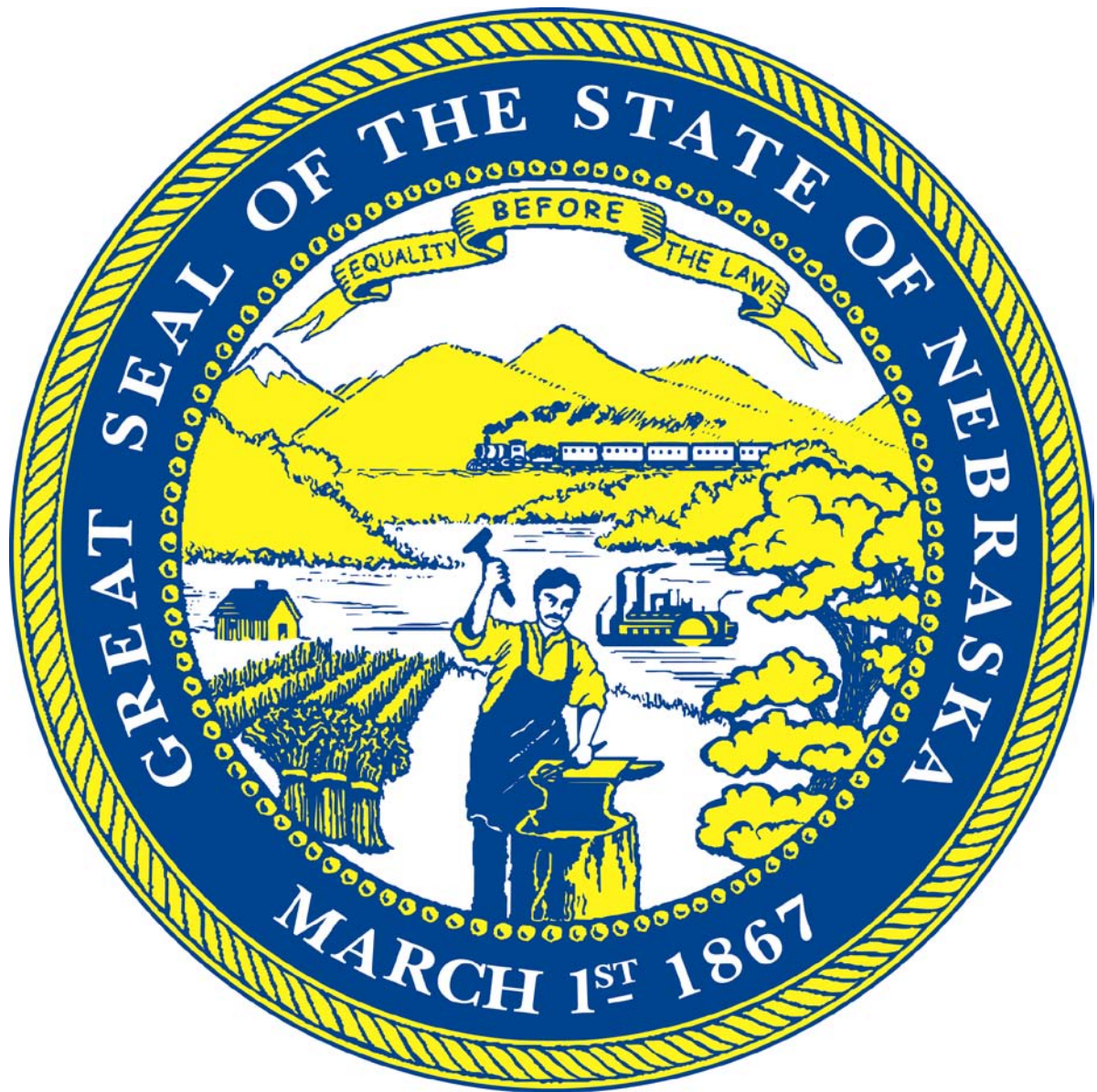


# State of Nebraska

## *Comprehensive Annual Financial Report*

Fiscal Year Ended June 30, 2009



# State of Nebraska

## Comprehensive Annual Financial Report

Year Ended June 30, 2009



**Dave Heineman**

*Governor*

**Administrative Services**

**Carlos Castillo, Jr.**

*Director*

**Paul Carlson**

*State Accounting Administrator*

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2009

## TABLE OF CONTENTS

<b>INTRODUCTORY SECTION</b>	Page
Selected State Officials .....	4
Transmittal Letter from Administrative Services .....	5
Organization Chart .....	10
Certificate of Achievement .....	11
<b>FINANCIAL SECTION</b>	
Independent Auditors' Report .....	14
Management's Discussion and Analysis .....	16
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Assets .....	33
Statement of Activities .....	34
Fund Financial Statements	
Balance Sheet – Governmental Funds .....	36
Reconciliation of the Balance Sheet – Governmental Funds to the	
Statement of Net Assets .....	37
Statement of Revenues, Expenditures, and Changes in Fund Balances	
Governmental Funds .....	38
Reconciliation of the Statement of Revenues, Expenditures, and Changes in	
Fund Balances – Governmental Funds to the Statement of Activities .....	39
Statement of Net Assets – Proprietary Funds .....	40
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds .....	41
Statement of Cash Flows – Proprietary Funds .....	42
Statement of Fiduciary Net Assets – Fiduciary Funds .....	44
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds .....	45
Statement of Net Assets – Component Units .....	46
Statement of Activities – Component Units .....	47
Notes to the Financial Statements	
Summary of Significant Accounting Policies .....	48
Deposits and Investments Portfolio .....	53
Capital Assets .....	56
Interfund Balances .....	57
Accounts Payable and Accrued Liabilities .....	58
Noncurrent Liabilities .....	58
Bonds Payable .....	58
Lease Commitments .....	59
Obligations Under Other Financing Arrangements .....	60
Receivables .....	60
Pension Plans .....	61
Contingencies and Commitments .....	63
Risk Management .....	64
Subsequent Event .....	64
Required Supplementary Information	
Budgetary Comparison Schedule – General Fund .....	66
Budgetary Comparison Schedule – Cash Funds .....	67
Budgetary Comparison Schedule – Construction Funds .....	68
Budgetary Comparison Schedule – Federal Funds .....	69
Budgetary Comparison Schedule – Revolving Funds .....	70
Notes to Required Supplementary Information .....	71
Information about Infrastructure Assets Reported using the Modified Approach .....	72

---

## TABLE OF CONTENTS (Continued)

### FINANCIAL SECTION (Continued)

#### Combining Financial Statements

##### Nonmajor Governmental Funds

Combining Balance Sheet – Nonmajor Governmental Funds.....	76
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds .....	77
Combining Balance Sheet – Nonmajor Special Revenue Funds.....	78
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Special Revenue Funds .....	80
Combining Balance Sheet – Nonmajor Permanent Funds .....	82
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Permanent Funds .....	83

##### Nonmajor Enterprise Funds

Combining Statement of Net Assets – Nonmajor Enterprise Funds .....	86
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets – Nonmajor Enterprise Funds.....	87
Combining Statement of Cash Flows – Nonmajor Enterprise Funds.....	88

##### Internal Service Funds

Combining Statement of Net Assets – Internal Service Funds.....	90
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets – Internal Service Funds .....	92
Combining Statement of Cash Flows – Internal Service Funds .....	94

##### Fiduciary Funds

Combining Statement of Fiduciary Net Assets – Pension Trust Funds.....	98
Combining Statement of Changes in Fiduciary Net Assets – Pension Trust Funds .....	100
Combining Statement of Fiduciary Net Assets – Private Purpose Trust Funds .....	102
Combining Statement of Changes in Fiduciary Net Assets – Private Purpose Trust Funds.....	103
Combining Statement of Fiduciary Assets and Liabilities – Agency Funds .....	104
Combining Statement of Changes in Assets and Liabilities – Agency Funds .....	105

### STATISTICAL SECTION

Table of Contents.....	108
Financial Trends Information.....	109
Revenue Capacity Information.....	116
Debt Capacity Information.....	119
Demographic and Economic Information .....	120
Operating Information.....	123

Miscellaneous Data .....	126
--------------------------	-----



# INTRODUCTORY SECTION

---

# SELECTED STATE OFFICIALS

As of June 30, 2009

---

## 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 29, 2009

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, 2009. 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, 2009, 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, 2009, 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 93 percent of all General Fund revenues. Net revenue from income taxes and sales taxes from all funds for the fiscal year ended June 30, 2009 decreased \$159 million from the prior year, due to the national recession and weakened economy.

For the fiscal year ending June 30, 2009, the State's General Fund ended the fiscal year with a cash and investments balance that exceeded one billion dollars for the third year in a row, at \$1.037 billion.

The current forecast for fiscal year 2010 anticipates net receipts in the General Fund to decrease about \$73 million, or approximately a 2.2% decrease over fiscal year 2009. No significant changes in revenue are anticipated in the other funds, except to the extent the State receives federal funds as part of the American Recovery and Reinvestment Act; such funds must be spent for specific purposes.

### *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. While the Council is pessimistic about the national economic outlook, they conclude that the economic situation will not be as dire in Nebraska. Nebraska was in a recession for most of 2009; however, its economy is expected to improve in some areas in 2010. The Bureau published a forecast in June 2009 as shown on the following chart. The agriculture market is a major force in the Nebraska economy and how it fared in 2009 will not be known until early 2010 and 2010 is not highly predictable. 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 2010. There may even be additional 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.

	<b>ACTUAL</b>			<b>PROJECTED</b>		
	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
<b>Nonfarm Employment:</b>						
Annual Totals	941,500	957,400	964,700	952,100	960,700	979,100
Growth Rates	1.2%	1.7%	0.8%	-1.3%	0.9%	1.9%
<b>Nonfarm Personal Income:</b>						
Annual Totals (in millions \$)	58,875	62,569	65,332	66,993	70,200	73,811
Growth Rates	5.5%	6.3%	4.4%	2.5%	4.8%	5.1%
<b>Net Taxable Retail Sales</b>						
<b>Growth Rates:</b>						
Total	2.2%	5.0%	1.6%	-0.3%	4.6%	4.1%
Motor Vehicle Sales	-3.3%	9.1%	1.4%	-7.5%	10.0%	6.0%
Non-motor Vehicles Sales	2.9%	4.6%	1.7%	0.6%	4.0%	3.9%

### ***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 2012 and 2013. In our analysis, we use forecasting models to forecast revenue and then examine major expenditures, especially those that have a trend of outpacing revenues. However, future General Fund revenues for 2012 and 2013 have not yet been revised downward based upon the recent trends. We do anticipate a projection of low percentage income growth and it 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***

Major initiatives for state government include working with state agencies to implement the budget reductions approved as part of the 2009 Special Session, and to continue to closely monitor and report on the projects receiving funding as part of the American Recovery and Reinvestment Act.

The state will also devote time and energy to completing a new radio communications network for state agencies and the Nebraska Public Power District.

Nebraska is one of very few states with a plan to finance and achieve the goal of interoperable communications. The first phase was launched in September 2009 and plans call for the four-phase project to be in place by the end 2010. Once complete, the regional communications networks used by local and county first responders will plug into the state network providing true statewide interoperable communications for emergency personnel.

Promoting greater efficiency in government is essential in light of current economic conditions.

Nebraska has been recognized for its digital initiatives which help state agencies control costs while offering greater accessibility for Nebraska residents and businesses. Developing new online services, offering agencies enhanced communications options that eliminate the distance between offices, and using technology to transform the way government services are provided are important in making state agencies more efficient users of Nebraska tax dollars.

## **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, 2008. This was the eighteenth 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 2009 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,

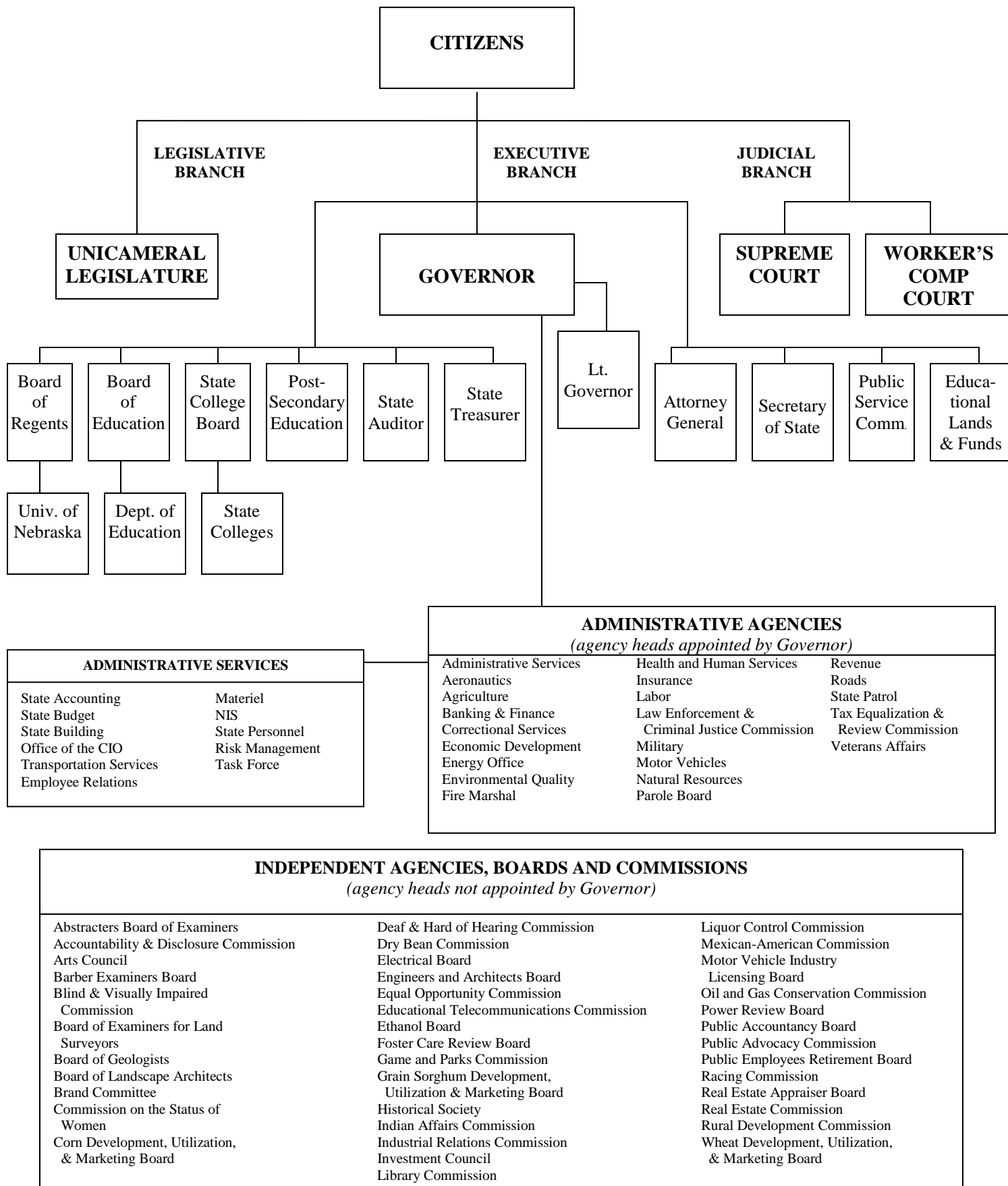


Carlos Castillo, Jr.  
Director, Administrative Services



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, 2008

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.



A handwritten signature in black ink, appearing to read "M. L. Post".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emery".

Executive Director





# FINANCIAL SECTION

---



## NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

---

Mike Foley  
State Auditor

Mike.Foley@nebraska.gov  
P.O. Box 98917  
State Capitol, Suite 2303  
Lincoln, Nebraska 68509  
402-471-2111, FAX 402-471-3301  
[www.auditors.state.ne.us](http://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, 2009, 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, which represent 14% of the assets 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness on the State of Nebraska's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes 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, 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, 2009, 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 28, 2009 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 28, 2009



Pat Reding, CPA, CFE  
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, 2009. 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 four new standards in 2009 required by the Governmental Accounting Standards Board (GASB): Statement No. 47, *Accounting and Financial Reporting for Pollution Remediation Obligations*, which has no material effect on the State's financial statements; Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*, which had no material effect on the financial statements; Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, which established the priority of applying official pronouncements, and Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*, which incorporated three AICPA standards into state and local government accounting and financial reporting standards.

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, 2009 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, 2009 by \$10.7 billion (presented as "net assets" in the CAFR). The majority of the net assets are represented by the investment in the State's infrastructure and other capital assets, which cannot be used to fund ongoing activities of the State. Of the net assets, unrestricted net assets were reported as \$1.1 billion, most of which is available to be used to fund future needs of the State. The primary government's net expenses exceeded net revenues for 2009 resulting in a decrease in net assets of \$164 million. This decrease in net assets was a reversal of the \$338 million increase in 2008, due to three main areas: (1) a \$99 million decrease in investment earnings (a result of unrealized market losses) (2) an increase of expenses, net of program revenue, of \$212 million, and (3) a decrease in tax revenues of \$179 million.

#### Fund Level:

General Fund receipts for 2009 were \$174 million below the original budgeted amount and below the final budget by \$37 million. Expenditures were \$392 million less than the original budget. On a Generally Accepted Accounting Principles (GAAP) basis, the General Fund had \$12 million in excess revenues prior to a legislatively mandated property tax relief transfer of \$115 million and \$14 million in other financing uses, causing a reduction in fund balances of \$117 million, and thereby reducing the fund balance on June 30, 2009 to \$857 million. Other governmental funds expenditures exceeded revenues by \$183 million, chiefly due to unrealized market losses and spending more on roads repair and infrastructure projects than the revenue provided. Offsetting these operating losses, such other funds received \$51 million in other financing sources. This \$132 million net reduction resulted in lowering such fund balances at June 30, 2009 to \$1,834 million.

The \$269 million of net assets of the Unemployment Insurance Fund represents eighty-three percent of the enterprise funds. Such fund had a \$74 million decrease in net assets for 2009 compared to a \$23 million increase in 2008, a \$97 million turn around. This was due to unemployment insurance claims exceeding the business assessment fees collected from employers by \$92 million, even though the State collected \$47 million more in fees in 2009. This loss was only partially offset by \$18 million in investment income.

### **Long-term Liabilities:**

Long-term liabilities shown on the government-wide financial statements totaled \$531 million at June 30, 2009, which is a \$39 million increase 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 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 \$12,670 million at June 30, 2009 as compared to \$12,600 at June 30, 2008. As total liabilities only totaled \$1,980 million, net assets amounted to \$10,690 million as of June 30, 2009. As of June 30, 2008, these amounts were \$1,746 million and \$10,854 million, respectively. By far the largest portion of the State of Nebraska's net assets (72 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	
	2009	2008	2009	2008	2009	2008
Current and Other						
Non-current Assets	\$ 4,491	\$ 4,503	\$ 427	\$ 475	\$ 4,918	\$ 4,978
Capital Assets	7,746	7,616	6	6	7,752	7,622
<b>Total Assets</b>	<b>12,237</b>	<b>12,119</b>	<b>433</b>	<b>481</b>	<b>12,670</b>	<b>12,600</b>
Non-current Liabilities	460	444	71	48	531	492
Other Liabilities	1,411	1,219	38	35	1,449	1,254
<b>Total Liabilities</b>	<b>1,871</b>	<b>1,663</b>	<b>109</b>	<b>83</b>	<b>1,980</b>	<b>1,746</b>
Net assets:						
Invested in Capital Assets, Net of Related Debt	7,719	7,588	6	6	7,725	7,594
Restricted	1,632	1,790	271	344	1,903	2,134
Unrestricted	1,015	1,078	47	48	1,062	1,126
<b>Total Net Assets</b>	<b>\$ 10,366</b>	<b>\$ 10,456</b>	<b>\$ 324</b>	<b>\$ 398</b>	<b>\$ 10,690</b>	<b>\$ 10,854</b>

Over 74% of the State's non-capital assets consist of cash and investments. It should be noted that \$584 million in 2009 and \$457 million in 2008 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 19% of the non-capital assets.

Liabilities largely reflect three groupings which represent 96% 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 \$489 million (\$403 million in 2008); tax refunds payable of \$315 million (\$310 million in 2008); 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 \$531 million (\$492 million in 2008). The majority of such liabilities are for claims payable for workers' compensation, medical excess liability, litigation, unemployment insurance, and employee health insurance totaling \$138 million for 2009 (\$128 million for 2008), Medicaid claims for \$223 million (\$196 million in 2008) and the calculated amount for vested sick leave due employees when they retire and accrued vacation of \$127 million in 2009 (\$123 million for 2008). 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 \$27 million at June 30, 2009. There was also \$16 million of obligations under other financing arrangements (See Note 9 to the Financial Statements).

