transfers | 31 | 29 |
| Contributions to Permanent Fund Principal | 12 | 19 |
| Increase (Decrease) in Net Assets | <u>\$ 298</u> | <u>\$ 641</u> |

Four functional areas of the State comprise 82% of the expenses of all Governmental Activities: Education, Higher Education, Health and Social Services and Transportation. They also comprise 83% of the increase in program expenses, net of revenue. Education net expenses were up \$79 million chiefly due to planned budgetary increases providing more school aid to the K-12 school systems in Nebraska. Health and Social Services was up \$91 million mainly because of increased aid for behavioral health, welfare, Medicaid and other aid programs and a \$7 million decrease in funding from grants. Higher Education was up as appropriations from the State to the University of Nebraska and the state colleges were increased \$29 million. Transportation net expenses were up \$51 million chiefly due to increased highway construction, more aid to cities and counties, and less tax revenues. All the other functional areas had small variances in net expenses, except for General Government expenses, which increased due to property tax relief of \$105 million provided to property owners in Nebraska.

Business-type Activities

The business-type activities increased the State's net assets by \$40 million for 2008, which was net of a \$31 million transfer to the governmental activities. Most of the \$246 million of business-type activities' program revenues were related to the business assessment fees in the Unemployment Insurance Fund and Lottery Fund revenues. The Unemployment Insurance Fund had operating income of only \$5 million in 2008. However, this income, when combined with the \$23 million in investment income and \$13 million of net revenue from Excess Liability activities, produced \$41 million of net revenue. Lottery revenues of \$122 million generated net revenue of \$30 million, which was offset by the \$31 million transfer to the Governmental Activities. The lottery transfer was used primarily for education and environmental studies.

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 unreserved balances are designated, they are unreserved only within the confines of the purposes of the fund involved. In the Governmental Funds, most of the unreserved balances reside in designated funds.) At June 30, 2008, the State's Governmental Funds reported combined ending fund balances of \$2,940 million. The total unreserved balances amounted to \$2,251 million.

General Fund

The General Fund is the chief operating fund of the State. The major General Fund liability is the estimated tax refunds payable of \$302 million. However, such refunds payable are \$5 million less than the expected taxes owed the State. Other assets of the General Fund available to pay non tax-refund liabilities exceed such liabilities by \$969 million.

On June 30, 2007, the General Fund had a positive fund balance of \$972 million. While both revenues and expenditures increased in 2008, revenues again exceeded expenditures which increased the fund balance \$128 million in 2008. (This was much less than the \$285 million increase that occurred in 2007.)

This operating increase in 2008, when coupled with the \$126 million of net transfers out, caused the General Fund balance to increase by only \$2 million, ending with a fund balance of \$974 million. The significant transfer out was the \$105 million for the aforementioned property tax relief.

Revenues in 2008, somewhat more than anticipated, were up \$115 million over 2007 chiefly due to (1) an increase in income tax revenue of \$90 million (a 5% increase) over 2007 and (2) sales taxes from retail sales were up 1.6% over last year, increasing \$21 million. Expenditures were less than budgeted due to continued efforts by agency heads to be conservative in spending.

To compensate for any downturns in revenues, 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. No such need existed in 2008.

The Cash Reserve Fund was at \$274 million at the beginning of 2007. Due to the fact that 2006 revenues exceeded the forecast, a statutory requirement caused a \$260 million transfer from the General Fund cash account to the Cash Reserve Fund in 2007. There were also other transfers out of the Fund of \$18 million, leaving a Cash Reserve Fund balance at June 30, 2007 of \$516 million. The statutory transfer into the Fund for excess receipts for FY 2007 of \$191 million was made in July, 2007. In 2008, there were also net transfers out of \$162 million, leaving a Fund balance of \$545 million at June 30, 2008.

Other Governmental Funds

Other governmental fund balances totaled \$1,966 million at June 30, 2008; \$688 million of such fund balances is reserved to indicate that such dollars are not available for new spending because such funds (1) are represented by endowment principal (\$418 million), (2) are represented by an asset that has not yet been received, e.g., loans receivable (\$253 million), (3) have been expended for other assets, chiefly inventories (\$7 million) and thus the funds are not available, or (4) have been committed for debt service (\$10 million).

Of the non-General Fund unreserved fund balances of \$1,279 million, \$65 million represents permanent school funds which can be used only for support of public schools. Special Revenue Funds fund balances of \$1,065 million, 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-seven million dollars is represented by other permanent funds, which again normally must be spent within the confines of the fund. One hundred twenty-two million dollars is in the Capital Projects Fund, which, while unreserved, must be spent on 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 \$647 million. Of this balance, \$638 million is classified as unreserved, but which are restricted in the government-wide statements, indicating 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 \$124 million. The fund balances of the following funds increased: the Highway Fund (\$2 million), the Federal Fund (\$1 million) and other Nonmajor Funds (\$155 million). The Permanent School Fund decreased by \$11 million and Health and Social Service Fund decreased by \$23 million.

The Highway Fund had a \$33 million increase in federal funds, increased charges for services of \$16 million, and \$15 million increased sales tax revenue. However, decreases in fuels tax revenues of \$37 million and \$92 million of increases in operating expenses (namely \$58 million in highway construction, \$16 million in aid to cities and counties, and payment for a \$10 million lawsuit settlement) were the major reasons the Highway Fund had only a \$2 million increase in its fund balance in 2008 as opposed to a \$56 million increase in 2007.

The activity in the Federal Fund represents federal funds received and each year's spending should generally approximate grant funds received. In 2008 the State received about the same funding in federal grants and contracts as it did in 2007 as other revenue only increased \$5 million; expenditures were only \$9 million less than 2007. Transfers out increased \$3 million, so at the end of 2008 there was a net increase in the fund of \$11 million, compared to a \$10 million decrease in 2007.

The Health and Social Services Fund consists of the Intergovernmental Trust Fund and the Tobacco Settlement Trust Fund, in addition to various cash funds. Such cash funds receive transfers from such trust funds, income from charges for services, and some tax revenue, among other income. The funds had a \$2 million increase in investment income in 2008 but incurred \$36 million of unrealized losses in the market value of investments, compared to \$52 million of unrealized gains in 2007. The decreased revenues of \$85 million, when coupled with a \$10 million increase in expenditures, resulted in a \$95 million decrease in the net change in fund balance in 2008, as opposed to a \$72 million increase in 2007.

The Permanent School Funds had a \$69 million decrease in revenue, chiefly due to a \$63 million decrease in investment income caused by \$21 million of unrealized losses in the market value of investments in 2008, as opposed to \$42 million of unrealized gains in 2007. When the unrealized market losses were combined with other income and a \$6 million decrease in expenditures, the net change in fund balance decreased \$10 million in 2008 in comparison with a \$53 million increase in 2007.

The Nonmajor Funds revenues and expenses both increased about \$4 million from 2007 to 2008. There were no significant changes in the types of revenues and only one significant change in the expenditures, in that Regulation spent \$24 million less in 2008, which was offset by increased expenditures in other programs. The result was no increase in 2008, which was about equal to the 2007 fund balance decrease from operations of \$1 million. There were \$119 million more net transfers in for the Nonmajor funds in 2008 versus 2007. This was chiefly caused by \$71 million transferred for capital projects, \$12 million for agriculture conservation and \$14 million for economic development. As a result, the net change in fund balance increased \$155 million in 2008 as opposed to only \$34 million in 2007.

Proprietary Funds

The State's proprietary funds provide the same type of information discussed earlier in the government-wide financial statements under Business-type Activities, but in more detail. The State's one major proprietary fund, the Unemployment Insurance Fund, had reported net assets of \$343 million at the end of 2008. This fund's net assets increased \$23 million in 2008, due to business assessment fees exceeding the unemployment claims paid out by \$5 million (which in effect helped rebuild the cash reserves of the fund) and investment earnings of \$18 million. 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 \$49 million prior to a \$31 million transfer from the Lottery to governmental funds. Such transfer was used primarily for education and environmental studies. The \$18 million increase in net assets was the due to the Excess Liability Fund having \$11 million in premium charges; \$4 million in investment earnings; and the decrease in the Fund's "incurred but not reported" claims liability was \$3 million more than the actual claims paid in 2008.

Fiduciary Funds

The Pension Trust Funds represent the majority of the fiduciary funds. Such Pension Trust Fund's net assets decreased \$375 million to \$8,727 million in 2008 due primarily to a declining market in 2008, which depreciated the market value of investments by \$510 million. (In 2007 there was a \$1,185 million appreciation of investments.) Investment income in 2008 was \$194 million versus \$147 million in 2007. Benefits, refunds and related administrative expenses exceeded the contributions to the plans by \$41 million. In another trust fund, \$579 million of participant contributions 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 over two billion dollars.

ANALYSIS OF GENERAL FUND BUDGET VARIATIONS

In 2008, the State continued to benefit from a relatively stable economy in the Midwest. Forecasted revenues, upon which the State's budgeted General Fund expenditures are based, were anticipated to be basically flat in 2008 and equal to 2007 net revenue. Because revenues were a concern during 2008, the State's Forecasting Board made two new forecasts throughout the year. However, they ended up with forecasted net tax revenues only \$18 million above the original forecast. Nevertheless, the State even exceeded the revised projected tax revenues of \$3,306 million by \$99 million, realizing actual tax revenues, net of refunds, of \$3,405 million on a budgetary basis. Additionally, agencies continued to watch their General Fund expenditures and spent \$240 million less than the final appropriated amount. This reduction, when coupled with the increased tax revenues, allowed the State to finish 2008 with \$250 million of General Fund revenues in excess of expenditures on a budgetary basis, prior to net transfers out. Most of this excess was transferred out for specific purposes.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2008, the State had invested \$7.6 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 2008 totaled \$45 million, compared to \$40 million for 2007.

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

| | <u>Governmental</u> | | <u>Business-type</u> | | <u>Total Primary</u> | |
|--------------------------|---------------------|-----------------|----------------------|-------------|----------------------|-----------------|
| | <u>Activities</u> | | <u>Activities</u> | | <u>Government</u> | |
| | <u>2008</u> | <u>2007</u> | <u>2008</u> | <u>2007</u> | <u>2008</u> | <u>2007</u> |
| Land | \$ 527 | \$ 519 | \$ - | \$ - | \$ 527 | \$ 519 |
| Buildings and Equipment | 370 | 344 | 6 | 6 | 376 | 350 |
| Infrastructure | 6,651 | 6,525 | - | - | 6,651 | 6,525 |
| Subtotal | <u>7,548</u> | <u>7,388</u> | <u>6</u> | <u>6</u> | <u>7,554</u> | <u>7,394</u> |
| Construction in Progress | 68 | 76 | - | - | 68 | 76 |
| Total | <u>\$ 7,616</u> | <u>\$ 7,464</u> | <u>\$ 6</u> | <u>\$ 6</u> | <u>\$ 7,622</u> | <u>\$ 7,470</u> |

Infrastructure (roads, bridges, dams, etc.) is by far the largest group of assets owned by the State. 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.

In assessing the condition of State roads, the State's goal is to maintain at least an overall system rating of 72 or above using the Nebraska Serviceability Index. The most recent condition assessment, completed for calendar year 2007, indicated an overall system rating of 82, a rating that has been very consistent over the past six years.

For 2008, it was estimated that the State needed to spend \$155 million to preserve and maintain the roads at the abovementioned level. The State actually spent \$208 million on roads in 2008, compared to \$167 million in 2007. For 2009, it is estimated that the State needs to spend \$206 million, a slight reduction from 2008 and about the same as the average of the previous five years. However, past history (page 72) indicates the State typically spends more than estimated.

The State also spent \$133 million on capitalized infrastructure and land purchases relating to roads in 2008 (\$145 million in 2007), most notably reconstructing (a) Highway 34 west of Lincoln, (b) Interstate 80 between Omaha and Lincoln, (c) Highway 30 around Fremont, and (d) Highway 275 around Hooper. Major land purchases included areas next to two interchanges on Interstate 80, in south Lincoln and land purchased near three State highways. At June 30, 2008, the State had contractual commitments of \$561 million for various highway and building projects. Most of the related expenditures will be expensed and not capitalized. (See Notes 1.J and 3 to the financial statements.)

During 2008, the State added \$74 million of new depreciable capital assets, both buildings and equipment. A more detailed analysis of capital assets is shown in Note 3 to the financial statements.

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 7 and 8 to the financial statements.

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

| | GOVERNMENTAL ACTIVITIES | |
|---------------------------------------|-------------------------|-------|
| | 2008 | 2007 |
| <u>Bonds Payable:</u> | | |
| Nebraska State Building Corporation | \$ 1 | \$ 1 |
| NETC Leasing Corp | 10 | 14 |
| | 11 | 15 |
| <u>Capitalized Leases:</u> | | |
| | \$ 19 | \$ 22 |

There were no new bonds issued in 2008 or 2007. There were two capitalized leases added in 2008 (only one lease was added in 2007). 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. Standard and Poor's has issued an AA+ rating for the State as a whole.

FACTORS THAT WILL AFFECT THE FUTURE

Nebraska's economy has continued with slow, steady growth. How the State revenue is affected by the current national economy decline and market freefall will greatly impact the future net revenues of the State. It also could cause additional required State contributions to retirement plans. In addition, the State must continue to monitor the recent annual increases in State spending for Medicaid. This is critical to the future cash position of the State. In 2009, Medicaid aid is projected to increase only \$15 million over the 2008 budgeted amount; however, in 2008 the State actually spent \$36 million less than budgeted. Another area of concern is the appropriated increase in aid to education for K-12 schools and special education of \$81 million, which represents 65% of the appropriated increase in General Fund aid of \$125 million for 2009. Net General Fund revenues for 2009 are currently projected to only exceed actual 2008 revenues by \$40 million, as the recent downturn in economic conditions will offset normal inflationary increases in tax revenues. As a result, the current 2009 budget, after including all planned net transfers out (assuming 100% of all appropriations will be spent) anticipates a \$6 million decrease in the General Fund balance, which will be considerably less than previous years' significant dollar increases. However, in the past three years the State has, on average, spent 6% less each year of appropriated expenditures. If this trend continues, this could provide for an increase in the General Fund in 2009.

The State passed legislation in 2006 that commits the State's General Fund to provide aid to education for maintenance, repair and renovation of buildings and facility replacement construction on the campuses of the University and state colleges. The total amount of the aid from 2007 through 2020 will total \$153.25 million. To date the State has spent \$6.625 million in both 2007 and 2008, will spend a like amount in 2009 and then will spend \$12.125 million annually from July 1, 2009 through June 30, 2020. As of June 30, 2008 the remaining commitment for the State through 2020 is \$140 million. Both the University and the state colleges have secured debt financing for such repairs, renovation and construction, and these State funds will be used for debt service on the bonds which will be paid off in 2020.

To help offset any future economic downturns, as previously explained, the State maintains a Cash Reserve Fund. As of June 30, 2008, this Fund had a \$545 million balance. One hundred seventeen million was transferred from the General Fund in July 2008 to the Cash Reserve Fund as statutorily required. From the Cash Reserve Fund there were \$11 million of other statutory disbursements in July 2008, resulting in a balance of \$651 million at July 31, 2008. Future significant statutory disbursements from this fund in the next two years include \$55 million to be transferred to the General Fund, \$10 million transferred to the Nebraska Capital Construction Fund and \$5 million to the Roads Operations Fund.

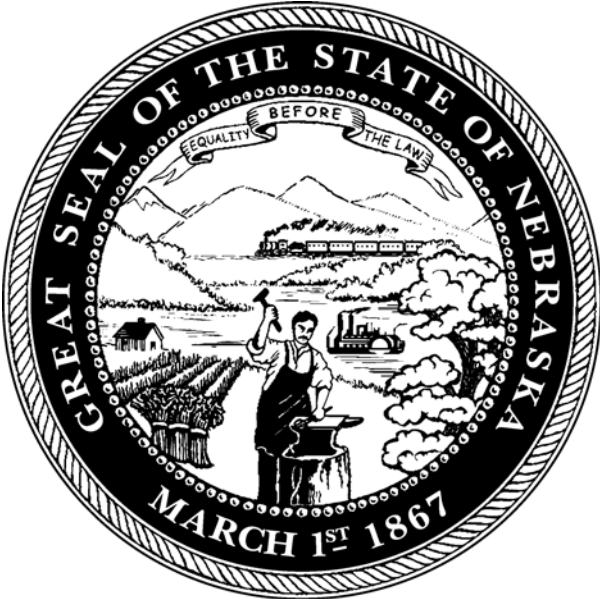
CONTACTING THE STATE ACCOUNTING OFFICE

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 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, 1115 K Street, Lincoln, NE 68509-4605, (402) 471-2505.



BASIC FINANCIAL STATEMENTS





State of Nebraska
STATEMENT OF NET ASSETS
June 30, 2008

(Dollars in Thousands)

| | PRIMARY GOVERNMENT | | | COMPONENT UNITS |
|---|----------------------------|-----------------------------|----------------------|---------------------|
| | GOVERNMENTAL ACTIVITIES | BUSINESS-TYPE ACTIVITIES | TOTALS | |
| ASSETS | | | | |
| Cash and Cash Equivalents | \$ 158,280 | \$ 319,776 | \$ 478,056 | \$ 322,150 |
| Receivables, net of allowance | | | | |
| Taxes | 346,753 | - | 346,753 | - |
| Due from Federal Government | 280,429 | - | 280,429 | - |
| Other | 212,094 | 57,045 | 269,139 | 260,806 |
| Internal Balances | (480) | 480 | - | - |
| Due from Primary Government | - | - | - | 6,377 |
| Investments | 2,768,856 | 83,474 | 2,852,330 | 1,782,859 |
| Loans Receivable | 252,743 | - | 252,743 | 39,972 |
| Investment in Joint Venture | - | - | - | 227,508 |
| Other Assets | 17,253 | 2,492 | 19,745 | 39,535 |
| Restricted Assets: | | | | |
| Cash and Cash Equivalents | 19,323 | - | 19,323 | 354,444 |
| Other | - | 1,769 | 1,769 | 1,434 |
| Securities Lending Collateral | 447,890 | 9,297 | 457,187 | - |
| Capital assets: | | | | |
| Land | 526,453 | 315 | 526,768 | 61,358 |
| Infrastructure | 6,651,497 | - | 6,651,497 | - |
| Construction in Progress | 68,017 | - | 68,017 | 244,697 |
| Land Improvements | - | - | - | 138,593 |
| Buildings and Equipment | 867,951 | 11,379 | 879,330 | 1,705,653 |
| Less Accumulated Depreciation | (497,537) | (5,268) | (502,805) | (678,137) |
| Total Capital Assets, net of depreciation | <u>7,616,381</u> | <u>6,426</u> | <u>7,622,807</u> | <u>1,472,164</u> |
| Total Assets | <u>\$ 12,119,522</u> | <u>\$ 480,759</u> | <u>\$ 12,600,281</u> | <u>\$ 4,507,249</u> |
| LIABILITIES | | | | |
| Accounts Payable and Accrued Liabilities | \$ 382,475 | \$ 20,500 | \$ 402,975 | \$ 185,109 |
| Tax Refunds Payable | 309,957 | - | 309,957 | - |
| Due to Other Governments | 14,275 | - | 14,275 | - |
| Deposits | 9,705 | - | 9,705 | 24,758 |
| Due to Component Units | 6,377 | - | 6,377 | - |
| Unearned Revenue | 48,730 | 4,785 | 53,515 | 92,391 |
| Obligations under Securities Lending | 447,890 | 9,297 | 457,187 | - |
| Noncurrent Liabilities: | | | | |
| Due within one year | 242,776 | 25,336 | 268,112 | 95,788 |
| Due in more than one year | 201,119 | 22,452 | 223,571 | 632,434 |
| Total Liabilities | <u>\$ 1,663,304</u> | <u>\$ 82,370</u> | <u>\$ 1,745,674</u> | <u>\$ 1,030,480</u> |
| NET ASSETS | | | | |
| Invested in Capital Assets, net of related debt | \$ 7,587,729 | \$ 6,426 | \$ 7,594,155 | \$ 922,600 |
| Restricted for: | | | | |
| Education | 22,137 | - | 22,137 | 1,431,482 |
| Health and Social Services | 501,824 | - | 501,824 | - |
| Conservation of Natural Resources | 386,487 | - | 386,487 | - |
| Transportation | 158,273 | - | 158,273 | - |
| Licensing and Regulation | 52,335 | - | 52,335 | - |
| Other Purposes | 149,079 | 1,769 | 150,848 | 304,837 |
| Unemployment Insurance Benefits | - | 342,417 | 342,417 | - |
| Debt Service and Construction | 10,226 | - | 10,226 | 208,968 |
| Permanent Trusts: | | | | |
| Nonexpendable | 417,823 | - | 417,823 | - |
| Expendable | 91,759 | - | 91,759 | - |
| Unrestricted | <u>1,078,546</u> | <u>47,777</u> | <u>1,126,323</u> | <u>608,882</u> |
| Total Net Assets | <u>\$ 10,456,218</u> | <u>\$ 398,389</u> | <u>\$ 10,854,607</u> | <u>\$ 3,476,769</u> |

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

State of Nebraska
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2008

(Dollars in Thousands)

| FUNCTIONS/PROGRAMS | EXPENSES | PROGRAM REVENUES | | |
|--|---------------------|----------------------|------------------------------------|----------------------------------|
| | | CHARGES FOR SERVICES | OPERATING GRANTS AND CONTRIBUTIONS | CAPITAL GRANTS AND CONTRIBUTIONS |
| PRIMARY GOVERNMENT: | | | | |
| Governmental Activities: | | | | |
| General Government | \$ 437,830 | \$ 86,869 | \$ 6,451 | \$ 2,252 |
| Conservation of Natural Resources | 112,936 | 34,439 | 44,970 | 215 |
| Culture – Recreation | 26,073 | 17,072 | 2,578 | 77 |
| Economic Development and Assistance | 84,852 | 4,808 | 51,095 | - |
| Education | 1,450,085 | 25,807 | 302,280 | 42 |
| Higher Education - Colleges and University | 558,282 | - | - | - |
| Health and Social Services | 2,744,217 | 126,075 | 1,426,639 | - |
| Public Safety | 372,677 | 25,118 | 117,925 | 18,672 |
| Regulation of Business and Professions | 130,603 | 122,667 | 1,520 | - |
| Transportation | 714,032 | 105,748 | 281,646 | - |
| Interest on Long-term Debt | 2,241 | - | - | - |
| Total governmental activities | <u>6,633,828</u> | <u>548,603</u> | <u>2,235,104</u> | <u>21,258</u> |
| Business-type activities: | | | | |
| Unemployment Insurance | 98,365 | 102,881 | - | - |
| Lottery | 91,653 | 121,910 | - | - |
| Excess Liability | (2,707) | 10,947 | - | - |
| Cornhusker State Industries | 10,435 | 9,880 | - | - |
| Total business-type activities | <u>197,746</u> | <u>245,618</u> | <u>-</u> | <u>-</u> |
| Total Primary Government | <u>\$ 6,831,574</u> | <u>\$ 794,221</u> | <u>\$ 2,235,104</u> | <u>\$ 21,258</u> |
| COMPONENT UNITS: | | | | |
| University of Nebraska | \$ 1,604,803 | \$ 671,656 | \$ 366,599 | \$ 5,961 |
| State Colleges | 86,458 | 29,621 | 10,901 | 1,679 |
| Total Component Units | <u>\$ 1,691,261</u> | <u>\$ 701,277</u> | <u>\$ 377,500</u> | <u>\$ 7,640</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
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 | |
| \$ (342,258) | \$ - | \$ (342,258) | \$ - |
| (33,312) | - | (33,312) | - |
| (6,346) | - | (6,346) | - |
| (28,949) | - | (28,949) | - |
| (1,121,956) | - | (1,121,956) | - |
| (558,282) | - | (558,282) | - |
| (1,191,503) | - | (1,191,503) | - |
| (210,962) | - | (210,962) | - |
| (6,416) | - | (6,416) | - |
| (326,638) | - | (326,638) | - |
| (2,241) | - | (2,241) | - |
| <u>(3,828,863)</u> | <u>-</u> | <u>(3,828,863)</u> | <u>-</u> |
| - | 4,516 | 4,516 | - |
| - | 30,257 | 30,257 | - |
| - | 13,654 | 13,654 | - |
| - | (555) | (555) | - |
| <u>-</u> | <u>47,872</u> | <u>47,872</u> | <u>-</u> |
| <u>(3,828,863)</u> | <u>47,872</u> | <u>(3,780,991)</u> | <u>-</u> |
| - | - | - | (560,587) |
| - | - | - | (44,257) |
| - | - | - | (604,844) |
| 1,956,656 | - | 1,956,656 | - |
| 1,481,067 | - | 1,481,067 | - |
| 290,721 | - | 290,721 | - |
| 141,012 | - | 141,012 | - |
| 80,925 | - | 80,925 | - |
| 15,269 | - | 15,269 | - |
| 114,252 | 23,347 | 137,599 | 93,041 |
| 3,374 | - | 3,374 | 161,353 |
| - | - | - | 558,282 |
| 12,301 | - | 12,301 | - |
| 31,008 | (31,008) | - | - |
| <u>4,126,585</u> | <u>(7,661)</u> | <u>4,118,924</u> | <u>812,676</u> |
| 297,722 | 40,211 | 337,933 | 207,832 |
| 10,158,496 | 358,178 | 10,516,674 | 3,268,937 |
| <u>\$ 10,456,218</u> | <u>\$ 398,389</u> | <u>\$ 10,854,607</u> | <u>\$ 3,476,769</u> |

State of Nebraska
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2008

(Dollars in Thousands)

| | GENERAL FUND | HIGHWAY FUND | FEDERAL FUND | HEALTH AND SOCIAL SERVICES | PERMANENT SCHOOL FUND | NONMAJOR FUNDS | TOTALS |
|--|---------------------|-------------------|-------------------|----------------------------------|-----------------------------|---------------------|---------------------|
| ASSETS: | | | | | | | |
| Cash and Cash Equivalents | \$ 40,204 | \$ 5,933 | \$ 1,817 | \$ 1,285 | \$ 508 | \$ 27,283 | \$ 77,030 |
| Cash on Deposit with Fiscal Agents | - | - | - | - | - | 19,323 | 19,323 |
| Investments | 1,098,335 | 156,753 | 54,324 | 473,478 | 416,335 | 569,631 | 2,768,856 |
| Securities Lending Collateral | 219,708 | 31,356 | 11,872 | 51,450 | 24,132 | 109,372 | 447,890 |
| Receivables, net of allowance | | | | | | | |
| Taxes | 307,328 | 39,241 | - | - | - | 184 | 346,753 |
| Due from Federal Government | - | 30,483 | 249,025 | - | - | 921 | 280,429 |
| Loans | 810 | - | 2,363 | 407 | - | 249,163 | 252,743 |
| Other | 29,374 | 7,217 | 22,807 | 32,976 | 94,931 | 22,147 | 209,452 |
| Due from Other Funds | 78,591 | 852 | 1,459 | 6,251 | - | 5,670 | 92,823 |
| Inventories | 553 | 6,744 | 1,982 | 22 | - | - | 9,301 |
| Prepaid Items | 5 | 10 | 8 | - | - | 100 | 123 |
| Other | 4,316 | - | - | - | - | 2,187 | 6,503 |
| TOTAL ASSETS | \$ 1,779,224 | \$ 278,589 | \$ 345,657 | \$ 565,869 | \$ 535,906 | \$ 1,005,981 | \$ 4,511,226 |
| LIABILITIES AND FUND BALANCE | | | | | | | |
| LIABILITIES: | | | | | | | |
| Accounts Payable and Accrued Liabilities | \$ 86,898 | \$ 67,219 | \$ 107,814 | \$ 8,031 | \$ 43,728 | \$ 31,191 | \$ 344,881 |
| Tax Refunds Payable | 302,275 | 7,682 | - | - | - | - | 309,957 |
| Due to Other Governments | 6,769 | 7,400 | - | - | - | 106 | 14,275 |
| Deposits | 4,322 | 1,216 | 2,180 | 418 | 153 | 1,416 | 9,705 |
| Due to Other Funds | 53,066 | 5,531 | 81,175 | 2,532 | 15 | 8,705 | 151,024 |
| Due to Component Units | 6,377 | - | - | - | - | - | 6,377 |
| Obligations under Securities Lending | 219,708 | 31,356 | 11,872 | 51,450 | 24,132 | 109,372 | 447,890 |
| Claims Payable | 95,412 | - | 96,219 | - | - | - | 191,631 |
| Deferred Revenue | 30,722 | - | 40,237 | 20,386 | 4,534 | - | 95,879 |
| TOTAL LIABILITIES | 805,549 | 120,404 | 339,497 | 82,817 | 72,562 | 150,790 | 1,571,619 |
| FUND BALANCES: | | | | | | | |
| Reserved for: | | | | | | | |
| Long-Term Receivables | 810 | - | 2,363 | 407 | - | 249,163 | 252,743 |
| Inventories and Prepaid Items | 558 | 6,754 | 8 | 22 | - | 100 | 7,442 |
| Debt Service | - | - | - | - | - | 10,455 | 10,455 |
| Endowment Principal | - | - | - | - | 398,258 | 19,565 | 417,823 |
| Unreserved, reported in: | | | | | | | |
| General Fund | 972,307 | - | - | - | - | - | 972,307 |
| Special Revenue Funds | - | 151,431 | 3,789 | 482,623 | - | 427,549 | 1,065,392 |
| Permanent Funds | - | - | - | - | 65,086 | 26,673 | 91,759 |
| Capital Projects Fund | - | - | - | - | - | 121,686 | 121,686 |
| TOTAL FUND BALANCES | 973,675 | 158,185 | 6,160 | 483,052 | 463,344 | 855,191 | 2,939,607 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 1,779,224 | \$ 278,589 | \$ 345,657 | \$ 565,869 | \$ 535,906 | \$ 1,005,981 | \$ 4,511,226 |