The \$90 million decrease in net assets of Governmental Activities, offset by an increase of \$131 million in the net investment in capital assets, was due to the \$63 million decrease in unrestricted net assets and the \$158 million decrease in restricted net assets. The major causes of the decrease was a \$179 million decrease in taxes collected and a \$99 million decrease in investment earnings as a result of market losses.

At the end of June 30, 2009, 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 2009, analyzing both the governmental activities and the business-type activities.

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

	<u>Governmental</u> <u>Activities</u>		<u>Business-type</u> <u>Activities</u>		<u>Total Primary</u> <u>Government</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
<b>REVENUES</b>						
Program Revenues						
Charges for Services	\$ 594	\$ 549	\$ 292	\$ 246	\$ 886	\$ 795
Operating Grants and Contributions	2,490	2,235	-	-	2,490	2,235
Capital Grants and Contributions	25	21	-	-	25	21
General Revenues						
Taxes	3,787	3,966	-	-	3,787	3,966
Unrestricted Investment Earnings	15	114	23	23	38	137
Miscellaneous	-	4	-	-	-	4
<b>Total Revenues</b>	<u>6,911</u>	<u>6,889</u>	<u>315</u>	<u>269</u>	<u>7,226</u>	<u>7,158</u>
<b>EXPENSES</b>						
General Government	468	438	-	-	468	438
Conservation of Natural Resources	128	113	-	-	128	113
Culture - Recreation	29	26	-	-	29	26
Economic Development and Assistance	88	85	-	-	88	85
Education	1,563	1,450	-	-	1,563	1,450
Higher Education - Colleges and Universities	571	558	-	-	571	558
Health and Social Services	2,913	2,744	-	-	2,913	2,744
Public Safety	352	373	-	-	352	373
Regulation of Business and Professions	124	131	-	-	124	131
Transportation	797	714	-	-	797	714
Interest on Long-term Debt	2	2	-	-	2	2
Unemployment Insurance	-	-	242	98	242	98
Lottery	-	-	95	92	95	92
Excess Liability	-	-	12	(3)	12	(3)
Cornhusker State Industries	-	-	10	11	10	11
<b>Total Expenses</b>	<u>7,035</u>	<u>6,634</u>	<u>359</u>	<u>198</u>	<u>7,394</u>	<u>6,832</u>
Excess (deficiency) Before Transfers and Contributions to Permanent Fund Principal	(124)	255	(44)	71	(168)	326
Transfers	30	31	(30)	(31)	-	-
Contributions to Permanent Fund Principal	4	12	-	-	4	12
<b>Increase (Decrease) in Net Assets</b>	(90)	298	(74)	40	(164)	338
<b>Net Assets - Beginning</b>	10,456	10,158	398	358	10,854	10,516
<b>Net Assets - Ending</b>	<u>\$ 10,366</u>	<u>\$ 10,456</u>	<u>\$ 324</u>	<u>\$ 398</u>	<u>\$ 10,690</u>	<u>\$ 10,854</u>



## Governmental Activities

Governmental activities decreased the State's net assets by \$90 million in 2009 (\$298 million in 2008). Governmental activities represent 96% of all the primary government's revenues. Program revenues of governmental activities were \$3,109 million and were used to partially offset program expenses of \$7,035 million, leaving net expenses of \$3,926 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 \$3,836 million, fell \$90 million short of covering the remaining costs of the governmental activities' programs as shown below.

Due to the recession, tax revenues were down \$179 million (which is the opposite of the large increases recorded in the prior two years). Offsetting this decline, program revenues increased 11% from 2008, chiefly due to income from grants being up \$255 million, some of which was due to the income received from the American Recovery and Reinvestment Act (ARRA). Most of the increase in grant income was, of course, spent on increased grant designated expenses. Two-thirds of the \$401 million increase in program expenses was spent on grant-related projects. The loss of tax revenue and a decrease in investment earnings, coupled with a small increase in other program expenses, greatly exceeded the increase in program revenue and were the chief reasons the change in net assets was \$388 million lower in 2009 than the \$298 million increase recorded in 2008. The decrease in investment earnings was the result of unrealized market valuation losses on investments which was only offset somewhat by increased actual investment earnings received. While the General Fund has more investments than other programs, it maintains safer investments and actually showed a decrease in investment income in 2009 over 2008 of only \$10 million.

Program expenses, net of revenue, increased by \$97 million in 2009, as shown below:

### GOVERNMENTAL ACTIVITIES (in millions of dollars)

<b>Program Expenses, Net of Revenue</b>	<b>2009</b>	<b>2008</b>
General Government	\$ (371)	\$ (342)
Conservation of Natural Resources	(41)	(33)
Culture - Recreation	(8)	(7)
Economic Development and Assistance	(38)	(29)
Education	(1,206)	(1,122)
Higher Education - Colleges and University	(571)	(558)
Health and Social Services	(1,086)	(1,192)
Public Safety	(222)	(211)
Regulation of Business and Professions	12	(6)
Transportation	(393)	(327)
Interest on Long-Term Debt	(2)	(2)
<b>Subtotal</b>	<b>(3,926)</b>	<b>(3,829)</b>
<b>General Revenues</b>		
Taxes	3,787	3,966
Unrestricted Investment Earnings	15	114
Miscellaneous	-	4
<b>Transfers</b>	<b>30</b>	<b>31</b>
<b>Contributions to Permanent Fund Principal</b>	<b>4</b>	<b>12</b>
<b>Increase (Decrease) in Net Assets</b>	<b>\$ (90)</b>	<b>\$ 298</b>

Four functional areas of the State comprise 83% of the expenses of all Governmental Activities: Education, Higher Education, Health and Social Services and Transportation. They also comprise 59% of the increase in program expenses, net of revenue. Education net expenses were up \$84 million chiefly due to planned budgetary increases providing more school aid to the K-12 school systems in Nebraska. Health and Social Services was down \$106 million mainly because increased aid from federal ARRA funds received of \$82 million. Higher Education was up as appropriations from the State to the University of Nebraska and the state colleges were increased \$13 million. Transportation net expenses were up \$66 million chiefly due to increased highway construction. All the other functional areas had small variances in net expenses, except for General Government expenses, which increased \$29 million, of which \$10 million was an increase in the property tax relief provided to property owners in Nebraska.

### **Business-type Activities**

Due to losses, the business-type activities reduced the State's net assets by \$75 million for 2009, which was net of a \$30 million transfer to the governmental activities. Most of the \$292 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 an operating loss of \$92 million in 2009, due to the recession and the State paying out \$144 million in additional unemployment claims which greatly exceeded the additional \$47 million in increased business assessment fees. This loss, when combined with the \$18 million in investment income, produced \$74 million of net loss for the Unemployment Insurance Fund. Lottery revenues of \$123 million generated net revenue of \$29 million, which was offset by the \$30 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, 2009, the State's Governmental Funds reported combined ending fund balances of \$2,690 million. The total unreserved balances amounted to \$1,995 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 \$308 million. However, such refunds payable are only \$12 million more than the expected taxes owed the State. Other assets of the General Fund available to pay non tax-refund liabilities exceed such liabilities by \$869 million.

On June 30, 2008, the General Fund had a positive fund balance of \$974 million. While expenditures only increased \$56 million, revenues decreased by \$175 million in 2009. This \$231 million downslide

was a reversal of the \$128 million increase that occurred in 2008, resulting in an operating decrease of the fund balance of \$103 million in 2009. This operating decrease in 2009, when coupled with the \$14 million of net transfers out, caused the General Fund balance to decrease by \$117 million, ending with a fund balance of \$857 million.

Revenues in 2009, significantly less than anticipated, were down \$175 million over 2008 chiefly due to a decrease in income tax revenue of \$160 million (a 8% decrease) over 2008. Investment income was down \$10 million due to the declining interest rates. Expenditures were less than budgeted due to continued efforts by agency heads to be conservative in spending. Net increases in expenditures were caused chiefly in two areas. Budgeted increases in education expenditures caused Education and Higher Education to be up \$112 million, which was greatly offset by reduced State spending for Medicaid, mainly due to the receipt of federal ARRA dollars of \$82 million in 2009.

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. Even though the General Fund balance declined, no such need existed in 2009.

The Cash Reserve Fund was at \$516 million at the beginning of 2008. Due to the fact that 2008 revenues exceeded the forecast, a statutory requirement caused a \$191 million transfer from the General Fund cash account to the Cash Reserve Fund in 2008. In 2008 there was an \$87 million transfer out to the General fund for capital construction. There were also other net transfers out of the Fund of \$75 million, leaving a Cash Reserve Fund balance at June 30, 2008 of \$545 million. The statutory transfer into the Fund for excess receipts for FY 2008 of \$117 million was made in July, 2008. In 2009, there were also net transfers out of \$87 million, leaving a Fund balance of \$575 million at June 30, 2009.

### ***Other Governmental Funds***

Other governmental fund balances totaled \$1,834 million at June 30, 2009; \$695 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 (\$421 million), (2) are represented by an asset that has not yet been received, e.g., loans receivable (\$256 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 (\$11 million).

Of the non-General Fund unreserved fund balances of \$1,139 million, \$997 million represents special revenue funds, 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-three million dollars is represented by other permanent funds, which again normally must be spent within the confines of the fund. One hundred nineteen 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 \$539 million. Of this balance, \$531 million is classified as unreserved. The non-major special revenue fund balances totaled \$732 million, of which \$467 is unreserved.

Governmental funds other than the General Fund saw a decrease in fund balances of \$132 million. The fund balances of the following funds increased: the Federal Fund (\$2 million) and other Nonmajor Funds

(\$37 million). The Highway Fund decreased by \$38 million, the Permanent School Fund decreased by \$61 million and Health and Social Service Fund decreased by \$72 million.

The Highway Fund had a \$14 million increase in federal funds and a \$9 million increase in tax revenue. However, \$66 million of increases in operating expenses (namely highway construction) was the chief reason the Highway Fund had a \$38 million decrease in its fund balance in 2009.

The activity in the Federal Fund represents federal funds received and each year's spending should generally approximate grant funds received. In 2009 the State received a large boost in federal grants and contracts of \$248 million, charges for services increased \$27 million and other revenue only decreased \$2 million. Expenditures increased \$276 million in 2009 due to Medicaid (\$122 million - ARRA funding was \$82 million), public assistance (\$31 million), settlements of prior year issues (\$37 million) and increases in yearend accruals. Expenditures were in line with the increase in revenue, leaving a net increase from operations of \$9 million. Transfers out were only \$7 million, so at the end of 2009 there was a net increase in the fund of \$2 million, compared to a \$1 million increase in 2008.

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 \$46 million decrease in investment income in 2009 (chiefly unrealized losses in the market value of investments) which was the main reason there was a \$72 million decrease in the net change in fund balance in 2009, as opposed to a \$23 million decrease in 2008.

The Permanent School Fund had a \$42 million decrease in revenue, chiefly due to a \$37 million decrease in investment income caused by unrealized losses in the market value of investments in 2009, as opposed to a \$63 million investment income decrease in 2008 (when compared to 2007). Since expenditures increased \$9 million in 2009, there was a \$61 million decrease in fund balance in 2009 as opposed to only a \$10 million decrease in 2008, a change of \$51 million.

The Nonmajor Funds revenues and expenditures both remained about the same between 2008 and 2009 and revenues about equaled expenditures. However, there was only \$32 million in net transfers in for the Nonmajor Funds in 2009 versus \$153 million in 2008 (there were significant one-time transfers from the General Fund in 2008). As a result, the net change in fund balances increased only \$37 million in 2009 as opposed to \$155 million in 2008. The net change in fund balances in 2009 was very close to the \$34 million increase 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, reported net assets of \$269 million at the end of 2009. This fund's net assets decreased \$74 million in 2009, because unemployment claims paid out exceeded business assessment fees by \$92 million, which was offset by 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 \$29 million prior to a \$30 million transfer from the Lottery's net income to governmental funds. Such transfer was used primarily for education and environmental studies. The Excess Liability Fund earned \$4 million in investment earnings which more than offset the \$3 million of actual claims paid that exceeded the fees collected from the physicians. Cornhusker State Industries essentially broke even.

## Fiduciary Funds

The Pension Trust Funds represent the majority of the fiduciary funds. Such Pension Trust Fund's net assets decreased \$1,782 million to \$6,945 million in 2009 due primarily to a declining market in 2009, which depreciated the market value of investments by \$1,862 million. (In 2008 there was a \$510 million depreciation of investments.) Interest and dividend income in 2009 was \$134 million versus \$194 million in 2008. Benefits, refunds and related administrative expenses exceeded the contributions to the plans by \$45 million. In another trust fund recorded in the Private Purpose Trust Funds, contributions from State participants received by the College Savings Plan only exceeded the benefits paid by \$57 million. Due to \$638 million in depreciation in the fair value of investments, the total net assets in the College Savings Plan dropped \$538 million to under \$1.5 billion dollars, compared to over \$2 billion last year.

## ANALYSIS OF GENERAL FUND BUDGET VARIATIONS

Even though there is a relatively stable economy in the Midwest, in 2009 the State began to feel the effects of the national recession. Forecasted revenues, upon which the State's budgeted General Fund expenditures are based, were anticipated to be basically flat in 2009 and equal to 2008 net tax revenue of \$3,406 million. Because revenues showed a declining trend during 2009, the State's Forecasting Board made three new forecasts throughout the year. At the end, the forecasted net tax revenues were \$138 million below the original forecast. However, that reduced forecast still exceeded the actual tax revenues of \$3,231 million by \$37 million, leaving the State with actual tax revenues, net of refunds, of \$175 million less than the original budget on a budgetary basis. To offset this reduced revenue, agencies continued to watch their General Fund expenditures and spent \$262 million less than the final appropriated amount. This reduction, when coupled with the reduced tax revenues, caused the State to finish 2009 with General Fund revenues equaling expenditures on a budgetary basis, prior to net transfers out. There was a net \$129 million transferred out for specific purposes, causing the fund balance on a budgetary basis to drop from \$1,126 million to \$997 million in 2009.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At the end of fiscal year 2009, the State had invested \$7.8 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 2009 totaled \$50 million, compared to \$45 million for 2008.

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2009	2008	2009	2008	2009	2008
Land	\$ 537	\$ 527	\$ -	\$ -	\$ 537	\$ 527
Buildings and Equipment	362	370	6	6	368	376
Infrastructure	6,747	6,651	-	-	6,747	6,651
<b>Subtotal</b>	<b>7,646</b>	<b>7,548</b>	<b>6</b>	<b>6</b>	<b>7,652</b>	<b>7,554</b>
Construction in Progress	100	68	-	-	100	68
<b>Total</b>	<b>\$ 7,746</b>	<b>\$ 7,616</b>	<b>\$ 6</b>	<b>\$ 6</b>	<b>\$ 7,752</b>	<b>\$ 7,622</b>

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 2008, indicated an overall system rating of 82, a rating that has been very consistent over the past six years.

For 2009, it was estimated that the State needed to spend \$206 million to preserve and maintain the roads at the abovementioned level. The State actually spent \$239 million on roads in 2009, compared to \$208 million in 2008. For 2010, it is estimated that the State needs to spend \$211 million, a slight decrease from actual 2009 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 \$105 million on capitalized infrastructure and land purchases relating to roads in 2009 (\$133 million in 2008), most notably reconstructing (a) Interstate 80 between the Missouri River and Lincoln, (b) I-80 westbound bridge over the Missouri River (c) Highway 71 from I-80 north to Kimball, and (d) Highway 275, South Omaha bridge. Major land purchases included land purchased near six State highways. At June 30, 2009, the State had contractual commitments of \$941 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.) These commitments are \$380 million greater than at June 30, 2008 as a result of all the highway construction and repair work being financed by the federal government, chiefly through ARRA.

During 2009, the State added \$44 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)

	<b>GOVERNMENTAL ACTIVITIES</b>	
	<b>2009</b>	<b>2008</b>
<b><u>Bonds Payable:</u></b>		
Nebraska State Building Corporation	\$ -	\$ 1
NETC Leasing Corp	5	10
	5	11
 <b><u>Capitalized Leases:</u></b>		
	\$ 22	\$ 19

There were no new bonds issued in 2009 or 2008. Only one capitalized lease was added in 2009 (two leases were added in 2008). 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 been affected by the current national economic decline and Nebraska's economy has and will likely continue to impact the future net revenues of the State. Tax revenues continue to fall short of projections. If the stock market does not continue to improve, the State may also be required to provide additional 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. The recent infusion of funds through ARRA has greatly helped the State in regards to Medicaid costs, but that is only a short-term solution. Another area of concern is the appropriated increase in aid to education for K-12 schools and special education. Net General Fund revenues for 2010 are currently projected to fall short of actual 2009 revenues by \$73 million, as the recent downturn in economic conditions will offset normal inflationary increases in tax revenues. The Governor called a special session of the Legislature in November 2009 to address the declining revenues and the result was that the Legislature closed a reported \$334 million General Fund shortfall for 2010 and 2011 through a combination of spending cuts and cash transfers from other funds. No taxes were increased.

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 2008 through 2020 will total \$153.25 million. To date the State has spent \$19.875 million in both 2007 through 2009 and will spend \$12.125 million annually from July 1, 2009 through June 30, 2020. As of June 30, 2009 the remaining commitment for the State through 2020 is \$133 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, 2009, this Fund had a \$575 million balance. From the Cash Reserve Fund there were \$3 million of other statutory net disbursements in July 2009, resulting in a balance of \$572 million at November 30, 2009. Future significant statutory disbursements from this fund in 2010 and 2011 include \$246 million to be transferred to the General Fund and \$10 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.

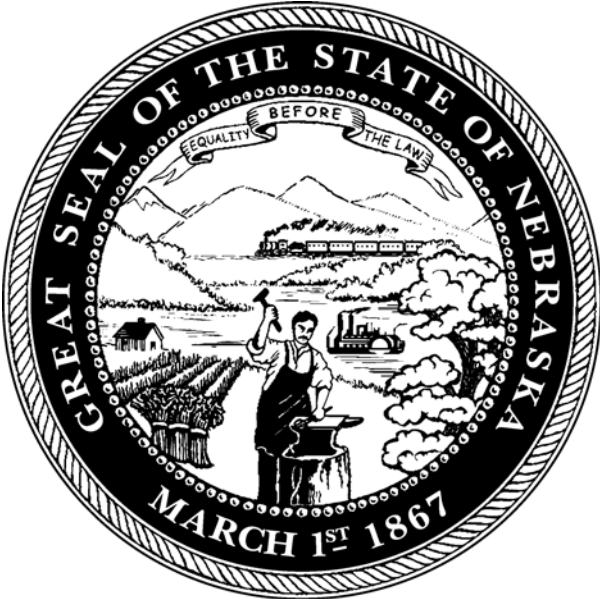




---

# BASIC FINANCIAL STATEMENTS

---





State of Nebraska  
**STATEMENT OF NET ASSETS**  
June 30, 2009

(Dollars in Thousands)

	PRIMARY GOVERNMENT			COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS	
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 418,035	\$ 273,209	\$ 691,244	\$ 276,456
Receivables, net of allowance				
Taxes	340,152	-	340,152	-
Due from Federal Government	335,463	-	335,463	-
Other	127,680	33,005	160,685	238,111
Internal Balances	(358)	358	-	-
Due from Primary Government	-	-	-	6,150
Investments	2,408,622	102,583	2,511,205	1,410,598
Loans Receivable	256,116	-	256,116	39,894
Investment in Joint Venture	-	-	-	230,369
Other Assets	13,785	2,513	16,298	40,539
Restricted Assets:				
Cash and Cash Equivalents	20,805	-	20,805	427,580
Other	-	1,896	1,896	104,369
Securities Lending Collateral	570,492	13,322	583,814	-
Capital assets:				
Land	536,561	315	536,876	63,467
Infrastructure	6,747,123	-	6,747,123	-
Construction in Progress	99,525	-	99,525	225,647
Land Improvements	-	-	-	150,406
Buildings and Equipment	889,165	11,664	900,829	1,952,804
Less Accumulated Depreciation	(526,732)	(5,696)	(532,428)	(725,798)
Total Capital Assets, net of depreciation	<u>7,745,642</u>	<u>6,283</u>	<u>7,751,925</u>	<u>1,666,526</u>
Total Assets	<u>\$ 12,236,434</u>	<u>\$ 433,169</u>	<u>\$ 12,669,603</u>	<u>\$ 4,440,592</u>
<b>LIABILITIES</b>				
Accounts Payable and Accrued Liabilities	\$ 468,615	\$ 20,673	\$ 489,288	\$ 177,301
Tax Refunds Payable	314,997	-	314,997	-
Due to Other Governments	11,145	-	11,145	-
Deposits	4,949	-	4,949	28,811
Due to Component Units	6,150	-	6,150	-
Unearned Revenue	34,232	4,559	38,791	99,083
Obligations under Securities Lending	570,492	13,322	583,814	-
Noncurrent Liabilities:				
Due within one year	266,749	47,917	314,666	117,297
Due in more than one year	193,337	22,939	216,276	658,009
Total Liabilities	<u>\$ 1,870,666</u>	<u>\$ 109,410</u>	<u>\$ 1,980,076</u>	<u>\$ 1,080,501</u>
<b>NET ASSETS</b>				
Invested in Capital Assets, net of related debt	\$ 7,718,610	\$ 6,283	\$ 7,724,893	\$ 953,788
Restricted for:				
Education	23,733	-	23,733	1,229,184
Health and Social Services	422,738	-	422,738	-
Conservation of Natural Resources	410,243	-	410,243	-
Transportation	101,182	-	101,182	-
Licensing and Regulation	62,942	-	62,942	-
Other Purposes	155,546	1,896	157,442	244,459
Unemployment Insurance Benefits	-	268,498	268,498	-
Debt Service and Construction	11,292	-	11,292	295,629
Permanent Trusts:				
Nonexpendable	421,213	-	421,213	-
Expendable	23,073	-	23,073	-
Unrestricted	<u>1,015,196</u>	<u>47,082</u>	<u>1,062,278</u>	<u>637,031</u>
Total Net Assets	<u>\$ 10,365,768</u>	<u>\$ 323,759</u>	<u>\$ 10,689,527</u>	<u>\$ 3,360,091</u>