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, 2008

(Dollars in Thousands)

Total fund balances for governmental funds \$ 2,939,607

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 | 526,453 | |
| Infrastructure | 6,651,497 | |
| Construction in progress | 68,017 | |
| Other capital assets | 808,782 | |
| Accumulated depreciation | <u>(462,252)</u> | 7,592,497 |

Certain tax revenues and charges are earned but not available and therefore are deferred in the funds. 47,845

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. 50,902

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 | (10,835) | |
| Accrued interest on bonds | (229) | |
| Capital leases | (10,063) | |
| Obligations under other financing arrangements | (14,785) | |
| Compensated absences | (117,818) | |
| Claims and judgments | <u>(20,903)</u> | <u>(174,633)</u> |

Net assets of governmental activities \$ 10,456,218

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, 2008

(Dollars in Thousands)

| | GENERAL FUND | HIGHWAY FUND | FEDERAL FUND | HEALTH AND SOCIAL SERVICES | PERMANENT SCHOOL FUND | NONMAJOR FUNDS | TOTALS |
|---|-------------------|-------------------|------------------|----------------------------------|-----------------------------|-------------------|---------------------|
| REVENUES: | | | | | | | |
| Income Taxes | \$ 1,946,761 | \$ - | \$ - | \$ 3,602 | \$ - | \$ - | \$ 1,950,363 |
| Sales and Use Taxes | 1,314,813 | 155,801 | - | - | - | 3,637 | 1,474,251 |
| Petroleum Taxes | - | 276,377 | - | - | 4,600 | 14,344 | 295,321 |
| Excise Taxes | 80,201 | - | - | 7,708 | - | 50,890 | 138,799 |
| Business and Franchise Taxes | 62,630 | - | - | - | - | 18,295 | 80,925 |
| Other Taxes | 4,307 | 3,263 | - | - | - | 7,699 | 15,269 |
| Federal Grants and Contracts | 21 | 265,743 | 1,955,207 | 963 | - | 34,428 | 2,256,362 |
| Licenses, Fees and Permits | 20,184 | 74,542 | 531 | 46,360 | 918 | 116,465 | 259,000 |
| Charges for Services | 2,716 | 29,034 | 14,789 | 28,560 | - | 33,202 | 108,301 |
| Investment Income | 82,863 | 10,458 | 4,361 | (17,810) | (5,093) | 35,937 | 110,716 |
| Rents and Royalties | - | 419 | 39 | 479 | 24,965 | 25,907 | 51,809 |
| Surcharge | - | - | - | - | - | 53,329 | 53,329 |
| Other | 3,630 | 4,478 | 7,528 | 27,317 | 6,993 | 26,586 | 76,532 |
| TOTAL REVENUES | 3,518,126 | 820,115 | 1,982,455 | 97,179 | 32,383 | 420,719 | 6,870,977 |
| EXPENDITURES: | | | | | | | |
| Current: | | | | | | | |
| General Government | 358,672 | - | 4,049 | - | - | 67,589 | 430,310 |
| Conservation of Natural Resources | 32,377 | - | 24,453 | - | - | 55,503 | 112,333 |
| Culture – Recreation | 5,770 | - | 2,270 | - | - | 18,186 | 26,226 |
| Economic Development and Assistance | 7,053 | - | 55,239 | - | - | 23,515 | 85,807 |
| Education | 1,090,644 | - | 302,958 | - | 42,911 | 11,657 | 1,448,170 |
| Higher Education - Colleges and University | 524,751 | - | - | - | - | 33,531 | 558,282 |
| Health and Social Services | 1,149,281 | - | 1,445,042 | 119,330 | - | 1,730 | 2,715,383 |
| Public Safety | 217,544 | - | 134,943 | - | - | 30,669 | 383,156 |
| Regulation of Business and Professions | 4,105 | - | 1,795 | - | - | 124,430 | 130,330 |
| Transportation | 16 | 834,266 | - | - | - | 19,239 | 853,521 |
| Capital Projects | - | - | - | - | - | 27,289 | 27,289 |
| Debt Service: | | | | | | | |
| Principal | - | - | - | - | - | 6,215 | 6,215 |
| Interest | - | - | - | - | - | 1,459 | 1,459 |
| TOTAL EXPENDITURES | 3,390,213 | 834,266 | 1,970,749 | 119,330 | 42,911 | 421,012 | 6,778,481 |
| Excess of Revenues Over (Under) Expenditures | 127,913 | (14,151) | 11,706 | (22,151) | (10,528) | (293) | 92,496 |
| OTHER FINANCING SOURCES (USES): | | | | | | | |
| Transfers In | 21,101 | 25,731 | 9 | 935 | - | 206,210 | 253,986 |
| Transfers Out | (147,039) | (9,400) | (10,933) | (2,043) | - | (53,563) | (222,978) |
| Proceeds from Other Financing Arrangements | - | - | - | - | - | 2,790 | 2,790 |
| Proceeds from Capital Leases | 57 | - | - | - | - | - | 57 |
| TOTAL OTHER FINANCING SOURCES (USES) | (125,881) | 16,331 | (10,924) | (1,108) | - | 155,437 | 33,855 |
| Net Change in Fund Balances | 2,032 | 2,180 | 782 | (23,259) | (10,528) | 155,144 | 126,351 |
| FUND BALANCES, JULY 1 | 971,643 | 156,005 | 5,378 | 506,311 | 473,872 | 700,047 | 2,813,256 |
| FUND BALANCES, JUNE 30 | \$ 973,675 | \$ 158,185 | \$ 6,160 | \$ 483,052 | \$ 463,344 | \$ 855,191 | \$ 2,939,607 |

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, 2008

(Dollars in Thousands)

Net change in fund balances—total governmental funds \$ 126,351

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 | 187,363 | |
| Depreciation expense | <u>(37,236)</u> | 150,127 |

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>(2,790)</u> | (2,790) |
|------------------------------|----------------|---------|

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. (57)

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 | 4,405 | |
| Other financing arrangement payments | 1,810 | |
| Capital lease payments | <u>4,252</u> | 10,467 |

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. (3,093)

Because some revenues will not be collected in the next year, they are not considered available revenues and are deferred in the governmental funds. Unearned revenues increased by this amount this year. 14,838

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

| | | |
|----------------------------------|--------------|--------------|
| Decrease in accrued interest | 79 | |
| Increase in compensated absences | (4,323) | |
| Decrease in claims and judgments | <u>6,123</u> | <u>1,879</u> |

Change in net assets of governmental activities \$ 297,722

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

State of Nebraska
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2008

(Dollars in Thousands)

| | BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS | | | GOVERNMENTAL |
|---|--|--|-------------------|--|
| | UNEMPLOYMENT INSURANCE | NONMAJOR ENTERPRISE FUNDS | TOTALS | ACTIVITIES - INTERNAL SERVICE FUNDS |
| ASSETS | | | | |
| CURRENT ASSETS: | | | | |
| Cash and Cash Equivalents | \$ 301,049 | \$ 18,727 | \$ 319,776 | \$ 81,919 |
| Receivables, net of allowance | 25,481 | 31,564 | 57,045 | 2,457 |
| Due from Other Funds | - | 643 | 643 | 44,387 |
| Inventories | - | 1,961 | 1,961 | 191 |
| Prepaid Items | - | 531 | 531 | 1,135 |
| TOTAL CURRENT ASSETS | 326,530 | 53,426 | 379,956 | 130,089 |
| NONCURRENT ASSETS: | | | | |
| Restricted Long-Term Deposits | - | 1,769 | 1,769 | - |
| Long-Term Investments | 32,917 | 50,557 | 83,474 | - |
| Securities Lending Collateral | 6,585 | 2,712 | 9,297 | - |
| Capital Assets: | | | | |
| Land | - | 315 | 315 | - |
| Buildings and Equipment | 885 | 10,494 | 11,379 | 59,169 |
| Less Accumulated Depreciation | (770) | (4,498) | (5,268) | (35,285) |
| Total Capital Assets, net | 115 | 6,311 | 6,426 | 23,884 |
| TOTAL NONCURRENT ASSETS | 39,617 | 61,349 | 100,966 | 23,884 |
| TOTAL ASSETS | \$ 366,147 | \$ 114,775 | \$ 480,922 | \$ 153,973 |
| LIABILITIES AND NET ASSETS | | | | |
| CURRENT LIABILITIES: | | | | |
| Accounts Payable and Accrued Liabilities | \$ 1,632 | \$ 18,868 | \$ 20,500 | \$ 18,164 |
| Due to Other Funds | - | 163 | 163 | 6,351 |
| Capital Lease Obligations | - | - | - | 3,141 |
| Claims, Judgments and Compensated Absences | 15,383 | 9,953 | 25,336 | 28,302 |
| Unearned Revenue | - | 4,785 | 4,785 | 696 |
| TOTAL CURRENT LIABILITIES | 17,015 | 33,769 | 50,784 | 56,654 |
| NONCURRENT LIABILITIES: | | | | |
| Capital Lease Obligations | - | - | - | 6,305 |
| Claims, Judgments and Compensated Absences | 15 | 22,437 | 22,452 | 40,112 |
| Obligations under Securities Lending | 6,585 | 2,712 | 9,297 | - |
| TOTAL NONCURRENT LIABILITIES | 6,600 | 25,149 | 31,749 | 46,417 |
| TOTAL LIABILITIES | 23,615 | 58,918 | 82,533 | 103,071 |
| NET ASSETS: | | | | |
| Invested in Capital Assets, net of related debt | 115 | 6,311 | 6,426 | 14,438 |
| Restricted for: | | | | |
| Lottery Prizes, Noncurrent | - | 1,769 | 1,769 | - |
| Unemployment Insurance Benefits | 342,417 | - | 342,417 | - |
| Unrestricted | - | 47,777 | 47,777 | 36,464 |
| TOTAL NET ASSETS | 342,532 | 55,857 | 398,389 | 50,902 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 366,147 | \$ 114,775 | \$ 480,922 | \$ 153,973 |

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, 2008

| (Dollars in Thousands) | BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS | | | GOVERNMENTAL |
|---|--|--|-------------------|--|
| | UNEMPLOYMENT INSURANCE | NONMAJOR ENTERPRISE FUNDS | TOTALS | ACTIVITIES - INTERNAL SERVICE FUNDS |
| OPERATING REVENUES: | | | | |
| Charges for Services | \$ 102,881 | \$ 142,581 | \$ 245,462 | \$ 312,449 |
| Other | - | 156 | 156 | 2,078 |
| TOTAL OPERATING REVENUES | 102,881 | 142,737 | 245,618 | 314,527 |
| OPERATING EXPENSES: | | | | |
| Personal Services | 112 | 5,720 | 5,832 | 31,621 |
| Services and Supplies | 265 | 27,256 | 27,521 | 101,607 |
| Lottery Prizes | - | 69,239 | 69,239 | - |
| Unemployment Claims | 97,793 | - | 97,793 | - |
| Insurance Claims | - | (3,268) | (3,268) | 182,154 |
| Depreciation | 195 | 434 | 629 | 6,809 |
| TOTAL OPERATING EXPENSES | 98,365 | 99,381 | 197,746 | 322,191 |
| Operating Income (Loss) | 4,516 | 43,356 | 47,872 | (7,664) |
| NONOPERATING REVENUES (EXPENSES): | | | | |
| Investment Income | 17,985 | 5,362 | 23,347 | 3,536 |
| Gain (Loss) on Sale of Capital Assets | - | - | - | (852) |
| Other | - | - | - | 1,887 |
| TOTAL NONOPERATING REVENUES (EXPENSES) | 17,985 | 5,362 | 23,347 | 4,571 |
| Income (Loss) Before Transfers | 22,501 | 48,718 | 71,219 | (3,093) |
| Transfers Out | - | (31,008) | (31,008) | - |
| Change in Net Assets | 22,501 | 17,710 | 40,211 | (3,093) |
| NET ASSETS, JULY 1 | 320,031 | 38,147 | 358,178 | 53,995 |
| NET ASSETS, JUNE 30 | \$ 342,532 | \$ 55,857 | \$ 398,389 | \$ 50,902 |

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, 2008

(Dollars in Thousands)

| | BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS | | | GOVERNMENTAL |
|--|--|--|-------------------|--|
| | UNEMPLOYMENT INSURANCE | NONMAJOR ENTERPRISE FUNDS | TOTALS | ACTIVITIES - INTERNAL SERVICE FUNDS |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | |
| Cash Received from Customers | \$ 107,178 | \$ 134,384 | \$ 241,562 | \$ 16,013 |
| Cash Received from Interfund Charges | - | 7,236 | 7,236 | 308,829 |
| Cash Paid to Employees | (111) | (5,627) | (5,738) | (31,455) |
| Cash Paid to Suppliers | (268) | (25,525) | (25,793) | (91,396) |
| Cash Paid for Lottery Prizes | - | (69,988) | (69,988) | - |
| Cash Paid for Insurance Claims | (91,894) | (7,232) | (99,126) | (180,842) |
| Cash Paid for Interfund Services | (8) | (2,141) | (2,149) | (8,360) |
| NET CASH FLOWS FROM OPERATING ACTIVITIES | <u>14,897</u> | <u>31,107</u> | <u>46,004</u> | <u>12,789</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | | | | |
| Cigarette Tax Proceeds | - | - | - | 2,213 |
| Transfers Out | - | (31,008) | (31,008) | - |
| NET CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | <u>-</u> | <u>(31,008)</u> | <u>(31,008)</u> | <u>2,213</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | | | |
| Acquisition and Construction of Capital Assets | (76) | (901) | (977) | (6,693) |
| Proceeds from Sale of Capital Assets | - | - | - | 1,355 |
| Principal Paid on Capital Leases | - | - | - | (2,514) |
| Interest Paid on Capital Leases | - | - | - | (326) |
| NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | <u>(76)</u> | <u>(901)</u> | <u>(977)</u> | <u>(8,178)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | | |
| Purchase of Investment Securities | (2,443) | (487,181) | (489,624) | - |
| Proceeds from Sale of Investment Securities | - | 469,422 | 469,422 | - |
| Interest and Dividend Income | 20,955 | 5,028 | 25,983 | 3,347 |
| NET CASH FLOWS FROM INVESTING ACTIVITIES | <u>18,512</u> | <u>(12,731)</u> | <u>5,781</u> | <u>3,347</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 33,333 | (13,533) | 19,800 | 10,171 |
| CASH AND CASH EQUIVALENTS, JULY 1 | <u>267,716</u> | <u>32,260</u> | <u>299,976</u> | <u>71,748</u> |
| CASH AND CASH EQUIVALENTS, JUNE 30 | <u>\$ 301,049</u> | <u>\$ 18,727</u> | <u>\$ 319,776</u> | <u>\$ 81,919</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, 2008

(Dollars in Thousands)

| | BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS | | | GOVERNMENTAL |
|---|--|--|------------------|--|
| | UNEMPLOYMENT INSURANCE | NONMAJOR ENTERPRISE FUNDS | TOTALS | ACTIVITIES - INTERNAL SERVICE FUNDS |
| RECONCILIATION OF OPERATING INCOME TO NET CASH | | | | |
| FLOW FROM OPERATING ACTIVITIES: | | | | |
| Operating Income (Loss) | \$ 4,516 | \$ 43,356 | \$ 47,872 | \$ (7,664) |
| Adjustments to reconcile operating income (loss) to net cash flows from operating activities: | | | | |
| Depreciation | 195 | 434 | 629 | 6,809 |
| Change in Assets and Liabilities: | | | | |
| (Increase) Decrease in Receivables | 4,297 | (669) | 3,628 | (255) |
| (Increase) Decrease in Due from Other Funds | - | 47 | 47 | 10,821 |
| (Increase) Decrease in Inventories | - | (270) | (270) | 5 |
| (Increase) Decrease in Prepaid Items | - | (191) | (191) | (81) |
| (Increase) Decrease in Long-Term Deposits | - | (170) | (170) | - |
| Increase (Decrease) in Accounts Payable and Accrued Liabilities | (8) | (419) | (427) | 1,730 |
| Increase (Decrease) in Due to Other Funds | (2) | (16) | (18) | 363 |
| Increase (Decrease) in Claims Payable | 5,899 | (10,500) | (4,601) | 1,312 |
| Increase (Decrease) in Unearned Revenue | - | (495) | (495) | (251) |
| Total Adjustments | 10,381 | (12,249) | (1,868) | 20,453 |
| NET CASH FLOWS FROM OPERATING ACTIVITIES | \$ 14,897 | \$ 31,107 | \$ 46,004 | \$ 12,789 |

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 | \$ - | \$ - | \$ - | \$ 4,146 |
| Change in Fair Value of Investments | - | 286 | 286 | - |
| Total Noncash Transactions | \$ - | \$ 286 | \$ 286 | \$ 4,146 |

State of Nebraska
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2008

| (Dollars in Thousands) | PENSION TRUST | PRIVATE PURPOSE TRUST | AGENCY |
|--|---------------------|--------------------------|------------------|
| ASSETS | | | |
| Cash and Cash Equivalents | \$ 3,399 | \$ 29,596 | \$ 89,331 |
| Investments: | | | |
| U.S. Treasury Notes and Bonds | 3,887 | - | - |
| U.S. Treasury Bills | 11,394 | - | - |
| Government Agency Securities | 24,052 | - | - |
| Corporate Bonds | 497,576 | - | - |
| International Bonds | 43,250 | - | - |
| Equity Securities | 954,154 | - | - |
| Private Equity | 88,308 | - | - |
| Options | (1,302) | - | - |
| Mortgages | 991,717 | - | - |
| Private Real Estate | 304,552 | - | - |
| Asset Backed Securities | 88,441 | - | - |
| Municipal Bonds | 11,722 | - | - |
| Commingled Funds | 5,547,965 | 2,006,584 | - |
| Guaranteed Investment Contracts | 124,198 | - | - |
| Short Term Investments | 121,596 | 3,644 | - |
| Total Investments | <u>8,811,510</u> | <u>2,010,228</u> | <u>-</u> |
| Securities Lending Collateral | 342,256 | - | - |
| Receivables: | | | |
| Contributions | 17,635 | - | - |
| Interest and Dividends | 16,173 | 3,538 | 753 |
| Other | 420,612 | 2 | 461 |
| Total Receivables | <u>454,420</u> | <u>3,540</u> | <u>1,214</u> |
| Due from Other Funds | 201,948 | - | - |
| Capital Assets: | | | |
| Buildings and Equipment | 16,436 | - | - |
| Less Accumulated Depreciation | (12,751) | - | - |
| Total Capital Assets, net | <u>3,685</u> | <u>-</u> | <u>-</u> |
| Other Assets | - | 10,711 | - |
| TOTAL ASSETS | <u>\$ 9,817,218</u> | <u>\$ 2,054,075</u> | <u>\$ 90,545</u> |
| LIABILITIES | | | |
| Accounts Payable and Accrued Liabilities | \$ 560,941 | \$ 3,040 | \$ 12,007 |
| Due to Other Governments | - | - | 51,245 |
| Deposits | - | 35 | - |
| Due to Other Funds | 182,250 | 13 | - |
| Obligations under Securities Lending | 342,256 | - | - |
| Capital Lease Obligations | 4,595 | - | - |
| Accrued Compensated Absences | 244 | - | - |
| Other Liabilities | - | - | 27,293 |
| TOTAL LIABILITIES | <u>\$ 1,090,286</u> | <u>\$ 3,088</u> | <u>\$ 90,545</u> |
| NET ASSETS | | | |
| Held in Trust for: | | | |
| Pension Benefits | \$ 8,726,932 | \$ - | \$ - |
| College Savings Plan | - | 2,011,039 | - |
| Other Purposes | - | 39,948 | - |
| TOTAL NET ASSETS | <u>\$ 8,726,932</u> | <u>\$ 2,050,987</u> | <u>\$ -</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, 2008

(Dollars in Thousands)

| | PENSION TRUST | PRIVATE PURPOSE TRUST |
|---|----------------------------|----------------------------|
| ADDITIONS: | | |
| Contributions: | | |
| Participant Contributions | \$ 161,476 | \$ 579,097 |
| Client Contributions | - | 201 |
| State Contributions | 83,963 | - |
| Political Subdivision Contributions | 105,976 | - |
| Court Fees | 3,281 | - |
| Total Contributions | <u>354,696</u> | <u>579,298</u> |
| Investment Income: | | |
| Net Appreciation (Depreciation) in Fair Value of Investments | (510,402) | 39,350 |
| Interest and Dividend Income | 193,800 | 83,320 |
| Securities Lending Income | 16,630 | - |
| Total Investment Income | <u>(299,972)</u> | <u>122,670</u> |
| Investment Expenses | 14,336 | 12,700 |
| Securities Lending Expenses | 14,273 | - |
| Total Investment Expense | <u>28,609</u> | <u>12,700</u> |
| Net Investment Income | <u>(328,581)</u> | <u>109,970</u> |
| Escheat Revenue | - | 16,725 |
| Other Additions | 182,279 | 8,402 |
| TOTAL ADDITIONS | <u>208,394</u> | <u>714,395</u> |
| DEDUCTIONS: | | |
| Benefits | 376,905 | 320,029 |
| Refunds | 10,609 | - |
| Amounts Distributed to Outside Parties | - | 18,917 |
| Administrative Expenses | 8,656 | 2,269 |
| Other Deductions | 186,996 | - |
| TOTAL DEDUCTIONS | <u>583,166</u> | <u>341,215</u> |
| Change in Net Assets Held in Trust for: | | |
| Pension Benefits | (374,772) | - |
| College Savings Plan | - | 367,784 |
| Other Purposes | - | 5,396 |
| NET ASSETS-BEGINNING OF YEAR | <u>9,101,704</u> | <u>1,677,807</u> |
| NET ASSETS-END OF YEAR | <u><u>\$ 8,726,932</u></u> | <u><u>\$ 2,050,987</u></u> |

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

State of Nebraska
STATEMENT OF NET ASSETS
COMPONENT UNITS
June 30, 2008

(Dollars in Thousands)

| | UNIVERSITY OF NEBRASKA | STATE COLLEGES | TOTALS |
|---|---------------------------|-------------------|---------------------|
| ASSETS | | | |
| Cash and Cash Equivalents | \$ 304,380 | \$ 17,770 | \$ 322,150 |
| Receivables, net of allowance | | | |
| Loans | 37,382 | 2,590 | 39,972 |
| Other | 258,051 | 2,755 | 260,806 |
| Due from Primary Government | - | 6,377 | 6,377 |
| Investments | 1,748,366 | 34,493 | 1,782,859 |
| Investment in Joint Venture | 227,508 | - | 227,508 |
| Other Assets | 35,672 | 3,863 | 39,535 |
| Restricted Assets: | | | |
| Cash and Cash Equivalents | 328,567 | 25,877 | 354,444 |
| Investments Held by Trustee | - | 1,434 | 1,434 |
| Capital assets: | | | |
| Land | 60,486 | 872 | 61,358 |
| Land Improvements | 120,879 | 17,714 | 138,593 |
| Construction in Progress | 222,316 | 22,381 | 244,697 |
| Buildings and Equipment | 1,561,540 | 144,113 | 1,705,653 |
| Less Accumulated Depreciation | <u>(613,343)</u> | <u>(64,794)</u> | <u>(678,137)</u> |
| Total Capital Assets, net of depreciation | <u>1,351,878</u> | <u>120,286</u> | <u>1,472,164</u> |
| Total Assets | <u>\$ 4,291,804</u> | <u>\$ 215,445</u> | <u>\$ 4,507,249</u> |
| LIABILITIES | | | |
| Accounts Payable and Accrued Liabilities | \$ 174,982 | \$ 10,127 | \$ 185,109 |
| Deposits | 24,322 | 436 | 24,758 |
| Deferred Revenue | 92,056 | 335 | 92,391 |
| Noncurrent Liabilities: | | | |
| Due within one year | 90,057 | 5,731 | 95,788 |
| Due in more than one year | <u>589,186</u> | <u>43,248</u> | <u>632,434</u> |
| Total Liabilities | <u>\$ 970,603</u> | <u>\$ 59,877</u> | <u>\$ 1,030,480</u> |
| NET ASSETS | | | |
| Invested in Capital Assets, net of related debt | \$ 841,385 | \$ 81,215 | \$ 922,600 |
| Restricted for: | | | |
| Education | 1,431,482 | - | 1,431,482 |
| Other Purposes | 260,347 | 44,490 | 304,837 |
| Construction and Debt Service | 196,295 | 12,673 | 208,968 |
| Unrestricted | <u>591,692</u> | <u>17,190</u> | <u>608,882</u> |
| Total Net Assets | <u>\$ 3,321,201</u> | <u>\$ 155,568</u> | <u>\$ 3,476,769</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, 2008

(Dollars in Thousands)

| | UNIVERSITY OF NEBRASKA | STATE COLLEGES | TOTALS |
|-------------------------------------|---------------------------|-------------------|---------------------|
| Operating Expenses: | | | |
| Compensation and benefits | \$ 964,254 | \$ 54,376 | \$ 1,018,630 |
| Supplies and materials | 232,108 | 5,516 | 237,624 |
| Contractual services | 99,876 | 3,632 | 103,508 |
| Repairs and maintenance | 41,919 | 1,897 | 43,816 |
| Utilities | 32,975 | 3,668 | 36,643 |
| Communications | 14,583 | 822 | 15,405 |
| Depreciation | 71,203 | 4,297 | 75,500 |
| Scholarships and fellowships | 133,774 | 837 | 134,611 |
| Other | 14,111 | 11,413 | 25,524 |
| Total Operating Expenses | <u>1,604,803</u> | <u>86,458</u> | <u>1,691,261</u> |
| Program Revenues: | | | |
| Charges for Services | 671,656 | 29,621 | 701,277 |
| Operating Grants and Contributions | 366,599 | 10,901 | 377,500 |
| Capital Grants and Contributions | 5,961 | 1,679 | 7,640 |
| Total Program Revenues | <u>1,044,216</u> | <u>42,201</u> | <u>1,086,417</u> |
| Net (Expense) Revenue | <u>(560,587)</u> | <u>(44,257)</u> | <u>(604,844)</u> |
| General Revenue: | | | |
| Interest and investment earnings | 89,774 | 3,267 | 93,041 |
| Payments from the State of Nebraska | 501,904 | 56,378 | 558,282 |
| Miscellaneous | 159,163 | 2,190 | 161,353 |
| Total General Revenues | <u>750,841</u> | <u>61,835</u> | <u>812,676</u> |
| Change in Net Assets | 190,254 | 17,578 | 207,832 |
| Net Assets - Beginning | <u>3,130,947</u> | <u>137,990</u> | <u>3,268,937</u> |
| Net Assets - Ending | <u>\$ 3,321,201</u> | <u>\$ 155,568</u> | <u>\$ 3,476,769</u> |

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

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2008

(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 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 to finance the construction and repair of buildings and hold them in trust for the University of Nebraska; the UNMC Physicians, 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; the Peter Kiewit Institute Technology Development Corporation, a nonprofit corporation formed for the purpose of teaching and developing information science technology through students and faculty by conducting applied research; 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, since it receives over one fourth of its revenue from 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 Finance Authority, Nebraska Investment Finance 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.

The Statement of Net Assets reports \$2,134,129 of restricted net assets, of which \$1,260,065 is restricted by enabling legislation.

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 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, except agency funds. 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 insurance 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 these 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 Insurance Fund. This fund accounts for the State's unemployment insurance 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 but not after, 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, 2008, 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

operating 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. For investments where no readily ascertainable fair value exists, management has received an estimate of fair value from the investment fund manager based, in part, on real estate appraisals. The State Treasurer is the custodian of all funds for the State; however, investments are under the responsibility of the Nebraska Investment Council 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).

Commodities on hand at fiscal year end are reflected as inventories, offset by a like amount of deferred revenue, in the Federal Fund. 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. Infrastructure acquired prior to June 30, 1980, is reported.

K. Compensated Employee Absences. All permanent employees earn sick and vacation 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 vacation leave at a variable rate based on years of service. Generally, accrued vacation 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 240 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. Interfund services provided and used are accounted for as revenues, expenditures or expenses in the funds involved. 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, 2008, 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, 2008, the carrying amounts of the State's deposits were \$125,533 and the bank balances were \$175,251. 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. The State Treasurer had compensating balance agreements with various banks totaling \$68,732 at June 30, 2008.

Investments. State Statute Section 72-1239.01 authorizes the appointed members of the Nebraska Investment Council to act with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims by diversifying the investments of the State. Certain State entities are also allowed by statute to invest in real estate and other investments.

The investment amounts for some funds presented in the fiduciary fund financial statements reflected audited financial statements for the period ended December 31, 2007. The investment risk disclosures presented below for fiduciary funds represent risks as of June 30, 2008.

The primary government's investments at June 30, 2008, are presented below. All investments are presented by investment type and debt securities are presented with effective duration presented in years.

PRIMARY GOVERNMENT INVESTMENTS AT JUNE 30, 2008

| | GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES | | FIDUCIARY FUNDS | |
|---|--|-----------------------|----------------------|-----------------------|
| | FAIR VALUE | EFFECTIVE DURATION | FAIR VALUE | EFFECTIVE DURATION |
| Debt Securities | | | | |
| U.S. Treasury Notes and Bonds | \$ 394,094 | 4.06 | \$ 3,887 | 11.55 |
| U.S. Treasury Bills | 4,952 | 0.24 | 11,394 | 0.20 |
| Government Agency Securities | 1,251,541 | 3.46 | 24,052 | 4.80 |
| Corporate Bonds | 811,955 | 4.34 | 497,576 | 5.44 |
| International Bonds | 5,204 | 8.46 | 43,250 | 7.15 |
| Mortgages | 125,282 | 4.17 | 991,717 | 4.45 |
| Asset Backed Securities | 3,783 | 2.62 | 88,441 | 2.74 |
| Commingled Funds | 146,303 | 4.69 | 1,011,223 | 4.37 |
| Municipal Bonds | 2,323 | 12.96 | 11,722 | 11.37 |
| Guaranteed Investment Contracts | 2,571 | 2.68 | 124,198 | 2.68 |
| Short Term Investments | 203,935 | 0.15 | 125,240 | 0.10 |
| | <u>2,951,943</u> | | <u>2,932,700</u> | |
| Other Investments | | | | |
| Equity Securities | 77,110 | | 954,154 | |
| Private Equity | 76 | | 88,308 | |
| Commingled Funds | 435,067 | | 6,543,326 | |
| Options | (316) | | (1,302) | |
| Private Real Estate | | | 304,552 | |
| U.S. Treasury Investment Pool | 298,559 | | - | |
| Less: Component Unit Investment in State Investment Pool | <u>(415,937)</u> | | <u>-</u> | |
| Total Investments | <u>3,346,502</u> | | <u>10,821,738</u> | |
| Securities Lending Short-term Collateral Investment Pool | <u>457,187</u> | | <u>342,256</u> | |
| Total | <u>\$ 3,803,689</u> | | <u>\$ 11,163,994</u> | |

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Duration is a measure of a debt investment's exposure to fair value changes arising from changes in interest rates. It uses the present value of cash flows, weighted for those cash flows as a percentage of the investments full price. The State has contracts with investment managers that limit the effective duration to within one year of the effective duration of the benchmark.

Credit Risk of Debt Securities. Credit risk is the risk that an issuer or other counterparty to an investment

will not fulfill its obligations. The State has contracts with investment managers that set minimum average quality ratings for its core fixed income accounts at an A and BB- for its high yield fixed income account. The primary government's rated debt investments as of June 30, 2008, were rated by Standard and Poor's and/or an equivalent national rating organization and the ratings are presented below using the Standard and Poor's rating scale.

GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES INVESTMENTS AT JUNE 30, 2008

| | FAIR VALUE | QUALITY RATINGS | | | | | | |
|-------------------------|---------------|-----------------|---------|---------|--------|-------|-------|---------|
| | | AAA | AA | A | BBB | BB | B | UNRATED |
| Govt Agency Securities | \$ 1,251,541 | \$ 1,251,541 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Corporate Bonds | 811,955 | 303,843 | 335,101 | 133,457 | 21,434 | 6,184 | 5,631 | 6,305 |
| International Bonds | 5,204 | 3,443 | - | 332 | 1,429 | - | - | - |
| Mortgages | 125,282 | 104,007 | - | - | - | - | - | 21,275 |
| Asset Backed Securities | 3,783 | 2,685 | 175 | - | 162 | - | - | 761 |
| Commingled Funds | 146,303 | - | - | - | - | - | - | 146,303 |
| Short Term Investments | 203,935 | - | - | - | - | - | - | 203,935 |
| Municipal Bonds | 2,323 | 845 | 1,311 | - | 167 | - | - | - |

FIDUCIARY FUND INVESTMENTS AT JUNE 30, 2008

| | FAIR VALUE | QUALITY RATINGS | | | | | | |
|-------------------------|---------------|-----------------|---------|---------|--------|--------|--------|---------|
| | | AAA | AA | A | BBB | BB | B | UNRATED |
| Govt Agency Securities | \$ 22,788 | \$ 21,912 | \$ - | \$ 196 | \$ 332 | \$ - | \$ 348 | \$ - |
| Corporate Bonds | 552,097 | 51,682 | 125,509 | 174,608 | 64,951 | 48,448 | 49,795 | 37,104 |
| International Bonds | 45,543 | 18,152 | 403 | 6,302 | 12,463 | 7,365 | 735 | 123 |
| Mortgages | 1,045,970 | 776,430 | 3,999 | - | 111 | - | 295 | 265,135 |
| Asset Backed Securities | 108,148 | 97,081 | 1,049 | 191 | 1,405 | 909 | - | 7,513 |
| Commingled Funds | 971,929 | - | - | - | - | - | - | 971,929 |
| Short Term Investments | 113,198 | - | - | - | - | - | - | 113,198 |
| Municipal Bonds | 13,060 | 6,473 | 4,584 | 1,429 | 574 | - | - | - |

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The State has contracts with investment managers that limit the maximum amount for an issuer, excluding U.S. Treasury, U.S. Agency, mortgages and non-U.S. sovereign issuers, to 5 percent of the total account.

At June 30, 2008, the primary government, except fiduciary funds, had debt securities investments with more than 5 percent or more of total investments in Federal Farm Credit Bank (8 percent), Federal Home Loan Bank (9 percent), Federal Home Loan Mortgage Corporation (9 percent), and Federal National Mortgage Corporation (9 percent). Fiduciary funds had no investments that exceeded 5 percent or more of total investments.

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 primary custodial bank administers the securities lending program and receives cash, United States government or government agency obligations, sovereign debt rated A or better, 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. 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 41 and 42 days. Because loans were terminable at will, their duration did not generally match the duration of the investments

made with cash collateral. The custodian indemnifies the State against default by the borrower of securities, but does not indemnify against the default by an issuer of a security held in the short term investment funds where cash collateral is invested.

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 75% 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 futures contracts, options and swaps. Futures represent commitments to purchase or sell securities or money market instruments at a future date and at a specific price. Options represent the right, but not the obligation, to purchase or sell securities at a future date and at a specific price. The State invests in these contracts related to securities of the U.S. Government or Government Agency obligations based on reference notes, which are traded on organized exchanges, thereby minimizing the State's credit risk. The net change in the contract value is settled daily in cash with the exchanges. Swaps represent an exchange of streams of payments over time according to specified terms.

A reconciliation of deposits and investments for the State to the basic financial statements at June 30, 2008, is as follows:

Disclosure Regarding Deposits and Investments:

| | |
|-----------------------------|----------------------|
| Total Investments | \$ 14,967,683 |
| Carrying amount of Deposits | 125,533 |
| Total | <u>\$ 15,093,216</u> |

Statement of Net Assets:

| | |
|--------------------------------------|------------|
| Cash and Cash Equivalents | \$ 478,056 |
| Investments | 2,852,330 |
| Restricted Cash and Cash Equivalents | 19,323 |
| Securities Lending Collateral | 457,187 |

Statement of Fiduciary Net Assets:

| | |
|-------------------------------|----------------------|
| Cash and Cash Equivalents | 122,326 |
| Investments | 10,821,738 |
| Securities Lending Collateral | 342,256 |
| Total | <u>\$ 15,093,216</u> |

Foreign Currency Risk. Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The State does not have a formal policy to limit foreign currency risk. Primary Government exposure to foreign currency risk is presented on the following tables.

**GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES
FOREIGN CURRENCY AT JUNE 30, 2008**

| Currency | SHORT TERM INVESTMENTS | EQUITY SECURITIES | DEBT SECURITIES |
|--------------------|------------------------|-------------------|-----------------|
| Australian Dollar | \$ 8 | \$ 497 | \$ - |
| Brazilian Real | (1,519) | - | 153 |
| Canadian Dollar | 12 | 48 | 77 |
| Danish Krone | - | 94 | - |
| Euro Currency | (110) | 6,285 | 4,331 |
| Hong Kong Dollar | - | 510 | - |
| Iceland Krona | - | - | 256 |
| Indonesian Rupiah | - | 102 | 115 |
| Israeli Shekel | - | 152 | - |
| Japanese Yen | 31 | 2,858 | - |
| Malaysian Ringgit | - | - | 310 |
| Mexican Peso | (122) | 732 | 416 |
| New Zealand Dollar | - | - | 86 |
| Norwegian Krone | - | 26 | - |
| Polish Zloty | - | 6 | - |
| Pound Sterling | 55 | 1,760 | - |
| Singapore Dollar | - | 546 | 279 |
| South Korean Won | 13 | 877 | 213 |
| Swedish Krona | - | 34 | - |
| Swiss Franc | - | 1,514 | - |
| Thailand Baht | 2 | 57 | - |
| Total | <u>\$ (1,630)</u> | <u>\$ 16,098</u> | <u>\$ 6,236</u> |

FIDUCIARY FUND FOREIGN CURRENCY AT JUNE 30, 2008

| Currency | SHORT TERM INVESTMENTS | EQUITY SECURITIES | DEBT SECURITIES |
|--------------------|------------------------|-------------------|------------------|
| Argentine Peso | \$ 15 | \$ - | \$ - |
| Australian Dollar | 517 | 4,107 | - |
| Brazilian Real | (6,409) | 1,593 | 1,337 |
| Canadian Dollar | 65 | 75 | 433 |
| Danish Krone | 33 | 2,402 | - |
| Euro Currency | 37 | 106,789 | 22,197 |
| Hong Kong Dollar | 1 | 6,335 | - |
| Hungarian Forint | 4 | - | - |
| Iceland Krona | - | - | 1,537 |
| Indonesian Rupiah | 2 | 359 | 287 |
| Israeli Shekel | - | 46 | - |
| Japanese Yen | 2,741 | 38,879 | 5,666 |
| Malaysian Ringgit | - | - | 2,111 |
| Mexican Peso | (518) | 7,620 | 2,711 |
| New Zealand Dollar | 1 | - | 569 |
| Norwegian Krone | 260 | - | - |
| Philippine Peso | 2 | - | - |
| Polish Zloty | 1 | 203 | - |
| Pound Sterling | 168 | 28,615 | 144 |
| Singapore Dollar | 43 | 2,914 | 2,092 |
| South Korean Won | 222 | 14,793 | 851 |
| Swedish Krona | 36 | 1,700 | - |
| Swiss Franc | 82 | 25,122 | - |
| Thailand Baht | 7 | 644 | - |
| Total | <u>\$ (2,690)</u> | <u>\$ 242,196</u> | <u>\$ 39,935</u> |

3. Capital Assets

Capital asset activity for the year ended June 30, 2008, was as follows:

| | BEGINNING BALANCE | INCREASES | DECREASES | ENDING BALANCE |
|--|------------------------------|-------------------|------------------|---------------------------|
| Governmental activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 518,781 | \$ 7,672 | \$ - | \$ 526,453 |
| Infrastructure | 6,525,148 | 126,349 | - | 6,651,497 |
| Construction in progress | 76,182 | 30,043 | 38,208 | 68,017 |
| Total capital assets, not being depreciated | <u>7,120,111</u> | <u>164,064</u> | <u>38,208</u> | <u>7,245,967</u> |
| Capital assets, being depreciated: | | | | |
| Buildings and improvements | 454,826 | 40,946 | 2,084 | 493,688 |
| Equipment | 358,594 | 32,110 | 16,441 | 374,263 |
| Total capital assets, being depreciated | <u>813,420</u> | <u>73,056</u> | <u>18,525</u> | <u>867,951</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | 220,753 | 12,919 | 1,797 | 231,875 |
| Equipment | 248,347 | 31,127 | 13,812 | 265,662 |
| Total accumulated depreciation | <u>469,100</u> | <u>44,046</u> | <u>15,609</u> | <u>497,537</u> |
| Total capital assets, being depreciated, net | <u>344,320</u> | <u>29,010</u> | <u>2,916</u> | <u>370,414</u> |
| Governmental activities capital assets, net | <u>\$ 7,464,431</u> | <u>\$ 193,074</u> | <u>\$ 41,124</u> | <u>\$ 7,616,381</u> |
| Business-type activities: | | | | |
| Unemployment Insurance | | | | |
| Equipment, being depreciated | \$ 809 | \$ 76 | \$ - | \$ 885 |
| Less accumulated depreciation | 575 | 195 | - | 770 |
| Total Unemployment Insurance, net | <u>234</u> | <u>(119)</u> | <u>-</u> | <u>115</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 | 5,195 | 556 | - | 5,751 |
| Equipment | 4,494 | 345 | 96 | 4,743 |
| Total capital assets, being depreciated | <u>9,689</u> | <u>901</u> | <u>96</u> | <u>10,494</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | 1,250 | 137 | - | 1,387 |
| Equipment | 2,910 | 297 | 96 | 3,111 |
| Total accumulated depreciation | <u>4,160</u> | <u>434</u> | <u>96</u> | <u>4,498</u> |
| Total capital assets, being depreciated, net | <u>5,529</u> | <u>467</u> | <u>-</u> | <u>5,996</u> |
| Total Nonmajor Enterprise, net | <u>5,844</u> | <u>467</u> | <u>-</u> | <u>6,311</u> |
| Business-type activities capital assets, net | <u>\$ 6,078</u> | <u>\$ 348</u> | <u>\$ -</u> | <u>\$ 6,426</u> |

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

| | |
|--|------------------|
| Governmental activities: | |
| General Government | \$ 13,980 |
| Conservation of Natural Resources | 1,650 |
| Culture – Recreation | 1,964 |
| Economic Development and Assistance | 390 |
| Education | 1,000 |
| Health and Social Services | 749 |
| Public Safety | 8,712 |
| Regulation of Business and Professions | 271 |
| Transportation | 15,330 |
| Total depreciation expense - Governmental activities | <u>\$ 44,046</u> |

Construction Commitments. At June 30, 2008, the State had contractual commitments of approximately \$561,002 for various highway and building projects. Funding of these future expenditures is expected to be provided as follows:

| | |
|---------------|-------------------|
| Federal funds | \$ 123,352 |
| State funds | 399,417 |
| Local funds | 38,233 |
| | <u>\$ 561,002</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.

4. Interfund Balances

Due To/From Other Funds at June 30, 2008, 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 | \$ - | \$ 238 | \$ 42 | \$ 568 | \$ 2,521 | \$ 329 | \$ 30,036 | \$ 19,332 | \$ 53,066 |
| Highway Fund | 2 | - | 233 | 1 | 37 | 144 | 5,106 | 8 | 5,531 |
| Federal Fund | 69,776 | 47 | - | 5,669 | 2,801 | 85 | 2,797 | - | 81,175 |
| Health and Social Services | 3 | - | 1,100 | - | 15 | 9 | 1,405 | - | 2,532 |
| Permanent School Fund | - | - | - | - | - | - | 15 | - | 15 |
| Nonmajor Governmental Funds | 4,142 | 53 | 75 | - | 47 | 71 | 3,787 | 530 | 8,705 |
| Nonmajor Enterprise Funds | - | 36 | - | - | - | - | 127 | - | 163 |
| Internal Service Funds | 4,668 | 478 | 9 | 13 | 213 | 5 | 965 | - | 6,351 |
| Fiduciary Funds | - | - | - | - | 36 | - | 149 | - | 185 |
| TOTALS | \$ 78,591 | \$ 852 | \$ 1,459 | \$ 6,251 | \$ 5,670 | \$ 643 | \$ 44,387 | \$ 19,870 | \$ 157,723 |

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 \$32,400 due from the General Fund, Highway Fund, Health and Social Services, and Nonmajor Governmental Funds to internal service funds for workers compensation liability.

Interfund transfers at June 30, 2008, consist of the following:

| | TRANSFERRED TO: | | | | | TOTALS |
|-------------------------------|------------------------|---------------------|---------------------|-----------------------------------|------------------------------------|-------------------|
| | General Fund | Highway Fund | Federal Fund | Health and Social Services | Nonmajor Governmental Funds | |
| TRANSFERRED FROM: | | | | | | |
| General Fund | \$ - | \$ - | \$ - | \$ - | \$ 147,039 | \$ 147,039 |
| Highway Fund | - | - | - | - | 9,400 | 9,400 |
| Federal Fund | - | - | - | - | 10,933 | 10,933 |
| Health & Social Services Fund | 1,539 | - | - | - | 504 | 2,043 |
| Nonmajor Governmental Funds | 19,562 | 25,731 | 9 | 130 | 8,131 | 53,563 |
| Nonmajor Enterprise Funds | - | - | - | 805 | 30,203 | 31,008 |
| TOTALS | \$ 21,101 | \$ 25,731 | \$ 9 | \$ 935 | \$ 206,210 | \$ 253,986 |

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.

5. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities as presented in the financial statements at June 30, 2008, consists of the following:

| | General Fund | Highway Fund | Federal Fund | Health and Social Services | Permanent School Fund | Nonmajor Governmental Funds | Other Funds | Unemployment Insurance | Nonmajor Enterprise Funds | TOTALS |
|--------------------------|------------------|------------------|-------------------|----------------------------|-----------------------|-----------------------------|------------------|------------------------|---------------------------|-------------------|
| Payroll and Withholdings | \$ 16,280 | \$ 7,772 | \$ 6,090 | \$ 1,009 | \$ - | \$ 2,020 | \$ 1,864 | \$ 3 | \$ 324 | \$ 35,362 |
| Payables and Accruals | 70,618 | 53,281 | 101,724 | 7,022 | 43,728 | 28,944 | 15,857 | 1,584 | 18,544 | 341,302 |
| Due to Fiduciary Funds * | - | - | - | - | - | - | 19,870 | - | - | 19,870 |
| Miscellaneous | - | 6,166 | - | - | - | 227 | 3 | 45 | - | 6,441 |
| TOTALS | \$ 86,898 | \$ 67,219 | \$ 107,814 | \$ 8,031 | \$ 43,728 | \$ 31,191 | \$ 37,594 | \$ 1,632 | \$ 18,868 | \$ 402,975 |

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

6. Noncurrent Liabilities

Changes in noncurrent liabilities for the year ended June 30, 2008, are summarized as follows:

| | BEGINNING BALANCE | INCREASES | DECREASES | ENDING BALANCE | AMOUNTS DUE WITHIN ONE YEAR |
|--|-------------------|---------------------|---------------------|-------------------|-----------------------------|
| Governmental Activities: | | | | | |
| Claims Payable | \$ 278,836 | \$ 1,625,893 | \$ 1,628,175 | \$ 276,554 | \$ 219,625 |
| Bonds Payable | 15,240 | - | 4,405 | 10,835 | 5,985 |
| Capital Lease Obligations | 22,072 | 4,203 | 6,766 | 19,509 | 7,521 |
| Obligations Under Other Financing Arrangements | 13,805 | 2,790 | 1,810 | 14,785 | 1,090 |
| Compensated Absences | 117,779 | 15,294 | 10,861 | 122,212 | 8,555 |
| Totals | \$ 447,732 | \$ 1,648,180 | \$ 1,652,017 | \$ 443,895 | \$ 242,776 |
| Business-type Activities: | | | | | |
| Unemployment Insurance: | | | | | |
| Claims Payable | \$ 8,687 | \$ 98,589 | \$ 91,894 | \$ 15,382 | \$ 15,382 |
| Compensated Absences | 14 | 5 | 3 | 16 | 1 |
| Totals for Unemployment Insurance | 8,701 | 98,594 | 91,897 | 15,398 | 15,383 |
| Nonmajor Enterprise Funds: | | | | | |
| Claims Payable | 42,200 | - | 10,500 | 31,700 | 9,904 |
| Compensated Absences | 623 | 111 | 44 | 690 | 49 |
| Totals for Nonmajor Enterprise Funds | 42,823 | 111 | 10,544 | 32,390 | 9,953 |
| Totals for Business-type Activities | \$ 51,524 | \$ 98,705 | \$ 102,441 | \$ 47,788 | \$ 25,336 |

The amount of claims payable reported in the fund financial statements are due and payable at fiscal year end. 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.

7. 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, 2008, 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, 2008 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, 2008 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.

| | DATES ISSUED | MATURITY DATES | INTEREST RATES | BALANCE JUNE 30, 2008 |
|---|-----------------|-------------------|-------------------|-----------------------------|
| BONDS PAYABLE | | | | |
| PRIMARY GOVERNMENT | | | | |
| NETC Leasing Corporation Issue | 2000,2002 | Through 2010 | 2.70%-6.00% | \$ 9,880 |
| Nebraska State Building Corporation Issue | 2002 | Through 2009 | 1.50%-3.85% | 955 |
| Primary Government Total | | | | <u>\$ 10,835</u> |
| COMPONENT UNITS | | | | |
| University of Nebraska | 1998-2008 | Through 2039 | 2.40%-5.25% | \$ 594,220 |
| Nebraska State Colleges | 1999-2006 | Through 2028 | 1.60%-5.05% | 44,580 |
| Component Units Total | | | | <u>\$ 638,800</u> |

**PRIMARY GOVERNMENT
DEBT SERVICE REQUIREMENTS TO MATURITY**

| YEAR | PRINCIPAL | INTEREST | TOTAL |
|-------|------------------|---------------|------------------|
| 2009 | 5,985 | 584 | 6,569 |
| 2010 | 4,850 | 291 | 5,141 |
| Total | <u>\$ 10,835</u> | <u>\$ 875</u> | <u>\$ 11,710</u> |

**COMPONENT UNITS
DEBT SERVICE REQUIREMENTS TO MATURITY**

| YEAR | PRINCIPAL | INTEREST | TOTAL |
|-------------|-------------------|-------------------|-------------------|
| 2009 | 34,750 | 28,945 | 63,695 |
| 2010 | 51,185 | 27,463 | 78,648 |
| 2011 | 37,830 | 25,522 | 63,352 |
| 2012 | 44,770 | 23,820 | 68,590 |
| 2013 | 27,505 | 22,016 | 49,521 |
| 2014 - 2018 | 175,455 | 88,091 | 263,546 |
| 2019 - 2023 | 121,075 | 49,777 | 170,852 |
| 2024 - 2028 | 61,710 | 28,520 | 90,230 |
| 2029 - 2033 | 44,100 | 16,305 | 60,405 |
| 2034 - 2038 | 35,875 | 6,112 | 41,987 |
| 2039 - 2043 | 4,545 | 174 | 4,719 |
| Total | <u>\$ 638,800</u> | <u>\$ 316,745</u> | <u>\$ 955,545</u> |

8. 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 (principle and interest) and the present value of future minimum payments for capital leases as of June 30, 2008 are as follows:

| YEAR | GOVERNMENTAL ACTIVITIES |
|--|----------------------------|
| 2009 | \$ 8,191 |
| 2010 | 5,699 |
| 2011 | 2,913 |
| 2012 | 1,506 |
| 2013 | 724 |
| 2014-2018 | 2,339 |
| 2019-2023 | 74 |
| Total Minimum Payments | 21,446 |
| Less: Interest and executory costs | 1,937 |
| Present value of net minimum payments | <u>\$ 19,509</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, 2008:

| GOVERNMENTAL ACTIVITIES | |
|------------------------------------|------------------|
| Buildings | \$ 7,070 |
| Equipment | 32,229 |
| Less: accumulated depreciation | <u>(19,412)</u> |
| Carrying value | <u>\$ 19,887</u> |

The minimum annual lease payments for operating leases as of June 30, 2008 are as follows:

| YEAR | GOVERNMENTAL ACTIVITIES |
|-------------|------------------------------------|
| 2009 | \$ 9,502 |
| 2010 | 5,297 |
| 2011 | 3,742 |
| 2012 | 1,394 |
| 2013 | 1,109 |
| 2014-2018 | 2,354 |
| 2019-2023 | 688 |
| 2024-2028 | 358 |
| 2029-2033 | <u>280</u> |
| Total | <u>\$ 24,724</u> |

Primary Government operating lease payments for the year ended June 30, 2008 totaled \$14,945.

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, 2008, the State owned approximately 1.3 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 \$28,636 were received under these and other lease agreements for the year ended June 30, 2008.

9. 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 2.5 percent to 5.70 percent is as follows:

| YEAR | PRINCIPAL | INTEREST | TOTAL |
|-------------|------------------|-----------------|------------------|
| 2009 | \$ 1,090 | \$ 644 | \$ 1,734 |
| 2010 | 1,145 | 601 | 1,746 |
| 2011 | 1,185 | 553 | 1,738 |
| 2012 | 1,245 | 502 | 1,747 |
| 2013 | 1,290 | 447 | 1,737 |
| 2014-2018 | 6,860 | 1,239 | 8,099 |
| 2019-2023 | <u>1,970</u> | <u>164</u> | <u>2,134</u> |
| Total | <u>\$ 14,785</u> | <u>\$ 4,150</u> | <u>\$ 18,935</u> |

10. Receivables

Receivables are reflected net of allowances for doubtful accounts. The following are such related allowances listed by major fund at June 30, 2008:

| | |
|----------------------------------|-------------------|
| Governmental Activities: | |
| General Fund | \$ 82,214 |
| Federal Fund | 14,666 |
| Health and Social Services Fund | 3,391 |
| Total Governmental Activities | <u>\$ 100,271</u> |
| Business-type Activities: | |
| Unemployment Insurance | \$ 7,324 |
| Total Business-type Activities | <u>\$ 7,324</u> |

Of the taxes and other receivables, \$27,459 and \$20,386, respectively, is not expected to be collected within 60 days of the fiscal year end. These amounts have been offset by deferred revenue in the General Fund and the Health and Social Services Fund. The majority of the loans receivable balance is not expected to be collected in the next year.