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

State of Nebraska  
**STATEMENT OF ACTIVITIES**  
For the Year Ended June 30, 2009

(Dollars in Thousands)

<b>FUNCTIONS/PROGRAMS</b>	<b>EXPENSES</b>	<b>PROGRAM REVENUES</b>		
		<b>CHARGES FOR SERVICES</b>	<b>OPERATING GRANTS AND CONTRIBUTIONS</b>	<b>CAPITAL GRANTS AND CONTRIBUTIONS</b>
<b>PRIMARY GOVERNMENT:</b>				
Governmental Activities:				
General Government	\$ 468,433	\$ 87,575	\$ 5,576	\$ 4,634
Conservation of Natural Resources	127,677	35,324	47,963	3,278
Culture – Recreation	29,272	18,153	2,956	68
Economic Development and Assistance	88,520	2,259	47,694	-
Education	1,562,662	30,402	326,233	-
Higher Education - Colleges and University	571,268	-	-	-
Health and Social Services	2,912,708	148,971	1,677,877	-
Public Safety	351,673	25,363	87,348	17,272
Regulation of Business and Professions	123,579	132,771	2,816	-
Transportation	797,462	112,493	291,792	-
Interest on Long-term Debt	1,828	-	-	-
Total governmental activities	<u>7,035,082</u>	<u>593,311</u>	<u>2,490,255</u>	<u>25,252</u>
Business-type activities:				
Unemployment Insurance	242,201	149,937	-	-
Lottery	94,676	123,251	-	-
Excess Liability	12,430	9,267	-	-
Cornhusker State Industries	10,221	9,412	-	-
Total business-type activities	<u>359,528</u>	<u>291,867</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>\$ 7,394,610</u>	<u>\$ 885,178</u>	<u>\$ 2,490,255</u>	<u>\$ 25,252</u>
<b>COMPONENT UNITS:</b>				
University of Nebraska	\$ 1,716,633	\$ 732,932	\$ 395,100	\$ -
State Colleges	90,669	31,389	11,701	3,991
Total Component Units	<u>\$ 1,807,302</u>	<u>\$ 764,321</u>	<u>\$ 406,801</u>	<u>\$ 3,991</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	
\$ (370,648)	\$ -	\$ (370,648)	\$ -
(41,112)	-	(41,112)	-
(8,095)	-	(8,095)	-
(38,567)	-	(38,567)	-
(1,206,027)	-	(1,206,027)	-
(571,268)	-	(571,268)	-
(1,085,860)	-	(1,085,860)	-
(221,690)	-	(221,690)	-
12,008	-	12,008	-
(393,177)	-	(393,177)	-
(1,828)	-	(1,828)	-
<u>(3,926,264)</u>	<u>-</u>	<u>(3,926,264)</u>	<u>-</u>
-	(92,264)	(92,264)	-
-	28,575	28,575	-
-	(3,163)	(3,163)	-
-	(809)	(809)	-
<u>-</u>	<u>(67,661)</u>	<u>(67,661)</u>	<u>-</u>
<u>(3,926,264)</u>	<u>(67,661)</u>	<u>(3,993,925)</u>	<u>-</u>
-	-	-	(588,601)
<u>-</u>	<u>-</u>	<u>-</u>	<u>(43,588)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(632,189)</u>
1,787,950	-	1,787,950	-
1,476,995	-	1,476,995	-
305,793	-	305,793	-
134,877	-	134,877	-
70,270	-	70,270	-
10,863	-	10,863	-
14,582	23,276	37,858	62,214
401	-	401	571,268
-	-	-	(117,971)
3,838	-	3,838	-
30,245	(30,245)	-	-
<u>3,835,814</u>	<u>(6,969)</u>	<u>3,828,845</u>	<u>515,511</u>
(90,450)	(74,630)	(165,080)	(116,678)
<u>10,456,218</u>	<u>398,389</u>	<u>10,854,607</u>	<u>3,476,769</u>
<u>\$ 10,365,768</u>	<u>\$ 323,759</u>	<u>\$ 10,689,527</u>	<u>\$ 3,360,091</u>

State of Nebraska  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
June 30, 2009

(Dollars in Thousands)

	GENERAL FUND	HIGHWAY FUND	FEDERAL FUND	HEALTH AND SOCIAL SERVICES	PERMANENT SCHOOL FUND	NONMAJOR FUNDS	TOTALS
<b>ASSETS:</b>							
Cash and Cash Equivalents	\$ 164,271	\$ 17,557	\$ 13,666	\$ 11,005	\$ 5,028	\$ 101,536	\$ 313,063
Cash on Deposit with Fiscal Agents	-	-	-	-	-	20,805	20,805
Investments	872,376	93,616	76,507	389,759	435,459	540,905	2,408,622
Securities Lending Collateral	272,854	29,280	24,177	59,472	25,644	159,065	570,492
Receivables, net of allowance							
Taxes	295,618	44,342	-	-	-	192	340,152
Due from Federal Government	8	42,194	291,720	-	-	1,541	335,463
Loans	426	-	1,838	365	-	253,487	256,116
Other	29,388	8,544	29,537	35,263	8,714	13,422	124,868
Due from Other Funds	102,317	650	267	4,634	-	4,619	112,487
Inventories	617	5,957	2,502	66	-	-	9,142
Prepaid Items	19	10	9	3	-	130	171
Other	639	-	-	-	-	2,439	3,078
<b>TOTAL ASSETS</b>	<b>\$ 1,738,533</b>	<b>\$ 242,150</b>	<b>\$ 440,223</b>	<b>\$ 500,567</b>	<b>\$ 474,845</b>	<b>\$ 1,098,141</b>	<b>\$ 4,494,459</b>
<b>LIABILITIES AND FUND BALANCE</b>							
<b>LIABILITIES:</b>							
Accounts Payable and Accrued Liabilities	\$ 106,229	\$ 72,537	\$ 152,148	\$ 7,600	\$ 41,455	\$ 34,702	\$ 414,671
Tax Refunds Payable	307,689	7,308	-	-	-	-	314,997
Due to Other Governments	4,462	6,127	-	-	-	556	11,145
Deposits	640	1,146	1,392	312	169	1,290	4,949
Due to Other Funds	56,966	5,641	107,821	1,624	23	10,031	182,106
Due to Component Units	6,150	-	-	-	-	-	6,150
Obligations under Securities Lending	272,854	29,280	24,177	59,472	25,644	159,065	570,492
Claims Payable	96,984	-	121,239	-	-	-	218,223
Deferred Revenue	29,955	-	25,608	20,491	5,182	-	81,236
<b>TOTAL LIABILITIES</b>	<b>881,929</b>	<b>122,039</b>	<b>432,385</b>	<b>89,499</b>	<b>72,473</b>	<b>205,644</b>	<b>1,803,969</b>
<b>FUND BALANCES:</b>							
Reserved for:							
Long-Term Receivables	426	-	1,838	365	-	253,487	256,116
Inventories and Prepaid Items	636	5,967	9	69	-	130	6,811
Debt Service	-	-	-	-	-	11,425	11,425
Endowment Principal	-	-	-	-	401,648	19,565	421,213
Unreserved, reported in:							
General Fund	855,542	-	-	-	-	-	855,542
Special Revenue Funds	-	114,144	5,991	410,634	-	466,608	997,377
Permanent Funds	-	-	-	-	724	22,349	23,073
Capital Projects Fund	-	-	-	-	-	118,933	118,933
<b>TOTAL FUND BALANCES</b>	<b>856,604</b>	<b>120,111</b>	<b>7,838</b>	<b>411,068</b>	<b>402,372</b>	<b>892,497</b>	<b>2,690,490</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,738,533</b>	<b>\$ 242,150</b>	<b>\$ 440,223</b>	<b>\$ 500,567</b>	<b>\$ 474,845</b>	<b>\$ 1,098,141</b>	<b>\$ 4,494,459</b>

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, 2009

(Dollars in Thousands)

**Total fund balances for governmental funds** \$ 2,690,490

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	536,561	
Infrastructure	6,747,123	
Construction in progress	99,525	
Other capital assets	828,359	
Accumulated depreciation	<u>(484,014)</u>	7,727,554

Certain tax revenues and charges are earned but not available and therefore are deferred in the funds. 47,627

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. 60,633

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	(4,850)	
Accrued interest on bonds	(133)	
Capital leases	(9,574)	
Obligations under other financing arrangements	(15,660)	
Compensated absences	(121,999)	
Claims and judgments	<u>(8,320)</u>	<u>(160,536)</u>

**Net assets of governmental activities** \$ 10,365,768

*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, 2009

(Dollars in Thousands)

	GENERAL FUND	HIGHWAY FUND	FEDERAL FUND	HEALTH AND SOCIAL SERVICES	PERMANENT SCHOOL FUND	NONMAJOR FUNDS	TOTALS
<b>REVENUES:</b>							
Income Taxes	\$ 1,786,444	\$ -	\$ -	\$ 3,581	\$ -	\$ -	\$ 1,790,025
Sales and Use Taxes	1,322,817	148,755	-	-	-	3,662	1,475,234
Petroleum Taxes	-	292,253	-	-	3,833	13,540	309,626
Excise Taxes	77,879	-	-	6,966	-	50,032	134,877
Business and Franchise Taxes	53,430	-	-	-	-	16,840	70,270
Other Taxes	362	3,299	-	-	-	7,202	10,863
Federal Grants and Contracts	54	279,590	2,203,295	562	-	30,787	2,514,288
Licenses, Fees and Permits	20,428	75,152	689	50,627	1,412	120,509	268,817
Charges for Services	2,978	28,008	41,312	30,593	-	34,343	137,234
Investment Income	72,703	7,080	4,510	(64,264)	(41,991)	32,470	10,508
Rents and Royalties	-	382	32	372	27,387	26,376	54,549
Surcharge	-	-	-	-	-	55,817	55,817
Other	6,354	8,728	5,665	18,353	180	28,856	68,136
<b>TOTAL REVENUES</b>	<b>3,343,449</b>	<b>843,247</b>	<b>2,255,503</b>	<b>46,790</b>	<b>(9,179)</b>	<b>420,434</b>	<b>6,900,244</b>
<b>EXPENDITURES:</b>							
Current:							
General Government	365,608	-	4,897	-	-	69,109	439,614
Conservation of Natural Resources	39,336	-	31,905	-	-	56,321	127,562
Culture – Recreation	6,026	-	2,784	-	-	19,495	28,305
Economic Development and Assistance	7,222	-	50,195	-	-	31,407	88,824
Education	1,180,800	-	321,576	-	51,793	11,523	1,565,692
Higher Education - Colleges and University	546,507	-	-	-	-	24,761	571,268
Health and Social Services	1,068,994	-	1,730,209	119,458	-	1,811	2,920,472
Public Safety	227,442	-	102,808	-	-	40,355	370,605
Regulation of Business and Professions	4,086	-	2,273	-	-	117,117	123,476
Transportation	18	900,479	-	-	-	15,483	915,980
Capital Projects	-	-	-	-	-	25,333	25,333
Debt Service:							
Principal	-	-	-	-	-	7,625	7,625
Interest	-	-	-	-	-	1,256	1,256
<b>TOTAL EXPENDITURES</b>	<b>3,446,039</b>	<b>900,479</b>	<b>2,246,647</b>	<b>119,458</b>	<b>51,793</b>	<b>421,596</b>	<b>7,186,012</b>
Excess of Revenues Over (Under) Expenditures	(102,590)	(57,232)	8,856	(72,668)	(60,972)	(1,162)	(285,768)
<b>OTHER FINANCING SOURCES (USES):</b>							
Transfers In	35,494	29,260	247	1,215	-	104,986	171,202
Transfers Out	(49,975)	(10,102)	(7,425)	(531)	-	(72,924)	(140,957)
Proceeds from Other Financing Arrangements	-	-	-	-	-	2,515	2,515
Proceeds from Capital Leases	-	-	-	-	-	3,891	3,891
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(14,481)</b>	<b>19,158</b>	<b>(7,178)</b>	<b>684</b>	<b>-</b>	<b>38,468</b>	<b>36,651</b>
Net Change in Fund Balances	(117,071)	(38,074)	1,678	(71,984)	(60,972)	37,306	(249,117)
<b>FUND BALANCES, JULY 1</b>	<b>973,675</b>	<b>158,185</b>	<b>6,160</b>	<b>483,052</b>	<b>463,344</b>	<b>855,191</b>	<b>2,939,607</b>
<b>FUND BALANCES, JUNE 30</b>	<b>\$ 856,604</b>	<b>\$ 120,111</b>	<b>\$ 7,838</b>	<b>\$ 411,068</b>	<b>\$ 402,372</b>	<b>\$ 892,497</b>	<b>\$ 2,690,490</b>

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, 2009

(Dollars in Thousands)

**Net change in fund balances—total governmental funds** \$ (249,117)

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	173,917	
Depreciation expense	<u>(38,860)</u>	135,057

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>(2,515)</u>	(2,515)
------------------------------	----------------	---------

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. (3,891)

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	5,985	
Other financing arrangement payments	1,640	
Capital lease payments	<u>4,380</u>	12,005

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. 9,731

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 decreased by this amount this year. (218)

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	96	
Increase in compensated absences	(4,181)	
Decrease in claims and judgments	<u>12,583</u>	<u>8,498</u>

**Change in net assets of governmental activities** \$ (90,450)

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

State of Nebraska  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**

June 30, 2009

(Dollars in Thousands)

	<b>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS</b>			<b>GOVERNMENTAL</b>
	<b>UNEMPLOYMENT INSURANCE</b>	<b>NONMAJOR ENTERPRISE FUNDS</b>	<b>TOTALS</b>	<b>ACTIVITIES - INTERNAL SERVICE FUNDS</b>
<b>ASSETS</b>				
CURRENT ASSETS:				
Cash and Cash Equivalents	\$ 249,581	\$ 23,628	\$ 273,209	\$ 105,641
Receivables, net of allowance	23,722	9,283	33,005	2,742
Due from Other Funds	-	441	441	49,367
Inventories	-	2,157	2,157	189
Prepaid Items	-	356	356	1,205
<b>TOTAL CURRENT ASSETS</b>	<b>273,303</b>	<b>35,865</b>	<b>309,168</b>	<b>159,144</b>
NONCURRENT ASSETS:				
Restricted Long-Term Deposits	-	1,896	1,896	-
Long-Term Investments	34,219	68,364	102,583	-
Securities Lending Collateral	10,703	2,619	13,322	-
Capital Assets:				
Land	-	315	315	-
Buildings and Equipment	870	10,794	11,664	60,806
Less Accumulated Depreciation	(837)	(4,859)	(5,696)	(42,718)
Total Capital Assets, net	33	6,250	6,283	18,088
<b>TOTAL NONCURRENT ASSETS</b>	<b>44,955</b>	<b>79,129</b>	<b>124,084</b>	<b>18,088</b>
<b>TOTAL ASSETS</b>	<b>\$ 318,258</b>	<b>\$ 114,994</b>	<b>\$ 433,252</b>	<b>\$ 177,232</b>
<b>LIABILITIES AND NET ASSETS</b>				
CURRENT LIABILITIES:				
Accounts Payable and Accrued Liabilities	\$ 603	\$ 20,070	\$ 20,673	\$ 28,431
Due to Other Funds	-	83	83	6,085
Capital Lease Obligations	-	-	-	3,147
Claims, Judgments and Compensated Absences	38,406	9,511	47,917	28,604
Unearned Revenue	-	4,559	4,559	623
<b>TOTAL CURRENT LIABILITIES</b>	<b>39,009</b>	<b>34,223</b>	<b>73,232</b>	<b>66,890</b>
NONCURRENT LIABILITIES:				
Capital Lease Obligations	-	-	-	9,461
Claims, Judgments and Compensated Absences	15	22,924	22,939	40,248
Obligations under Securities Lending	10,703	2,619	13,322	-
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>10,718</b>	<b>25,543</b>	<b>36,261</b>	<b>49,709</b>
<b>TOTAL LIABILITIES</b>	<b>49,727</b>	<b>59,766</b>	<b>109,493</b>	<b>116,599</b>
NET ASSETS:				
Invested in Capital Assets, net of related debt	33	6,250	6,283	5,480
Restricted for:				
Lottery Prizes, Noncurrent	-	1,896	1,896	-
Unemployment Insurance Benefits	268,498	-	268,498	-
Unrestricted	-	47,082	47,082	55,153
<b>TOTAL NET ASSETS</b>	<b>268,531</b>	<b>55,228</b>	<b>323,759</b>	<b>60,633</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 318,258</b>	<b>\$ 114,994</b>	<b>\$ 433,252</b>	<b>\$ 177,232</b>

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, 2009

(Dollars in Thousands)	<b>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS</b>			<b>GOVERNMENTAL</b>
	<b>UNEMPLOYMENT INSURANCE</b>	<b>NONMAJOR ENTERPRISE FUNDS</b>	<b>TOTALS</b>	<b>ACTIVITIES - INTERNAL SERVICE FUNDS</b>
<b>OPERATING REVENUES:</b>				
Charges for Services	\$ 149,937	\$ 141,741	\$ 291,678	\$ 340,828
Other	-	189	189	3,086
<b>TOTAL OPERATING REVENUES</b>	<b>149,937</b>	<b>141,930</b>	<b>291,867</b>	<b>343,914</b>
<b>OPERATING EXPENSES:</b>				
Personal Services	107	5,901	6,008	33,348
Services and Supplies	297	27,056	27,353	100,304
Lottery Prizes	-	71,861	71,861	-
Unemployment Claims	241,715	-	241,715	-
Insurance Claims	-	12,050	12,050	193,492
Depreciation	82	459	541	10,604
<b>TOTAL OPERATING EXPENSES</b>	<b>242,201</b>	<b>117,327</b>	<b>359,528</b>	<b>337,748</b>
Operating Income (Loss)	(92,264)	24,603	(67,661)	6,166
<b>NONOPERATING REVENUES (EXPENSES):</b>				
Investment Income	18,263	5,013	23,276	4,074
Gain (Loss) on Sale of Capital Assets	-	-	-	(198)
Other	-	-	-	(311)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>18,263</b>	<b>5,013</b>	<b>23,276</b>	<b>3,565</b>
Income (Loss) Before Transfers	(74,001)	29,616	(44,385)	9,731
Transfers Out	-	(30,245)	(30,245)	-
Change in Net Assets	(74,001)	(629)	(74,630)	9,731
<b>NET ASSETS, JULY 1</b>	<b>342,532</b>	<b>55,857</b>	<b>398,389</b>	<b>50,902</b>
<b>NET ASSETS, JUNE 30</b>	<b>\$ 268,531</b>	<b>\$ 55,228</b>	<b>\$ 323,759</b>	<b>\$ 60,633</b>

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, 2009

(Dollars in Thousands)