11. Pension Plans

Plans Administered by the Public Employees Retirement Board

The Public Employees Retirement Board (the Board), which consists of eight 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 option 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, 2007.

Participation in the plan is required for all permanent full-time employees upon employment. Each

member contributes 4.8 percent of their compensation. The State matches a member's contribution at a rate of 156 percent.

As of December 31, 2007, there were 17,074 active members and 3,273 inactive members. Members contributed \$29,496 and the State contributed \$46,018 during the year ended December 31, 2007, 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 cost-sharing 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 option 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, 2007.

Participation in the plan is required of all full-time employees upon employment and of all full-time elected officials upon taking office. Part-time employees may elect voluntary participation upon reaching age 20. Part-time elected officials may exercise the option to join. County employees and elected officials contribute four and one half percent of their total compensation. Commissioned law enforcement personnel in participating counties with less than 85,000 inhabitants contribute an extra one percent, or a total of five and one half percent of their total compensation. Commissioned law enforcement personnel in participating counties with a population in excess of 85,000 inhabitants contribute an extra two percent, or a total of six and one half percent of their total compensation. The counties match a member's contribution at a rate of 150 percent.

As of December 31, 2007, there were 7,510 active members and 1,548 inactive members. Members contributed \$9,746 and counties contributed \$14,411 during the year ended December 31, 2007, which was equal to required contributions.

School Retirement. The School Retirement System is a cost-sharing multiple-employer defined benefit pension plan with 280 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 or salary.

The State's contribution is based on an annual actuarial valuation. The employees' contribution was 7.83 percent of their total pay from September 1, 2006 through August 31, 2007 and 7.28 percent after August 31, 2007. 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 Courts, Workers' Compensation Court, County Courts, and Juvenile Courts. 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 between four and eight 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 thirteen percent of their monthly salary, and State Patrol contributes fifteen percent. The State's contribution is based on an annual actuarial valuation.

The following tables provide the schedules of funding progress, which present multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits, and the primary actuarial assumptions used in the most recent actuarial reports for the defined benefit plans. Information presented for the cost-sharing plans is for the plan as a whole.

SCHEDULES OF FUNDING PROGRESS

| | (a) | (b) | (b-a) | (a/b) | (c) | ((b-a)/c) |
|----------------------------|---------------------------|-----------------------------------|---|--------------|-----------------|---|
| Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability (AAL) | Unfunded AAL (UAAL) (Excess of Assets over AAL) | Funded Ratio | Covered Payroll | UAAL (Excess of Assets over AAL) as a Percentage of Covered Payroll |
| State Cash Balance | | | | | | |
| 12/31/2007 | \$ 606,552 | \$ 586,830 | \$ (19,722) | 103.4 % | \$ 384,709 | (5.1)% |
| 12/31/2006 | 392,442 | 379,735 | (12,707) | 103.3 | 323,983 | (3.9) |
| 12/31/2005 | 342,730 | 300,852 | (41,878) | 113.9 | 238,874 | (17.5) |
| County Cash Balance | | | | | | |
| 12/31/2007 | \$ 163,783 | \$ 151,557 | \$ (12,226) | 108.1 % | \$ 141,110 | (8.7)% |
| 12/31/2006 | 116,379 | 110,630 | (5,749) | 105.2 | 113,468 | (5.1) |
| 12/31/2005 | 99,464 | 84,817 | (14,647) | 117.3 | 88,144 | (16.6) |
| School | | | | | | |
| 6/30/2008 | \$ 6,932,919 | \$ 7,654,536 | \$ 721,617 | 90.6 % | \$ 1,389,125 | 51.9 % |
| 6/30/2007 | 6,396,337 | 7,070,309 | 673,972 | 90.5 | 1,325,616 | 50.8 |
| 6/30/2006 | 5,739,049 | 6,584,275 | 845,226 | 87.2 | 1,247,684 | 67.7 |
| Judges' | | | | | | |
| 6/30/2008 | \$ 119,962 | \$ 114,251 | \$ (5,711) | 105.0 % | \$ 17,990 | (31.7)% |
| 6/30/2007 | 111,006 | 103,704 | (7,302) | 107.0 | 17,004 | (42.9) |
| 6/30/2006 | 100,566 | 101,438 | 872 | 99.1 | 16,423 | 5.3 |
| State Patrol | | | | | | |
| 6/30/2008 | \$ 273,394 | \$ 291,997 | \$ 18,603 | 93.6 % | \$ 26,980 | 69.0 % |
| 6/30/2007 | 254,663 | 265,847 | 11,184 | 95.8 | 26,073 | 42.9 |
| 6/30/2006 | 231,741 | 245,373 | 13,632 | 94.4 | 24,058 | 56.7 |

| | STATE CASH BALANCE | COUNTY CASH BALANCE | SCHOOL RETIREMENT | JUDGES' RETIREMENT | STATE PATROL RETIREMENT |
|-------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| Actuarial Valuation Date | 12/31/2007 | 12/31/2007 | 6/30/2008 | 6/30/2008 | 6/30/2008 |
| Actuarial Cost Method | Entry Age | Entry Age | Entry Age | Entry Age | Entry Age |
| Amortization Method | Level dollar amount, closed | Level dollar amount, closed | Level dollar amount, closed | Level dollar amount, closed | Level dollar amount, closed |
| Amortization Period | 25 years | 25 years | 28 years | 30 years | 29 years |
| Asset Valuation Method | 5 year smoothed market | 5 year smoothed market | 5 year smoothed market | 5 year smoothed market | 5 year smoothed market |
| Actuarial Assumptions: | | | | | |
| Investment Rate of Return ** | 7.8% | 7.8% | 8.0% | 8.0% | 8.0% |
| Projected Salary Increases ** | 4.5% to 5.9% | 5.5% to 15.0% | 4.5% to 7.5% | 4.5% | 4.5% to 9.0% |

** Includes assumed inflation of 3.5% per year.

THREE - YEAR TREND INFORMATION

| YEAR ENDED | ANNUAL PENSION COST (APC) | PERCENTAGE OF APC CONTRIBUTED | NET PENSION OBLIGATION |
|----------------------------|---------------------------------|-------------------------------------|------------------------------|
| State Cash Balance | | | |
| 12/31/2007 | \$22,921 | 100% | \$ - |
| 12/31/2006 | 16,672 | 100% | - |
| 12/31/2005 | 14,885 | 100% | - |
| County Cash Balance | | | |
| 12/31/2007 | \$ 8,195 | 100% | \$ - |
| 12/31/2006 | 6,245 | 100% | - |
| 12/31/2005 | 5,521 | 100% | - |
| School | | | |
| 6/30/2008 | \$15,833 | 100% | \$ - |
| 6/30/2007 | 15,220 | 100% | - |
| 6/30/2006 | 28,057 | 100% | - |
| Judges' | | | |
| 6/30/2008 | \$ 3,353 | 100% | \$ - |
| 6/30/2007 | 3,208 | 100% | - |
| 6/30/2006 | 3,120 | 100% | - |
| State Patrol | | | |
| 6/30/2008 | \$ 4,856 | 100% | \$ - |
| 6/30/2007 | 5,059 | 100% | - |
| 6/30/2006 | 5,082 | 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. The effects of this litigation, if any, will be reflected in future years, as the uncertainties regarding the litigation are determined.

The State is a party to a lawsuit relating to \$37,000 of tobacco settlement money the State received in April 2004. It is not possible at the present time to determine the outcome of this lawsuit or its implications for potential similar future lawsuits.

13. Risk Management

Through Administrative Services, the State maintains insurance and self-insurance programs. Workers' compensation, employee health care, general liability and employee indemnification 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 \$250,000 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. Administrative Services 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, but do not include non-incremental claims adjustment expenses.

The liability for workers' compensation is recorded as a claims payable of \$49,221 at a discounted rate of 3.5 percent (\$9,310).

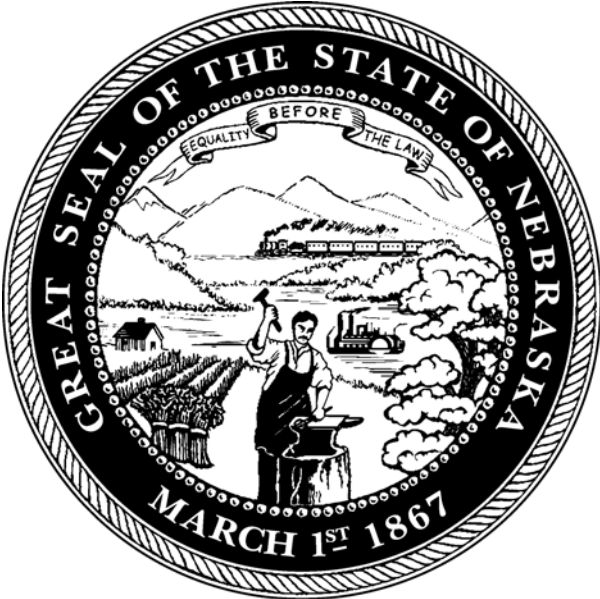
Changes in the balances of claims liabilities of the Risk Management Internal Service Fund during the years ended June 30, 2008, and 2007, were as follows:

| | Fiscal Year | |
|---|------------------|------------------|
| | 2008 | 2007 |
| Beginning Balance | \$ 62,707 | \$ 63,561 |
| Current Year Claims and Changes in Estimates | 182,155 | 171,153 |
| Claim Payments | <u>(180,842)</u> | <u>(172,007)</u> |
| Ending Balance | <u>\$ 64,020</u> | <u>\$ 62,707</u> |

14. Subsequent Event

The fair value of investments declined after June 30, 2008 due to changes in economic and market conditions. It is not known what impact, if any, the decline will have on future earnings.

REQUIRED SUPPLEMENTARY INFORMATION



State of Nebraska
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

For the Year Ended June 30, 2008

| (Dollars in Thousands) | GENERAL FUND | | | |
|--|--------------------|-------------------|---------------------|-------------------------------|
| | ORIGINAL BUDGET | FINAL BUDGET | ACTUAL | VARIANCE WITH FINAL BUDGET |
| REVENUES: | | | | |
| Taxes | \$ 3,288,565 | \$ 3,306,379 | \$ 3,405,541 | \$ 99,162 |
| Federal Grants and Contracts | (21) | (21) | (21) | - |
| Sales and Charges | 22,812 | 22,812 | 22,812 | - |
| Other | 57,544 | 57,544 | 57,544 | - |
| TOTAL REVENUES | 3,368,900 | 3,386,714 | 3,485,876 | 99,162 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| General Government | 260,029 | 251,874 | 237,472 | 14,402 |
| Conservation of Natural Resources | 44,366 | 50,909 | 32,182 | 18,727 |
| Culture – Recreation | 6,208 | 6,237 | 5,638 | 599 |
| Economic Development and Assistance | 9,864 | 9,871 | 7,070 | 2,801 |
| Education | 1,619,116 | 1,636,190 | 1,590,583 | 45,607 |
| Health and Social Services | 1,282,809 | 1,287,021 | 1,142,631 | 144,390 |
| Public Safety | 228,805 | 229,699 | 216,218 | 13,481 |
| Regulation of Business and Professions | 4,346 | 4,357 | 3,982 | 375 |
| Transportation | 19 | 19 | 16 | 3 |
| TOTAL EXPENDITURES | 3,455,562 | 3,476,177 | 3,235,792 | 240,385 |
| Excess of Revenues Over (Under) Expenditures | (86,662) | (89,463) | 250,084 | 339,547 |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers In | 287,527 | 287,527 | 287,527 | - |
| Transfers Out | (519,160) | (519,160) | (519,160) | - |
| Other | 329 | 329 | 329 | - |
| TOTAL OTHER FINANCING SOURCES (USES) | (231,304) | (231,304) | (231,304) | - |
| Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses | (317,966) | (320,767) | 18,780 | 339,547 |
| FUND BALANCES, JULY 1 | 1,106,802 | 1,106,802 | 1,106,802 | - |
| FUND BALANCES, JUNE 30 | \$ 788,836 | \$ 786,035 | \$ 1,125,582 | \$ 339,547 |

A reconciliation of the budgetary basis versus GAAP fund balance for the General Fund as of June 30, 2008, follows (dollars in thousands):

| | |
|--|-------------------|
| Actual Fund Balances, budgetary basis, June 30, 2008 | |
| General | \$ 580,036 |
| Cash Reserve | 545,546 |
| Budgetary fund balances | 1,125,582 |
| DIFFERENCES DUE TO BASIS OF ACCOUNTING: | |
| Record taxes receivable | 307,328 |
| Record tax refund liability | (302,275) |
| Record State contributions due pension funds | (19,331) |
| Record claims payable | (95,412) |
| Record other net accrued receivables and liabilities | (42,217) |
| GAAP fund balance, June 30, 2008 | \$ 973,675 |

See independent auditors' report

State of Nebraska
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
CASH FUNDS

For the Year Ended June 30, 2008

| (Dollars in Thousands) | CASH FUNDS | | | |
|--|--------------------|-------------------|-------------------|-------------------------------|
| | ORIGINAL BUDGET | FINAL BUDGET | ACTUAL | VARIANCE WITH FINAL BUDGET |
| REVENUES: | | | | |
| Taxes | \$ 110,160 | \$ 110,160 | \$ 110,160 | \$ - |
| Federal Grants and Contracts | 315,438 | 315,438 | 315,438 | - |
| Sales and Charges | 410,691 | 410,691 | 410,691 | - |
| Other | 224,128 | 224,128 | 224,128 | - |
| TOTAL REVENUES | <u>1,060,417</u> | <u>1,060,417</u> | <u>1,060,417</u> | <u>-</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| General Government | 191,316 | 206,362 | 185,397 | 20,965 |
| Conservation of Natural Resources | 93,075 | 100,272 | 52,020 | 48,252 |
| Culture – Recreation | 24,048 | 26,184 | 18,182 | 8,002 |
| Economic Development and Assistance | 63,605 | 64,238 | 22,211 | 42,027 |
| Education | 401,280 | 416,032 | 332,116 | 83,916 |
| Health and Social Services | 174,410 | 175,955 | 127,327 | 48,628 |
| Public Safety | 37,220 | 37,954 | 28,507 | 9,447 |
| Regulation of Business and Professions | 158,150 | 161,880 | 123,385 | 38,495 |
| Transportation | 687,241 | 723,978 | 655,986 | 67,992 |
| Capital Projects | 70,382 | 71,963 | 17,940 | 54,023 |
| TOTAL EXPENDITURES | <u>1,900,727</u> | <u>1,984,818</u> | <u>1,563,071</u> | <u>421,747</u> |
| Excess of Revenues Over (Under) Expenditures | <u>(840,310)</u> | <u>(924,401)</u> | <u>(502,654)</u> | <u>421,747</u> |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers In | 1,039,017 | 1,039,017 | 1,039,017 | - |
| Transfers Out | (467,478) | (467,478) | (467,478) | - |
| Other | (2,174) | (2,174) | (2,174) | - |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>569,365</u> | <u>569,365</u> | <u>569,365</u> | <u>-</u> |
| Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses | <u>(270,945)</u> | <u>(355,036)</u> | <u>66,711</u> | <u>421,747</u> |
| FUND BALANCES, JULY 1 | <u>720,452</u> | <u>720,452</u> | <u>720,452</u> | <u>-</u> |
| FUND BALANCES, JUNE 30 | <u>\$ 449,507</u> | <u>\$ 365,416</u> | <u>\$ 787,163</u> | <u>\$ 421,747</u> |

A reconciliation of the budgetary basis versus GAAP fund balance for the Major Funds as of June 30, 2008, follows (dollars in thousands):

| | |
|--|---------------------|
| Actual Fund Balances, budgetary basis, June 30, 2008 | |
| Cash | \$ 787,163 |
| Construction | 66,305 |
| Federal | 52,288 |
| Revolving | \$ 207,425 |
| Budgetary fund balances | 1,113,181 |
| Unbudgeted fund balances | 1,364,264 |
| Non-major fund balances | (1,018,800) |
| Differences due to basis of accounting | (347,904) |
| GAAP fund balance, June 30, 2008 | <u>\$ 1,110,741</u> |
| Actual Fund Balances of Major Funds, June 30, 2008 | |
| Highway | \$ 158,185 |
| Federal | 6,160 |
| Health and Social Services | 483,052 |
| Permanent School | 463,344 |
| GAAP fund balance, June 30, 2008 | <u>\$ 1,110,741</u> |

See independent auditors' report

State of Nebraska

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
CONSTRUCTION FUNDS

For the Year Ended June 30, 2008

(Dollars in Thousands)

CONSTRUCTION FUNDS

| | ORIGINAL BUDGET | FINAL BUDGET | ACTUAL | VARIANCE WITH FINAL BUDGET |
|--|----------------------------|-------------------------|------------------|---------------------------------------|
| REVENUES: | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - |
| Federal Grants and Contracts | - | - | - | - |
| Sales and Charges | - | - | - | - |
| Other | 3,529 | 3,529 | 3,529 | - |
| TOTAL REVENUES | 3,529 | 3,529 | 3,529 | - |
| EXPENDITURES: | | | | |
| Current: | | | | |
| General Government | - | - | - | - |
| Conservation of Natural Resources | - | - | - | - |
| Culture – Recreation | - | - | - | - |
| Economic Development and Assistance | - | - | - | - |
| Education | 29,440 | 29,440 | 24,427 | 5,013 |
| Health and Social Services | - | - | - | - |
| Public Safety | - | - | - | - |
| Regulation of Business and Professions | - | - | - | - |
| Transportation | - | - | - | - |
| Capital Projects | 27,853 | 28,003 | 18,506 | 9,497 |
| TOTAL EXPENDITURES | 57,293 | 57,443 | 42,933 | 14,510 |
| Excess of Revenues Over (Under) Expenditures | (53,764) | (53,914) | (39,404) | 14,510 |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers In | 101,956 | 101,956 | 101,956 | - |
| Transfers Out | - | - | - | - |
| Other | - | - | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | 101,956 | 101,956 | 101,956 | - |
| Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses | 48,192 | 48,042 | 62,552 | 14,510 |
| FUND BALANCES, JULY 1 | 3,753 | 3,753 | 3,753 | - |
| FUND BALANCES, JUNE 30 | \$ 51,945 | \$ 51,795 | \$ 66,305 | \$ 14,510 |

See independent auditors' report

State of Nebraska
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
FEDERAL FUNDS

For the Year Ended June 30, 2008

(Dollars in Thousands)

FEDERAL FUNDS

| | ORIGINAL BUDGET | FINAL BUDGET | ACTUAL | VARIANCE WITH FINAL BUDGET |
|--|----------------------------|-------------------------|------------------|---------------------------------------|
| REVENUES: | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - |
| Federal Grants and Contracts | 2,108,831 | 2,108,831 | 2,108,831 | - |
| Sales and Charges | 14,698 | 14,698 | 14,698 | - |
| Other | 11,525 | 11,525 | 11,525 | - |
| TOTAL REVENUES | <u>2,135,054</u> | <u>2,135,054</u> | <u>2,135,054</u> | <u>-</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| General Government | 7,175 | 7,470 | 4,735 | 2,735 |
| Conservation of Natural Resources | 51,823 | 57,154 | 36,791 | 20,363 |
| Culture – Recreation | 3,420 | 3,978 | 2,536 | 1,442 |
| Economic Development and Assistance | 90,323 | 90,854 | 56,187 | 34,667 |
| Education | 631,127 | 646,159 | 570,736 | 75,423 |
| Health and Social Services | 1,546,940 | 1,564,184 | 1,342,554 | 221,630 |
| Public Safety | 94,281 | 170,160 | 134,571 | 35,589 |
| Regulation of Business and Professions | 976 | 2,251 | 1,853 | 398 |
| Transportation | - | - | - | - |
| Capital Projects | 4,250 | 2,816 | 2,373 | 443 |
| TOTAL EXPENDITURES | <u>2,430,315</u> | <u>2,545,026</u> | <u>2,152,336</u> | <u>392,690</u> |
| Excess of Revenues Over (Under) Expenditures | <u>(295,261)</u> | <u>(409,972)</u> | <u>(17,282)</u> | <u>392,690</u> |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers In | 11,082 | 11,082 | 11,082 | - |
| Transfers Out | (11,259) | (11,259) | (11,259) | - |
| Other | (2,536) | (2,536) | (2,536) | - |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>(2,713)</u> | <u>(2,713)</u> | <u>(2,713)</u> | <u>-</u> |
| Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses | <u>(297,974)</u> | <u>(412,685)</u> | <u>(19,995)</u> | <u>392,690</u> |
| FUND BALANCES, JULY 1 | <u>72,283</u> | <u>72,283</u> | <u>72,283</u> | <u>-</u> |
| FUND BALANCES, JUNE 30 | <u>\$ (225,691)</u> | <u>\$ (340,402)</u> | <u>\$ 52,288</u> | <u>\$ 392,690</u> |

See independent auditors' report

State of Nebraska
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
REVOLVING FUNDS

For the Year Ended June 30, 2008

| | REVOLVING FUNDS | | | |
|--|--------------------|------------------|-------------------|-------------------------------|
| | ORIGINAL BUDGET | FINAL BUDGET | ACTUAL | VARIANCE WITH FINAL BUDGET |
| (Dollars in Thousands) | | | | |
| REVENUES: | | | | |
| Taxes | \$ 2 | \$ 2 | \$ 2 | \$ - |
| Federal Grants and Contracts | 2,753 | 2,753 | 2,753 | - |
| Sales and Charges | 465,914 | 465,914 | 465,914 | - |
| Other | 130,081 | 130,081 | 130,081 | - |
| TOTAL REVENUES | 598,750 | 598,750 | 598,750 | - |
| EXPENDITURES: | | | | |
| Current: | | | | |
| General Government | 202,891 | 203,094 | 150,976 | 52,118 |
| Conservation of Natural Resources | - | - | - | - |
| Culture – Recreation | - | - | - | - |
| Economic Development and Assistance | 485 | 483 | 449 | 34 |
| Education | 441,912 | 483,866 | 403,712 | 80,154 |
| Health and Social Services | - | - | - | - |
| Public Safety | 19,413 | 19,437 | 13,726 | 5,711 |
| Regulation of Business and Professions | - | - | - | - |
| Transportation | 2,718 | 2,718 | 596 | 2,122 |
| Capital Projects | - | - | - | - |
| TOTAL EXPENDITURES | 667,419 | 709,598 | 569,459 | 140,139 |
| Excess of Revenues Over (Under) Expenditures | (68,669) | (110,848) | 29,291 | 140,139 |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers In | 36,670 | 36,670 | 36,670 | - |
| Transfers Out | (37,623) | (37,623) | (37,623) | - |
| Other | 2,741 | 2,741 | 2,741 | - |
| TOTAL OTHER FINANCING SOURCES (USES) | 1,788 | 1,788 | 1,788 | - |
| Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses | (66,881) | (109,060) | 31,079 | 140,139 |
| FUND BALANCES, JULY 1 | 176,346 | 176,346 | 176,346 | - |
| FUND BALANCES, JUNE 30 | \$ 109,465 | \$ 67,286 | \$ 207,425 | \$ 140,139 |

See independent auditors' report

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2008

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 Administrative Services.

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

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

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

Cash Reserve Fund. This is part of the General Fund, and is used to account for financial resources to be 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 2008, the Legislature passed deficit appropriation bills that increased the allowable expenditure level in several of the programs.

For the year ended June 30, 2008, 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, 2008

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 NSI system rating of 72 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).

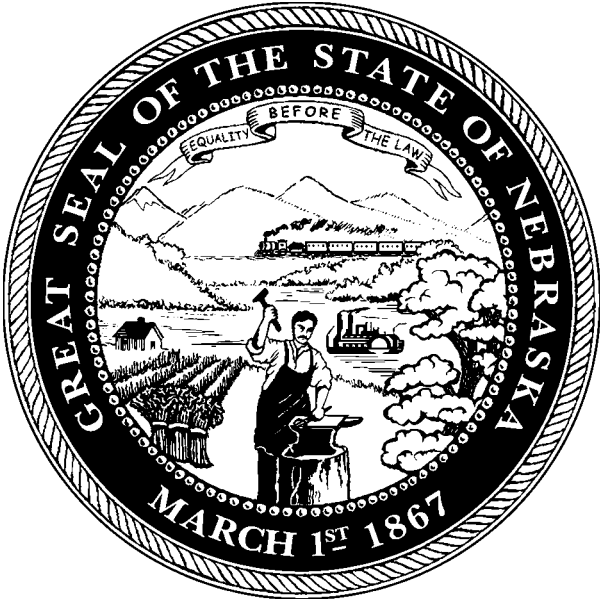
| <u>Calendar Year</u> | <u>2007</u> | <u>2006</u> | <u>2005</u> | <u>2004</u> | <u>2003</u> | <u>2002</u> |
|-----------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Very Good | 33% | 42% | 39% | 39% | 40% | 38% |
| Good | 49% | 38% | 46% | 46% | 44% | 43% |
| Fair | 17% | 19% | 12% | 12% | 14% | 16% |
| Poor | 1% | 1% | 3% | 3% | 2% | 3% |
| Overall System Rating | 82 | 83 | 84 | 83 | 83 | 83 |

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 82 actual).

| <u>Fiscal Year</u> | <u>2009</u> | <u>2008</u> | <u>2007</u> | <u>2006</u> | <u>2005</u> | <u>2004</u> |
|---------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Estimated | \$ 206 | \$ 155 | \$ 148 | \$ 125 | \$ 123 | \$ 179 |
| Actual | | 208 | 167 | 214 | 221 | 200 |
| Difference | | 53 | 19 | 89 | 98 | 21 |

COMBINING FINANCIAL 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.

Environmental Quality. This fund accounts for the activities related to the Department of Environmental Quality, which is responsible for the protection of Nebraska's air, land, and water resources.

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 College of Agriculture and Natural Resources.

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

State of Nebraska
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2008

(Dollars in Thousands)

| | SPECIAL REVENUE | CAPITAL PROJECTS | PERMANENT FUNDS | TOTALS |
|--|----------------------------|-----------------------------|----------------------------|---------------------|
| ASSETS: | | | | |
| Cash and Cash Equivalents | \$ 20,268 | \$ 4,389 | \$ 2,626 | \$ 27,283 |
| Cash on Deposit with Fiscal Agents | 19,323 | - | - | 19,323 |
| Investments | 409,257 | 121,256 | 39,118 | 569,631 |
| Securities Lending Collateral | 80,531 | 24,256 | 4,585 | 109,372 |
| Receivables, net of allowance | | | | |
| Taxes | 184 | - | - | 184 |
| Due from Federal Government | 779 | 142 | - | 921 |
| Loans | 249,154 | 9 | - | 249,163 |
| Other | 12,368 | 1,852 | 7,927 | 22,147 |
| Due from Other Funds | 5,665 | 5 | - | 5,670 |
| Prepaid Items | 100 | - | - | 100 |
| Other | 967 | 1,220 | - | 2,187 |
| TOTAL ASSETS | \$ 798,596 | \$ 153,129 | \$ 54,256 | \$ 1,005,981 |
| LIABILITIES AND FUND BALANCES: | | | | |
| LIABILITIES: | | | | |
| Accounts Payable and Accrued Liabilities | \$ 20,653 | \$ 7,105 | \$ 3,433 | \$ 31,191 |
| Due to Other Governments | 106 | - | - | 106 |
| Deposits | 1,416 | - | - | 1,416 |
| Due to Other Funds | 8,632 | 73 | - | 8,705 |
| Obligations under Securities Lending | 80,531 | 24,256 | 4,585 | 109,372 |
| TOTAL LIABILITIES | 111,338 | 31,434 | 8,018 | 150,790 |
| FUND BALANCES: | | | | |
| Reserved for: | | | | |
| Long-Term Receivables | 249,154 | 9 | - | 249,163 |
| Inventories and Prepaid Items | 100 | - | - | 100 |
| Debt Service | 10,455 | - | - | 10,455 |
| Endowment Principal | - | - | 19,565 | 19,565 |
| Unreserved | 427,549 | 121,686 | 26,673 | 575,908 |
| TOTAL FUND BALANCES | 687,258 | 121,695 | 46,238 | 855,191 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 798,596 | \$ 153,129 | \$ 54,256 | \$ 1,005,981 |

State of Nebraska

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

For the Year Ended June 30, 2008

(Dollars in Thousands)

| | SPECIAL REVENUE | CAPITAL PROJECTS | PERMANENT FUNDS | TOTALS |
|--|--------------------|---------------------|--------------------|-------------------|
| REVENUES: | | | | |
| Sales and Use Taxes | \$ 3,637 | \$ - | \$ - | \$ 3,637 |
| Petroleum Taxes | 14,344 | - | - | 14,344 |
| Excise Taxes | 41,727 | 9,163 | - | 50,890 |
| Business and Franchise Taxes | 18,295 | - | - | 18,295 |
| Other Taxes | 7,699 | - | - | 7,699 |
| Federal Grants and Contracts | 32,414 | 2,014 | - | 34,428 |
| Licenses, Fees and Permits | 116,465 | - | - | 116,465 |
| Charges for Services | 33,117 | 85 | - | 33,202 |
| Investment Income | 27,679 | 8,027 | 231 | 35,937 |
| Rents and Royalties | 11,845 | 14,062 | - | 25,907 |
| Surcharge | 53,329 | - | - | 53,329 |
| Other | 26,586 | - | - | 26,586 |
| TOTAL REVENUES | <u>387,137</u> | <u>33,351</u> | <u>231</u> | <u>420,719</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| General Government | 67,570 | - | 19 | 67,589 |
| Conservation of Natural Resources | 55,503 | - | - | 55,503 |
| Culture – Recreation | 18,186 | - | - | 18,186 |
| Economic Development and Assistance | 23,515 | - | - | 23,515 |
| Education | 11,496 | - | 161 | 11,657 |
| Higher Education - Colleges and University | - | 33,531 | - | 33,531 |
| Health and Social Services | 838 | - | 892 | 1,730 |
| Public Safety | 30,669 | - | - | 30,669 |
| Regulation of Business and Professions | 124,430 | - | - | 124,430 |
| Transportation | 19,110 | - | 129 | 19,239 |
| Capital Projects | - | 27,289 | - | 27,289 |
| Debt Service: | | | | |
| Principal | 6,215 | - | - | 6,215 |
| Interest | 1,459 | - | - | 1,459 |
| TOTAL EXPENDITURES | <u>358,991</u> | <u>60,820</u> | <u>1,201</u> | <u>421,012</u> |
| Excess of Revenues Over (Under) Expenditures | <u>28,146</u> | <u>(27,469)</u> | <u>(970)</u> | <u>(293)</u> |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers In | 104,254 | 101,956 | - | 206,210 |
| Transfers Out | (48,644) | (4,585) | (334) | (53,563) |
| Proceeds from Other Financing Arrangements | 2,790 | - | - | 2,790 |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>58,400</u> | <u>97,371</u> | <u>(334)</u> | <u>155,437</u> |
| Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses | 86,546 | 69,902 | (1,304) | 155,144 |
| FUND BALANCES, JULY 1 | <u>600,712</u> | <u>51,793</u> | <u>47,542</u> | <u>700,047</u> |
| FUND BALANCES, JUNE 30 | <u>\$ 687,258</u> | <u>\$ 121,695</u> | <u>\$ 46,238</u> | <u>\$ 855,191</u> |

State of Nebraska
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
June 30, 2008

(Dollars in Thousands)

| | LICENSING AND REGULATION | ECONOMIC DEVELOPMENT | AIRPORT DEVELOPMENT | GAME AND PARKS |
|--|-----------------------------|-------------------------|------------------------|-------------------------|
| ASSETS: | | | | |
| Cash and Cash Equivalents | \$ 3,555 | \$ 2,593 | \$ 5,298 | \$ 2,735 |
| Cash on Deposit with Fiscal Agents | - | - | - | - |
| Investments | 96,141 | 67,066 | - | 64,623 |
| Securities Lending Collateral | 19,232 | 13,416 | - | 12,811 |
| Receivables, net of allowance: | | | | |
| Taxes | 17 | - | 131 | - |
| Due from Federal Government | - | - | - | 734 |
| Loans | - | 144 | 2,877 | - |
| Other | 3,850 | 1,999 | 92 | 1,609 |
| Due from Other Funds | 3 | - | 30 | 665 |
| Prepaid Items | 4 | - | 4 | 49 |
| Other | - | 965 | - | - |
| TOTAL ASSETS | <u>\$ 122,802</u> | <u>\$ 86,183</u> | <u>\$ 8,432</u> | <u>\$ 83,226</u> |
| LIABILITIES AND FUND BALANCES | | | | |
| LIABILITIES: | | | | |
| Accounts Payable and Accrued Liabilities | \$ 4,999 | \$ 1,082 | \$ 137 | \$ 6,348 |
| Due to Other Governments | 11 | - | - | 4 |
| Deposits | 444 | 965 | - | - |
| Due to Other Funds | 262 | 35 | 14 | 982 |
| Obligations under Securities Lending | 19,232 | 13,416 | - | 12,811 |
| TOTAL LIABILITIES | <u>24,948</u> | <u>15,498</u> | <u>151</u> | <u>20,145</u> |
| FUND BALANCES: | | | | |
| Reserved for: | | | | |
| Long-Term Receivables | - | 144 | 2,877 | - |
| Inventories and Prepaid Items | 4 | - | 4 | 49 |
| Debt Service | - | - | - | - |
| Unreserved | 97,850 | 70,541 | 5,400 | 63,032 |
| TOTAL FUND BALANCES | <u>97,854</u> | <u>70,685</u> | <u>8,281</u> | <u>63,081</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$ 122,802</u> | <u>\$ 86,183</u> | <u>\$ 8,432</u> | <u>\$ 83,226</u> |

| ENVIRONMENTAL QUALITY | ENERGY CONSERVATION | STATE BUILDING CORPORATION | NETC LEASING CORPORATION | OTHER SPECIAL REVENUE | TOTALS |
|----------------------------------|--------------------------------|---|---|--------------------------------------|-------------------|
| \$ 1,997 | \$ 655 | \$ - | \$ - | \$ 3,435 | \$ 20,268 |
| 9,438 | - | 579 | 3,931 | 5,375 | 19,323 |
| 57,706 | 18,067 | - | - | 105,654 | 409,257 |
| 11,010 | 3,614 | - | - | 20,448 | 80,531 |
| 36 | - | - | - | - | 184 |
| - | - | - | - | 45 | 779 |
| 223,868 | 13,690 | - | - | 8,575 | 249,154 |
| 836 | 278 | 2 | 232 | 3,470 | 12,368 |
| - | - | - | - | 4,967 | 5,665 |
| - | - | - | 19 | 24 | 100 |
| - | - | - | - | 2 | 967 |
| <u>\$ 304,891</u> | <u>\$ 36,304</u> | <u>\$ 581</u> | <u>\$ 4,182</u> | <u>\$ 151,995</u> | <u>\$ 798,596</u> |
| \$ 339 | \$ 6 | \$ - | \$ 2 | \$ 7,740 | \$ 20,653 |
| - | - | - | - | 91 | 106 |
| - | - | - | - | 7 | 1,416 |
| 6 | 23 | - | - | 7,310 | 8,632 |
| 11,010 | 3,614 | - | - | 20,448 | 80,531 |
| <u>11,355</u> | <u>3,643</u> | <u>-</u> | <u>2</u> | <u>35,596</u> | <u>111,338</u> |
| 223,868 | 13,690 | - | - | 8,575 | 249,154 |
| - | - | - | 19 | 24 | 100 |
| 9,438 | - | 581 | 218 | 218 | 10,455 |
| 60,230 | 18,971 | - | 3,943 | 107,582 | 427,549 |
| <u>293,536</u> | <u>32,661</u> | <u>581</u> | <u>4,180</u> | <u>116,399</u> | <u>687,258</u> |
| <u>\$ 304,891</u> | <u>\$ 36,304</u> | <u>\$ 581</u> | <u>\$ 4,182</u> | <u>\$ 151,995</u> | <u>\$ 798,596</u> |

State of Nebraska

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

For the Year Ended June 30, 2008

(Dollars in Thousands)

| | LICENSING AND REGULATION | ECONOMIC DEVELOPMENT | AIRPORT DEVELOPMENT | GAME AND PARKS |
|--|-----------------------------|-------------------------|------------------------|-------------------|
| REVENUES: | | | | |
| Sales and Use Taxes | \$ - | \$ 3,637 | \$ - | \$ - |
| Petroleum Taxes | 11,539 | 857 | 1,601 | - |
| Excise Taxes | 8,910 | 26,015 | - | 1,309 |
| Business and Franchise Taxes | 4,190 | 172 | - | - |
| Other Taxes | - | - | - | - |
| Federal Grants and Contracts | 23 | 108 | 15,903 | 11,014 |
| Licenses, Fees and Permits | 56,732 | 96 | 4 | 21,987 |
| Charges for Services | 2,019 | 202 | 680 | 4,405 |
| Investment Income | 6,799 | 4,053 | 236 | 4,144 |
| Rents and Royalties | - | - | 754 | 9,037 |
| Surcharge | 53,329 | - | - | - |
| Other | 9,205 | 486 | 22 | 653 |
| TOTAL REVENUES | 152,746 | 35,626 | 19,200 | 52,549 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| General Government | - | - | - | - |
| Conservation of Natural Resources | - | - | - | 39,350 |
| Culture – Recreation | - | - | - | 17,092 |
| Economic Development and Assistance | - | 22,743 | - | - |
| Education | - | - | - | - |
| Health and Social Services | - | - | - | - |
| Public Safety | - | - | - | - |
| Regulation of Business and Professions | 123,670 | - | - | - |
| Transportation | - | - | 19,110 | - |
| Debt Service | | | | |
| Principal | - | - | - | - |
| Interest | - | - | - | - |
| TOTAL EXPENDITURES | 123,670 | 22,743 | 19,110 | 56,442 |
| Excess of Revenues Over (Under) Expenditures | 29,076 | 12,883 | 90 | (3,893) |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers In | 2,529 | 29,925 | 334 | 13,576 |
| Transfers Out | (16,016) | (25,751) | - | - |
| Proceeds from Bond Issuance | - | - | - | - |
| Proceeds from Other Financing Arrangements | - | - | - | - |
| Proceeds from Capital Leases | - | - | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | (13,487) | 4,174 | 334 | 13,576 |
| Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses | 15,589 | 17,057 | 424 | 9,683 |
| FUND BALANCES, JULY 1 | 82,265 | 53,628 | 7,857 | 53,398 |
| FUND BALANCES, JUNE 30 | \$ 97,854 | \$ 70,685 | \$ 8,281 | \$ 63,081 |

| ENVIRONMENTAL QUALITY | ENERGY CONSERVATION | STATE BUILDING CORPORATION | NETC LEASING CORPORATION | OTHER SPECIAL REVENUE | TOTALS |
|--------------------------|------------------------|----------------------------------|--------------------------------|-----------------------------|-------------------|
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ 3,637 |
| - | 300 | - | - | 47 | 14,344 |
| 2,476 | - | - | - | 3,017 | 41,727 |
| 1,578 | - | - | - | 12,355 | 18,295 |
| - | - | - | - | 7,699 | 7,699 |
| - | 21 | - | - | 5,345 | 32,414 |
| 6,212 | - | - | - | 31,434 | 116,465 |
| - | 17 | - | - | 25,794 | 33,117 |
| 3,941 | 1,308 | 30 | 161 | 7,007 | 27,679 |
| - | - | 621 | - | 1,433 | 11,845 |
| - | - | - | - | - | 53,329 |
| <u>7,233</u> | <u>82</u> | <u>-</u> | <u>-</u> | <u>8,905</u> | <u>26,586</u> |
| <u>21,440</u> | <u>1,728</u> | <u>651</u> | <u>161</u> | <u>103,036</u> | <u>387,137</u> |
| - | - | 2 | - | 67,568 | 67,570 |
| 11,297 | 711 | - | - | 4,145 | 55,503 |
| - | - | - | - | 1,094 | 18,186 |
| - | - | - | - | 772 | 23,515 |
| - | - | - | 228 | 11,268 | 11,496 |
| - | - | - | - | 838 | 838 |
| - | - | - | - | 30,669 | 30,669 |
| - | - | - | - | 760 | 124,430 |
| - | - | - | - | - | 19,110 |
| 1,810 | - | 575 | 3,830 | - | 6,215 |
| <u>652</u> | <u>-</u> | <u>51</u> | <u>756</u> | <u>-</u> | <u>1,459</u> |
| <u>13,759</u> | <u>711</u> | <u>628</u> | <u>4,814</u> | <u>117,114</u> | <u>358,991</u> |
| <u>7,681</u> | <u>1,017</u> | <u>23</u> | <u>(4,653)</u> | <u>(14,078)</u> | <u>28,146</u> |
| 10,926 | - | - | 4,585 | 42,379 | 104,254 |
| (30) | - | - | - | (6,847) | (48,644) |
| - | - | - | - | - | - |
| 2,790 | - | - | - | - | 2,790 |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <u>13,686</u> | <u>-</u> | <u>-</u> | <u>4,585</u> | <u>35,532</u> | <u>58,400</u> |
| 21,367 | 1,017 | 23 | (68) | 21,454 | 86,546 |
| <u>272,169</u> | <u>31,644</u> | <u>558</u> | <u>4,248</u> | <u>94,945</u> | <u>600,712</u> |
| <u>\$ 293,536</u> | <u>\$ 32,661</u> | <u>\$ 581</u> | <u>\$ 4,180</u> | <u>\$ 116,399</u> | <u>\$ 687,258</u> |

State of Nebraska
COMBINING BALANCE SHEET
NONMAJOR PERMANENT FUNDS
June 30, 2008

(Dollars in Thousands)

| | AERONAUTICS TRUST | NEBRASKA VETERANS AID | PERMANENT ENDOWMENT | AGRICULTURE ENDOWMENT | OTHER | TOTALS |
|--|----------------------|-----------------------------|------------------------|--------------------------|---------------|------------------|
| ASSETS: | | | | | | |
| Cash and Cash Equivalents | \$ - | \$ 2,212 | \$ 312 | \$ 91 | \$ 11 | \$ 2,626 |
| Investments | 6,367 | 29,723 | 814 | 1,791 | 423 | 39,118 |
| Securities Lending Collateral | 2,998 | 1,403 | 38 | 85 | 61 | 4,585 |
| Other Receivables, net of allowance | 71 | 7,171 | 200 | 431 | 54 | 7,927 |
| TOTAL ASSETS | <u>\$ 9,436</u> | <u>\$ 40,509</u> | <u>\$ 1,364</u> | <u>\$ 2,398</u> | <u>\$ 549</u> | <u>\$ 54,256</u> |
| LIABILITIES AND FUND BALANCES | | | | | | |
| LIABILITIES: | | | | | | |
| Accounts Payable and Accrued Liabilities | \$ - | \$ 3,074 | \$ 104 | \$ 228 | \$ 27 | \$ 3,433 |
| Obligations under Securities Lending | 2,998 | 1,403 | 38 | 85 | 61 | 4,585 |
| TOTAL LIABILITIES | <u>2,998</u> | <u>4,477</u> | <u>142</u> | <u>313</u> | <u>88</u> | <u>8,018</u> |
| FUND BALANCES: | | | | | | |
| Reserved for Endowment Principal | 6,195 | 12,000 | 503 | 722 | 145 | 19,565 |
| Unreserved | 243 | 24,032 | 719 | 1,363 | 316 | 26,673 |
| TOTAL FUND BALANCES | <u>6,438</u> | <u>36,032</u> | <u>1,222</u> | <u>2,085</u> | <u>461</u> | <u>46,238</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$ 9,436</u> | <u>\$ 40,509</u> | <u>\$ 1,364</u> | <u>\$ 2,398</u> | <u>\$ 549</u> | <u>\$ 54,256</u> |

State of Nebraska

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

For the Year Ended June 30, 2008

(Dollars in Thousands)

| | AERONAUTICS TRUST | NEBRASKA VETERANS AID | PERMANENT ENDOWMENT | AGRICULTURE ENDOWMENT | OTHER | TOTALS |
|--|----------------------|-----------------------------|------------------------|--------------------------|---------------|------------------|
| REVENUES: | | | | | | |
| Investment Income | \$ 714 | \$ (461) | \$ 2 | \$ (29) | \$ 5 | \$ 231 |
| TOTAL REVENUES | <u>714</u> | <u>(461)</u> | <u>2</u> | <u>(29)</u> | <u>5</u> | <u>231</u> |
| EXPENDITURES: | | | | | | |
| General Government | - | - | - | - | 19 | 19 |
| Education | - | - | 47 | 103 | 11 | 161 |
| Health and Social Services | - | 892 | - | - | - | 892 |
| Transportation | <u>129</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>129</u> |
| TOTAL EXPENDITURES | <u>129</u> | <u>892</u> | <u>47</u> | <u>103</u> | <u>30</u> | <u>1,201</u> |
| Excess of Revenues Over (Under) Expenditures | 585 | (1,353) | (45) | (132) | (25) | (970) |
| OTHER FINANCING SOURCES (USES): | | | | | | |
| Transfers Out | <u>(334)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(334)</u> |
| Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses | 251 | (1,353) | (45) | (132) | (25) | (1,304) |
| FUND BALANCES, JULY 1 | <u>6,187</u> | <u>37,385</u> | <u>1,267</u> | <u>2,217</u> | <u>486</u> | <u>47,542</u> |
| FUND BALANCES, JUNE 30 | <u>\$ 6,438</u> | <u>\$ 36,032</u> | <u>\$ 1,222</u> | <u>\$ 2,085</u> | <u>\$ 461</u> | <u>\$ 46,238</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, up to a limit of \$1,750,000 per occurrence.

Cornhusker State Industries. The activities of Cornhusker State Industries in the Department of Correctional Services are accounted for in this fund. One of the main activities is making furniture.

State of Nebraska
COMBINING STATEMENT OF NET ASSETS
NONMAJOR ENTERPRISE FUNDS
June 30, 2008

(Dollars in Thousands)

| | LOTTERY | EXCESS LIABILITY | CORNHUSKER STATE INDUSTRIES | TOTALS |
|---|------------------|---------------------|-----------------------------------|-------------------|
| ASSETS | | | | |
| CURRENT ASSETS: | | | | |
| Cash and Cash Equivalents | \$ 7,719 | \$ 4,858 | \$ 6,150 | \$ 18,727 |
| Receivables, net of allowance | 5,126 | 25,668 | 770 | 31,564 |
| Due from Other Funds | - | - | 643 | 643 |
| Inventories | - | - | 1,961 | 1,961 |
| Prepaid Items | 531 | - | - | 531 |
| TOTAL CURRENT ASSETS | 13,376 | 30,526 | 9,524 | 53,426 |
| NONCURRENT ASSETS: | | | | |
| Restricted Long-Term Deposits | 1,769 | - | - | 1,769 |
| Long-Term Investments | - | 50,557 | - | 50,557 |
| Securities Lending Collateral | - | 2,712 | - | 2,712 |
| Capital Assets: | | | | |
| Land | - | - | 315 | 315 |
| Buildings and Equipment | 422 | - | 10,072 | 10,494 |
| Less Accumulated Depreciation | (386) | - | (4,112) | (4,498) |
| Total Capital Assets, net | 36 | - | 6,275 | 6,311 |
| TOTAL NONCURRENT ASSETS | 1,805 | 53,269 | 6,275 | 61,349 |
| TOTAL ASSETS | \$ 15,181 | \$ 83,795 | \$ 15,799 | \$ 114,775 |
| LIABILITIES AND NET ASSETS | | | | |
| CURRENT LIABILITIES: | | | | |
| Accounts Payable and Accrued Liabilities | \$ 7,321 | \$ 10,883 | \$ 664 | \$ 18,868 |
| Due to Other Funds | 39 | - | 124 | 163 |
| Claims, Judgments and Compensated Absences | 16 | 9,904 | 33 | 9,953 |
| Unearned Revenue | - | 4,785 | - | 4,785 |
| TOTAL CURRENT LIABILITIES | 7,376 | 25,572 | 821 | 33,769 |
| NONCURRENT LIABILITIES: | | | | |
| Claims, Judgments and Compensated Absences | 209 | 21,796 | 432 | 22,437 |
| Obligations under Securities Lending | - | 2,712 | - | 2,712 |
| TOTAL NONCURRENT LIABILITIES | 209 | 24,508 | 432 | 25,149 |
| TOTAL LIABILITIES | 7,585 | 50,080 | 1,253 | 58,918 |
| NET ASSETS: | | | | |
| Invested in Capital Assets, net of related debt | 36 | - | 6,275 | 6,311 |
| Restricted for: | | | | |
| Lottery Prizes, Noncurrent | 1,769 | - | - | 1,769 |
| Unrestricted | 5,791 | 33,715 | 8,271 | 47,777 |
| TOTAL NET ASSETS | 7,596 | 33,715 | 14,546 | 55,857 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 15,181 | \$ 83,795 | \$ 15,799 | \$ 114,775 |

State of Nebraska

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

For the Year Ended June 30, 2008

(Dollars in Thousands)

| | LOTTERY | EXCESS LIABILITY | CORNHUSKER STATE INDUSTRIES | TOTALS |
|--|-----------------|---------------------|-----------------------------------|------------------|
| OPERATING REVENUES: | | | | |
| Charges for Services | \$ 121,910 | \$ 10,947 | \$ 9,724 | \$ 142,581 |
| Other | - | - | 156 | 156 |
| TOTAL OPERATING REVENUES | <u>121,910</u> | <u>10,947</u> | <u>9,880</u> | <u>142,737</u> |
| OPERATING EXPENSES: | | | | |
| Personal Services | 1,401 | - | 4,319 | 5,720 |
| Services and Supplies | 20,994 | 561 | 5,701 | 27,256 |
| Lottery Prizes | 69,239 | - | - | 69,239 |
| Insurance Claims | - | (3,268) | - | (3,268) |
| Depreciation | 19 | - | 415 | 434 |
| TOTAL OPERATING EXPENSES | <u>91,653</u> | <u>(2,707)</u> | <u>10,435</u> | <u>99,381</u> |
| Operating Income (Loss) | <u>30,257</u> | <u>13,654</u> | <u>(555)</u> | <u>43,356</u> |
| NONOPERATING REVENUES (EXPENSES): | | | | |
| Investment Income | <u>774</u> | <u>4,261</u> | <u>327</u> | <u>5,362</u> |
| Income (Loss) Before Transfers | 31,031 | 17,915 | (228) | 48,718 |
| Transfers Out | <u>(31,008)</u> | <u>-</u> | <u>-</u> | <u>(31,008)</u> |
| Change in Net Assets | 23 | 17,915 | (228) | 17,710 |
| NET ASSETS, JULY 1 | <u>7,573</u> | <u>15,800</u> | <u>14,774</u> | <u>38,147</u> |
| NET ASSETS, JUNE 30 | <u>\$ 7,596</u> | <u>\$ 33,715</u> | <u>\$ 14,546</u> | <u>\$ 55,857</u> |

State of Nebraska
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
For the Year Ended June 30, 2008

(Dollars in Thousands)

| | LOTTERY | EXCESS LIABILITY | CORNHUSKER STATE INDUSTRIES | TOTALS |
|---|------------------|---------------------|-----------------------------------|------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | |
| Cash Received from Customers | \$ 121,444 | \$ 10,452 | \$ 2,488 | \$134,384 |
| Cash Received from Interfund Charges | - | - | 7,236 | 7,236 |
| Cash Paid to Employees | (1,366) | - | (4,261) | (5,627) |
| Cash Paid to Suppliers | (20,433) | (369) | (4,723) | (25,525) |
| Cash Paid for Lottery Prizes | (69,988) | - | - | (69,988) |
| Cash Paid for Insurance Claims | - | (7,232) | - | (7,232) |
| Cash Paid for Interfund Services | (628) | (185) | (1,328) | (2,141) |
| NET CASH FLOWS FROM OPERATING ACTIVITIES | <u>29,029</u> | <u>2,666</u> | <u>(588)</u> | <u>31,107</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | | | | |
| Transfers Out | <u>(31,008)</u> | - | - | <u>(31,008)</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING: | | | | |
| Acquisition and Construction of Capital Assets | <u>(31)</u> | - | <u>(870)</u> | <u>(901)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | | |
| Purchase of Investment Securities | - | (487,181) | - | (487,181) |
| Proceeds from Sale of Investment Securities | - | 469,422 | - | 469,422 |
| Interest and Dividend Income | 670 | 4,021 | 337 | 5,028 |
| NET CASH FLOWS FROM INVESTING ACTIVITIES | <u>670</u> | <u>(13,738)</u> | <u>337</u> | <u>(12,731)</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (1,340) | (11,072) | (1,121) | (13,533) |
| CASH AND CASH EQUIVALENTS, JULY 1 | <u>9,059</u> | <u>15,930</u> | <u>7,271</u> | <u>32,260</u> |
| CASH AND CASH EQUIVALENTS, JUNE 30 | <u>\$ 7,719</u> | <u>\$ 4,858</u> | <u>\$ 6,150</u> | <u>\$ 18,727</u> |
| RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES: | | | | |
| Operating Income (Loss) | <u>\$ 30,257</u> | <u>\$ 13,654</u> | <u>\$ (555)</u> | <u>\$ 43,356</u> |
| Adjustments to reconcile operating income to net cash flows from operating activities: | | | | |
| Depreciation | 19 | - | 415 | 434 |
| Change in Assets and Liabilities: | | | | |
| (Increase) Decrease in Receivables | (466) | - | (203) | (669) |
| (Increase) Decrease in Due from Other Funds | - | - | 47 | 47 |
| (Increase) Decrease in Inventories | - | - | (270) | (270) |
| (Increase) Decrease in Prepaid Items | (191) | - | - | (191) |
| (Increase) Decrease in Long-Term Deposits | (170) | - | - | (170) |
| Increase (Decrease) in Accounts Payable and Accrued Liabilities | (420) | 7 | (6) | (419) |
| Increase (Decrease) in Due to Other Funds | - | - | (16) | (16) |
| Increase (Decrease) in Claims Payable | - | (10,500) | - | (10,500) |
| Increase (Decrease) in Unearned Revenue | - | (495) | - | (495) |
| Total adjustments | <u>(1,228)</u> | <u>(10,988)</u> | <u>(33)</u> | <u>(12,249)</u> |
| NET CASH FLOWS FROM OPERATING ACTIVITIES | <u>\$ 29,029</u> | <u>\$ 2,666</u> | <u>\$ (588)</u> | <u>\$ 31,107</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>\$ 286</u> | <u>\$ -</u> | <u>\$ 286</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 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 Administrative Services, Materiel Division. These operations are the central mailroom, printing, central stores, purchasing services, surplus State property, and other miscellaneous office services.

Office of the CIO. This fund accounts for the activities of the central communications network and central data processing operations maintained by Administrative Services, Office of the Chief Information Officer.

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

Risk Management. The activities 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 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 Administrative Services, Division of State Personnel.