	<b>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS</b>			<b>GOVERNMENTAL</b>
	<b>UNEMPLOYMENT INSURANCE</b>	<b>NONMAJOR ENTERPRISE FUNDS</b>	<b>TOTALS</b>	<b>ACTIVITIES - INTERNAL SERVICE FUNDS</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash Received from Customers	\$ 151,647	\$ 133,558	\$ 285,205	\$ 17,096
Cash Received from Interfund Charges	-	7,540	7,540	321,493
Cash Paid to Employees	(108)	(5,810)	(5,918)	(32,850)
Cash Paid to Suppliers	(173)	(26,233)	(26,406)	(91,798)
Cash Paid for Lottery Prizes	-	(70,962)	(70,962)	-
Cash Paid for Insurance Claims	(219,836)	(12,050)	(231,886)	(184,200)
Cash Paid for Interfund Services	(8)	(1,191)	(1,199)	(7,925)
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>(68,478)</u>	<u>24,852</u>	<u>(43,626)</u>	<u>21,816</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Transfers Out	-	(30,245)	(30,245)	-
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Acquisition and Construction of Capital Assets	-	(398)	(398)	865
Proceeds from Sale of Capital Assets	-	-	-	433
Principal Paid on Capital Leases	-	-	-	(3,142)
Interest Paid on Capital Leases	-	-	-	(311)
NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	<u>-</u>	<u>(398)</u>	<u>(398)</u>	<u>(2,155)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Purchase of Investment Securities	(1,302)	(383,123)	(384,425)	-
Proceeds from Sale of Investment Securities	-	390,150	390,150	-
Interest and Dividend Income	18,312	3,665	21,977	4,061
NET CASH FLOWS FROM INVESTING ACTIVITIES	<u>17,010</u>	<u>10,692</u>	<u>27,702</u>	<u>4,061</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(51,468)	4,901	(46,567)	23,722
<b>CASH AND CASH EQUIVALENTS, JULY 1</b>	<u>301,049</u>	<u>18,727</u>	<u>319,776</u>	<u>81,919</u>
<b>CASH AND CASH EQUIVALENTS, JUNE 30</b>	<u>\$ 249,581</u>	<u>\$ 23,628</u>	<u>\$ 273,209</u>	<u>\$ 105,641</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, 2009

(Dollars in Thousands)

	<u>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS</u>			<u>GOVERNMENTAL</u>
	<u>UNEMPLOYMENT</u>	<u>NONMAJOR</u>	<u>TOTALS</u>	<u>ACTIVITIES -</u>
	<u>INSURANCE</u>	<u>FUNDS</u>		
				<u>SERVICE</u>
				<u>FUNDS</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH</b>				
<b>FLAWS FROM OPERATING ACTIVITIES:</b>				
Operating Income (Loss)	<u>\$ (92,264)</u>	<u>\$ 24,603</u>	<u>\$ (67,661)</u>	<u>\$ 6,166</u>
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:				
Depreciation	82	459	541	10,604
Change in Assets and Liabilities:				
(Increase) Decrease in Receivables	1,710	(808)	902	(272)
(Increase) Decrease in Due from Other Funds	-	202	202	(4,980)
(Increase) Decrease in Inventories	-	(196)	(196)	2
(Increase) Decrease in Prepaid Items	-	175	175	(70)
(Increase) Decrease in Long-Term Deposits	-	(127)	(127)	-
Increase (Decrease) in Accounts Payable and Accrued Liabilities	115	850	965	1,413
Increase (Decrease) in Due to Other Funds	-	(80)	(80)	(266)
Increase (Decrease) in Claims Payable	21,879	-	21,879	9,292
Increase (Decrease) in Unearned Revenue	-	(226)	(226)	(73)
Total Adjustments	<u>23,786</u>	<u>249</u>	<u>24,035</u>	<u>15,650</u>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<u><u>\$ (68,478)</u></u>	<u><u>\$ 24,852</u></u>	<u><u>\$ (43,626)</u></u>	<u><u>\$ 21,816</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	\$ -	\$ -	\$ -	\$ 6,304
Change in Fair Value of Investments	-	1,238	1,238	-
Total Noncash Transactions	<u>\$ -</u>	<u>\$ 1,238</u>	<u>\$ 1,238</u>	<u>\$ 6,304</u>

State of Nebraska  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
June 30, 2009

(Dollars in Thousands)	PENSION TRUST	PRIVATE PURPOSE TRUST	AGENCY
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 3,125	\$ 20,898	\$ 89,608
Investments:			
U.S. Treasury Notes and Bonds	54,540	-	-
U.S. Treasury Bills	904	-	-
Government Agency Securities	47,399	-	-
Corporate Bonds	438,607	-	-
International Bonds	39,052	-	-
Equity Securities	1,322,893	-	-
Private Equity	110,892	-	-
Options	9,253	-	-
Mortgages	841,662	-	-
Private Real Estate	116,848	-	-
Asset Backed Securities	63,768	-	-
Municipal Bonds	19,598	-	-
Commingled Funds	3,746,472	1,483,907	-
Guaranteed Investment Contracts	109,795	-	-
Short Term Investments	127,217	1,251	-
Total Investments	<u>7,048,900</u>	<u>1,485,158</u>	-
Securities Lending Collateral	373,324	-	-
Receivables:			
Contributions	18,562	-	-
Interest and Dividends	13,630	2,647	555
Other	243,720	2	606
Total Receivables	<u>275,912</u>	<u>2,649</u>	<u>1,161</u>
Due from Other Funds	26,049	-	-
Capital Assets:			
Buildings and Equipment	20,817	-	-
Less Accumulated Depreciation	<u>(15,139)</u>	<u>-</u>	<u>-</u>
Total Capital Assets, net	<u>5,678</u>	<u>-</u>	<u>-</u>
Other Assets	<u>-</u>	<u>7,319</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 7,732,988</u>	<u>\$ 1,516,024</u>	<u>\$ 90,769</u>
<b>LIABILITIES</b>			
Accounts Payable and Accrued Liabilities	\$ 411,829	\$ 2,377	\$ 11,466
Due to Other Governments	-	-	52,664
Deposits	-	75	-
Due to Other Funds	58	12	-
Obligations under Securities Lending	373,324	-	-
Capital Lease Obligations	2,499	-	-
Accrued Compensated Absences	272	-	-
Other Liabilities	<u>-</u>	<u>-</u>	<u>26,639</u>
TOTAL LIABILITIES	<u>\$ 787,982</u>	<u>\$ 2,464</u>	<u>\$ 90,769</u>
<b>NET ASSETS</b>			
Held in Trust for:			
Pension Benefits	\$ 6,945,006	\$ -	\$ -
College Savings Plan	-	1,473,399	-
Other Purposes	<u>-</u>	<u>40,161</u>	<u>-</u>
TOTAL NET ASSETS	<u>\$ 6,945,006</u>	<u>\$ 1,513,560</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, 2009

(Dollars in Thousands)

	PENSION TRUST	PRIVATE PURPOSE TRUST
<b>ADDITIONS:</b>		
Contributions:		
Participant Contributions	\$ 171,246	\$ 1,172,653
Client Contributions	-	194
State Contributions	90,022	-
Political Subdivision Contributions	110,029	-
Court Fees	3,419	-
Total Contributions	<u>374,716</u>	<u>1,172,847</u>
Investment Income:		
Net Appreciation (Depreciation) in Fair Value of Investments	(1,862,209)	(637,630)
Interest and Dividend Income	133,549	57,199
Securities Lending Income	9,212	-
Total Investment Income	<u>(1,719,448)</u>	<u>(580,431)</u>
Investment Expenses	12,921	13,192
Securities Lending Expenses	4,936	-
Total Investment Expense	<u>17,857</u>	<u>13,192</u>
Net Investment Income	<u>(1,737,305)</u>	<u>(593,623)</u>
Escheat Revenue	-	12,970
Other Additions	262	6,318
TOTAL ADDITIONS	<u>(1,362,327)</u>	<u>598,512</u>
<b>DEDUCTIONS:</b>		
Benefits	403,258	1,115,571
Refunds	9,705	-
Amounts Distributed to Outside Parties	-	16,969
Administrative Expenses	6,636	3,399
TOTAL DEDUCTIONS	<u>419,599</u>	<u>1,135,939</u>
Change in Net Assets Held in Trust for:		
Pension Benefits	(1,781,926)	-
College Savings Plan	-	(537,640)
Other Purposes	-	213
<b>NET ASSETS-BEGINNING OF YEAR</b>	<u>8,726,932</u>	<u>2,050,987</u>
<b>NET ASSETS-END OF YEAR</b>	<u><u>\$ 6,945,006</u></u>	<u><u>\$ 1,513,560</u></u>

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

State of Nebraska  
**STATEMENT OF NET ASSETS**  
**COMPONENT UNITS**  
June 30, 2009

(Dollars in Thousands)

	UNIVERSITY OF NEBRASKA	STATE COLLEGES	TOTALS
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 255,875	\$ 20,581	\$ 276,456
Receivables, net of allowance			
Loans	37,245	2,649	39,894
Other	234,576	3,535	238,111
Due from Primary Government	-	6,150	6,150
Investments	1,381,295	29,303	1,410,598
Investment in Joint Venture	230,369	-	230,369
Other Assets	37,132	3,407	40,539
Restricted Assets:			
Cash and Cash Equivalents	406,760	20,820	427,580
Investments Held by Trustee	104,113	256	104,369
Capital assets:			
Land	62,495	972	63,467
Land Improvements	131,121	19,285	150,406
Construction in Progress	202,163	23,484	225,647
Buildings and Equipment	1,797,487	155,317	1,952,804
Less Accumulated Depreciation	<u>(657,477)</u>	<u>(68,321)</u>	<u>(725,798)</u>
Total Capital Assets, net of depreciation	<u>1,535,789</u>	<u>130,737</u>	<u>1,666,526</u>
Total Assets	<u>\$ 4,223,154</u>	<u>\$ 217,438</u>	<u>\$ 4,440,592</u>
<b>LIABILITIES</b>			
Accounts Payable and Accrued Liabilities	\$ 167,970	\$ 9,331	\$ 177,301
Deposits	28,350	461	28,811
Deferred Revenue	98,647	436	99,083
Noncurrent Liabilities:			
Due within one year	113,524	3,773	117,297
Due in more than one year	<u>617,567</u>	<u>40,442</u>	<u>658,009</u>
Total Liabilities	<u>\$ 1,026,058</u>	<u>\$ 54,443</u>	<u>\$ 1,080,501</u>
<b>NET ASSETS</b>			
Invested in Capital Assets, net of related debt	\$ 863,298	\$ 90,490	\$ 953,788
Restricted for:			
Education	1,229,184	-	1,229,184
Other Purposes	200,426	44,033	244,459
Construction and Debt Service	282,613	13,016	295,629
Unrestricted	<u>621,575</u>	<u>15,456</u>	<u>637,031</u>
Total Net Assets	<u>\$ 3,197,096</u>	<u>\$ 162,995</u>	<u>\$ 3,360,091</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, 2009

(Dollars in Thousands)

	UNIVERSITY OF NEBRASKA	STATE COLLEGES	TOTALS
Operating Expenses:			
Compensation and benefits	\$ 1,036,144	\$ 56,492	\$ 1,092,636
Supplies and materials	244,194	5,693	249,887
Contractual services	102,220	3,840	106,060
Repairs and maintenance	50,212	1,626	51,838
Utilities	35,972	4,135	40,107
Communications	13,909	921	14,830
Depreciation	70,102	4,725	74,827
Scholarships and fellowships	149,455	907	150,362
Other	14,425	12,330	26,755
Total Operating Expenses	<u>1,716,633</u>	<u>90,669</u>	<u>1,807,302</u>
Program Revenues:			
Charges for Services	732,932	31,389	764,321
Operating Grants and Contributions	395,100	11,701	406,801
Capital Grants and Contributions	-	3,991	3,991
Total Program Revenues	<u>1,128,032</u>	<u>47,081</u>	<u>1,175,113</u>
Net (Expense) Revenue	<u>(588,601)</u>	<u>(43,588)</u>	<u>(632,189)</u>
General Revenue:			
Interest and investment earnings	59,677	2,537	62,214
Payments from the State of Nebraska	518,391	52,877	571,268
Miscellaneous	(113,572)	(4,399)	(117,971)
Total General Revenues	<u>464,496</u>	<u>51,015</u>	<u>515,511</u>
Change in Net Assets	(124,105)	7,427	(116,678)
Net Assets - Beginning	<u>3,321,201</u>	<u>155,568</u>	<u>3,476,769</u>
Net Assets - Ending	<u>\$ 3,197,096</u>	<u>\$ 162,995</u>	<u>\$ 3,360,091</u>

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

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended June 30, 2009

(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 the Nebraska Legislature controls the budget of the University. 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 Activities) 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 \$1,902,356 of restricted net assets, of which \$1,163,724 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. Net appreciation on investments is not available for expenditure. 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, 2009, 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	3-20 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, 2009, 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, 2009, the carrying amounts of the State's deposits were \$361,164 and the bank balances were \$424,401. 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 \$332,642 at June 30, 2009.

**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, 2009.

The primary government's investments at June 30, 2009, 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, 2009

	GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES		FIDUCIARY FUNDS	
	FAIR VALUE	EFFECTIVE DURATION	FAIR VALUE	EFFECTIVE DURATION
Debt Securities				
U.S. Treasury Notes and Bonds	\$ 655,470	3.39	\$ 54,540	6.73
U.S. Treasury Bills	12,052	0.86	904	0.07
Government Agency Securities	668,154	2.03	47,399	4.41
Corporate Bonds	857,613	4.23	438,607	4.60
International Bonds	1,522	6.11	39,052	4.67
Mortgages	130,052	3.10	841,662	3.02
Asset Backed Securities	5,158	0.99	63,768	2.16
Commingled Funds	114,581	4.18	747,234	3.93
Municipal Bonds	3,928	14.04	19,598	12.31
Guaranteed Investment Contracts	2,918	2.87	109,795	2.87
Short Term Investments	214,142	0.12	128,468	0.14
	<u>2,665,590</u>		<u>2,491,027</u>	
Other Investments				
Equity Securities	55,086		1,322,893	
Private Equity	5,227		110,892	
Commingled Funds	435,919		4,483,145	
Options	3,136		9,253	
Private Real Estate	-		116,848	
U.S. Treasury Investment Pool	241,237		-	
Less: Component Unit Investment in State Investment Pool	<u>(430,474)</u>		<u>-</u>	
Total Investments	2,975,721		8,534,058	
Securities Lending Short-term Collateral Investment Pool	<u>583,814</u>		<u>373,324</u>	
Total	<u>\$ 3,559,535</u>		<u>\$ 8,907,382</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, 2009, 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, 2009**

	FAIR VALUE	QUALITY RATINGS						
		AAA	AA	A	BBB	BB	B	UNRATED
Govt Agency Securities	\$ 668,154	\$ 668,154	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Corporate Bonds	857,613	197,543	263,649	334,023	44,419	5,649	4,711	7,619
International Bonds	1,522	194	-	-	1,328	-	-	-
Mortgages	130,052	84,845	245	-	547	224	237	43,954
Asset Backed Securities	5,158	4,623	344	-	143	-	48	-
Commingled Funds	114,581	-	-	-	-	-	-	114,581
Short Term Investments	214,142	-	-	-	-	-	-	214,142
Municipal Bonds	3,928	2,227	1,295	293	113	-	-	-

**FIDUCIARY FUND INVESTMENTS AT JUNE 30, 2009**

	FAIR VALUE	QUALITY RATINGS						
		AAA	AA	A	BBB	BB	B	UNRATED
Govt Agency Securities	\$ 55,887	\$ 53,630	\$ -	\$ 199	\$ -	\$ 486	\$ 286	\$ 1,286
Corporate Bonds	495,017	69,732	58,400	169,726	98,006	37,754	35,869	25,530
International Bonds	40,586	4,774	11,767	2,698	12,554	8,554	71	168
Mortgages	848,541	570,535	2,096	5,836	9,913	1,618	5,509	253,034
Asset Backed Securities	72,168	61,738	2,093	2,343	1,169	-	361	4,464
Commingled Funds	749,574	-	-	-	-	-	-	749,574
Short Term Investments	119,956	-	-	-	-	-	-	119,956
Municipal Bonds	20,199	9,374	5,606	4,800	419	-	-	-

**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, 2009, the primary government, except fiduciary funds, had debt securities investments with more than 5 percent of total investments in Federal Farm Credit Bank (7 percent) and Federal Home Loan Bank (9 percent). At June 30, 2009, fiduciary funds had debt securities investments with more than 5 percent of total investments in Federal National Mortgage Association (5 percent).

**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 43 and 46 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, 2009, is as follows:

**Disclosure Regarding Deposits and Investments:**

Total Investments	\$ 12,466,917
Carrying amount of Deposits	361,164
Total	<u>\$ 12,828,081</u>

**Statement of Net Assets:**

Cash and Cash Equivalents	\$ 691,244
Investments	2,511,205
Restricted Cash and Cash Equivalents	20,805
Securities Lending Collateral	583,814

**Statement of Fiduciary Net Assets:**

Cash and Cash Equivalents	113,631
Investments	8,534,058
Securities Lending Collateral	373,324
Total	<u>\$ 12,828,081</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, 2009**

Currency	SHORT TERM INVESTMENTS	EQUITY SECURITIES	DEBT SECURITIES
Australian Dollar	\$ 13	\$ 1,035	\$ 164
Brazilian Real	(107)	30	143
Canadian Dollar	11	667	4
Danish Krone	2	-	-
Euro Currency	136	8,682	381
Hong Kong Dollar	-	861	-
Iceland Krona	-	-	71
Indonesian Rupiah	-	-	132
Japanese Yen	56	4,334	-
Mexican Peso	25	214	55
New Zealand Dollar	3	95	83
Polish Zloty	-	78	-
Pound Sterling	183	3,386	-
Singapore Dollar	-	746	256
South African Rand	2	126	-
South Korean Won	19	648	-
Swedish Krona	21	55	-
Swiss Franc	2	2,433	-
Thailand Baht	4	26	-
Total	<u>\$ 370</u>	<u>\$ 23,416</u>	<u>\$ 1,289</u>

**FIDUCIARY FUND FOREIGN CURRENCY AT JUNE 30, 2009**

Currency	SHORT TERM INVESTMENTS	EQUITY SECURITIES	DEBT SECURITIES
Argentine Peso	\$ 12	-	-
Australian Dollar	1	26,509	1,087
Brazilian Real	752	2,567	811
Canadian Dollar	13	15,965	44
Czech Koruna	66	-	-
Danish Krone	67	2,850	-
Euro Currency	1,723	231,238	5,224
Hong Kong Dollar	38	38,516	-
Iceland Krona	-	-	428
Indian Rupee	355	-	-
Indonesian Rupiah	2	717	328
Israeli Shekel	3	-	-
Japanese Yen	620	114,720	-
Mexican Peso	112	3,555	277
New Russian Ruble	381	-	-
New Taiwan Dollar	611	-	-
New Zealand Dollar	-	-	549
Norwegian Krone	-	35	-
Philippine Peso	2	-	-
Polish Zloty	-	1,821	-
Pound Sterling	1,190	110,443	2,171
Singapore Dollar	-	12,448	1,923
South African Rand	178	2,157	-
South Korean Won	796	16,390	-
Swedish Krona	8	1,264	-
Swiss Franc	74	80,034	-
Thailand Baht	7	4,404	-
Yuan Renminbi	976	-	-
Total	<u>\$ 7,987</u>	<u>\$ 665,633</u>	<u>\$ 12,842</u>

**3. Capital Assets**

Capital asset activity for the year ended June 30, 2009, was as follows:

	<b>BEGINNING BALANCE</b>	<b>INCREASES</b>	<b>DECREASES</b>	<b>ENDING BALANCE</b>
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 526,453	\$ 10,108	\$ -	\$ 536,561
Infrastructure	6,651,497	95,626	-	6,747,123
Construction in progress	68,017	41,728	10,220	99,525
Total capital assets, not being depreciated	<u>7,245,967</u>	<u>147,462</u>	<u>10,220</u>	<u>7,383,209</u>
Capital assets, being depreciated:				
Buildings and improvements	493,688	8,754	468	501,974
Equipment	374,263	34,433	21,505	387,191
Total capital assets, being depreciated	<u>867,951</u>	<u>43,187</u>	<u>21,973</u>	<u>889,165</u>
Less accumulated depreciation for:				
Buildings and improvements	231,875	13,712	191	245,396
Equipment	265,662	35,750	20,076	281,336
Total accumulated depreciation	<u>497,537</u>	<u>49,462</u>	<u>20,267</u>	<u>526,732</u>
Total capital assets, being depreciated, net	<u>370,414</u>	<u>(6,275)</u>	<u>1,706</u>	<u>362,433</u>
Governmental activities capital assets, net	<u>\$ 7,616,381</u>	<u>\$ 141,187</u>	<u>\$ 11,926</u>	<u>\$ 7,745,642</u>
<b>Business-type activities:</b>				
<b>Unemployment Insurance</b>				
Equipment, being depreciated	\$ 885	\$ -	\$ 15	\$ 870
Less accumulated depreciation	770	82	15	837
Total Unemployment Insurance, net	<u>115</u>	<u>(82)</u>	<u>-</u>	<u>33</u>
<b>Nonmajor Enterprise Funds</b>				
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	5,751	-	-	5,751
Equipment	4,743	398	98	5,043
Total capital assets, being depreciated	<u>10,494</u>	<u>398</u>	<u>98</u>	<u>10,794</u>
Less accumulated depreciation for:				
Buildings and improvements	1,387	143	-	1,530
Equipment	3,111	316	98	3,329
Total accumulated depreciation	<u>4,498</u>	<u>459</u>	<u>98</u>	<u>4,859</u>
Total capital assets, being depreciated, net	<u>5,996</u>	<u>(61)</u>	<u>-</u>	<u>5,935</u>
Total Nonmajor Enterprise, net	<u>6,311</u>	<u>(61)</u>	<u>-</u>	<u>6,250</u>
Business-type activities capital assets, net	<u>\$ 6,426</u>	<u>\$ (143)</u>	<u>\$ -</u>	<u>\$ 6,283</u>