State of Nebraska
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
June 30, 2008

| (Dollars in Thousands) | BUILDINGS AND GROUNDS | GENERAL SERVICES | OFFICE OF THE CIO |
|---|--------------------------------------|-----------------------------|------------------------------|
| ASSETS | | | |
| CURRENT ASSETS: | | | |
| Cash and Cash Equivalents | \$ 13,618 | \$ 4,633 | \$ 12,244 |
| Receivables, net of allowance | | | |
| Accounts | 13 | 77 | 822 |
| Accrued Interest | 219 | 76 | 152 |
| Due from Other Funds | 164 | 2,377 | 7,759 |
| Inventories | - | 131 | 60 |
| Prepaid Items | <u>1,002</u> | <u>133</u> | <u>-</u> |
| TOTAL CURRENT ASSETS | <u>15,016</u> | <u>7,427</u> | <u>21,037</u> |
| NONCURRENT ASSETS: | | | |
| Capital Assets: | | | |
| Buildings and Equipment | 2,423 | 10,403 | 26,768 |
| Less Accumulated Depreciation | <u>(2,112)</u> | <u>(4,904)</u> | <u>(19,905)</u> |
| Total Capital Assets, net | <u>311</u> | <u>5,499</u> | <u>6,863</u> |
| TOTAL ASSETS | <u>\$ 15,327</u> | <u>\$ 12,926</u> | <u>\$ 27,900</u> |
| LIABILITIES AND NET ASSETS | | | |
| CURRENT LIABILITIES: | | | |
| Accounts Payable and Accrued Liabilities | \$ 2,413 | \$ 1,963 | \$ 6,079 |
| Due to Other Funds | 97 | 1,081 | 402 |
| Capital Lease Obligations | 71 | - | 2,425 |
| Claims, Judgments and Compensated Absences | 42 | 31 | 199 |
| Unearned Revenue | <u>-</u> | <u>-</u> | <u>696</u> |
| TOTAL CURRENT LIABILITIES | <u>2,623</u> | <u>3,075</u> | <u>9,801</u> |
| NONCURRENT LIABILITIES: | | | |
| Capital Lease Obligations | 35 | - | 4,175 |
| Claims, Judgments and Compensated Absences | <u>553</u> | <u>405</u> | <u>2,650</u> |
| TOTAL NONCURRENT LIABILITIES | <u>588</u> | <u>405</u> | <u>6,825</u> |
| TOTAL LIABILITIES | <u>3,211</u> | <u>3,480</u> | <u>16,626</u> |
| NET ASSETS: | | | |
| Invested in Capital Assets, net of related debt | 205 | 5,499 | 263 |
| Unrestricted | <u>11,911</u> | <u>3,947</u> | <u>11,011</u> |
| TOTAL NET ASSETS | <u>12,116</u> | <u>9,446</u> | <u>11,274</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 15,327</u> | <u>\$ 12,926</u> | <u>\$ 27,900</u> |

| TRANSPORTATION SERVICES | RISK MANAGEMENT | ACCOUNTING SERVICES | OTHER INTERNAL SERVICE | TOTALS |
|--------------------------------|------------------------|----------------------------|-------------------------------|-------------------|
| \$ 4,471 | \$ 42,166 | \$ 1,927 | \$ 2,860 | \$ 81,919 |
| 57 | 179 | 2 | 119 | 1,269 |
| 67 | 570 | 64 | 40 | 1,188 |
| 1,213 | 32,435 | - | 439 | 44,387 |
| - | - | - | - | 191 |
| - | - | - | - | 1,135 |
| <u>5,808</u> | <u>75,350</u> | <u>1,993</u> | <u>3,458</u> | <u>130,089</u> |
| 17,368 | - | 1,456 | 751 | 59,169 |
| <u>(6,688)</u> | <u>-</u> | <u>(1,001)</u> | <u>(675)</u> | <u>(35,285)</u> |
| <u>10,680</u> | <u>-</u> | <u>455</u> | <u>76</u> | <u>23,884</u> |
| <u>\$ 16,488</u> | <u>\$ 75,350</u> | <u>\$ 2,448</u> | <u>\$ 3,534</u> | <u>\$ 153,973</u> |
| \$ 1,032 | \$ 5,595 | \$ 413 | \$ 669 | \$ 18,164 |
| 131 | 4,573 | 60 | 7 | 6,351 |
| 645 | - | - | - | 3,141 |
| 7 | 27,996 | 16 | 11 | 28,302 |
| - | - | - | - | 696 |
| <u>1,815</u> | <u>38,164</u> | <u>489</u> | <u>687</u> | <u>56,654</u> |
| 2,095 | - | - | - | 6,305 |
| <u>87</u> | <u>36,059</u> | <u>209</u> | <u>149</u> | <u>40,112</u> |
| <u>2,182</u> | <u>36,059</u> | <u>209</u> | <u>149</u> | <u>46,417</u> |
| <u>3,997</u> | <u>74,223</u> | <u>698</u> | <u>836</u> | <u>103,071</u> |
| 7,940 | - | 455 | 76 | 14,438 |
| <u>4,551</u> | <u>1,127</u> | <u>1,295</u> | <u>2,622</u> | <u>36,464</u> |
| <u>12,491</u> | <u>1,127</u> | <u>1,750</u> | <u>2,698</u> | <u>50,902</u> |
| <u>\$ 16,488</u> | <u>\$ 75,350</u> | <u>\$ 2,448</u> | <u>\$ 3,534</u> | <u>\$ 153,973</u> |

State of Nebraska

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

For the Year Ended June 30, 2008

| (Dollars in Thousands) | BUILDINGS AND GROUNDS | GENERAL SERVICES | OFFICE OF THE CIO |
|--|--------------------------------------|-----------------------------|------------------------------|
| OPERATING REVENUES: | | | |
| Charges for Services | \$ 30,925 | \$ 19,769 | \$ 60,662 |
| Other | 911 | - | - |
| TOTAL OPERATING REVENUES | <u>31,836</u> | <u>19,769</u> | <u>60,662</u> |
| OPERATING EXPENSES: | | | |
| Personal Services | 3,683 | 3,008 | 17,621 |
| Services and Supplies | 27,756 | 14,770 | 47,245 |
| Insurance Claims | - | - | - |
| Depreciation | 104 | 943 | 3,435 |
| TOTAL OPERATING EXPENSES | <u>31,543</u> | <u>18,721</u> | <u>68,301</u> |
| Operating Income (Loss) | <u>293</u> | <u>1,048</u> | <u>(7,639)</u> |
| NONOPERATING REVENUES (EXPENSES): | | | |
| Investment Income | 688 | 179 | 597 |
| Gain (Loss) on Sale of Capital Assets | 7 | (183) | 52 |
| Other | (5) | - | 2,011 |
| TOTAL NONOPERATING REVENUES (EXPENSES) | <u>690</u> | <u>(4)</u> | <u>2,660</u> |
| Change in Net Assets | 983 | 1,044 | (4,979) |
| NET ASSETS, JULY 1 | <u>11,133</u> | <u>8,402</u> | <u>16,253</u> |
| NET ASSETS, JUNE 30 | <u><u>\$ 12,116</u></u> | <u><u>\$ 9,446</u></u> | <u><u>\$ 11,274</u></u> |

| TRANSPORTATION SERVICES | RISK MANAGEMENT | ACCOUNTING SERVICES | OTHER INTERNAL SERVICE | TOTALS |
|--------------------------------|------------------------|----------------------------|-------------------------------|------------------|
| \$ 6,918 | \$ 181,678 | \$ 4,134 | \$ 8,363 | \$ 312,449 |
| - | - | 1,167 | - | 2,078 |
| <u>6,918</u> | <u>181,678</u> | <u>5,301</u> | <u>8,363</u> | <u>314,527</u> |
| 549 | 170 | 1,845 | 4,745 | 31,621 |
| 4,089 | 727 | 3,104 | 3,916 | 101,607 |
| - | 182,154 | - | - | 182,154 |
| <u>1,804</u> | <u>-</u> | <u>427</u> | <u>96</u> | <u>6,809</u> |
| <u>6,442</u> | <u>183,051</u> | <u>5,376</u> | <u>8,757</u> | <u>322,191</u> |
| <u>476</u> | <u>(1,373)</u> | <u>(75)</u> | <u>(394)</u> | <u>(7,664)</u> |
| 149 | 1,592 | 205 | 126 | 3,536 |
| (726) | - | (2) | - | (852) |
| <u>(119)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,887</u> |
| <u>(696)</u> | <u>1,592</u> | <u>203</u> | <u>126</u> | <u>4,571</u> |
| (220) | 219 | 128 | (268) | (3,093) |
| <u>12,711</u> | <u>908</u> | <u>1,622</u> | <u>2,966</u> | <u>53,995</u> |
| <u>\$ 12,491</u> | <u>\$ 1,127</u> | <u>\$ 1,750</u> | <u>\$ 2,698</u> | <u>\$ 50,902</u> |

State of Nebraska
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Year Ended June 30, 2008

| (Dollars in Thousands) | BUILDINGS AND GROUNDS | GENERAL SERVICES | OFFICE OF THE CIO |
|---|--------------------------------------|-----------------------------|------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Cash Received from Customers | \$ 607 | \$ 107 | \$ 2,325 |
| Cash Received from Interfund Charges | 31,210 | 19,494 | 59,631 |
| Cash Paid to Employees | (3,622) | (3,044) | (17,486) |
| Cash Paid to Suppliers | (25,335) | (14,962) | (42,735) |
| Cash Paid for Insurance Claims | - | - | - |
| Cash Paid for Interfund Services | <u>(1,528)</u> | <u>(298)</u> | <u>(4,028)</u> |
| NET CASH FLOWS FROM OPERATING ACTIVITIES | <u>1,332</u> | <u>1,297</u> | <u>(2,293)</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | | | |
| Cigarette Tax Proceeds | <u>-</u> | <u>-</u> | <u>2,213</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | | |
| Acquisition and Construction of Capital Assets | (196) | (1,685) | (2,522) |
| Proceeds from Sale of Capital Assets | 8 | 4 | 52 |
| Principal Paid on Capital Leases | (72) | - | (1,815) |
| Interest Paid on Capital Leases | <u>(5)</u> | <u>-</u> | <u>(202)</u> |
| NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | <u>(265)</u> | <u>(1,681)</u> | <u>(4,487)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| Investment Income | <u>649</u> | <u>172</u> | <u>683</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 1,716 | (212) | (3,884) |
| CASH AND CASH EQUIVALENTS, JULY 1 | <u>11,902</u> | <u>4,845</u> | <u>16,128</u> |
| CASH AND CASH EQUIVALENTS, JUNE 30 | <u><u>\$13,618</u></u> | <u><u>\$ 4,633</u></u> | <u><u>\$12,244</u></u> |
| RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Operating Income (Loss) | \$ 293 | \$ 1,048 | \$ (7,639) |
| Adjustments to reconcile operating income (loss) to net cash flows from operating activities: | | | |
| Depreciation | 104 | 943 | 3,435 |
| Change in Assets and Liabilities: | | | |
| (Increase) Decrease in Receivables | (9) | (36) | (243) |
| (Increase) Decrease in Due from Other Funds | (10) | (132) | 1,788 |
| (Increase) Decrease in Inventories | - | 15 | (14) |
| (Increase) Decrease in Prepaid Items | (118) | 37 | - |
| Increase (Decrease) in Accounts Payable and Accrued Liabilities | 1,031 | (911) | 623 |
| Increase (Decrease) in Due to Other Funds | 41 | 333 | 8 |
| Increase (Decrease) in Claims Payable | - | - | - |
| Increase (Decrease) in Unearned Revenue | <u>-</u> | <u>-</u> | <u>(251)</u> |
| Total Adjustments | <u>1,039</u> | <u>249</u> | <u>5,346</u> |
| NET CASH FLOWS FROM OPERATING ACTIVITIES | <u><u>\$ 1,332</u></u> | <u><u>\$ 1,297</u></u> | <u><u>\$ (2,293)</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 | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 4,146</u></u> |

| TRANSPORTATION SERVICES | RISK MANAGEMENT | ACCOUNTING SERVICES | OTHER INTERNAL SERVICE | TOTALS |
|------------------------------------|----------------------------|--------------------------------|---------------------------------------|-------------------|
| \$ 110 | \$ 5,254 | \$ 2 | \$ 7,608 | \$ 16,013 |
| 8,085 | 184,271 | 5,299 | 839 | 308,829 |
| (525) | (166) | (1,850) | (4,762) | (31,455) |
| (2,324) | (208) | (2,261) | (3,571) | (91,396) |
| - | (180,842) | - | - | (180,842) |
| <u>(1,402)</u> | <u>(133)</u> | <u>(714)</u> | <u>(257)</u> | <u>(8,360)</u> |
| <u>3,944</u> | <u>8,176</u> | <u>476</u> | <u>(143)</u> | <u>12,789</u> |
| - | - | - | - | 2,213 |
| (2,174) | - | - | (116) | (6,693) |
| 1,290 | - | 1 | - | 1,355 |
| (627) | - | - | - | (2,514) |
| <u>(119)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(326)</u> |
| <u>(1,630)</u> | <u>-</u> | <u>1</u> | <u>(116)</u> | <u>(8,178)</u> |
| <u>116</u> | <u>1,416</u> | <u>186</u> | <u>125</u> | <u>3,347</u> |
| 2,430 | 9,592 | 663 | (134) | 10,171 |
| <u>2,041</u> | <u>32,574</u> | <u>1,264</u> | <u>2,994</u> | <u>71,748</u> |
| <u>\$ 4,471</u> | <u>\$ 42,166</u> | <u>\$ 1,927</u> | <u>\$ 2,860</u> | <u>\$ 81,919</u> |
| <u>\$ 476</u> | <u>\$ (1,373)</u> | <u>\$ (75)</u> | <u>\$ (394)</u> | <u>\$ (7,664)</u> |
| 1,804 | - | 427 | 96 | 6,809 |
| 96 | (129) | - | 66 | (255) |
| 1,181 | 7,976 | - | 18 | 10,821 |
| 4 | - | - | - | 5 |
| - | - | - | - | (81) |
| 408 | 390 | 115 | 74 | 1,730 |
| (25) | - | 9 | (3) | 363 |
| - | 1,312 | - | - | 1,312 |
| - | - | - | - | (251) |
| <u>3,468</u> | <u>9,549</u> | <u>551</u> | <u>251</u> | <u>20,453</u> |
| <u>\$ 3,944</u> | <u>\$ 8,176</u> | <u>\$ 476</u> | <u>\$ (143)</u> | <u>\$ 12,789</u> |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 4,146</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, 2008

(Dollars in Thousands)

| | DEFERRED COMPENSATION | STATE EMPLOYEES RETIREMENT DEFINED CONTRIBUTION | CASH BALANCE |
|--|--------------------------|---|--------------------------|
| ASSETS | | | |
| Cash and Cash Equivalents | \$ 102 | \$ 550 | \$ 53 |
| Investments: | | | |
| U.S. Treasury Notes and Bonds | - | - | (1,448) |
| U.S. Treasury Bills | - | - | 635 |
| Government Agency Securities | - | - | 3,259 |
| Corporate Bonds | - | - | 27,305 |
| International Bonds | - | - | 2,795 |
| Equity Securities | - | - | 63,267 |
| Private Equity | - | - | 3,641 |
| Options | - | - | (49) |
| Mortgages | - | - | 54,481 |
| Private Real Estate | - | - | 17,541 |
| Asset Backed Securities | - | - | 5,193 |
| Municipal Bonds | - | - | 396 |
| Commingled Funds | 148,423 | 690,180 | 295,038 |
| Guaranteed Investment Contracts | - | 102,538 | - |
| Short Term Investments | - | 32,092 | 5,460 |
| Total Investments | <u>148,423</u> | <u>824,810</u> | <u>477,514</u> |
| Securities Lending Collateral | - | 6,254 | 19,673 |
| Receivables: | | | |
| Contributions | - | 2 | 6 |
| Interest and Dividends | 2 | 132 | 855 |
| Other | - | - | 12,133 |
| Total Receivables | <u>2</u> | <u>134</u> | <u>12,994</u> |
| Due from Other Funds | 2 | 8 | 153,551 |
| Capital Assets: | | | |
| Buildings and Equipment | 46 | 1,100 | 2,104 |
| Less Accumulated Depreciation | (43) | (752) | (1,530) |
| Total Capital Assets, net | <u>3</u> | <u>348</u> | <u>574</u> |
| TOTAL ASSETS | <u>\$ 148,532</u> | <u>\$ 832,104</u> | <u>\$ 664,359</u> |
| LIABILITIES | | | |
| Accounts Payable and Accrued Liabilities | \$ - | \$ 512 | \$ 19,736 |
| Due to Other Governments | - | - | - |
| Due to Other Funds | 2 | 153,571 | - |
| Obligations under Securities Lending | - | 6,254 | 19,673 |
| Capital Lease Obligations | 4 | 334 | 728 |
| Accrued Compensated Absences | 6 | 24 | 13 |
| TOTAL LIABILITIES | <u>12</u> | <u>160,695</u> | <u>40,150</u> |
| NET ASSETS | | | |
| Held in Trust for Pension Benefits | <u>\$ 148,520</u> | <u>\$ 671,409</u> | <u>\$ 624,209</u> |

| COUNTY EMPLOYEES RETIREMENT | | SCHOOL RETIREMENT | JUDGES RETIREMENT | STATE PATROL RETIREMENT | TOTALS |
|------------------------------------|-------------------------|------------------------------|------------------------------|--|---------------------|
| DEFINED CONTRIBUTION | CASH BALANCE | | | | |
| \$ 29 | \$ 39 | \$ 2,368 | \$ 79 | \$ 179 | \$ 3,399 |
| - | (427) | 5,453 | 94 | 215 | 3,887 |
| - | 187 | 10,005 | 172 | 395 | 11,394 |
| - | 962 | 18,765 | 324 | 742 | 24,052 |
| - | 8,056 | 437,391 | 7,539 | 17,285 | 497,576 |
| - | 825 | 37,502 | 646 | 1,482 | 43,250 |
| - | 18,667 | 825,376 | 14,227 | 32,617 | 954,154 |
| - | 1,074 | 79,103 | 1,364 | 3,126 | 88,308 |
| - | (14) | (1,173) | (20) | (46) | (1,302) |
| - | 16,074 | 871,653 | 15,027 | 34,482 | 991,717 |
| - | 5,175 | 266,700 | 4,597 | 10,539 | 304,552 |
| - | 1,532 | 77,327 | 1,333 | 3,056 | 88,441 |
| - | 117 | 10,607 | 183 | 419 | 11,722 |
| 164,940 | 87,050 | 3,938,790 | 67,894 | 155,650 | 5,547,965 |
| 21,660 | - | - | - | - | 124,198 |
| 5,107 | 2,229 | 72,585 | 1,251 | 2,872 | 121,596 |
| <u>191,707</u> | <u>141,507</u> | <u>6,650,084</u> | <u>114,631</u> | <u>262,834</u> | <u>8,811,510</u> |
| 1,321 | 5,849 | 292,555 | 5,043 | 11,561 | 342,256 |
| 235 | 405 | 16,679 | 308 | - | 17,635 |
| 21 | 256 | 14,106 | 244 | 557 | 16,173 |
| - | 3,580 | 383,152 | 6,605 | 15,142 | 420,612 |
| <u>256</u> | <u>4,241</u> | <u>413,937</u> | <u>7,157</u> | <u>15,699</u> | <u>454,420</u> |
| - | 28,527 | 18,913 | 72 | 875 | 201,948 |
| 502 | 1,107 | 8,336 | 1,634 | 1,607 | 16,436 |
| <u>(349)</u> | <u>(837)</u> | <u>(6,806)</u> | <u>(1,227)</u> | <u>(1,207)</u> | <u>(12,751)</u> |
| <u>153</u> | <u>270</u> | <u>1,530</u> | <u>407</u> | <u>400</u> | <u>3,685</u> |
| <u>\$ 193,466</u> | <u>\$ 180,433</u> | <u>\$ 7,379,387</u> | <u>\$ 127,389</u> | <u>\$ 291,548</u> | <u>\$ 9,817,218</u> |
| \$ 113 | \$ 5,873 | \$ 506,139 | \$ 8,683 | \$ 19,885 | \$ 560,941 |
| - | - | - | - | - | - |
| 28,537 | - | 102 | 37 | 1 | 182,250 |
| 1,321 | 5,849 | 292,555 | 5,043 | 11,561 | 342,256 |
| 137 | 383 | 1,970 | 524 | 515 | 4,595 |
| <u>11</u> | <u>7</u> | <u>176</u> | <u>3</u> | <u>4</u> | <u>244</u> |
| <u>30,119</u> | <u>\$ 12,112</u> | <u>\$ 800,942</u> | <u>\$ 14,290</u> | <u>\$ 31,966</u> | <u>\$ 1,090,286</u> |
| <u>\$ 163,347</u> | <u>\$ 168,321</u> | <u>\$ 6,578,445</u> | <u>\$ 113,099</u> | <u>\$ 259,582</u> | <u>\$ 8,726,932</u> |

State of Nebraska

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS PENSION TRUST FUNDS

For the Year Ended June 30, 2008

(Dollars in Thousands)

| | DEFERRED COMPENSATION | STATE EMPLOYEES RETIREMENT DEFINED CONTRIBUTION | CASH BALANCE |
|---|--------------------------|---|-------------------|
| ADDITIONS: | | | |
| Contributions: | | | |
| Participant Contributions | \$ 10,086 | \$ 14,799 | \$ 14,697 |
| State Contributions | - | 23,097 | 22,921 |
| Political Subdivision Contributions | - | - | - |
| Court Fees | - | - | - |
| Total Contributions | <u>10,086</u> | <u>37,896</u> | <u>37,618</u> |
| Investment Income: | | | |
| Net Appreciation (Depreciation) in Fair Value of Investments | (14,326) | 47,303 | 34,399 |
| Interest and Dividend Income | 3,050 | - | - |
| Securities Lending Income | - | 377 | 989 |
| Total Investment Income | <u>(11,276)</u> | <u>47,680</u> | <u>35,388</u> |
| Investment Expenses | - | - | - |
| Securities Lending Expenses | - | 350 | 925 |
| Total Investment Expense | <u>-</u> | <u>350</u> | <u>925</u> |
| Net Investment Income | <u>(11,276)</u> | <u>47,330</u> | <u>34,463</u> |
| Other Additions | 141 | 8 | 153,553 |
| TOTAL ADDITIONS | <u>(1,049)</u> | <u>85,234</u> | <u>225,634</u> |
| DEDUCTIONS: | | | |
| Benefits | 10,285 | 39,499 | 25,763 |
| Refunds | - | - | - |
| Administrative Expenses | 330 | 755 | 1,216 |
| Other Deductions | - | 153,944 | - |
| TOTAL DEDUCTIONS | <u>10,615</u> | <u>194,198</u> | <u>26,979</u> |
| TRANSFERS: | | | |
| Transfers In (Out) | - | (3,126) | 3,126 |
| Change in Net Assets | <u>(11,664)</u> | <u>(112,090)</u> | <u>201,781</u> |
| NET ASSETS-BEGINNING OF YEAR | <u>160,184</u> | <u>783,499</u> | <u>422,428</u> |
| NET ASSETS-END OF YEAR | <u>\$ 148,520</u> | <u>\$ 671,409</u> | <u>\$ 624,209</u> |

| <u>COUNTY EMPLOYEES RETIREMENT</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> | | | | |
| \$ 4,218 | \$ 5,528 | \$ 107,354 | \$ 1,151 | \$ 3,643 | \$ 161,476 |
| 6,216 | 8,195 | 18,579 | 72 | 4,883 | 83,963 |
| - | - | 105,976 | - | - | 105,976 |
| - | - | - | 3,281 | - | 3,281 |
| <u>10,434</u> | <u>13,723</u> | <u>231,909</u> | <u>4,504</u> | <u>8,526</u> | <u>354,696</u> |
| 11,091 | 9,947 | (567,118) | (9,748) | (21,950) | (510,402) |
| - | - | 180,460 | 3,118 | 7,172 | 193,800 |
| <u>80</u> | <u>294</u> | <u>14,090</u> | <u>243</u> | <u>557</u> | <u>16,630</u> |
| 11,171 | 10,241 | (372,568) | (6,387) | (14,221) | (299,972) |
| - | - | 13,425 | 240 | 671 | 14,336 |
| <u>74</u> | <u>275</u> | <u>11,969</u> | <u>207</u> | <u>473</u> | <u>14,273</u> |
| <u>74</u> | <u>275</u> | <u>25,394</u> | <u>447</u> | <u>1,144</u> | <u>28,609</u> |
| 11,097 | 9,966 | (397,962) | (6,834) | (15,365) | (328,581) |
| <u>3</u> | <u>28,528</u> | <u>46</u> | <u>-</u> | <u>-</u> | <u>182,279</u> |
| <u>21,534</u> | <u>52,217</u> | <u>(166,007)</u> | <u>(2,330)</u> | <u>(6,839)</u> | <u>208,394</u> |
| 12,851 | 9,095 | 261,352 | 5,278 | 12,782 | 376,905 |
| - | - | 10,454 | - | 155 | 10,609 |
| 239 | 654 | 4,782 | 342 | 338 | 8,656 |
| <u>28,527</u> | <u>-</u> | <u>4,525</u> | <u>-</u> | <u>-</u> | <u>186,996</u> |
| <u>41,617</u> | <u>9,749</u> | <u>281,113</u> | <u>5,620</u> | <u>13,275</u> | <u>583,166</u> |
| (982) | 982 | - | - | - | - |
| (21,065) | 43,450 | (447,120) | (7,950) | (20,114) | (374,772) |
| <u>184,412</u> | <u>124,871</u> | <u>7,025,565</u> | <u>121,049</u> | <u>279,696</u> | <u>9,101,704</u> |
| <u>\$ 163,347</u> | <u>\$ 168,321</u> | <u>\$ 6,578,445</u> | <u>\$ 113,099</u> | <u>\$ 259,582</u> | <u>\$ 8,726,932</u> |

State of Nebraska

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

June 30, 2008

| (Dollars in Thousands) | VOCATIONAL REHABILITATION | CANTEEN AND WELFARE | ESCHEAT TRUST | COLLEGE SAVINGS PLAN | OTHER | TOTALS |
|--|------------------------------|---------------------------|------------------|----------------------------|------------------|---------------------|
| ASSETS | | | | | | |
| Cash and Cash Equivalents | \$ 6,843 | \$ 3,830 | \$ 9,022 | \$ - | \$ 9,901 | \$ 29,596 |
| Investments: | | | | | | |
| Commingled Funds | - | - | - | 2,006,584 | - | 2,006,584 |
| Short Term Investments | - | - | - | 3,644 | - | 3,644 |
| Receivables: | | | | | | |
| Interest and Dividends | 102 | 56 | 74 | 3,165 | 141 | 3,538 |
| Other | - | 2 | - | - | - | 2 |
| Other Assets | - | 3 | 10,673 | - | 35 | 10,711 |
| TOTAL ASSETS | <u>\$ 6,945</u> | <u>\$ 3,891</u> | <u>\$ 19,769</u> | <u>\$ 2,013,393</u> | <u>\$ 10,077</u> | <u>\$ 2,054,075</u> |
| LIABILITIES | | | | | | |
| Accounts Payable and Accrued Liabilities | \$ 2 | \$ 416 | \$ 214 | \$ 2,354 | \$ 54 | \$ 3,040 |
| Deposits | - | - | - | - | 35 | 35 |
| Due to Other Funds | - | 2 | 6 | - | 5 | 13 |
| TOTAL LIABILITIES | <u>\$ 2</u> | <u>\$ 418</u> | <u>\$ 220</u> | <u>\$ 2,354</u> | <u>\$ 94</u> | <u>\$ 3,088</u> |
| NET ASSETS | | | | | | |
| Held in Trust for: | | | | | | |
| College Savings Plan | \$ - | \$ - | \$ - | \$ 2,011,039 | \$ - | \$ 2,011,039 |
| Other Purposes | 6,943 | 3,473 | 19,549 | - | 9,983 | 39,948 |
| TOTAL NET ASSETS | <u>\$ 6,943</u> | <u>\$ 3,473</u> | <u>\$ 19,549</u> | <u>\$ 2,011,039</u> | <u>\$ 9,983</u> | <u>\$ 2,050,987</u> |