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

<b>Governmental activities:</b>	
General Government	\$ 18,246
Conservation of Natural Resources	1,528
Culture – Recreation	1,326
Economic Development and Assistance	311
Education	1,111
Health and Social Services	807
Public Safety	9,252
Regulation of Business and Professions	286
Transportation	16,595
Total depreciation expense -	
Governmental activities	<u>\$ 49,462</u>

**Construction Commitments.** At June 30, 2009, the State had contractual commitments of approximately \$940,796 for various highway and building projects. Funding of these future expenditures is expected to be provided as follows:

Federal funds	\$ 455,554
State funds	457,287
Local funds	27,955
	<u>\$ 940,796</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, 2009, consists of the following:

	<b>DUE TO</b>								<b>TOTALS</b>
	General Fund	Highway Fund	Federal Fund	Health and Social Services	Nonmajor Governmental Funds	Nonmajor Enterprise Funds	Internal Service Funds	Pension Trust	
<b>DUE FROM</b>									
General Fund	\$ -	\$ 135	\$ 61	\$ 670	\$ 1,010	\$ 191	\$ 29,310	\$ 25,589	\$ 56,966
Highway Fund	-	-	175	1	110	82	5,273	-	5,641
Federal Fund	97,257	7	-	3,929	2,864	96	3,667	1	107,821
Health and Social Services	10	4	10	-	177	1	1,422	-	1,624
Permanent School Fund	15	-	-	-	-	-	8	-	23
Nonmajor Governmental Funds	432	28	14	12	267	70	8,749	459	10,031
Nonmajor Enterprise Funds	-	9	-	-	-	-	74	-	83
Internal Service Funds	4,603	467	7	22	191	1	794	-	6,085
Pension Trust	-	-	-	-	-	-	58	-	58
Private Purpose Trust	-	-	-	-	-	-	12	-	12
<b>TOTALS</b>	<b>\$ 102,317</b>	<b>\$ 650</b>	<b>\$ 267</b>	<b>\$ 4,634</b>	<b>\$ 4,619</b>	<b>\$ 441</b>	<b>\$ 49,367</b>	<b>\$ 26,049</b>	<b>\$ 188,344</b>

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, 2009, consist of the following:

	<b>TRANSFERRED TO:</b>					<b>TOTALS</b>
	General Fund	Highway Fund	Federal Fund	Health and Social Services	Nonmajor Governmental Funds	
<b>TRANSFERRED FROM:</b>						
General Fund	\$ -	\$ -	\$ -	\$ -	\$ 49,975	\$ 49,975
Highway Fund	-	-	-	-	10,102	10,102
Federal Fund	-	-	-	-	7,425	7,425
Health & Social Services Fund	-	-	-	-	531	531
Nonmajor Governmental Funds	35,494	29,260	247	418	7,505	72,924
Nonmajor Enterprise Funds	-	-	-	797	29,448	30,245
<b>TOTALS</b>	<b>\$ 35,494</b>	<b>\$ 29,260</b>	<b>\$ 247</b>	<b>\$ 1,215</b>	<b>\$ 104,986</b>	<b>\$ 171,202</b>

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, 2009, 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	\$ 23,574	\$ 8,793	\$ 11,366	\$ 1,084	\$ -	\$ 5,381	\$ 2,213	\$ 2	\$ 369	\$ 52,782
Payables and Accruals	82,655	56,069	140,782	6,516	41,455	29,318	25,679	566	19,701	402,741
Due to Fiduciary Funds *	-	-	-	-	-	-	26,049	-	-	26,049
Miscellaneous	-	7,675	-	-	-	3	3	35	-	7,716
<b>TOTALS</b>	<b>\$ 106,229</b>	<b>\$ 72,537</b>	<b>\$ 152,148</b>	<b>\$ 7,600</b>	<b>\$ 41,455</b>	<b>\$ 34,702</b>	<b>\$ 53,944</b>	<b>\$ 603</b>	<b>\$ 20,070</b>	<b>\$ 489,288</b>

\* 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, 2009, are summarized as follows:

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE	AMOUNTS DUE WITHIN ONE YEAR
<b>Governmental Activities:</b>					
Claims Payable	\$ 276,554	\$ 1,717,891	\$ 1,703,591	\$ 290,854	\$ 246,508
Bonds Payable	10,835	-	5,985	4,850	4,850
Capital Lease Obligations	19,509	10,194	7,521	22,182	5,277
Obligations Under Other Financing Arrangements	14,785	2,515	1,640	15,660	1,255
Compensated Absences	122,212	16,200	11,872	126,540	8,859
Totals	<u>\$ 443,895</u>	<u>\$ 1,746,800</u>	<u>\$ 1,730,609</u>	<u>\$ 460,086</u>	<u>\$ 266,749</u>
<b>Business-type Activities:</b>					
<b>Unemployment Insurance:</b>					
Claims Payable	\$ 15,382	\$ 242,858	\$ 219,836	\$ 38,404	\$ 38,404
Compensated Absences	16	4	3	17	2
Totals for Unemployment Insurance	<u>15,398</u>	<u>242,862</u>	<u>219,839</u>	<u>38,421</u>	<u>38,406</u>
<b>Nonmajor Enterprise Funds:</b>					
Claims Payable	31,700	12,050	12,050	31,700	9,460
Compensated Absences	690	94	49	735	51
Totals for Nonmajor Enterprise Funds	<u>32,390</u>	<u>12,144</u>	<u>12,099</u>	<u>32,435</u>	<u>9,511</u>
Totals for Business-type Activities	<u>\$ 47,788</u>	<u>\$ 255,006</u>	<u>\$ 231,938</u>	<u>\$ 70,856</u>	<u>\$ 47,917</u>

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, 2009, 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, 2009 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. There were no obligations outstanding at June 30, 2009.

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.

<b>BONDS PAYABLE</b>	<b>DATES ISSUED</b>	<b>MATURITY DATES</b>	<b>INTEREST RATES</b>	<b>BALANCE JUNE 30, 2009</b>
<b>PRIMARY GOVERNMENT</b>				
NETC Leasing Corporation Issue	2000	Through 2010	4.35%-6.00%	<u>\$ 4,850</u>
<b>COMPONENT UNITS</b>				
University of Nebraska	1998-2009	Through 2043	2.00%-5.25%	\$ 642,970
Nebraska State Colleges	1999-2006	Through 2028	1.60%-5.05%	39,485
Component Units Total				<u>\$ 682,455</u>

<b>PRIMARY GOVERNMENT DEBT SERVICE REQUIREMENTS TO MATURITY</b>			
<b>YEAR</b>	<b>PRINCIPAL</b>	<b>INTEREST</b>	<b>TOTAL</b>
2010	<u>\$ 4,850</u>	<u>\$ 291</u>	<u>\$ 5,141</u>
<b>COMPONENT UNITS DEBT SERVICE REQUIREMENTS TO MATURITY</b>			
<b>YEAR</b>	<b>PRINCIPAL</b>	<b>INTEREST</b>	<b>TOTAL</b>
2010	\$ 51,185	\$ 30,659	\$ 81,844
2011	44,030	28,972	73,002
2012	46,320	27,066	73,386
2013	28,870	25,230	54,100
2014	46,030	23,603	69,633
2015 - 2019	183,610	91,367	274,977
2020 - 2024	117,225	54,406	171,631
2025 - 2029	64,165	33,885	98,050
2030 - 2034	52,070	19,694	71,764
2035 - 2039	45,960	15,373	61,333
2040 - 2044	2,990	78	3,068
Total	<u>\$ 682,455</u>	<u>\$ 350,333</u>	<u>\$ 1,032,788</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, 2009 are as follows:

<b>YEAR</b>	<b>GOVERNMENTAL ACTIVITIES</b>
2010	\$ 5,858
2011	5,396
2012	4,005
2013	3,199
2014	1,611
2015-2019	<u>4,391</u>
Total Minimum Payments	24,460
Less: Interest and executory costs	<u>2,278</u>
Present value of net minimum payments	<u>\$ 22,182</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, 2009:

<b>GOVERNMENTAL ACTIVITIES</b>	
Buildings	\$ 7,070
Equipment	44,521
Less: accumulated depreciation	<u>(25,556)</u>
Carrying value	<u>\$ 26,035</u>

The minimum annual lease payments for operating leases as of June 30, 2009 are as follows:

<b>YEAR</b>	<b>GOVERNMENTAL ACTIVITIES</b>
2010	\$ 9,372
2011	2,992
2012	2,328
2013	2,056
2014	1,935
2015-2019	4,045
2020-2024	2,675
2025-2029	1,095
2030-2034	<u>826</u>
Total	<u>\$ 27,324</u>

Primary Government operating lease payments for the year ended June 30, 2009 totaled \$15,771.

**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, 2009, 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 \$31,898 were received under these and other lease agreements for the year ended June 30, 2009.

## 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 2.75 percent to 5.70 percent is as follows:

<b>YEAR</b>	<b>PRINCIPAL</b>	<b>INTEREST</b>	<b>TOTAL</b>
2010	\$ 1,255	\$ 685	\$ 1,940
2011	1,295	635	1,930
2012	1,360	580	1,940
2013	1,410	521	1,931
2014	1,465	458	1,923
2015-2019	6,845	1,198	8,043
2020-2024	<u>2,030</u>	<u>172</u>	<u>2,202</u>
Total	<u>\$ 15,660</u>	<u>\$ 4,249</u>	<u>\$ 19,909</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, 2009:

<b>Governmental Activities:</b>	
General Fund	\$ 67,978
Federal Fund	13,987
Health and Social Services Fund	<u>4,522</u>
Total Governmental Activities	<u>\$ 86,487</u>
<b>Business-type Activities:</b>	
Unemployment Insurance	<u>\$ 9,053</u>
Total Business-type Activities	<u>\$ 9,053</u>

Of the taxes and other receivables, \$27,145 and \$20,482, 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. Under the cash balance benefit, a member upon attainment of age 55, regardless of service, receives a retirement allowance equal to the accumulated employee and employer cash balance accounts, including interest credits, annuitized for payment. Members have options on how to receive the

payment. The amounts presented in the accompanying financial statements for the State Employees' Retirement System are for the fiscal year ended December 31, 2008.

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, 2008, there were 17,200 active members and 4,122 inactive members. Members contributed \$31,584 and the State contributed \$49,123 during the year ended December 31, 2008, 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. Under the cash balance benefit, a member upon attainment of age 55, regardless of service, receives a retirement allowance equal to the accumulated employee and employer cash balance accounts, including interest credits, annuitized for payment. Members have options on how to receive the payment. The amounts presented in the accompanying financial statements for the County Employees' Retirement System are for the fiscal year ended December 31, 2008.

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, 2008, there were 7,711 active members and 1,703 inactive members. Members contributed \$10,268 and counties contributed \$15,172 during the year ended December 31, 2008, which was equal to required contributions.

**School Retirement.** The School Retirement System is a cost-sharing multiple-employer defined benefit pension plan with 277 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 7.28 percent of their compensation. 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
<b>State Cash Balance</b>						
12/31/2008	\$ 637,539	\$ 658,249	\$ 20,710	96.9 %	\$ 433,397	4.8 %
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)
<b>County Cash Balance</b>						
12/31/2008	\$ 175,766	\$ 175,294	\$ (472)	100.3 %	\$ 165,276	(0.3)%
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)
<b>School</b>						
6/30/2009	\$ 7,007,582	\$ 8,092,339	\$ 1,084,757	86.6 %	\$ 1,481,568	73.2 %
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
<b>Judges'</b>						
6/30/2009	\$ 120,993	\$ 118,558	\$ (2,435)	102.1 %	\$ 18,373	(13.3)%
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)
<b>State Patrol</b>						
6/30/2009	\$ 274,120	\$ 305,291	\$ 31,171	89.8 %	\$ 25,922	120.2 %
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



	STATE CASH BALANCE	COUNTY CASH BALANCE	SCHOOL RETIREMENT	JUDGES' RETIREMENT	STATE PATROL RETIREMENT
Actuarial Valuation Date	12/31/2008	12/31/2008	6/30/2009	6/30/2009	6/30/2009
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 **	7.75%	7.75%	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
<b>State Cash Balance</b>			
12/31/2008	\$29,204	100%	\$ -
12/31/2007	22,921	100%	-
12/31/2006	16,672	100%	-
<b>County Cash Balance</b>			
12/31/2008	\$ 9,840	100%	\$ -
12/31/2007	8,195	100%	-
12/31/2006	6,245	100%	-
<b>School</b>			
6/30/2009	\$20,621	100%	\$ -
6/30/2008	15,833	100%	-
6/30/2007	15,220	100%	-
<b>Judges'</b>			
6/30/2009	\$ 3,491	100%	\$ -
6/30/2008	3,353	100%	-
6/30/2007	3,208	100%	-
<b>State Patrol</b>			
6/30/2009	\$ 5,385	100%	\$ -
6/30/2008	4,856	100%	-
6/30/2007	5,059	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 in non-binding arbitration with Kansas and Colorado relating to water usage in the Republican River Basin. It is alleged that Nebraska is consuming more water than is allowed under the Republican River Compact of 1942. It is not possible at the present time to determine the outcome of this water dispute.

### 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 one building. 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, 2009, and 2008, were as follows:

	Fiscal Year	
	2009	2008
Beginning Balance	\$ 64,020	\$ 62,707
Current Year Claims and Changes in Estimates	184,491	182,155
Claim Payments	<u>(184,200)</u>	<u>(180,842)</u>
Ending Balance	<u>\$ 64,311</u>	<u>\$ 64,020</u>

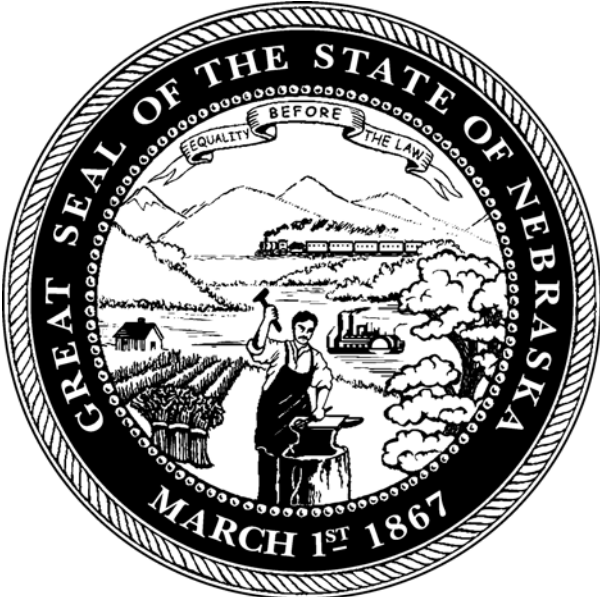
### 14. Subsequent Event

The Governor called a special session of the Legislature in November 2009 to address declining tax revenues due to current economic conditions. The Legislature closed a \$334 million General Fund shortfall for 2010 and 2011 through a combination of spending cuts and cash transfers from other funds.

---

**REQUIRED SUPPLEMENTARY INFORMATION**

---



State of Nebraska  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**

For the Year Ended June 30, 2009

(Dollars in Thousands)

**GENERAL FUND**

	<b>ORIGINAL BUDGET</b>	<b>FINAL BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE WITH FINAL BUDGET</b>
<b>REVENUES:</b>				
Taxes	\$ 3,405,773	\$ 3,268,027	\$ 3,231,495	\$ (36,532)
Federal Grants and Contracts	47	47	47	-
Sales and Charges	23,297	23,297	23,297	-
Other	66,525	66,525	66,525	-
<b>TOTAL REVENUES</b>	<b>3,495,642</b>	<b>3,357,896</b>	<b>3,321,364</b>	<b>(36,532)</b>
<b>EXPENDITURES:</b>				
Current:				
General Government	269,339	256,906	241,023	15,883
Conservation of Natural Resources	56,151	56,151	38,348	17,803
Culture – Recreation	6,792	6,792	5,955	837
Economic Development and Assistance	10,500	10,500	7,020	3,480
Education	1,741,786	1,743,315	1,702,581	40,734
Health and Social Services	1,383,799	1,256,369	1,095,951	160,418
Public Safety	240,441	248,144	226,026	22,118
Regulation of Business and Professions	4,616	4,616	4,050	566
Transportation	21	21	18	3
<b>TOTAL EXPENDITURES</b>	<b>3,713,445</b>	<b>3,582,814</b>	<b>3,320,972</b>	<b>261,842</b>
Excess of Revenues Over (Under) Expenditures	(217,803)	(224,918)	392	225,310
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In	207,998	207,998	207,998	-
Transfers Out	(336,942)	(336,942)	(336,942)	-
Other	71	71	71	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(128,873)</b>	<b>(128,873)</b>	<b>(128,873)</b>	<b>-</b>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(346,676)	(353,791)	(128,481)	225,310
<b>FUND BALANCES, JULY 1</b>	<b>1,125,582</b>	<b>1,125,582</b>	<b>1,125,582</b>	<b>-</b>
<b>FUND BALANCES, JUNE 30</b>	<b>\$ 778,906</b>	<b>\$ 771,791</b>	<b>\$ 997,101</b>	<b>\$ 225,310</b>

A reconciliation of the budgetary basis versus GAAP fund balance for the General Fund as of June 30, 2009, follows (dollars in thousands):

Actual Fund Balances, budgetary basis, June 30, 2009	
General	\$ 421,409
Cash Reserve	575,692
Budgetary fund balances	997,101
<b>DIFFERENCES DUE TO BASIS OF ACCOUNTING:</b>	
Record taxes receivable	295,618
Record tax refund liability	(307,689)
Record State contributions due pension funds	(25,589)
Record claims payable	(96,984)
Record other net accrued receivables and liabilities	(5,853)
GAAP fund balance, June 30, 2009	<u>\$ 856,604</u>

See independent auditors' report

State of Nebraska  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE**  
**CASH FUNDS**

For the Year Ended June 30, 2009

(Dollars in Thousands)	CASH FUNDS			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
<b>REVENUES:</b>				
Taxes	\$ 105,242	\$ 105,242	\$ 105,242	\$ -
Federal Grants and Contracts	330,344	330,344	330,344	-
Sales and Charges	436,329	436,329	436,329	-
Other	238,316	238,316	238,316	-
<b>TOTAL REVENUES</b>	<b>1,110,231</b>	<b>1,110,231</b>	<b>1,110,231</b>	<b>-</b>
<b>EXPENDITURES:</b>				
Current:				
General Government	214,443	221,374	192,236	29,138
Conservation of Natural Resources	118,606	117,677	54,813	62,864
Culture – Recreation	33,143	33,269	18,674	14,595
Economic Development and Assistance	80,992	82,291	29,354	52,937
Education	475,690	476,560	345,254	131,306
Health and Social Services	177,619	179,304	117,267	62,037
Public Safety	46,945	54,769	31,185	23,584
Regulation of Business and Professions	179,548	183,928	114,177	69,751
Transportation	756,743	797,983	726,325	71,658
Capital Projects	79,961	79,961	21,595	58,366
<b>TOTAL EXPENDITURES</b>	<b>2,163,690</b>	<b>2,227,116</b>	<b>1,650,880</b>	<b>576,236</b>
Excess of Revenues Over (Under) Expenditures	(1,053,459)	(1,116,885)	(540,649)	576,236
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In	1,038,059	1,038,059	1,038,059	-
Transfers Out	(502,371)	(502,371)	(502,371)	-
Other	1,257	1,257	1,257	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>536,945</b>	<b>536,945</b>	<b>536,945</b>	<b>-</b>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(516,514)	(579,940)	(3,704)	576,236
<b>FUND BALANCES, JULY 1</b>	<b>787,163</b>	<b>787,163</b>	<b>787,163</b>	<b>-</b>
<b>FUND BALANCES, JUNE 30</b>	<b>\$ 270,649</b>	<b>\$ 207,223</b>	<b>\$ 783,459</b>	<b>\$ 576,236</b>

A reconciliation of the budgetary basis versus GAAP fund balance for the Major Funds as of June 30, 2009, follows (dollars in thousands):

Actual Fund Balances, budgetary basis, June 30, 2009	
Cash	\$ 783,459
Construction	56,035
Federal	81,104
Revolving	252,488
Budgetary fund balances	1,173,086
Unbudgeted fund balances	1,239,995
Non-major fund balances	(1,070,236)
Differences due to basis of accounting	(401,456)
GAAP fund balance, June 30, 2009	<u>\$ 941,389</u>
Actual Fund Balances of Major Funds, June 30, 2009	
Highway	\$ 120,111
Federal	7,838
Health and Social Services	411,068
Permanent School	402,372
GAAP fund balance, June 30, 2009	<u>\$ 941,389</u>

See independent auditors' report

State of Nebraska  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE**  
**CONSTRUCTION FUNDS**

For the Year Ended June 30, 2009

	CONSTRUCTION FUNDS			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
(Dollars in Thousands)				
<b>REVENUES:</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Federal Grants and Contracts	-	-	-	-
Sales and Charges	-	-	-	-
Other	2,636	2,636	2,636	-
<b>TOTAL REVENUES</b>	<u>2,636</u>	<u>2,636</u>	<u>2,636</u>	<u>-</u>
<b>EXPENDITURES:</b>				
Current:				
General Government	-	-	-	-
Conservation of Natural Resources	-	-	-	-
Culture – Recreation	-	-	-	-
Economic Development and Assistance	-	-	-	-
Education	22,193	22,193	15,122	7,071
Health and Social Services	-	-	-	-
Public Safety	-	-	-	-
Regulation of Business and Professions	-	-	-	-
Transportation	-	-	-	-
Capital Projects	35,645	35,645	16,513	19,132
<b>TOTAL EXPENDITURES</b>	<u>57,838</u>	<u>57,838</u>	<u>31,635</u>	<u>26,203</u>
Excess of Revenues Over (Under) Expenditures	<u>(55,202)</u>	<u>(55,202)</u>	<u>(28,999)</u>	<u>26,203</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In	18,729	18,729	18,729	-
Transfers Out	-	-	-	-
Other	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>18,729</u>	<u>18,729</u>	<u>18,729</u>	<u>-</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>(36,473)</u>	<u>(36,473)</u>	<u>(10,270)</u>	<u>26,203</u>
<b>FUND BALANCES, JULY 1</b>	<u>66,305</u>	<u>66,305</u>	<u>66,305</u>	<u>-</u>
<b>FUND BALANCES, JUNE 30</b>	<u>\$ 29,832</u>	<u>\$ 29,832</u>	<u>\$ 56,035</u>	<u>\$ 26,203</u>

See independent auditors' report

State of Nebraska  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE**  
**FEDERAL FUNDS**

For the Year Ended June 30, 2009

	FEDERAL FUNDS			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
(Dollars in Thousands)				
<b>REVENUES:</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Federal Grants and Contracts	2,342,670	2,342,670	2,342,670	-
Sales and Charges	20,966	20,966	20,966	-
Other	(26,548)	(26,548)	(26,548)	-
<b>TOTAL REVENUES</b>	<u>2,337,088</u>	<u>2,337,088</u>	<u>2,337,088</u>	<u>-</u>
<b>EXPENDITURES:</b>				
Current:				
General Government	19,442	19,807	6,115	13,692
Conservation of Natural Resources	48,355	55,267	36,508	18,759
Culture – Recreation	2,925	6,550	2,755	3,795
Economic Development and Assistance	102,589	128,046	49,104	78,942
Education	696,985	721,469	617,178	104,291
Health and Social Services	1,756,122	1,767,483	1,486,577	280,906
Public Safety	94,298	157,615	105,927	51,688
Regulation of Business and Professions	2,418	2,805	2,328	477
Transportation	-	-	-	-
Capital Projects	443	768	768	-
<b>TOTAL EXPENDITURES</b>	<u>2,723,577</u>	<u>2,859,810</u>	<u>2,307,260</u>	<u>552,550</u>
Excess of Revenues Over (Under) Expenditures	<u>(386,489)</u>	<u>(522,722)</u>	<u>29,828</u>	<u>552,550</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In	9,215	9,215	9,215	-
Transfers Out	(10,155)	(10,155)	(10,155)	-
Other	(72)	(72)	(72)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(1,012)</u>	<u>(1,012)</u>	<u>(1,012)</u>	<u>-</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>(387,501)</u>	<u>(523,734)</u>	<u>28,816</u>	<u>552,550</u>
<b>FUND BALANCES, JULY 1</b>	<u>52,288</u>	<u>52,288</u>	<u>52,288</u>	<u>-</u>
<b>FUND BALANCES, JUNE 30</b>	<u>\$ (335,213)</u>	<u>\$ (471,446)</u>	<u>\$ 81,104</u>	<u>\$ 552,550</u>

See independent auditors' report

State of Nebraska  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE**  
**REVOLVING FUNDS**

For the Year Ended June 30, 2009

	REVOLVING FUNDS			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
(Dollars in Thousands)				
<b>REVENUES:</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Federal Grants and Contracts	1,061	1,061	1,061	-
Sales and Charges	470,635	470,635	470,635	-
Other	153,848	153,848	153,848	-
<b>TOTAL REVENUES</b>	<b>625,544</b>	<b>625,544</b>	<b>625,544</b>	<b>-</b>
<b>EXPENDITURES:</b>				
Current:				
General Government	242,278	242,561	149,396	93,165
Conservation of Natural Resources	-	-	-	-
Culture – Recreation	-	-	-	-
Economic Development and Assistance	2,641	2,641	1,743	898
Education	596,360	596,588	421,848	174,740
Health and Social Services	-	-	-	-
Public Safety	25,546	25,546	13,162	12,384
Regulation of Business and Professions	-	-	-	-
Transportation	-	-	-	-
Capital Projects	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>866,825</b>	<b>867,336</b>	<b>586,149</b>	<b>281,187</b>
Excess of Revenues Over (Under) Expenditures	(241,281)	(241,792)	39,395	281,187
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In	59,302	59,302	59,302	-
Transfers Out	(54,584)	(54,584)	(54,584)	-
Other	950	950	950	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>5,668</b>	<b>5,668</b>	<b>5,668</b>	<b>-</b>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(235,613)	(236,124)	45,063	281,187
<b>FUND BALANCES, JULY 1</b>	<b>207,425</b>	<b>207,425</b>	<b>207,425</b>	<b>-</b>
<b>FUND BALANCES, JUNE 30</b>	<b>\$ (28,188)</b>	<b>\$ (28,699)</b>	<b>\$ 252,488</b>	<b>\$ 281,187</b>

See independent auditors' report



## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2009

---

### 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 2009, the Legislature passed deficit appropriation bills that increased the allowable expenditure level in several of the programs.

For the year ended June 30, 2009, 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, 2009

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>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Very Good	32%	33%	42%	39%	39%	40%
Good	47%	49%	38%	46%	46%	44%
Fair	19%	17%	19%	12%	12%	14%
Poor	2%	1%	1%	3%	3%	2%
Overall System Rating	82	82	83	84	83	83

### Estimated and Actual Costs to Maintain

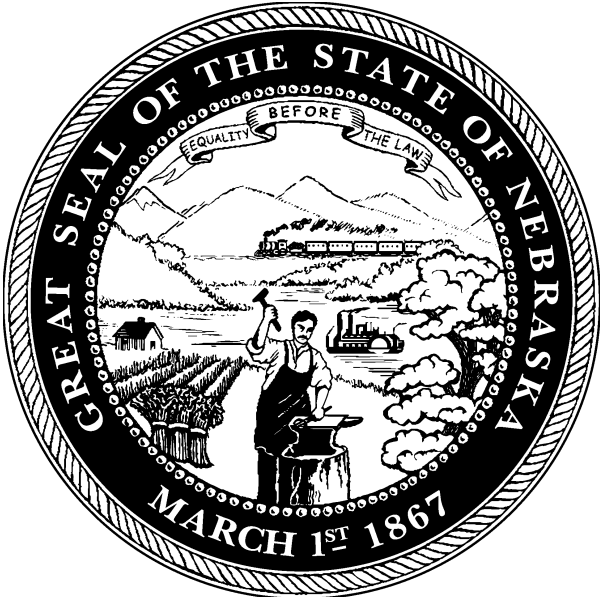
The following table presents the State’s estimate of spending necessary to preserve and maintain the roads at, or above, the established condition level cited above, and the actual amount spent during the past fiscal years (amounts in millions). Beginning in Fiscal Year 2005, a newly developed Pavement 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>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Estimated	\$ 211	\$ 206	\$ 155	\$ 148	\$ 125	\$ 123
Actual		239	208	167	214	221
Difference		33	53	19	89	98

---

# 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, 2009

(Dollars in Thousands)

	SPECIAL REVENUE	CAPITAL PROJECTS	PERMANENT FUNDS	TOTALS
<b>ASSETS:</b>				
Cash and Cash Equivalents	\$ 78,916	\$ 19,062	\$ 3,558	\$ 101,536
Cash on Deposit with Fiscal Agents	20,805	-	-	20,805
Investments	397,696	102,601	40,608	540,905
Securities Lending Collateral	122,512	32,091	4,462	159,065
Receivables, net of allowance				
Taxes	192	-	-	192
Due from Federal Government	1,421	120	-	1,541
Loans	253,487	-	-	253,487
Other	11,149	1,490	783	13,422
Due from Other Funds	4,444	175	-	4,619
Prepaid Items	130	-	-	130
Other	1,219	1,220	-	2,439
TOTAL ASSETS	<u>\$ 891,971</u>	<u>\$ 156,759</u>	<u>\$ 49,411</u>	<u>\$ 1,098,141</u>
<b>LIABILITIES AND FUND BALANCES:</b>				
LIABILITIES:				
Accounts Payable and Accrued Liabilities	\$ 26,179	\$ 5,488	\$ 3,035	\$ 34,702
Due to Other Governments	556	-	-	556
Deposits	1,290	-	-	1,290
Due to Other Funds	9,784	247	-	10,031
Obligations under Securities Lending	122,512	32,091	4,462	159,065
TOTAL LIABILITIES	<u>160,321</u>	<u>37,826</u>	<u>7,497</u>	<u>205,644</u>
FUND BALANCES:				
Reserved for:				
Long-Term Receivables	253,487	-	-	253,487
Inventories and Prepaid Items	130	-	-	130
Debt Service	11,425	-	-	11,425
Endowment Principal	-	-	19,565	19,565
Unreserved	466,608	118,933	22,349	607,890
TOTAL FUND BALANCES	<u>731,650</u>	<u>118,933</u>	<u>41,914</u>	<u>892,497</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 891,971</u>	<u>\$ 156,759</u>	<u>\$ 49,411</u>	<u>\$ 1,098,141</u>

State of Nebraska

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

For the Year Ended June 30, 2009

(Dollars in Thousands)

	SPECIAL REVENUE	CAPITAL PROJECTS	PERMANENT FUNDS	TOTALS
<b>REVENUES:</b>				
Sales and Use Taxes	\$ 3,662	\$ -	\$ -	\$ 3,662
Petroleum Taxes	13,540	-	-	13,540
Excise Taxes	40,869	9,163	-	50,032
Business and Franchise Taxes	16,840	-	-	16,840
Other Taxes	7,202	-	-	7,202
Federal Grants and Contracts	30,239	548	-	30,787
Licenses, Fees and Permits	120,509	-	-	120,509
Charges for Services	33,249	1,094	-	34,343
Investment Income	28,335	7,192	(3,057)	32,470
Rents and Royalties	12,048	14,328	-	26,376
Surcharge	55,817	-	-	55,817
Other	28,608	148	100	28,856
<b>TOTAL REVENUES</b>	<b>390,918</b>	<b>32,473</b>	<b>(2,957)</b>	<b>420,434</b>
<b>EXPENDITURES:</b>				
Current:				
General Government	69,092	-	17	69,109
Conservation of Natural Resources	56,321	-	-	56,321
Culture – Recreation	19,495	-	-	19,495
Economic Development and Assistance	31,407	-	-	31,407
Education	11,406	-	117	11,523
Higher Education - Colleges and University	-	24,761	-	24,761
Health and Social Services	931	-	880	1,811
Public Safety	40,355	-	-	40,355
Regulation of Business and Professions	117,117	-	-	117,117
Transportation	15,449	-	34	15,483
Capital Projects	-	25,333	-	25,333
Debt Service:				
Principal	7,625	-	-	7,625
Interest	1,256	-	-	1,256
<b>TOTAL EXPENDITURES</b>	<b>370,454</b>	<b>50,094</b>	<b>1,048</b>	<b>421,596</b>
Excess of Revenues Over (Under) Expenditures	20,464	(17,621)	(4,005)	(1,162)
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In	86,257	18,729	-	104,986
Transfers Out	(68,735)	(3,870)	(319)	(72,924)
Proceeds from Other Financing Arrangements	2,515	-	-	2,515
Proceeds from Capital Leases	3,891	-	-	3,891
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>23,928</b>	<b>14,859</b>	<b>(319)</b>	<b>38,468</b>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	44,392	(2,762)	(4,324)	37,306
<b>FUND BALANCES, JULY 1</b>	<b>687,258</b>	<b>121,695</b>	<b>46,238</b>	<b>855,191</b>
<b>FUND BALANCES, JUNE 30</b>	<b>\$ 731,650</b>	<b>\$ 118,933</b>	<b>\$ 41,914</b>	<b>\$ 892,497</b>

State of Nebraska  
**COMBINING BALANCE SHEET**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
June 30, 2009

(Dollars in Thousands)

	LICENSING AND REGULATION	ECONOMIC DEVELOPMENT	AIRPORT DEVELOPMENT	GAME AND PARKS
<b>ASSETS:</b>				
Cash and Cash Equivalents	\$ 18,181	\$ 8,400	\$ 6,029	\$ 11,878
Cash on Deposit with Fiscal Agents	-	-	-	-
Investments	97,546	45,133	-	63,099
Securities Lending Collateral	30,510	14,116	-	19,508
Receivables, net of allowance:				
Taxes	34	-	120	-
Due from Federal Government	-	-	-	1,348
Loans	-	144	2,580	-
Other	3,461	1,574	92	2,251
Due from Other Funds	17	3	24	663
Prepaid Items	7	-	3	40
Other	-	985	-	-
<b>TOTAL ASSETS</b>	<b><u>\$ 149,756</u></b>	<b><u>\$ 70,355</u></b>	<b><u>\$ 8,848</u></b>	<b><u>\$ 98,787</u></b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES:</b>				
Accounts Payable and Accrued Liabilities	\$ 7,546	\$ 1,175	\$ 292	\$ 7,316
Due to Other Governments	9	-	-	6
Deposits	298	985	-	-
Due to Other Funds	278	38	10	1,012
Obligations under Securities Lending	30,510	14,116	-	19,508
<b>TOTAL LIABILITIES</b>	<b><u>38,641</u></b>	<b><u>16,314</u></b>	<b><u>302</u></b>	<b><u>27,842</u></b>
<b>FUND BALANCES:</b>				
Reserved for:				
Long-Term Receivables	-	144	2,580	-
Inventories and Prepaid Items	7	-	3	40
Debt Service	-	-	-	-
Unreserved	111,108	53,897	5,963	70,905
<b>TOTAL FUND BALANCES</b>	<b><u>111,115</u></b>	<b><u>54,041</u></b>	<b><u>8,546</u></b>	<b><u>70,945</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 149,756</u></b>	<b><u>\$ 70,355</u></b>	<b><u>\$ 8,848</u></b>	<b><u>\$ 98,787</u></b>



<b>ENVIRONMENTAL QUALITY</b>	<b>ENERGY CONSERVATION</b>	<b>STATE BUILDING CORPORATION</b>	<b>NETC LEASING CORPORATION</b>	<b>OTHER SPECIAL REVENUE</b>	<b>TOTALS</b>
\$ 11,208	\$ 3,167	\$ -	\$ -	\$ 20,053	\$ 78,916
11,061	-	-	2,258	7,486	20,805
60,599	17,117	-	-	114,202	397,696
18,954	5,354	-	-	34,070	122,512
38	-	-	-	-	192
-	-	-	-	73	1,421
228,837	13,346	-	-	8,580	253,487
807	231	-	137	2,596	11,149
-	-	-	-	3,737	4,444
-	-	-	48	32	130
-	-	-	-	234	1,219
<u>\$ 331,504</u>	<u>\$ 39,215</u>	<u>\$ -</u>	<u>\$ 2,443</u>	<u>\$ 191,063</u>	<u>\$ 891,971</u>
\$ 385	\$ 90	\$ -	\$ -	\$ 9,375	\$ 26,179
-	500	-	-	41	556
-	-	-	-	7	1,290
4	11	-	-	8,431	9,784
18,954	5,354	-	-	34,070	122,512
<u>19,343</u>	<u>5,955</u>	<u>-</u>	<u>-</u>	<u>51,924</u>	<u>160,321</u>
228,837	13,346	-	-	8,580	253,487
-	-	-	48	32	130
11,061	-	-	146	218	11,425
72,263	19,914	-	2,249	130,309	466,608
<u>312,161</u>	<u>33,260</u>	<u>-</u>	<u>2,443</u>	<u>139,139</u>	<u>731,650</u>
<u>\$ 331,504</u>	<u>\$ 39,215</u>	<u>\$ -</u>	<u>\$ 2,443</u>	<u>\$ 191,063</u>	<u>\$ 891,971</u>

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

For the Year Ended June 30, 2009

(Dollars in Thousands)

	LICENSING AND REGULATION	ECONOMIC DEVELOPMENT	AIRPORT DEVELOPMENT	GAME AND PARKS
<b>REVENUES:</b>				
Sales and Use Taxes	\$ -	\$ 3,662	\$ -	\$ -
Petroleum Taxes	10,783	950	1,467	-
Excise Taxes	9,260	22,977	-	1,309
Business and Franchise Taxes	4,099	163	-	-
Other Taxes	-	-	-	-
Federal Grants and Contracts	558	13	12,202	11,371
Licenses, Fees and Permits	64,137	126	9	24,047
Charges for Services	1,425	293	729	3,373
Investment Income	7,221	3,766	253	4,079
Rents and Royalties	-	-	732	9,633
Surcharge	55,817	-	-	-
Other	10,030	182	3	545
<b>TOTAL REVENUES</b>	<b>163,330</b>	<b>32,132</b>	<b>15,395</b>	<b>54,357</b>
<b>EXPENDITURES:</b>				
Current:				
General Government	-	-	-	-
Conservation of Natural Resources	-	-	-	41,258
Culture – Recreation	-	-	-	18,472
Economic Development and Assistance	-	30,883	-	-
Education	-	-	-	-
Health and Social Services	-	-	-	-
Public Safety	-	-	-	-
Regulation of Business and Professions	116,255	-	-	-
Transportation	-	-	15,449	-
Debt Service				
Principal	-	-	-	-
Interest	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>116,255</b>	<b>30,883</b>	<b>15,449</b>	<b>59,730</b>
Excess of Revenues Over (Under) Expenditures	47,075	1,249	(54)	(5,373)
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In	2,556	11,383	319	13,237
Transfers Out	(36,370)	(29,276)	-	-
Proceeds from Other Financing Arrangements	-	-	-	-
Proceeds from Capital Leases	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(33,814)</b>	<b>(17,893)</b>	<b>319</b>	<b>13,237</b>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	13,261	(16,644)	265	7,864
<b>FUND BALANCES, JULY 1</b>	<b>97,854</b>	<b>70,685</b>	<b>8,281</b>	<b>63,081</b>
<b>FUND BALANCES, JUNE 30</b>	<b>\$ 111,115</b>	<b>\$ 54,041</b>	<b>\$ 8,546</b>	<b>\$ 70,945</b>

ENVIRONMENTAL QUALITY	ENERGY CONSERVATION	STATE BUILDING CORPORATION	NETC LEASING CORPORATION	OTHER SPECIAL REVENUE	TOTALS
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,662
-	300	-	-	40	13,540
2,275	-	-	-	5,048	40,869
1,754	-	-	-	10,824	16,840
-	-	-	-	7,202	7,202
13	-	-	-	6,082	30,239
6,042	-	-	-	26,148	120,509
-	15	-	-	27,414	33,249
4,485	1,208	12	11	7,300	28,335
-	-	395	-	1,288	12,048
-	-	-	-	-	55,817
7,548	74	-	-	10,226	28,608
<u>22,117</u>	<u>1,597</u>	<u>407</u>	<u>11</u>	<u>101,572</u>	<u>390,918</u>
-	-	2	-	69,090	69,092
10,872	998	-	-	3,193	56,321
-	-	-	-	1,023	19,495
-	-	-	-	524	31,407
-	-	-	34	11,372	11,406
-	-	-	-	931	931
-	-	-	-	40,355	40,355
-	-	-	-	862	117,117
-	-	-	-	-	15,449
1,640	-	955	5,030	-	7,625
671	-	31	554	-	1,256
<u>13,183</u>	<u>998</u>	<u>988</u>	<u>5,618</u>	<u>127,350</u>	<u>370,454</u>
<u>8,934</u>	<u>599</u>	<u>(581)</u>	<u>(5,607)</u>	<u>(25,778)</u>	<u>20,464</u>
7,226	-	-	3,870	47,666	86,257
(50)	-	-	-	(3,039)	(68,735)
2,515	-	-	-	-	2,515
-	-	-	-	3,891	3,891
<u>9,691</u>	<u>-</u>	<u>-</u>	<u>3,870</u>	<u>48,518</u>	<u>23,928</u>
18,625	599	(581)	(1,737)	22,740	44,392
<u>293,536</u>	<u>32,661</u>	<u>581</u>	<u>4,180</u>	<u>116,399</u>	<u>687,258</u>
<u>\$ 312,161</u>	<u>\$ 33,260</u>	<u>\$ -</u>	<u>\$ 2,443</u>	<u>\$ 139,139</u>	<u>\$ 731,650</u>