State of Nebraska

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

For the Year Ended June 30, 2008

(Dollars in Thousands)

| | VOCATIONAL REHABILITATION | CANTEEN AND WELFARE | ESCHEAT TRUST | COLLEGE SAVINGS PLAN | OTHER | TOTALS |
|---|------------------------------|---------------------------|------------------|----------------------------|-----------------|---------------------|
| ADDITIONS: | | | | | | |
| Contributions: | | | | | | |
| Participant Contributions | \$ - | \$ - | \$ - | \$ 579,097 | \$ - | \$ 579,097 |
| Client Contributions | - | 199 | - | - | 2 | 201 |
| Investment Income: | | | | | | |
| Net Appreciation (Depreciation) in Fair Value of Investments | - | - | - | 39,350 | - | 39,350 |
| Interest and Dividend Income | 312 | 180 | 370 | 82,066 | 392 | 83,320 |
| Investment Expenses | - | - | - | 12,700 | - | 12,700 |
| Total Investment Income | <u>312</u> | <u>180</u> | <u>370</u> | <u>108,716</u> | <u>392</u> | <u>109,970</u> |
| Escheat Revenue | - | - | 16,725 | - | - | 16,725 |
| Other Additions | <u>1,187</u> | <u>4,787</u> | <u>16</u> | <u>-</u> | <u>2,412</u> | <u>8,402</u> |
| TOTAL ADDITIONS | <u>1,499</u> | <u>5,166</u> | <u>17,111</u> | <u>687,813</u> | <u>2,806</u> | <u>714,395</u> |
| DEDUCTIONS: | | | | | | |
| Benefits | - | - | - | 320,029 | - | 320,029 |
| Amounts Distributed to Outside Parties | 1,270 | 3,936 | 13,327 | - | 384 | 18,917 |
| Administrative Expenses | <u>-</u> | <u>898</u> | <u>1,006</u> | <u>-</u> | <u>365</u> | <u>2,269</u> |
| TOTAL DEDUCTIONS | <u>1,270</u> | <u>4,834</u> | <u>14,333</u> | <u>320,029</u> | <u>749</u> | <u>341,215</u> |
| Change in Net Assets Held in Trust for: | | | | | | |
| College Savings Plan | - | - | - | 367,784 | - | 367,784 |
| Other Purposes | 229 | 332 | 2,778 | - | 2,057 | 5,396 |
| NET ASSETS-BEGINNING OF YEAR | <u>6,714</u> | <u>3,141</u> | <u>16,771</u> | <u>1,643,255</u> | <u>7,926</u> | <u>1,677,807</u> |
| NET ASSETS-END OF YEAR | <u>\$ 6,943</u> | <u>\$ 3,473</u> | <u>\$ 19,549</u> | <u>\$ 2,011,039</u> | <u>\$ 9,983</u> | <u>\$ 2,050,987</u> |

State of Nebraska

COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES AGENCY FUNDS

June 30, 2008

(Dollars in Thousands)

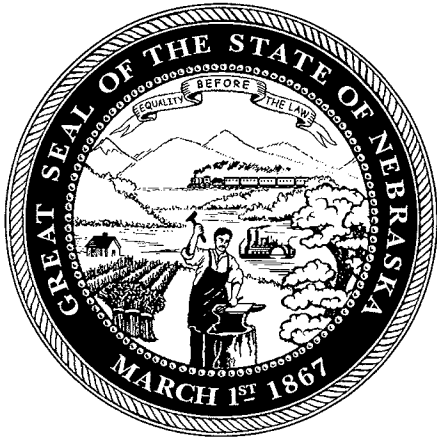
| | LOCAL GOVERNMENT FUND | OTHER | TOTALS |
|--|-----------------------------|------------------|------------------|
| ASSETS | | | |
| Cash and Cash Equivalents | \$ 50,816 | \$ 38,515 | \$ 89,331 |
| Receivables: | | | |
| Interest and Dividends Receivable | 559 | 194 | 753 |
| Other | - | 461 | 461 |
| TOTAL ASSETS | <u>\$ 51,375</u> | <u>\$ 39,170</u> | <u>\$ 90,545</u> |
| LIABILITIES | | | |
| Accounts Payable and Accrued Liabilities | \$ 130 | \$ 11,877 | \$ 12,007 |
| Due to Other Governments | 51,245 | - | 51,245 |
| Other Liabilities | - | 27,293 | 27,293 |
| TOTAL LIABILITIES | <u>\$ 51,375</u> | <u>\$ 39,170</u> | <u>\$ 90,545</u> |

State of Nebraska
**COMBINING STATEMENT OF CHANGES
 IN ASSETS AND LIABILITIES
 AGENCY FUNDS**

For the Year Ended June 30, 2008

| (Dollars in Thousands) | BALANCE JULY 1, 2007 | ADDITIONS | REDUCTIONS | BALANCE JUNE 30, 2008 |
|--|----------------------------|-------------------|-------------------|-----------------------------|
| LOCAL GOVERNMENT FUND | | | | |
| ASSETS | | | | |
| Cash and Cash Equivalents | \$ 51,096 | \$ 515,290 | \$ 515,570 | \$ 50,816 |
| Receivables: | | | | |
| Interest and Dividends Receivable | 548 | 1,526 | 1,515 | 559 |
| Other | - | 56 | 56 | - |
| TOTAL ASSETS | <u>\$ 51,644</u> | <u>\$ 516,872</u> | <u>\$ 517,141</u> | <u>\$ 51,375</u> |
| LIABILITIES | | | | |
| Accounts Payable and Accrued Liabilities | \$ 640 | \$ 245,169 | \$ 245,679 | \$ 130 |
| Due to Other Governments | 51,004 | 271,703 | 271,462 | 51,245 |
| TOTAL LIABILITIES | <u>\$ 51,644</u> | <u>\$ 516,872</u> | <u>\$ 517,141</u> | <u>\$ 51,375</u> |
| OTHER | | | | |
| ASSETS | | | | |
| Cash and Cash Equivalents | \$ 44,557 | \$ 438,144 | \$ 444,186 | \$ 38,515 |
| Receivables: | | | | |
| Interest and Dividends Receivable | 212 | 691 | 709 | 194 |
| Other | 460 | 15,065 | 15,064 | 461 |
| TOTAL ASSETS | <u>\$ 45,229</u> | <u>\$ 453,900</u> | <u>\$ 459,959</u> | <u>\$ 39,170</u> |
| LIABILITIES | | | | |
| Accounts Payable and Accrued Liabilities | \$ 17,010 | \$ 66,223 | \$ 71,356 | \$ 11,877 |
| Other Liabilities | 28,219 | 387,677 | 388,603 | 27,293 |
| TOTAL LIABILITIES | <u>\$ 45,229</u> | <u>\$ 453,900</u> | <u>\$ 459,959</u> | <u>\$ 39,170</u> |
| TOTALS | | | | |
| ASSETS | | | | |
| Cash and Cash Equivalents | \$ 95,653 | \$ 953,434 | \$ 959,756 | \$ 89,331 |
| Receivables: | | | | |
| Interest and Dividends Receivable | 760 | 2,217 | 2,224 | 753 |
| Other | 460 | 15,121 | 15,120 | 461 |
| TOTAL ASSETS | <u>\$ 96,873</u> | <u>\$ 970,772</u> | <u>\$ 977,100</u> | <u>\$ 90,545</u> |
| LIABILITIES | | | | |
| Accounts Payable and Accrued Liabilities | \$ 17,650 | \$ 311,392 | \$ 317,035 | \$ 12,007 |
| Due to Other Governments | 51,004 | 271,703 | 271,462 | 51,245 |
| Other Liabilities | 28,219 | 387,677 | 388,603 | 27,293 |
| TOTAL LIABILITIES | <u>\$ 96,873</u> | <u>\$ 970,772</u> | <u>\$ 977,100</u> | <u>\$ 90,545</u> |





STATISTICAL SECTION

STATISTICAL SECTION TABLE OF CONTENTS

For the Year Ended June 30, 2008

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This part of the State of Nebraska’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the State’s overall financial health.

FINANCIAL TRENDS INFORMATION

These schedules contain trend information to help the reader understand how the State’s financial performance and well-being have changed over time.

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These schedules present revenue capacity information for the two largest own-source revenues – individual income tax and sales and use tax. Individual income tax and sales and use tax are the primary sources of general fund revenue.

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|---|-----|
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| Individual Income Tax Liability by Income Level | 117 |
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DEBT CAPACITY INFORMATION

The State has no debt because the Nebraska State Constitution prohibits the State’s debt from exceeding, in the aggregate, one hundred thousand dollars. However, the State does have leasing arrangements; such information is provided in this section.

| | |
|---------------------------------|-----|
| Ratios of Outstanding Debt..... | 119 |
|---------------------------------|-----|

DEMOGRAPHIC AND ECONOMIC INFORMATION

These schedules offer demographic and economic indicators to help the reader understand the environment within which the State’s financial activities take place and to help make comparisons over time and with other governments.

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|--|-----|
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OPERATING INFORMATION

These schedules contain information about the State’s operations and resources to help the reader understand how the State’s financial information relates to the activities it performs.

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Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The state implemented GASB Statement 34 in 2002; schedules presenting government-wide information included information beginning that year.

State of Nebraska
NET ASSETS BY COMPONENT
 2002 – 2008

(Dollars in Thousands)

| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|----------------------|----------------------|
| Governmental activities | | | | | | | |
| Invested in capital assets, net of related debt | \$ 6,749,014 | \$ 6,909,470 | \$ 6,980,310 | \$ 7,110,299 | \$ 7,269,102 | \$ 7,428,729 | \$ 7,587,729 |
| Restricted | 1,005,046 | 933,033 | 1,050,902 | 1,099,437 | 1,566,634 | 1,762,849 | 1,789,943 |
| Unrestricted | 349,311 | 134,471 | 425,811 | 804,266 | 681,330 | 966,918 | 1,078,546 |
| Total governmental activities net assets | \$ 8,103,371 | \$ 7,976,974 | \$ 8,457,023 | \$ 9,014,002 | \$ 9,517,066 | \$ 10,158,496 | \$ 10,456,218 |
| Business-type activities | | | | | | | |
| Invested in capital assets, net of related debt | \$ 6,994 | \$ 6,563 | \$ 6,424 | \$ 6,235 | \$ 6,066 | \$ 5,763 | \$ 6,426 |
| Restricted | 222,534 | 195,802 | 184,665 | 213,058 | 274,537 | 321,396 | 344,186 |
| Unrestricted | 16,570 | 14,358 | 12,592 | 26,070 | 30,144 | 31,019 | 47,777 |
| Total business-type activities net assets | \$ 246,098 | \$ 216,723 | \$ 203,681 | \$ 245,363 | \$ 310,747 | \$ 358,178 | \$ 398,389 |
| Primary government | | | | | | | |
| Invested in capital assets, net of related debt | \$ 6,756,008 | \$ 6,916,033 | \$ 6,986,734 | \$ 7,116,534 | \$ 7,275,168 | \$ 7,434,492 | \$ 7,594,155 |
| Restricted | 1,227,580 | 1,128,835 | 1,235,567 | 1,312,495 | 1,841,171 | 2,084,245 | 2,134,129 |
| Unrestricted | 365,881 | 148,829 | 438,403 | 830,336 | 711,474 | 997,937 | 1,126,323 |
| Total primary government net assets | \$ 8,349,469 | \$ 8,193,697 | \$ 8,660,704 | \$ 9,259,365 | \$ 9,827,813 | \$ 10,516,674 | \$ 10,854,607 |

NOTE: In 2006, restricted net assets increased significantly due to the implementation of GASB Statement No. 46.

State of Nebraska
CHANGES IN NET ASSETS
 2002 – 2008

(Dollars in Thousands)

| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|---|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Governmental Activities: | | | | | | | |
| Expenses | | | | | | | |
| General Government | \$ 251,430 | \$ 404,682 | \$ 293,586 | \$ 320,608 | \$ 308,567 | \$ 354,737 | \$ 437,830 |
| Conservation of Natural Resources | 99,687 | 87,746 | 91,996 | 95,589 | 100,476 | 119,286 | 112,936 |
| Culture - Recreation | 23,961 | 28,083 | 20,352 | 28,524 | 27,174 | 27,031 | 26,073 |
| Economic Development and Assistance | 86,874 | 83,974 | 80,417 | 79,618 | 87,299 | 89,310 | 84,852 |
| Education | 1,172,967 | 1,215,793 | 1,201,349 | 1,224,973 | 1,318,123 | 1,369,110 | 1,450,085 |
| Higher Education - Colleges and University | 466,397 | 461,325 | 438,225 | 451,404 | 482,229 | 528,861 | 558,282 |
| Health and Social Services | 2,167,183 | 2,219,649 | 2,329,940 | 2,494,782 | 2,593,692 | 2,649,535 | 2,744,217 |
| Public Safety | 233,666 | 237,538 | 254,085 | 282,474 | 288,659 | 359,755 | 372,677 |
| Regulation of Business and Professions | 104,768 | 117,235 | 126,978 | 139,248 | 151,853 | 155,692 | 130,603 |
| Transportation | 664,228 | 626,550 | 715,553 | 716,259 | 697,210 | 614,919 | 714,032 |
| Interest on Long-term Debt | 2,468 | 3,808 | 3,018 | 2,800 | 2,556 | 2,337 | 2,241 |
| Total expenses | 5,273,629 | 5,486,383 | 5,555,499 | 5,836,279 | 6,057,838 | 6,270,573 | 6,633,828 |
| Program Revenues | | | | | | | |
| Charges for Services: | | | | | | | |
| General Government | 52,894 | 57,497 | 63,919 | 64,746 | 73,624 | 86,746 | 86,869 |
| Conservation of Natural Resources | 24,704 | 27,644 | 31,909 | 22,049 | 24,332 | 34,578 | 34,439 |
| Culture - Recreation | 17,140 | 16,441 | 15,544 | 16,700 | 15,977 | 16,823 | 17,072 |
| Economic Development and Assistance | 3,763 | 2,221 | 3,551 | 3,600 | 3,195 | 5,043 | 4,808 |
| Education | 25,496 | 34,810 | 35,140 | 27,470 | 23,346 | 26,180 | 25,807 |
| Health and Social Services | 160,294 | 130,487 | 152,240 | 147,720 | 120,526 | 115,036 | 126,075 |
| Public Safety | 23,229 | 23,275 | 26,077 | 27,614 | 26,183 | 24,348 | 25,118 |
| Regulation of Business and Professions | 43,918 | 112,754 | 116,772 | 122,536 | 113,418 | 118,119 | 122,667 |
| Transportation | 82,542 | 82,414 | 77,630 | 95,322 | 90,951 | 89,358 | 105,748 |
| Operating grants and contributions | 1,783,349 | 1,801,023 | 2,146,719 | 2,121,384 | 2,151,817 | 2,217,531 | 2,235,104 |
| Capital grants and contributions | 1,360 | 5,354 | 6,422 | 12,245 | 4,461 | 8,137 | 21,258 |
| Total program revenues | 2,218,689 | 2,293,920 | 2,675,923 | 2,661,386 | 2,647,830 | 2,741,899 | 2,804,965 |
| Total Governmental Activities | | | | | | | |
| Net Program Expense | (3,054,940) | (3,192,463) | (2,879,576) | (3,174,893) | (3,410,008) | (3,528,674) | (3,828,863) |
| General Revenues and Other Changes in Net Assets | | | | | | | |
| Taxes | | | | | | | |
| Income taxes | 1,254,699 | 1,236,845 | 1,400,161 | 1,612,683 | 1,803,670 | 1,859,467 | 1,956,656 |
| Sales and use taxes | 1,134,048 | 1,218,045 | 1,284,260 | 1,376,100 | 1,410,980 | 1,441,743 | 1,481,067 |
| Petroleum taxes | 310,401 | 311,198 | 313,539 | 311,231 | 312,809 | 326,795 | 290,721 |
| Excise taxes | 85,969 | 108,788 | 122,462 | 126,593 | 134,406 | 137,525 | 141,012 |
| Business and franchise taxes | 57,322 | 59,490 | 67,322 | 70,344 | 79,723 | 68,771 | 80,925 |
| Other taxes | 24,366 | 25,187 | 33,089 | 68,885 | 35,369 | 36,832 | 15,269 |
| Total taxes | 2,866,805 | 2,959,553 | 3,220,833 | 3,565,836 | 3,776,957 | 3,871,133 | 3,965,650 |
| Unrestricted investment earnings | 65,776 | 73,888 | 86,502 | 117,977 | 92,892 | 250,175 | 114,252 |
| Miscellaneous | 350 | - | 1,055 | 5,106 | 39 | 730 | 3,374 |
| Contributions to permanent fund principal | 9,938 | 12,395 | 11,715 | 16,581 | 15,582 | 18,800 | 12,301 |
| Transfers | 18,486 | 20,230 | 20,591 | 26,372 | 27,602 | 29,266 | 31,008 |
| Total general revenues and other changes in net assets | 2,961,355 | 3,066,066 | 3,340,696 | 3,731,872 | 3,913,072 | 4,170,104 | 4,126,585 |
| Total Governmental Activities | | | | | | | |
| Change in Net Assets | \$ (93,585) | \$ (126,397) | \$ 461,120 | \$ 556,979 | \$ 503,064 | \$ 641,430 | \$ 297,722 |

State of Nebraska
CHANGES IN NET ASSETS (Continued)
2002 – 2008

(Dollars in Thousands)

| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|------------------------------------|--------------------|---------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Business-type Activities: | | | | | | | |
| Expenses | | | | | | | |
| Unemployment Insurance | \$ 132,284 | \$ 160,664 | \$ 156,172 | \$ 114,496 | \$ 101,433 | \$ 93,939 | \$ 98,365 |
| Lottery | 56,133 | 61,455 | 73,264 | 77,128 | 83,440 | 85,895 | 91,653 |
| Excess Liability | 10,756 | 13,796 | 14,595 | 1,984 | 12,551 | 13,731 | (2,707) |
| Cornhusker State Industries | 9,043 | 6,103 | 7,868 | 10,509 | 10,552 | 11,690 | 10,435 |
| Total expenses | 208,216 | 242,018 | 251,899 | 204,117 | 207,976 | 205,255 | 197,746 |
| Revenues | | | | | | | |
| Charges for services: | | | | | | | |
| Unemployment Insurance | 133,766 | 123,393 | 132,379 | 133,840 | 154,413 | 127,340 | 102,881 |
| Lottery | 73,957 | 80,919 | 92,608 | 100,658 | 113,108 | 114,489 | 121,910 |
| Excess Liability | 3,264 | 6,686 | 9,683 | 10,949 | 12,903 | 12,474 | 10,947 |
| Cornhusker State Industries | 9,783 | 5,196 | 9,598 | 13,022 | 10,851 | 9,341 | 9,880 |
| Operating grants and contributions | - | - | - | - | - | - | - |
| Capital grants and contributions | - | - | - | - | - | - | - |
| Total revenues | 220,770 | 216,194 | 244,268 | 258,469 | 291,275 | 263,644 | 245,618 |
| Total Business-type Activities | | | | | | | |
| Net Program Expense | 12,554 | (25,824) | (7,631) | 54,352 | 83,299 | 58,389 | 47,872 |
| Other Changes in Net Assets | | | | | | | |
| Unrestricted investment earnings | 15,120 | 16,679 | 15,183 | 13,705 | 10,110 | 18,308 | 23,347 |
| Miscellaneous | - | - | (3) | (3) | (423) | - | - |
| Transfers | (18,486) | (20,230) | (20,591) | (26,372) | (27,602) | (29,266) | (31,008) |
| Total other changes in net assets | (3,366) | (3,551) | (5,411) | (12,670) | (17,915) | (10,958) | (7,661) |
| Total Business-type Activities | | | | | | | |
| Change in Net Assets | \$ 9,188 | \$ (29,375) | \$ (13,042) | \$ 41,682 | \$ 65,384 | \$ 47,431 | \$ 40,211 |
| Total Primary Government | | | | | | | |
| Change in Net Assets | \$ (84,397) | \$ (155,772) | \$ 448,078 | \$ 598,661 | \$ 568,448 | \$ 688,861 | \$ 337,933 |

NOTE: The increases in taxes and change in net assets from 2004 to 2008 for governmental activities were primarily due to a strengthening economy.



State of Nebraska
FUND BALANCES
GOVERNMENTAL FUNDS
2002 – 2008

| (Dollars in thousands) | | | | | | | |
|------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
| General Fund | | | | | | | |
| Reserved | \$ 87 | \$ 274 | \$ 525 | \$ 532 | \$ 482 | \$ 438 | \$ 1,368 |
| Unreserved | 80,612 | (17,319) | 207,282 | 408,771 | 691,757 | 971,205 | 972,307 |
| Total general fund | <u>\$ 80,699</u> | <u>\$ (17,045)</u> | <u>\$ 207,807</u> | <u>\$ 409,303</u> | <u>\$ 692,239</u> | <u>\$ 971,643</u> | <u>\$ 973,675</u> |
| All Other Governmental Funds | | | | | | | |
| Reserved | \$ 306,141 | \$ 333,228 | \$ 347,660 | \$ 377,818 | \$ 619,319 | \$ 659,349 | \$ 687,095 |
| Unreserved | | | | | | | |
| Special revenue funds | 837,007 | 765,310 | 879,041 | 936,316 | 893,536 | 1,014,579 | 1,065,392 |
| Permanent funds | 189,612 | 197,586 | 224,869 | 250,127 | 77,768 | 115,901 | 91,759 |
| Other funds | 22,514 | 30,030 | 32,206 | 34,295 | 47,071 | 51,784 | 121,686 |
| Total all other governmental funds | <u>\$ 1,355,274</u> | <u>\$ 1,326,154</u> | <u>\$ 1,483,776</u> | <u>\$ 1,598,556</u> | <u>\$ 1,637,694</u> | <u>\$ 1,841,613</u> | <u>\$ 1,965,932</u> |

State of Nebraska
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
1999 – 2008

(Dollars in Thousands)

| | 1999 | 2000 | 2001 | 2002 |
|--|---------------------|---------------------|---------------------|---------------------|
| REVENUES: | | | | |
| Taxes: | | | | |
| Income | \$ 1,199,499 | \$ 1,310,210 | \$ 1,374,256 | \$ 1,252,950 |
| Sales and Use | 868,620 | 1,083,692 | 1,068,832 | 1,135,014 |
| Petroleum | 266,419 | 280,700 | 291,545 | 309,245 |
| Excise | 94,142 | 95,324 | 86,518 | 83,567 |
| Business and Franchise | 40,396 | 42,095 | 56,420 | 57,321 |
| Other | 24,590 | 27,735 | 35,621 | 24,912 |
| Total Taxes | <u>2,493,666</u> | <u>2,839,756</u> | <u>2,913,192</u> | <u>2,863,009</u> |
| Federal Grants and Contracts | 1,400,439 | 1,557,699 | 1,591,531 | 1,789,617 |
| Licenses, Fees and Permits | 154,352 | 160,915 | 159,338 | 169,748 |
| Charges for Services | 75,343 | 78,647 | 81,691 | 82,058 |
| Investment Income | 93,522 | 91,173 | 114,774 | 57,660 |
| Rents and Royalties | 31,954 | 34,123 | 33,711 | 33,586 |
| Other | 115,983 | 181,894 | 146,874 | 148,168 |
| TOTAL REVENUES | <u>4,365,259</u> | <u>4,944,207</u> | <u>5,041,111</u> | <u>5,143,846</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| General Government | 203,011 | 215,098 | 268,235 | 225,446 |
| Conservation of Natural Resources | 82,049 | 95,824 | 94,481 | 102,401 |
| Culture – Recreation | 22,588 | 22,754 | 24,059 | 29,002 |
| Economic Development and Assistance | 74,672 | 80,559 | 81,045 | 86,401 |
| Education | 1,032,960 | 1,080,926 | 1,089,059 | 1,172,525 |
| Higher Education - Colleges and University | 404,314 | 429,865 | 442,176 | 466,397 |
| Health and Social Services | 1,646,773 | 1,794,428 | 1,960,469 | 2,159,887 |
| Public Safety | 177,519 | 189,850 | 197,363 | 238,874 |
| Regulation of Business and Professions | 42,930 | 68,044 | 81,855 | 104,364 |
| Transportation | 658,509 | 760,048 | 670,896 | 750,704 |
| Capital Projects | 23,177 | 66,478 | 45,321 | 25,961 |
| Debt Service | | | | |
| Principal | 4,880 | 13,065 | 3,125 | 8,805 |
| Interest | 1,017 | 1,288 | 1,699 | 1,886 |
| TOTAL EXPENDITURES | <u>4,374,399</u> | <u>4,818,227</u> | <u>4,959,783</u> | <u>5,372,653</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (9,140) | 125,980 | 81,328 | (228,807) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers In | 123,474 | 174,364 | 151,673 | 151,187 |
| Transfers Out | (106,603) | (158,142) | (129,619) | (130,025) |
| Other | 55 | 30,636 | 2,947 | 37,719 |
| NET CHANGE IN FUND BALANCE | 7,786 | 172,838 | 106,329 | (169,926) |
| Restatements | - | - | - | 11,354 |
| BEGINNING FUND BALANCE | <u>1,307,592</u> | <u>1,315,378</u> | <u>1,488,216</u> | <u>1,594,545</u> |
| ENDING FUND BALANCE | <u>\$ 1,315,378</u> | <u>\$ 1,488,216</u> | <u>\$ 1,594,545</u> | <u>\$ 1,435,973</u> |
| DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES | <1% | <1% | <1% | <1% |

NOTE: The increases in taxes and fund balances from 2004 to 2008 were primarily due to a strengthening economy.
The increase of general government expenditures in 2005 was due to settling a low-level radioactive waste lawsuit.

| 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| \$ 1,237,075 | \$ 1,402,371 | \$ 1,610,008 | \$ 1,802,161 | \$ 1,860,712 | \$ 1,950,363 |
| 1,215,621 | 1,283,592 | 1,376,675 | 1,411,152 | 1,437,994 | 1,474,251 |
| 311,198 | 313,539 | 311,231 | 312,809 | 329,490 | 295,321 |
| 107,227 | 122,320 | 124,525 | 132,348 | 135,449 | 138,799 |
| 59,490 | 67,322 | 70,344 | 79,723 | 68,771 | 80,925 |
| 25,187 | 33,089 | 68,885 | 35,369 | 36,832 | 15,269 |
| <u>2,955,798</u> | <u>3,222,233</u> | <u>3,561,668</u> | <u>3,773,562</u> | <u>3,869,248</u> | <u>3,954,928</u> |
| 1,806,377 | 2,153,141 | 2,133,629 | 2,156,278 | 2,225,668 | 2,256,362 |
| 177,317 | 183,314 | 198,970 | 196,966 | 211,167 | 259,000 |
| 74,470 | 82,320 | 93,654 | 82,132 | 92,370 | 108,301 |
| 71,225 | 83,702 | 115,540 | 89,888 | 246,753 | 110,716 |
| 44,561 | 39,845 | 41,437 | 45,951 | 49,968 | 51,809 |
| 196,148 | 222,577 | 201,814 | 172,545 | 173,948 | 129,861 |
| <u>5,325,896</u> | <u>5,987,132</u> | <u>6,346,712</u> | <u>6,517,322</u> | <u>6,869,122</u> | <u>6,870,977</u> |
| 252,230 | 240,354 | 405,798 | 296,209 | 311,324 | 430,310 |
| 88,716 | 92,682 | 98,067 | 104,118 | 119,533 | 112,333 |
| 26,844 | 26,081 | 28,313 | 26,392 | 26,250 | 26,226 |
| 83,378 | 80,531 | 81,172 | 87,462 | 89,440 | 85,807 |
| 1,208,046 | 1,203,430 | 1,223,461 | 1,318,785 | 1,366,330 | 1,448,170 |
| 461,325 | 438,225 | 451,404 | 482,229 | 528,861 | 558,282 |
| 2,219,154 | 2,337,338 | 2,475,952 | 2,605,402 | 2,659,210 | 2,715,383 |
| 236,277 | 262,344 | 285,732 | 287,735 | 359,514 | 383,156 |
| 116,560 | 127,079 | 139,086 | 151,850 | 155,195 | 130,330 |
| 752,810 | 794,342 | 844,709 | 837,796 | 763,907 | 853,521 |
| 27,773 | 19,162 | 19,048 | 25,101 | 27,494 | 27,289 |
| 3,830 | 4,145 | 5,525 | 4,660 | 6,575 | 6,215 |
| 1,934 | 1,971 | 1,852 | 1,742 | 1,666 | 1,459 |
| <u>5,478,877</u> | <u>5,627,684</u> | <u>6,060,119</u> | <u>6,229,481</u> | <u>6,415,299</u> | <u>6,778,481</u> |
| (152,981) | 359,448 | 286,593 | 287,841 | 453,823 | 92,496 |
| 147,825 | 126,343 | 152,721 | 171,981 | 155,268 | 253,986 |
| (126,721) | (104,664) | (126,349) | (144,379) | (126,002) | (222,978) |
| 5,013 | 1,347 | 3,311 | 6,631 | 234 | 2,847 |
| (126,864) | 382,474 | 316,276 | 322,074 | 483,323 | 126,351 |
| - | - | - | - | - | - |
| <u>1,435,973</u> | <u>1,309,109</u> | <u>1,691,583</u> | <u>2,007,859</u> | <u>2,329,933</u> | <u>2,813,256</u> |
| <u>\$ 1,309,109</u> | <u>\$ 1,691,583</u> | <u>\$ 2,007,859</u> | <u>\$ 2,329,933</u> | <u>\$ 2,813,256</u> | <u>\$ 2,939,607</u> |
| <1% | <1% | <1% | <1% | <1% | <1% |

State of Nebraska
INDIVIDUAL INCOME TAX RATES
 1998 – 2007

| | Tax Brackets | | | |
|--------------------------------|---------------------|------------------|------------------|------------------|
| | Bracket 1 | Bracket 2 | Bracket 3 | Bracket 4 |
| Single | | | | |
| 1998 - 2005 Income Range | \$0-2,400 | \$2,400-17,000 | \$17,000-26,500 | Over \$26,500 |
| 2006 - 2007 Income Range | \$0-2,400 | \$2,400-17,500 | \$17,500-27,000 | Over \$27,000 |
| 1998 - 2002 Rates | 2.51% | 3.49% | 5.01% | 6.68% |
| 2003 - 2007 Rates | 2.56% | 3.57% | 5.12% | 6.84% |
| Heads of Household | | | | |
| 1998 - 2005 Income Range | \$0-3,800 | \$3,800-24,000 | \$24,000-35,000 | Over \$35,000 |
| 2006 Income Range | \$0-3,800 | \$3,800-25,000 | \$25,000-35,000 | Over \$35,000 |
| 2007 Income Range | \$0-4,500 | \$4,500-28,000 | \$28,000-40,000 | Over \$40,000 |
| 1998 - 2002 Rates | 2.51% | 3.49% | 5.01% | 6.68% |
| 2003 - 2007 Rates | 2.56% | 3.57% | 5.12% | 6.84% |
| Married Filing Joint | | | | |
| 1998 - 2005 Income Range | \$0-4,000 | \$4,000-30,000 | \$30,000-46,750 | Over \$46,750 |
| 2006 Income Range | \$0-4,000 | \$4,000-31,000 | \$31,000-50,000 | Over \$50,000 |
| 2007 Income Range | \$0-4,800 | \$4,800-35,000 | \$35,000-54,000 | Over \$54,000 |
| 1998 - 2002 Rates | 2.51% | 3.49% | 5.01% | 6.68% |
| 2003 - 2007 Rates | 2.56% | 3.57% | 5.12% | 6.84% |
| Married Filing Separate | | | | |
| 1998 - 2005 Income Range | \$0-2,000 | \$2,000-15,000 | \$15,000-23,375 | Over \$23,375 |
| 2006 Income Range | \$0-2,000 | \$2,000-15,500 | \$15,500-25,000 | Over \$25,000 |
| 2007 Income Range | \$0-2,400 | \$2,400-17,500 | \$17,500-27,000 | Over \$27,000 |
| 1998 - 2002 Rates | 2.51% | 3.49% | 5.01% | 6.68% |
| 2003 - 2007 Rates | 2.56% | 3.57% | 5.12% | 6.84% |

SOURCE: Nebraska Department of Revenue

State of Nebraska

INDIVIDUAL INCOME TAX LIABILITY BY INCOME LEVEL

Tax Years 1997 and 2006

| 1997 | | | | |
|-------------------------------------|-------------------|---|----------------------------------|-----------------------|
| Federal Adjusted Gross Income Level | Number of Returns | Net Liability After Nonrefundable Credits | Number of Returns With Liability | Net Liability Percent |
| Less Than \$10,000 | 213,865 | \$5,009,740 | 74,538 | 0.55% |
| \$10,000 -24,999 | 211,521 | \$51,696,591 | 192,704 | 5.63% |
| \$25,000 - 49,999 | 215,342 | \$173,465,096 | 211,969 | 18.88% |
| \$50,000 - 99,999 | 148,052 | \$313,574,446 | 146,720 | 34.13% |
| \$100,000 and Over | 41,308 | \$374,922,589 | 40,041 | 40.81% |
| State Total | 830,088 | \$918,668,462 | 665,972 | 100.00% |

| 2006 | | | | |
|-------------------------------------|-------------------|---|----------------------------------|-----------------------|
| Federal Adjusted Gross Income Level | Number of Returns | Net Liability After Nonrefundable Credits | Number of Returns With Liability | Net Liability Percent |
| Less Than \$10,000 | 155,741 | \$4,649,238 | 57,902 | 0.33% |
| \$10,000 -24,999 | 196,975 | \$40,561,585 | 177,637 | 2.87% |
| \$25,000 - 49,999 | 224,184 | \$180,707,651 | 216,416 | 12.78% |
| \$50,000 - 99,999 | 210,080 | \$454,323,554 | 198,792 | 32.13% |
| \$100,000 and Over | 93,885 | \$733,978,782 | 79,537 | 51.90% |
| State Total | 880,865 | \$1,414,220,810 | 730,284 | 100.00% |

SOURCE: Department of Revenue Annual Reports

NOTE: Due to confidentiality issues, the names of the ten largest revenue payers are not available. The categories presented are intended to provide alternative information regarding the sources of the state's revenue. Calendar year 2006 is the most recent year for which data is available.

State of Nebraska
TAXABLE SALES BY INDUSTRY
 Calendar Years 1998 and 2007

| | 1998 | 2007 |
|--|--------------------------------|--------------------------------|
| Agriculture, Forestry, Fishing & Hunting | \$88,418,301 | \$72,350,919 |
| Mining | 38,818,985 | 40,585,315 |
| Utilities | 1,129,562,551 | 1,922,409,502 |
| Construction | 258,790,194 | 775,524,026 |
| Manufacturing | 537,184,326 | 571,180,577 |
| Wholesale Trade | 1,026,915,216 | 1,441,429,593 |
| Retail Trade | 8,251,383,632 | 9,083,221,385 |
| Transportation | 104,565,293 | 88,225,107 |
| Warehousing Services | 639,897 | 30,265,335 |
| Information | 796,657,604 | 925,191,945 |
| Finance & Insurance | 55,734,639 | 42,748,400 |
| Real Estate, Rental & Leasing Services (1) | 13,178,264 | 268,525,309 |
| Professional, Scientific & Technical Services (1) | 357,798,155 | 305,303,482 |
| Management of Companies & Enterprises Services (1) | 1,359,194 | 5,221,920 |
| Administration, Support, Waste Management, Remedial Services (1) | 538,135,700 | 508,235,896 |
| Educational Services (1) | 33,477,243 | 67,411,731 |
| Health Care & Social Assistance Services (1) | 37,638,836 | 38,888,722 |
| Arts, Entertainment & Recreation Services (1) | 169,793,694 | 300,748,123 |
| Accommodation & Food Services (1) | 218,085,287 | 2,484,909,462 |
| Other Services (1) | 584,397,782 | 765,970,790 |
| Public Administration | 88,209,766 | 123,731,323 |
| Unclassified | <u>93,732,397</u> | <u>10,660,823</u> |
| Nebraska Total | 14,424,476,957 | 19,872,739,685 |
| Non-Nebraska (2) | <u>2,163,850,767</u> | <u>3,462,215,316</u> |
| Nebraska - Total Sales | <u><u>\$16,588,327,724</u></u> | <u><u>\$23,334,955,001</u></u> |
| Direct sales tax rate | 4.5% | 5.5% |

SOURCE: Nebraska Department of Revenue - Annual Report
 Sales Tax Statistics by Nebraska Business Classification

NOTES: (1) Services were listed with different titles in 1998 and designated appropriately for titles listed for this document.
 (2) Sales made by non-Nebraska vendors, goods delivered to Nebraska, sales tax remitted to Nebraska.

State of Nebraska

RATIOS OF OUTSTANDING DEBT

2002 – 2008

(Dollars in thousands)

| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|--|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Governmental Activities | | | | | | | |
| Lease rental bonds (blended component units) | \$ 33,210 | \$ 30,960 | \$ 27,265 | \$ 23,430 | \$ 19,435 | \$ 15,240 | \$ 10,835 |
| Capital leases under certificates of participation | 31,885 | 29,836 | 27,235 | 24,927 | 22,965 | 22,072 | \$ 24,724 |
| Obligations under other financing arrangements | <u>7,185</u> | <u>10,555</u> | <u>11,230</u> | <u>11,430</u> | <u>16,185</u> | <u>13,805</u> | <u>\$ 14,785</u> |
| Total Primary Government | <u>\$ 72,280</u> | <u>\$ 71,351</u> | <u>\$ 65,730</u> | <u>\$ 59,787</u> | <u>\$ 58,585</u> | <u>\$ 51,117</u> | <u>\$ 50,344</u> |
| Debt as a Percentage of Personal Income | 0.14% | 0.13% | 0.12% | 0.10% | 0.10% | 0.08% | 0.08% * |
| Amount of Debt per Capita | \$ 42 | \$ 41 | \$ 38 | \$ 34 | \$ 33 | \$ 29 | \$ 28 |

NOTE: Details regarding Bonds Payable, Lease Commitments and Obligations Under Other Financing Arrangements can be found in Notes 7, 8 & 9 of the financial statements.

Population figures from the Population, Personal and Per Capita Income schedule on page 121.

* 2008 figures were computed using 2007 census information as 2008 census data is not available.

State of Nebraska
COMPARATIVE UNEMPLOYMENT
NEBRASKA AND UNITED STATES
 1998 – 2007

| YEAR | NEBRASKA | | | NEBRASKA UNEMPLOYMENT AS PERCENT OF LABOR FORCE | UNITED STATES UNEMPLOYMENT AS PERCENT OF LABOR FORCE |
|------|----------------------|---------------------|--------------|--|---|
| | TOTAL LABOR FORCE | TOTAL EMPLOYMENT | UNEMPLOYMENT | | |
| 1998 | 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 |
| 2004 | 985,340 | 947,882 | 37,458 | 3.8 | 5.5 |
| 2005 | 986,296 | 949,070 | 37,226 | 3.8 | 5.1 |
| 2006 | 974,476 | 945,270 | 29,206 | 3.0 | 4.6 |
| 2007 | 983,438 | 953,769 | 29,669 | 3.0 | 4.6 |

SOURCE: Nebraska Statistics – Nebraska Department of Labor, Labor Market Information
 United States Unemployment – U.S. Department of Labor, Bureau of Labor Statistics

State of Nebraska

**POPULATION, PERSONAL AND PER CAPITA INCOME
NEBRASKA AND UNITED STATES**

Calendar Years 1998 – 2007

| YEAR | NEBRASKA | | | UNITED STATES | | |
|------|------------|----------------------------------|----------------------|---------------|----------------------------------|----------------------|
| | POPULATION | PERSONAL INCOME (IN MILLIONS) | PER CAPITA INCOME | POPULATION | PERSONAL INCOME (IN MILLIONS) | PER CAPITA INCOME |
| 1998 | 1,695,816 | 43,314 | 25,542 | 275,854,104 | 7,415,709 | 26,883 |
| 1999 | 1,704,764 | 45,116 | 26,465 | 279,040,168 | 7,796,139 | 27,939 |
| 2000 | 1,713,261 | 47,329 | 27,624 | 282,193,477 | 8,422,074 | 29,845 |
| 2001 | 1,718,965 | 49,303 | 28,694 | 285,107,923 | 8,716,992 | 30,574 |
| 2002 | 1,726,753 | 50,390 | 29,203 | 287,984,799 | 8,872,521 | 30,821 |
| 2003 | 1,738,013 | 53,388 | 30,778 | 290,850,005 | 9,150,108 | 31,504 |
| 2004 | 1,747,704 | 55,858 | 31,781 | 293,656,842 | 9,717,173 | 33,123 |
| 2005 | 1,758,787 | 58,019 | 32,802 | 296,410,404 | 10,224,761 | 34,650 |
| 2006 | 1,768,331 | 60,826 | 33,947 | 299,398,484 | 10,860,917 | 36,744 |
| 2007 | 1,774,571 | 64,220 | 36,189 | 301,621,157 | 11,631,571 | 38,564 |

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

State of Nebraska

TEN LARGEST EMPLOYERS

2005 and 1995

| NAME OF COMPANY | December 2005 | | | December 1995 | | |
|---|---------------|------------------------|--------------------------|---------------|------------------------|--------------------------|
| | RANK | NUMBER OF EMPLOYEES | % OF TOTAL EMPLOYMENT | RANK | NUMBER OF EMPLOYEES | % OF TOTAL EMPLOYMENT |
| State of Nebraska (excluding University) | 1 | 18,653 | 1.965 | 1 | 17,700 | 2.024 |
| US Government (excluding Department of Defense) | 2 | 15,403 | 1.623 | 2 | 16,000 | 1.830 |
| Offutt Air Force Base | 3 | 11,137 | 1.173 | 4 | 11,000 | 1.258 |
| Tyson Foods, Inc. (1995-IBP) | 4 | 11,000 | 1.159 | 5 | 9,400 | 1.075 |
| University of Nebraska * | 5 | 10,547 | 1.111 | 3 | 14,900 | 1.704 |
| Walmart | 6 | 9,755 | 1.028 | 12 | 4,800 | 0.549 |
| Omaha Public Schools | 7 | 8,073 | 0.851 | 6 | 8,600 | 0.984 |
| Union Pacific Corporation | 8 | 7,200 | 0.759 | 8 | 6,300 | 0.721 |
| Alegent Health ** | 9 | 6,675 | 0.703 | 11 | 5,100 | 0.583 |
| First Data Corp. | 10 | 6,300 | 0.664 | 7 | 8,000 | 0.915 |
| Mutual of Omaha Ins. Co. | | | | 9 | 6,000 | 0.686 |
| ConAgra | | | | 10 | 5,900 | 0.675 |

SOURCE: 2005 -Nebraska Databook published by the Department of Economic Development, Research Division
1995- Nebraska Blue Book 1996-97

NOTES:

* University of Nebraska - Medical Center, University of Nebraska - Lincoln, University of Nebraska at Omaha, University of Nebraska at Kearney
** Alegent was formed from the 1995 employers Bergan Mercy Hospital and Immanuel Medical Center
Calendar year 2005 is the most recent year for which data is available.

State of Nebraska

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

1998/99 – 2007/08

| ACADEMIC YEAR | PRE KDG. AND KDG. | GRADES 1 – 3 | GRADES 4 – 6 | GRADES 7 – 9 | GRADES 10 – 12 | TOTAL ALL GRADES |
|---------------|-------------------|--------------|--------------|--------------|----------------|------------------|
| 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 |
| 2004 – 2005 | 26,848 | 61,011 | 62,210 | 69,253 | 65,237 | 284,559 |
| 2005 – 2006 | 28,028 | 61,593 | 61,478 | 68,325 | 66,124 | 285,548 |
| 2006 – 2007 | 29,013 | 62,781 | 61,358 | 67,008 | 66,975 | 287,135 |
| 2007 – 2008 | 32,666 | 63,964 | 61,471 | 65,729 | 67,281 | 291,111 |

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

State of Nebraska

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

1998 – 2007

| | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|-----------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| COLLEGES AND UNIVERSITIES: | | | | | | | | | | |
| Chadron State College | 2,809 | 2,768 | 2,686 | 2,804 | 2,712 | 2,667 | 2,569 | 2,472 | 2,577 | 2,660 |
| Peru State College | 1,695 | 1,664 | 1,698 | 1,629 | 1,687 | 1,618 | 1,683 | 1,959 | 2,124 | 2,307 |
| Wayne State College | 3,835 | 3,601 | 3,518 | 3,311 | 3,220 | 3,305 | 3,398 | 3,322 | 3,407 | 3,527 |
| University of Nebraska | | | | | | | | | | |
| Lincoln (1) | 22,669 | 22,394 | 22,502 | 22,998 | 23,241 | 22,734 | 22,012 | 21,937 | 22,378 | 22,877 |
| Omaha | 13,274 | 13,264 | 13,479 | 14,143 | 14,451 | 13,931 | 13,824 | 14,093 | 13,906 | 14,156 |
| Kearney | 6,849 | 6,780 | 6,506 | 6,426 | 6,395 | 6,311 | 6,382 | 6,445 | 6,468 | 6,478 |
| Medical Center | 2,599 | 2,590 | 2,696 | 2,724 | 2,819 | 2,865 | 2,904 | 2,995 | 3,067 | 2,206 |
| TOTAL COLLEGES AND UNIVERSITIES | <u>53,730</u> | <u>53,061</u> | <u>53,085</u> | <u>54,035</u> | <u>54,525</u> | <u>53,431</u> | <u>52,772</u> | <u>53,223</u> | <u>53,927</u> | <u>54,211</u> |
| COMMUNITY COLLEGES | | | | | | | | | | |
| Central CC (2) | 7,474 | 7,095 | 7,126 | 6,399 | 6,417 | 6,364 | 6,524 | 6,564 | 6,543 | 6,531 |
| Metropolitan CC | 11,583 | 11,658 | 11,534 | 11,704 | 12,253 | 12,177 | 12,961 | 13,237 | 14,098 | 14,804 |
| Mid-Plains CC | 2,487 | 2,518 | 2,607 | 2,816 | 3,020 | 3,001 | 2,957 | 2,607 | 3,030 | 2,715 |
| Northeast CC | 4,754 | 4,671 | 4,520 | 4,600 | 4,832 | 4,805 | 5,053 | 5,101 | 5,261 | 5,149 |
| Southeast CC | 7,122 | 7,351 | 7,396 | 7,935 | 8,912 | 8,451 | 10,079 | 10,059 | 9,594 | 9,603 |
| Western CC | 1,704 | 1,836 | 2,264 | 2,150 | 2,152 | 2,420 | 2,659 | 2,283 | 1,918 | 2,233 |
| TOTAL COMMUNITY COLLEGES | <u>35,124</u> | <u>35,129</u> | <u>35,447</u> | <u>35,604</u> | <u>37,586</u> | <u>37,218</u> | <u>40,233</u> | <u>39,851</u> | <u>40,444</u> | <u>41,035</u> |
| TOTAL ALL INSTITUTIONS | <u>88,854</u> | <u>88,190</u> | <u>88,532</u> | <u>89,639</u> | <u>92,111</u> | <u>90,649</u> | <u>93,005</u> | <u>93,074</u> | <u>94,371</u> | <u>95,246</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
**FULL TIME EQUIVALENT PERMANENT
 EMPLOYEES BY FUNCTION**
 1998 – 2007

| FUNCTION | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|--------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Conservation | 310 | 305 | 340 | 307 | 305 | 308 | 316 | 313 | 313 | 318 |
| Regulation | 359 | 359 | 358 | 348 | 351 | 345 | 355 | 358 | 372 | 364 |
| Economic Development | 570 | 571 | 529 | 525 | 537 | 528 | 542 | 526 | 532 | 525 |
| Culture and Recreation | 539 | 548 | 560 | 565 | 584 | 580 | 569 | 579 | 579 | 564 |
| Education | 595 | 568 | 572 | 591 | 575 | 578 | 587 | 597 | 601 | 590 |
| Transportation | 2,312 | 2,297 | 2,256 | 2,239 | 2,201 | 2,182 | 2,193 | 2,175 | 2,163 | 2,137 |
| General Government | 2,646 | 2,715 | 2,783 | 2,891 | 2,853 | 2,612 | 2,687 | 2,718 | 2,769 | 2,756 |
| Public Safety | 2,700 | 2,716 | 2,765 | 2,939 | 3,199 | 3,285 | 3,260 | 3,303 | 3,349 | 3,380 |
| Health & Social Services | 5,877 | 5,918 | 5,907 | 5,898 | 5,834 | 6,076 | 6,056 | 6,115 | 6,044 | 5,799 |
| | <u>15,907</u> | <u>15,995</u> | <u>16,069</u> | <u>16,303</u> | <u>16,438</u> | <u>16,493</u> | <u>16,565</u> | <u>16,683</u> | <u>16,721</u> | <u>16,434</u> |

SOURCE: Nebraska State Government - State Personnel Division - 2008 Almanac

State of Nebraska
OPERATING INDICATORS BY FUNCTION
 2002-2008

| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|--|------------|------------|------------|------------|------------|------------|-----------|
| General Government | | | | | | | |
| Department of Revenue | | | | | | | |
| Percentage of returns filed electronically | N/A | N/A | N/A | 53.6% | 57.6% | 62.5% | 66.0% |
| Percentage of direct deposit refunds | N/A | N/A | N/A | 39.7% | 43.9% | 54.5% | 75.0% |
| Department of Roads | | | | | | | |
| Percentage of Roads in very good or good condition (%) | 81% | 84% | 85% | 85% | 80% | 79% | N/A |
| Conservation of Natural Resources | | | | | | | |
| Department of Environmental Quality | | | | | | | |
| Inspections by field office staff | | | | | | | |
| Air Quality | N/A | N/A | N/A | N/A | 82 | 364 | N/A |
| Water Quality | N/A | N/A | N/A | N/A | 543 | 999 | N/A |
| Waste Management | N/A | N/A | N/A | N/A | 110 | 179 | N/A |
| Culture - Recreation | | | | | | | |
| Game and Parks Commission | | | | | | | |
| Park visitors (1,2) | 9,725,928 | 9,885,628 | 10,085,789 | 10,293,381 | 9,997,632 | 10,193,030 | N/A |
| Hatchery fish raised (in millions) (1) | 4.8 | 5.2 | 14.2 | 6.8 | 15.6 | 25.6 | N/A |
| Education | | | | | | | |
| Department of Education | | | | | | | |
| Fall Enrollment | | | | | | | |
| Pre-K to 12th grade | 285,382 | 285,542 | 284,559 | 285,548 | 287,135 | 291,111 | N/A |
| State Colleges and Universities (3) | 54,525 | 53,431 | 52,772 | 53,223 | 53,927 | 54,211 | 56,446 |
| Public Community Colleges (3) | 37,586 | 37,218 | 40,233 | 39,851 | 40,444 | 41,035 | 43,330 |
| Health and Social Services | | | | | | | |
| Health and Human Services | | | | | | | |
| Child Support Payments | | | | | | | |
| Number of Payments Received | N/A | N/A | 1,266,853 | 1,316,154 | 1,344,778 | 1,383,619 | 1,444,202 |
| Number of Payments Disbursed | N/A | N/A | 1,111,672 | 1,127,651 | 1,153,771 | 1,202,635 | 1,156,102 |
| Medicaid (average monthly) | | | | | | | |
| Medicaid recipients | 203,760 | 201,534 | 197,152 | 198,757 | 200,670 | 201,009 | 203,513 |
| Percentage of Nebraska population | 11.8% | 11.6% | 11.3% | 11.4% | 11.3% | 11.3% | N/A |
| Food Stamps (average monthly) | | | | | | | |
| Number of households | 37,132 | 41,620 | 47,292 | 49,726 | 51,146 | 51,915 | 52,162 |
| Percentage of Nebraska households | 5.5% | 6.2% | 6.9% | 7.1% | 7.3% | 7.3% | N/A |
| Public Safety | | | | | | | |
| Department of Correctional Services | | | | | | | |
| Inmate population (average monthly) (1) | 4,446 | 4,871 | 4,938 | 5,010 | 5,145 | 5,222 | N/A |
| Percentage of Nebraska population | 0.26% | 0.28% | 0.28% | 0.29% | 0.29% | 0.29% | N/A |
| Total Admissions (1) | 2,505 | 2,753 | 2,662 | 2,924 | 3,039 | 2,902 | N/A |
| Total Releases (1) | 2,365 | 2,643 | 2,902 | 2,800 | 2,969 | 3,092 | N/A |
| State Patrol | | | | | | | |
| Miles Patrolled (1) | 10,399,781 | 10,198,444 | 10,395,505 | 10,087,966 | 10,130,500 | 10,348,580 | N/A |
| Accidents Investigated (1) | 2,736 | 2,557 | 2,228 | 2,960 | 2,315 | 2,392 | N/A |
| Transportation | | | | | | | |
| Department of Motor Vehicles | | | | | | | |
| Motor Vehicle Registrations (1) | | | | | | | |
| Automobiles | 1,076,415 | 1,081,868 | 1,088,620 | 1,106,684 | 1,112,320 | 1,122,877 | N/A |
| Trucks | | | | | | | |
| Farm | 148,456 | 147,571 | 148,278 | 148,625 | 147,509 | 157,282 | N/A |
| Commercial / Other | 372,929 | 378,615 | 383,024 | 389,947 | 392,589 | 388,098 | N/A |
| Motorcycles | 26,931 | 29,794 | 32,916 | 36,622 | 40,065 | 43,387 | N/A |

NOTES: (1) Data is provided on a calendar basis.
 (2) Park visitation is counted in daily visits.
 N/A - Not Available

SOURCE: State Agencies: Department of Revenue, Department of Roads, Department of Environmental Quality, Game and Parks Commission, Department of Education, Health and Human Services, Department of Correctional Services, Nebraska State Patrol, Department of Motor Vehicles

(3) National Center for Education Statistics, Integrated Postsecondary Education Data System (IPEDS)
 The 2008 numbers have not been certified.

State of Nebraska

CAPITAL ASSET STATISTICS BY FUNCTION

2002 – 2008

| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|--|-------|-------|-------|-------|-------|-------|-------|
| <u>General Government</u> | | | | | | | |
| Department of Administrative Services | | | | | | | |
| Buildings | 285 | 285 | 285 | 285 | 285 | 283 | 291 |
| Vehicles | 1,083 | 1,264 | 1,182 | 1,006 | 1,034 | 1,371 | 1,093 |
| <u>Conservation of Natural Resources</u> | | | | | | | |
| Game and Parks Commission | | | | | | | |
| Acres of state park and wildlife land (in thousands) | 138 | 140 | 143 | 146 | 148 | 149 | 157 |
| <u>Culture - Recreation</u> | | | | | | | |
| Game and Parks Commission | | | | | | | |
| State Parks | 8 | 8 | 8 | 8 | 8 | 8 | 8 |
| Historical Parks | 10 | 10 | 10 | 10 | 10 | 10 | 10 |
| Recreation and wildlife areas | 320 | 320 | 320 | 322 | 322 | 322 | 325 |
| Fish hatcheries | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
| <u>Education</u> | | | | | | | |
| NETV Commission | | | | | | | |
| Towers, antennas and transmitters | 42 | 60 | 60 | 60 | 56 | 60 | 60 |
| <u>Public Safety</u> | | | | | | | |
| State Patrol | | | | | | | |
| Pursuit Vehicles | 414 | 429 | 479 | 442 | 364 | 351 | 474 |
| Department of Corrections | | | | | | | |
| Buildings | 112 | 126 | 126 | 124 | 129 | 126 | 143 |
| <u>Transportation</u> | | | | | | | |
| Department of Roads | | | | | | | |
| Highway miles (calendar year) | 9,969 | 9,959 | 9,959 | 9,953 | 9,950 | 9,949 | N/A |
| Heavy trucks, plows and graders | 1,072 | 1,087 | 1,085 | 1,083 | 1,068 | 1,072 | 1,053 |

NOTE: Other agencies including those in the Economic Development, Health and Social Services and Regulation functional areas are not capital asset intensive.

SOURCE: State Agencies: Department of Administrative Services, Game and Parks Commission, NETV Commission, Nebraska State Patrol, Department of Correctional Services, and Department of Roads

State of Nebraska

MISCELLANEOUS DATA

June 30, 2008

| | |
|--------------------|--|
| 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) |

SOURCE: Nebraska Blue Book, 2004-2005.

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Or on our website: www.das.state.ne.us/accounting/