State of Nebraska  
**COMBINING BALANCE SHEET**  
**NONMAJOR PERMANENT FUNDS**  
June 30, 2009

(Dollars in Thousands)

	AERONAUTICS TRUST	NEBRASKA VETERANS AID	PERMANENT ENDOWMENT	AGRICULTURE ENDOWMENT	OTHER	TOTALS
<b>ASSETS:</b>						
Cash and Cash Equivalents	\$ -	\$ 3,124	\$ 327	\$ 96	\$ 11	\$ 3,558
Investments	6,515	30,870	845	1,860	518	40,608
Securities Lending Collateral	3,063	1,265	35	76	23	4,462
Other Receivables, net of allowance	74	641	21	38	9	783
<b>TOTAL ASSETS</b>	<b>\$ 9,652</b>	<b>\$ 35,900</b>	<b>\$ 1,228</b>	<b>\$ 2,070</b>	<b>\$ 561</b>	<b>\$ 49,411</b>
<b>LIABILITIES AND FUND BALANCES</b>						
LIABILITIES:						
Accounts Payable and Accrued Liabilities	\$ -	\$ 2,747	\$ 83	\$ 184	\$ 21	\$ 3,035
Obligations under Securities Lending	3,063	1,265	35	76	23	4,462
<b>TOTAL LIABILITIES</b>	<b>3,063</b>	<b>4,012</b>	<b>118</b>	<b>260</b>	<b>44</b>	<b>7,497</b>
FUND BALANCES:						
Reserved for Endowment Principal	6,195	12,000	503	722	145	19,565
Unreserved	394	19,888	607	1,088	372	22,349
<b>TOTAL FUND BALANCES</b>	<b>6,589</b>	<b>31,888</b>	<b>1,110</b>	<b>1,810</b>	<b>517</b>	<b>41,914</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 9,652</b>	<b>\$ 35,900</b>	<b>\$ 1,228</b>	<b>\$ 2,070</b>	<b>\$ 561</b>	<b>\$ 49,411</b>

State of Nebraska

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

For the Year Ended June 30, 2009

(Dollars in Thousands)

	AERONAUTICS TRUST	NEBRASKA VETERANS AID	PERMANENT ENDOWMENT	AGRICULTURE ENDOWMENT	OTHER	TOTALS
<b>REVENUES:</b>						
Investment Income	\$ 504	\$ (3,264)	\$ (78)	\$ (200)	\$ (19)	\$ (3,057)
Other	-	-	-	-	100	100
TOTAL REVENUES	<u>504</u>	<u>(3,264)</u>	<u>(78)</u>	<u>(200)</u>	<u>81</u>	<u>(2,957)</u>
<b>EXPENDITURES:</b>						
General Government	-	-	-	-	17	17
Education	-	-	34	75	8	117
Health and Social Services	-	880	-	-	-	880
Transportation	34	-	-	-	-	34
TOTAL EXPENDITURES	<u>34</u>	<u>880</u>	<u>34</u>	<u>75</u>	<u>25</u>	<u>1,048</u>
Excess of Revenues Over (Under) Expenditures	470	(4,144)	(112)	(275)	56	(4,005)
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfers Out	(319)	-	-	-	-	(319)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	151	(4,144)	(112)	(275)	56	(4,324)
<b>FUND BALANCES, JULY 1</b>	<u>6,438</u>	<u>36,032</u>	<u>1,222</u>	<u>2,085</u>	<u>461</u>	<u>46,238</u>
<b>FUND BALANCES, JUNE 30</b>	<u>\$ 6,589</u>	<u>\$ 31,888</u>	<u>\$ 1,110</u>	<u>\$ 1,810</u>	<u>\$ 517</u>	<u>\$ 41,914</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, 2009

(Dollars in Thousands)

	LOTTERY	EXCESS LIABILITY	CORNHUSKER STATE INDUSTRIES	TOTALS
<b>ASSETS</b>				
CURRENT ASSETS:				
Cash and Cash Equivalents	\$ 6,487	\$ 11,237	\$ 5,904	\$ 23,628
Receivables, net of allowance	6,165	2,514	604	9,283
Due from Other Funds	-	-	441	441
Inventories	-	-	2,157	2,157
Prepaid Items	356	-	-	356
<b>TOTAL CURRENT ASSETS</b>	<b>13,008</b>	<b>13,751</b>	<b>9,106</b>	<b>35,865</b>
NONCURRENT ASSETS:				
Restricted Long-Term Deposits	1,896	-	-	1,896
Long-Term Investments	-	68,364	-	68,364
Securities Lending Collateral	-	2,619	-	2,619
Capital Assets:				
Land	-	-	315	315
Buildings and Equipment	360	-	10,434	10,794
Less Accumulated Depreciation	(325)	-	(4,534)	(4,859)
Total Capital Assets, net	35	-	6,215	6,250
<b>TOTAL NONCURRENT ASSETS</b>	<b>1,931</b>	<b>70,983</b>	<b>6,215</b>	<b>79,129</b>
<b>TOTAL ASSETS</b>	<b>\$ 14,939</b>	<b>\$ 84,734</b>	<b>\$ 15,321</b>	<b>\$ 114,994</b>
<b>LIABILITIES AND NET ASSETS</b>				
CURRENT LIABILITIES:				
Accounts Payable and Accrued Liabilities	\$ 8,026	\$ 11,267	\$ 777	\$ 20,070
Due to Other Funds	31	-	52	83
Claims, Judgments and Compensated Absences	17	9,460	34	9,511
Unearned Revenue	-	4,559	-	4,559
<b>TOTAL CURRENT LIABILITIES</b>	<b>8,074</b>	<b>25,286</b>	<b>863</b>	<b>34,223</b>
NONCURRENT LIABILITIES:				
Claims, Judgments and Compensated Absences	229	22,240	455	22,924
Obligations under Securities Lending	-	2,619	-	2,619
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>229</b>	<b>24,859</b>	<b>455</b>	<b>25,543</b>
<b>TOTAL LIABILITIES</b>	<b>8,303</b>	<b>50,145</b>	<b>1,318</b>	<b>59,766</b>
NET ASSETS:				
Invested in Capital Assets, net of related debt	35	-	6,215	6,250
Restricted for:				
Lottery Prizes, Noncurrent	1,896	-	-	1,896
Unrestricted	4,705	34,589	7,788	47,082
<b>TOTAL NET ASSETS</b>	<b>6,636</b>	<b>34,589</b>	<b>14,003</b>	<b>55,228</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 14,939</b>	<b>\$ 84,734</b>	<b>\$ 15,321</b>	<b>\$ 114,994</b>



State of Nebraska

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

For the Year Ended June 30, 2009

(Dollars in Thousands)

	LOTTERY	EXCESS LIABILITY	CORNHUSKER STATE INDUSTRIES	TOTALS
<b>OPERATING REVENUES:</b>				
Charges for Services	\$ 123,251	\$ 9,267	\$ 9,223	\$ 141,741
Other	-	-	189	189
TOTAL OPERATING REVENUES	<u>123,251</u>	<u>9,267</u>	<u>9,412</u>	<u>141,930</u>
<b>OPERATING EXPENSES:</b>				
Personal Services	1,360	-	4,541	5,901
Services and Supplies	21,441	380	5,235	27,056
Lottery Prizes	71,861	-	-	71,861
Insurance Claims	-	12,050	-	12,050
Depreciation	14	-	445	459
TOTAL OPERATING EXPENSES	<u>94,676</u>	<u>12,430</u>	<u>10,221</u>	<u>117,327</u>
Operating Income (Loss)	<u>28,575</u>	<u>(3,163)</u>	<u>(809)</u>	<u>24,603</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>				
Investment Income	<u>710</u>	<u>4,037</u>	<u>266</u>	<u>5,013</u>
Income (Loss) Before Transfers	29,285	874	(543)	29,616
Transfers Out	<u>(30,245)</u>	<u>-</u>	<u>-</u>	<u>(30,245)</u>
Change in Net Assets	(960)	874	(543)	(629)
<b>NET ASSETS, JULY 1</b>	<u>7,596</u>	<u>33,715</u>	<u>14,546</u>	<u>55,857</u>
<b>NET ASSETS, JUNE 30</b>	<u>\$ 6,636</u>	<u>\$ 34,589</u>	<u>\$ 14,003</u>	<u>\$ 55,228</u>

State of Nebraska  
**COMBINING STATEMENT OF CASH FLOWS**  
**NONMAJOR ENTERPRISE FUNDS**  
For the Year Ended June 30, 2009

(Dollars in Thousands)

	LOTTERY	EXCESS LIABILITY	CORNHUSKER STATE INDUSTRIES	TOTALS
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash Received from Customers	\$ 122,304	\$ 9,041	\$ 2,213	\$ 133,558
Cash Received from Interfund Charges	-	-	7,540	7,540
Cash Paid to Employees	(1,330)	-	(4,480)	(5,810)
Cash Paid to Suppliers	(21,230)	(234)	(4,769)	(26,233)
Cash Paid for Lottery Prizes	(70,962)	-	-	(70,962)
Cash Paid for Insurance Claims	-	(12,050)	-	(12,050)
Cash Paid for Interfund Services	(374)	(159)	(658)	(1,191)
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>28,408</u>	<u>(3,402)</u>	<u>(154)</u>	<u>24,852</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Transfers Out	<u>(30,245)</u>	-	-	<u>(30,245)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING:</b>				
Acquisition and Construction of Capital Assets	<u>(13)</u>	-	<u>(385)</u>	<u>(398)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Purchase of Investment Securities	-	(383,123)	-	(383,123)
Proceeds from Sale of Investment Securities	-	390,150	-	390,150
Interest and Dividend Income	618	2,754	293	3,665
NET CASH FLOWS FROM INVESTING ACTIVITIES	<u>618</u>	<u>9,781</u>	<u>293</u>	<u>10,692</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,232)	6,379	(246)	4,901
<b>CASH AND CASH EQUIVALENTS, JULY 1</b>	<u>7,719</u>	<u>4,858</u>	<u>6,150</u>	<u>18,727</u>
<b>CASH AND CASH EQUIVALENTS, JUNE 30</b>	<u>\$ 6,487</u>	<u>\$ 11,237</u>	<u>\$ 5,904</u>	<u>\$ 23,628</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Operating Income (Loss)	<u>\$ 28,575</u>	<u>\$ (3,163)</u>	<u>\$ (809)</u>	<u>\$ 24,603</u>
Adjustments to reconcile operating income to net cash flows from operating activities:				
Depreciation	14	-	445	459
Change in Assets and Liabilities:				
(Increase) Decrease in Receivables	(947)	-	139	(808)
(Increase) Decrease in Due from Other Funds	-	-	202	202
(Increase) Decrease in Inventories	-	-	(196)	(196)
(Increase) Decrease in Prepaid Items	175	-	-	175
(Increase) Decrease in Long-Term Deposits	(127)	-	-	(127)
Increase (Decrease) in Accounts Payable and Accrued Liabilities	726	(13)	137	850
Increase (Decrease) in Due to Other Funds	(8)	-	(72)	(80)
Increase (Decrease) in Claims Payable	-	-	-	-
Increase (Decrease) in Unearned Revenue	-	(226)	-	(226)
Total adjustments	<u>(167)</u>	<u>(239)</u>	<u>655</u>	<u>249</u>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<u>\$ 28,408</u>	<u>\$ (3,402)</u>	<u>\$ (154)</u>	<u>\$ 24,852</u>
<b>NONCASH TRANSACTIONS (dollars in thousands):</b>				
Noncash transactions are investing and financing activities that affect assets and liabilities but do not result in cash receipts or payments.				
The following noncash transactions occurred during the year:				
Change in Fair Value of Investments	<u>\$ -</u>	<u>\$ 1,238</u>	<u>\$ -</u>	<u>\$ 1,238</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, 2009

(Dollars in Thousands)	<b>BUILDINGS AND GROUNDS</b>	<b>GENERAL SERVICES</b>	<b>OFFICE OF THE CIO</b>
<b>ASSETS</b>			
CURRENT ASSETS:			
Cash and Cash Equivalents	\$ 17,968	\$ 6,087	\$ 13,023
Receivables, net of allowance			
Accounts	65	343	803
Accrued Interest	201	67	138
Due from Other Funds	68	2,572	12,660
Inventories	-	128	61
Prepaid Items	1,105	100	-
<b>TOTAL CURRENT ASSETS</b>	<u>19,407</u>	<u>9,297</u>	<u>26,685</u>
NONCURRENT ASSETS:			
Capital Assets:			
Buildings and Equipment	2,566	10,238	28,602
Less Accumulated Depreciation	<u>(2,212)</u>	<u>(7,298)</u>	<u>(22,874)</u>
Total Capital Assets, net	<u>354</u>	<u>2,940</u>	<u>5,728</u>
<b>TOTAL ASSETS</b>	<u>\$ 19,761</u>	<u>\$ 12,237</u>	<u>\$ 32,413</u>
<b>LIABILITIES AND NET ASSETS</b>			
CURRENT LIABILITIES:			
Accounts Payable and Accrued Liabilities	\$ 2,031	\$ 2,602	\$ 7,145
Due to Other Funds	101	959	315
Capital Lease Obligations	35	-	2,435
Claims, Judgments and Compensated Absences	41	34	207
Unearned Revenue	-	-	623
<b>TOTAL CURRENT LIABILITIES</b>	<u>2,208</u>	<u>3,595</u>	<u>10,725</u>
NONCURRENT LIABILITIES:			
Capital Lease Obligations	-	-	8,043
Claims, Judgments and Compensated Absences	<u>541</u>	<u>452</u>	<u>2,743</u>
<b>TOTAL NONCURRENT LIABILITIES</b>	<u>541</u>	<u>452</u>	<u>10,786</u>
<b>TOTAL LIABILITIES</b>	<u>2,749</u>	<u>4,047</u>	<u>21,511</u>
NET ASSETS:			
Invested in Capital Assets, net of related debt	319	2,940	(4,750)
Unrestricted	<u>16,693</u>	<u>5,250</u>	<u>15,652</u>
<b>TOTAL NET ASSETS</b>	<u>17,012</u>	<u>8,190</u>	<u>10,902</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 19,761</u>	<u>\$ 12,237</u>	<u>\$ 32,413</u>

<b>TRANSPORTATION SERVICES</b>	<b>RISK MANAGEMENT</b>	<b>ACCOUNTING SERVICES</b>	<b>OTHER INTERNAL SERVICE</b>	<b>TOTALS</b>
\$ 6,078	\$ 56,591	\$ 2,698	\$ 3,196	\$ 105,641
37	27	-	266	1,541
67	639	56	33	1,201
983	32,410	-	674	49,367
-	-	-	-	189
-	-	-	-	1,205
<u>7,165</u>	<u>89,667</u>	<u>2,754</u>	<u>4,169</u>	<u>159,144</u>
17,168	-	1,484	748	60,806
<u>(8,299)</u>	<u>-</u>	<u>(1,373)</u>	<u>(662)</u>	<u>(42,718)</u>
<u>8,869</u>	<u>-</u>	<u>111</u>	<u>86</u>	<u>18,088</u>
<u>\$ 16,034</u>	<u>\$ 89,667</u>	<u>\$ 2,865</u>	<u>\$ 4,255</u>	<u>\$ 177,232</u>
\$ 974	\$ 14,472	\$ 424	\$ 783	\$ 28,431
68	4,574	59	9	6,085
677	-	-	-	3,147
8	28,288	16	10	28,604
-	-	-	-	623
<u>1,727</u>	<u>47,334</u>	<u>499</u>	<u>802</u>	<u>66,890</u>
1,418	-	-	-	9,461
<u>102</u>	<u>36,063</u>	<u>212</u>	<u>135</u>	<u>40,248</u>
<u>1,520</u>	<u>36,063</u>	<u>212</u>	<u>135</u>	<u>49,709</u>
<u>3,247</u>	<u>83,397</u>	<u>711</u>	<u>937</u>	<u>116,599</u>
6,774	-	111	86	5,480
<u>6,013</u>	<u>6,270</u>	<u>2,043</u>	<u>3,232</u>	<u>55,153</u>
<u>12,787</u>	<u>6,270</u>	<u>2,154</u>	<u>3,318</u>	<u>60,633</u>
<u>\$ 16,034</u>	<u>\$ 89,667</u>	<u>\$ 2,865</u>	<u>\$ 4,255</u>	<u>\$ 177,232</u>

State of Nebraska

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

For the Year Ended June 30, 2009

(Dollars in Thousands)	<b>BUILDINGS AND GROUNDS</b>	<b>GENERAL SERVICES</b>	<b>OFFICE OF THE CIO</b>
<b>OPERATING REVENUES:</b>			
Charges for Services	\$ 34,208	\$ 19,715	\$ 67,913
Other	2,860	-	6
TOTAL OPERATING REVENUES	<u>37,068</u>	<u>19,715</u>	<u>67,919</u>
<b>OPERATING EXPENSES:</b>			
Personal Services	3,678	3,023	18,835
Services and Supplies	29,101	15,083	45,557
Insurance Claims	-	-	-
Depreciation	100	2,983	4,080
TOTAL OPERATING EXPENSES	<u>32,879</u>	<u>21,089</u>	<u>68,472</u>
Operating Income (Loss)	<u>4,189</u>	<u>(1,374)</u>	<u>(553)</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>			
Investment Income	705	223	410
Gain (Loss) on Sale of Capital Assets	4	(105)	(16)
Other	(2)	-	(213)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>707</u>	<u>118</u>	<u>181</u>
Change in Net Assets	4,896	(1,256)	(372)
<b>NET ASSETS, JULY 1</b>	<u>12,116</u>	<u>9,446</u>	<u>11,274</u>
<b>NET ASSETS, JUNE 30</b>	<u>\$ 17,012</u>	<u>\$ 8,190</u>	<u>\$ 10,902</u>

<b>TRANSPORTATION SERVICES</b>	<b>RISK MANAGEMENT</b>	<b>ACCOUNTING SERVICES</b>	<b>OTHER INTERNAL SERVICE</b>	<b>TOTALS</b>
\$ 7,333	\$ 197,021	\$ 4,677	\$ 9,961	\$ 340,828
-	-	-	220	3,086
<u>7,333</u>	<u>197,021</u>	<u>4,677</u>	<u>10,181</u>	<u>343,914</u>
576	163	1,877	5,196	33,348
3,470	479	2,158	4,456	100,304
-	193,492	-	-	193,492
<u>3,009</u>	<u>-</u>	<u>409</u>	<u>23</u>	<u>10,604</u>
<u>7,055</u>	<u>194,134</u>	<u>4,444</u>	<u>9,675</u>	<u>337,748</u>
<u>278</u>	<u>2,887</u>	<u>233</u>	<u>506</u>	<u>6,166</u>
195	2,256	171	114	4,074
(81)	-	-	-	(198)
<u>(96)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(311)</u>
<u>18</u>	<u>2,256</u>	<u>171</u>	<u>114</u>	<u>3,565</u>
296	5,143	404	620	9,731
<u>12,491</u>	<u>1,127</u>	<u>1,750</u>	<u>2,698</u>	<u>50,902</u>
<u>\$ 12,787</u>	<u>\$ 6,270</u>	<u>\$ 2,154</u>	<u>\$ 3,318</u>	<u>\$ 60,633</u>

State of Nebraska  
**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
For the Year Ended June 30, 2009

(Dollars in Thousands)	<b>BUILDINGS AND GROUNDS</b>	<b>GENERAL SERVICES</b>	<b>OFFICE OF THE CIO</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash Received from Customers	\$ 453	\$ 112	\$ 2,804
Cash Received from Interfund Charges	36,659	19,142	60,160
Cash Paid to Employees	(3,647)	(2,944)	(18,625)
Cash Paid to Suppliers	(28,025)	(14,278)	(40,944)
Cash Paid for Insurance Claims	-	-	-
Cash Paid for Interfund Services	<u>(1,601)</u>	<u>(281)</u>	<u>(3,744)</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>3,839</u>	<u>1,751</u>	<u>(349)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Acquisition and Construction of Capital Assets	(143)	(529)	3,340
Proceeds from Sale of Capital Assets	4	-	3
Principal Paid on Capital Leases	(71)	-	(2,426)
Interest Paid on Capital Leases	<u>(2)</u>	<u>-</u>	<u>(213)</u>
NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(212)</u>	<u>(529)</u>	<u>704</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Investment Income	<u>723</u>	<u>232</u>	<u>424</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	4,350	1,454	779
<b>CASH AND CASH EQUIVALENTS, JULY 1</b>	<u>13,618</u>	<u>4,633</u>	<u>12,244</u>
<b>CASH AND CASH EQUIVALENTS, JUNE 30</b>	<u><u>\$17,968</u></u>	<u><u>\$ 6,087</u></u>	<u><u>\$13,023</u></u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Operating Income (Loss)	<u>\$ 4,189</u>	<u>\$ (1,374)</u>	<u>\$ (553)</u>
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:			
Depreciation	100	2,983	4,080
Change in Assets and Liabilities:			
(Increase) Decrease in Receivables	(52)	(266)	19
(Increase) Decrease in Due from Other Funds	96	(195)	(4,901)
(Increase) Decrease in Inventories	-	3	(1)
(Increase) Decrease in Prepaid Items	(103)	33	-
Increase (Decrease) in Accounts Payable and Accrued Liabilities	(395)	689	1,167
Increase (Decrease) in Due to Other Funds	4	(122)	(87)
Increase (Decrease) in Claims Payable	-	-	-
Increase (Decrease) in Unearned Revenue	<u>-</u>	<u>-</u>	<u>(73)</u>
Total Adjustments	<u>(350)</u>	<u>3,125</u>	<u>204</u>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<u><u>\$ 3,839</u></u>	<u><u>\$ 1,751</u></u>	<u><u>\$ (349)</u></u>
<b>NONCASH TRANSACTIONS (dollars in thousands):</b>			
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>\$ 6,304</u></u>



<b>TRANSPORTATION SERVICES</b>	<b>RISK MANAGEMENT</b>	<b>ACCOUNTING SERVICES</b>	<b>OTHER INTERNAL SERVICE</b>	<b>TOTALS</b>
\$ 83	\$ 5,215	\$ 2	\$ 8,427	\$ 17,096
7,500	191,983	4,677	1,372	321,493
(559)	(157)	(1,865)	(5,053)	(32,850)
(2,300)	(444)	(1,466)	(4,341)	(91,798)
-	(184,200)	-	-	(184,200)
<u>(1,292)</u>	<u>(159)</u>	<u>(691)</u>	<u>(157)</u>	<u>(7,925)</u>
<u>3,432</u>	<u>12,238</u>	<u>657</u>	<u>248</u>	<u>21,816</u>
(1,705)	-	(65)	(33)	865
426	-	-	-	433
(645)	-	-	-	(3,142)
<u>(96)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(311)</u>
<u>(2,020)</u>	<u>-</u>	<u>(65)</u>	<u>(33)</u>	<u>(2,155)</u>
<u>195</u>	<u>2,187</u>	<u>179</u>	<u>121</u>	<u>4,061</u>
1,607	14,425	771	336	23,722
<u>4,471</u>	<u>42,166</u>	<u>1,927</u>	<u>2,860</u>	<u>81,919</u>
<u>\$ 6,078</u>	<u>\$ 56,591</u>	<u>\$ 2,698</u>	<u>\$ 3,196</u>	<u>\$ 105,641</u>
<u>\$ 278</u>	<u>\$ 2,887</u>	<u>\$ 233</u>	<u>\$ 506</u>	<u>\$ 6,166</u>
3,009	-	409	23	10,604
20	152	2	(147)	(272)
230	25	-	(235)	(4,980)
-	-	-	-	2
-	-	-	-	(70)
(42)	(119)	14	99	1,413
(63)	1	(1)	2	(266)
-	9,292	-	-	9,292
-	-	-	-	(73)
<u>3,154</u>	<u>9,351</u>	<u>424</u>	<u>(258)</u>	<u>15,650</u>
<u>\$ 3,432</u>	<u>\$ 12,238</u>	<u>\$ 657</u>	<u>\$ 248</u>	<u>\$ 21,816</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,304</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, 2009

(Dollars in Thousands)

	DEFERRED COMPENSATION	STATE EMPLOYEES RETIREMENT DEFINED CONTRIBUTION	CASH BALANCE
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 156	\$ 6	\$ 60
Investments:			
U.S. Treasury Notes and Bonds	-	-	1,305
U.S. Treasury Bills	-	-	259
Government Agency Securities	-	-	3,972
Corporate Bonds	-	-	31,873
International Bonds	-	-	2,689
Equity Securities	-	-	61,158
Private Equity	-	-	8,941
Options	-	-	(200)
Mortgages	-	-	79,886
Private Real Estate	-	-	21,977
Asset Backed Securities	-	-	6,211
Municipal Bonds	-	-	1,133
Commingled Funds	122,844	420,846	235,060
Guaranteed Investment Contracts	-	89,032	-
Short Term Investments	-	19,213	30,198
Total Investments	<u>122,844</u>	<u>529,091</u>	<u>484,462</u>
Securities Lending Collateral	-	12,556	21,847
Receivables:			
Contributions	-	757	1,212
Interest and Dividends	2	21	1,125
Other	-	-	50,335
Total Receivables	<u>2</u>	<u>778</u>	<u>52,672</u>
Due from Other Funds	2	-	-
Capital Assets:			
Buildings and Equipment	160	1,100	2,104
Less Accumulated Depreciation	<u>(58)</u>	<u>(909)</u>	<u>(1,750)</u>
Total Capital Assets, net	<u>102</u>	<u>191</u>	<u>354</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 123,106</u></b>	<b><u>\$ 542,622</u></b>	<b><u>\$ 559,395</u></b>
<b>LIABILITIES</b>			
Accounts Payable and Accrued Liabilities	\$ 7	\$ 533	\$ 67,261
Due to Other Governments	-	-	-
Due to Other Funds	3	10	-
Obligations under Securities Lending	-	12,556	21,847
Capital Lease Obligations	2	198	432
Accrued Compensated Absences	<u>5</u>	<u>25</u>	<u>20</u>
<b>TOTAL LIABILITIES</b>	<b><u>17</u></b>	<b><u>13,322</u></b>	<b><u>89,560</u></b>
<b>NET ASSETS</b>			
Held in Trust for Pension Benefits	<u>\$ 123,089</u>	<u>\$ 529,300</u>	<u>\$ 469,835</u>

<b>COUNTY EMPLOYEES RETIREMENT</b>						
<b>DEFINED CONTRIBUTION</b>	<b>CASH BALANCE</b>	<b>SCHOOL RETIREMENT</b>	<b>JUDGES RETIREMENT</b>	<b>STATE PATROL RETIREMENT</b>	<b>TOTALS</b>	
\$ 179	\$ 75	\$ 2,400	\$ 86	\$ 163	\$ 3,125	
-	359	50,068	861	1,947	54,540	
-	71	544	9	21	904	
-	1,092	40,086	690	1,559	47,399	
-	8,762	376,834	6,483	14,655	438,607	
-	739	33,732	580	1,312	39,052	
-	16,813	1,178,796	20,281	45,845	1,322,893	
-	2,458	94,208	1,621	3,664	110,892	
-	(55)	9,003	155	350	9,253	
-	21,962	700,511	12,052	27,251	841,662	
-	6,042	84,111	1,447	3,271	116,848	
-	1,707	52,883	910	2,057	63,768	
-	312	17,189	296	668	19,598	
106,140	64,620	2,647,844	45,555	103,563	3,746,472	
20,763	-	-	-	-	109,795	
4,429	8,496	61,434	1,057	2,390	127,217	
<u>131,332</u>	<u>133,378</u>	<u>5,347,243</u>	<u>91,997</u>	<u>208,553</u>	<u>7,048,900</u>	
2,929	6,006	312,458	5,376	12,152	373,324	
296	598	15,370	329	-	18,562	
5	312	11,520	199	446	13,630	
-	13,838	170,010	2,925	6,612	243,720	
<u>301</u>	<u>14,748</u>	<u>196,900</u>	<u>3,453</u>	<u>7,058</u>	<u>275,912</u>	
-	-	24,702	154	1,191	26,049	
502	1,108	12,489	1,690	1,664	20,817	
(421)	(932)	(8,169)	(1,462)	(1,438)	(15,139)	
<u>81</u>	<u>176</u>	<u>4,320</u>	<u>228</u>	<u>226</u>	<u>5,678</u>	
<u>\$ 134,822</u>	<u>\$ 154,383</u>	<u>\$ 5,888,023</u>	<u>\$ 101,294</u>	<u>\$ 229,343</u>	<u>\$ 7,732,988</u>	
\$ 122	\$ 18,403	\$ 308,351	\$ 5,238	\$ 11,914	\$ 411,829	
-	-	-	-	-	-	
5	-	40	-	-	58	
2,929	6,006	312,458	5,376	12,152	373,324	
81	228	1,020	271	267	2,499	
11	10	193	3	5	272	
<u>3,148</u>	<u>\$ 24,647</u>	<u>\$ 622,062</u>	<u>\$ 10,888</u>	<u>\$ 24,338</u>	<u>\$ 787,982</u>	
<u>\$ 131,674</u>	<u>\$ 129,736</u>	<u>\$ 5,265,961</u>	<u>\$ 90,406</u>	<u>\$ 205,005</u>	<u>\$ 6,945,006</u>	

State of Nebraska  
**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**PENSION TRUST FUNDS**  
For the Year Ended June 30, 2009

(Dollars in Thousands)

	DEFERRED COMPENSATION	STATE EMPLOYEES RETIREMENT DEFINED CONTRIBUTION	CASH BALANCE
<b>ADDITIONS:</b>			
Contributions:			
Participant Contributions	\$ 9,418	\$ 12,867	\$ 18,717
State Contributions	-	19,919	29,205
Political Subdivision Contributions	-	-	-
Court Fees	-	-	-
Total Contributions	<u>9,418</u>	<u>32,786</u>	<u>47,922</u>
Investment Income:			
Net Appreciation (Depreciation) in Fair Value of Investments	(26,507)	(136,966)	(173,493)
Interest and Dividend Income	127	-	-
Securities Lending Income	-	325	987
Total Investment Income	<u>(26,380)</u>	<u>(136,641)</u>	<u>(172,506)</u>
Investment Expenses	-	-	-
Securities Lending Expenses	-	207	681
Total Investment Expense	<u>-</u>	<u>207</u>	<u>681</u>
Net Investment Income	<u>(26,380)</u>	<u>(136,848)</u>	<u>(173,187)</u>
Other Additions	174	3	5
TOTAL ADDITIONS	<u>(16,788)</u>	<u>(104,059)</u>	<u>(125,260)</u>
<b>DEDUCTIONS:</b>			
Benefits	8,384	33,265	31,893
Refunds	-	-	-
Administrative Expenses	259	1,017	989
TOTAL DEDUCTIONS	<u>8,643</u>	<u>34,282</u>	<u>32,882</u>
<b>TRANSFERS:</b>			
Transfers In (Out)	-	(3,768)	3,768
Change in Net Assets	<u>(25,431)</u>	<u>(142,109)</u>	<u>(154,374)</u>
<b>NET ASSETS-BEGINNING OF YEAR</b>	<u>148,520</u>	<u>671,409</u>	<u>624,209</u>
<b>NET ASSETS-END OF YEAR</b>	<u>\$ 123,089</u>	<u>\$ 529,300</u>	<u>\$ 469,835</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>				
\$ 3,619	\$ 6,650	\$ 110,849	\$ 1,180	\$ 7,946	\$ 171,246
5,332	9,840	24,527	72	1,127	90,022
-	-	110,029	-	-	110,029
-	-	-	3,419	-	3,419
<u>8,951</u>	<u>16,490</u>	<u>245,405</u>	<u>4,671</u>	<u>9,073</u>	<u>374,716</u>
(32,032)	(47,110)	(1,368,395)	(23,581)	(54,125)	(1,862,209)
-	-	126,283	2,180	4,959	133,549
<u>76</u>	<u>271</u>	<u>7,152</u>	<u>123</u>	<u>278</u>	<u>9,212</u>
(31,956)	(46,839)	(1,234,960)	(21,278)	(48,888)	(1,719,448)
-	-	12,142	215	564	12,921
<u>48</u>	<u>187</u>	<u>3,611</u>	<u>62</u>	<u>140</u>	<u>4,936</u>
<u>48</u>	<u>187</u>	<u>15,753</u>	<u>277</u>	<u>704</u>	<u>17,857</u>
(32,004)	(47,026)	(1,250,713)	(21,555)	(49,592)	(1,737,305)
-	2	78	-	-	262
<u>(23,053)</u>	<u>(30,534)</u>	<u>(1,005,230)</u>	<u>(16,884)</u>	<u>(40,519)</u>	<u>(1,362,327)</u>
7,713	8,020	295,203	5,433	13,347	403,258
-	-	9,394	208	103	9,705
<u>446</u>	<u>492</u>	<u>2,657</u>	<u>168</u>	<u>608</u>	<u>6,636</u>
<u>8,159</u>	<u>8,512</u>	<u>307,254</u>	<u>5,809</u>	<u>14,058</u>	<u>419,599</u>
(461)	461	-	-	-	-
(31,673)	(38,585)	(1,312,484)	(22,693)	(54,577)	(1,781,926)
<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>
<u>\$ 131,674</u>	<u>\$ 129,736</u>	<u>\$ 5,265,961</u>	<u>\$ 90,406</u>	<u>\$ 205,005</u>	<u>\$ 6,945,006</u>

State of Nebraska

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

June 30, 2009

(Dollars in Thousands)	VOCATIONAL REHABILITATION	CANTEEN AND WELFARE	ESCHEAT TRUST	COLLEGE SAVINGS PLAN	OTHER	TOTALS
<b>ASSETS</b>						
Cash and Cash Equivalents	\$ 5,942	\$ 3,904	\$ 1,590	\$ -	\$ 9,462	\$ 20,898
Investments:						
Commingled Funds	-	-	12,126	1,471,781	-	1,483,907
Short Term Investments	-	-	-	1,251	-	1,251
Receivables:						
Interest and Dividends	68	45	28	2,400	106	2,647
Other	-	2	-	-	-	2
Other Assets	-	4	7,240	-	75	7,319
TOTAL ASSETS	<u>\$ 6,010</u>	<u>\$ 3,955</u>	<u>\$ 20,984</u>	<u>\$ 1,475,432</u>	<u>\$ 9,643</u>	<u>\$ 1,516,024</u>
<b>LIABILITIES</b>						
Accounts Payable and Accrued Liabilities	\$ 2	\$ 293	\$ 38	\$ 2,033	\$ 11	\$ 2,377
Deposits	-	-	-	-	75	75
Due to Other Funds	-	2	7	-	3	12
TOTAL LIABILITIES	<u>\$ 2</u>	<u>\$ 295</u>	<u>\$ 45</u>	<u>\$ 2,033</u>	<u>\$ 89</u>	<u>\$ 2,464</u>
<b>NET ASSETS</b>						
Held in Trust for:						
College Savings Plan	\$ -	\$ -	\$ -	\$ 1,473,399	\$ -	\$ 1,473,399
Other Purposes	6,008	3,660	20,939	-	9,554	40,161
TOTAL NET ASSETS	<u>\$ 6,008</u>	<u>\$ 3,660</u>	<u>\$ 20,939</u>	<u>\$ 1,473,399</u>	<u>\$ 9,554</u>	<u>\$ 1,513,560</u>



State of Nebraska

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

For the Year Ended June 30, 2009

(Dollars in Thousands)

	VOCATIONAL REHABILITATION	CANTEEN AND WELFARE	ESCHEAT TRUST	COLLEGE SAVINGS PLAN	OTHER	TOTALS
<b>ADDITIONS:</b>						
Contributions:						
Participant Contributions	\$ -	\$ -	\$ -	\$ 1,172,653	\$ -	\$ 1,172,653
Client Contributions	-	192	-	-	2	194
Investment Income:						
Net Appreciation (Depreciation) in						
Fair Value of Investments	-	-	-	(637,630)	-	(637,630)
Interest and Dividend Income	292	179	183	56,100	445	57,199
Investment Expenses	-	-	-	13,192	-	13,192
Total Investment Income	292	179	183	(594,722)	445	(593,623)
Escheat Revenue	-	-	12,970	-	-	12,970
Other Additions	-	5,125	-	-	1,193	6,318
<b>TOTAL ADDITIONS</b>	<b>292</b>	<b>5,496</b>	<b>13,153</b>	<b>577,931</b>	<b>1,640</b>	<b>598,512</b>
<b>DEDUCTIONS:</b>						
Benefits	-	-	-	1,115,571	-	1,115,571
Amounts Distributed to Outside Parties	1,227	4,364	10,897	-	481	16,969
Administrative Expenses	-	945	866	-	1,588	3,399
<b>TOTAL DEDUCTIONS</b>	<b>1,227</b>	<b>5,309</b>	<b>11,763</b>	<b>1,115,571</b>	<b>2,069</b>	<b>1,135,939</b>
Change in Net Assets Held in Trust for:						
College Savings Plan	-	-	-	(537,640)	-	(537,640)
Other Purposes	(935)	187	1,390	-	(429)	213
<b>NET ASSETS-BEGINNING OF YEAR</b>	<b>6,943</b>	<b>3,473</b>	<b>19,549</b>	<b>2,011,039</b>	<b>9,983</b>	<b>2,050,987</b>
<b>NET ASSETS-END OF YEAR</b>	<b>\$ 6,008</b>	<b>\$ 3,660</b>	<b>\$ 20,939</b>	<b>\$ 1,473,399</b>	<b>\$ 9,554</b>	<b>\$ 1,513,560</b>

State of Nebraska

# COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES AGENCY FUNDS

June 30, 2009

(Dollars in Thousands)

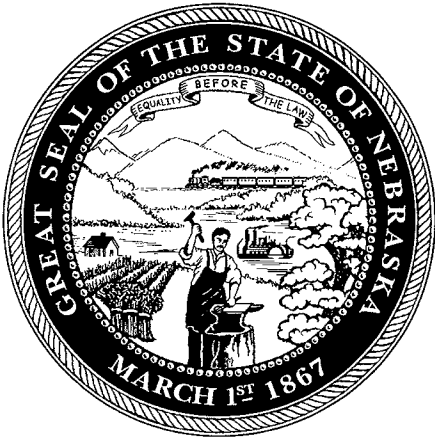
	LOCAL GOVERNMENT FUND	OTHER	TOTALS
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 52,328	\$ 37,280	\$ 89,608
Receivables:			
Interest and Dividends Receivable	458	97	555
Other	-	606	606
TOTAL ASSETS	<u>\$ 52,786</u>	<u>\$ 37,983</u>	<u>\$ 90,769</u>
<b>LIABILITIES</b>			
Accounts Payable and Accrued Liabilities	\$ 122	\$ 11,344	\$ 11,466
Due to Other Governments	52,664	-	52,664
Other Liabilities	-	26,639	26,639
TOTAL LIABILITIES	<u>\$ 52,786</u>	<u>\$ 37,983</u>	<u>\$ 90,769</u>

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

For the Year Ended June 30, 2009

(Dollars in Thousands)	BALANCE JULY 1, 2008	ADDITIONS	REDUCTIONS	BALANCE JUNE 30, 2009
<b>LOCAL GOVERNMENT FUND</b>				
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 50,816	\$ 508,855	\$ 507,343	\$ 52,328
Receivables:				
Interest and Dividends Receivable	559	1,389	1,490	458
Other	-	552	552	-
<b>TOTAL ASSETS</b>	<u>\$ 51,375</u>	<u>\$ 510,796</u>	<u>\$ 509,385</u>	<u>\$ 52,786</u>
<b>LIABILITIES</b>				
Accounts Payable and Accrued Liabilities	\$ 130	\$ 239,037	\$ 239,045	\$ 122
Due to Other Governments	51,245	271,759	270,340	52,664
<b>TOTAL LIABILITIES</b>	<u>\$ 51,375</u>	<u>\$ 510,796</u>	<u>\$ 509,385</u>	<u>\$ 52,786</u>
<b>OTHER</b>				
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 38,515	\$ 455,910	\$ 457,145	\$ 37,280
Receivables:				
Interest and Dividends Receivable	194	464	561	97
Other	461	18,304	18,159	606
<b>TOTAL ASSETS</b>	<u>\$ 39,170</u>	<u>\$ 474,678</u>	<u>\$ 475,865</u>	<u>\$ 37,983</u>
<b>LIABILITIES</b>				
Accounts Payable and Accrued Liabilities	\$ 11,877	\$ 67,643	\$ 68,176	\$ 11,344
Other Liabilities	27,293	407,035	407,689	26,639
<b>TOTAL LIABILITIES</b>	<u>\$ 39,170</u>	<u>\$ 474,678</u>	<u>\$ 475,865</u>	<u>\$ 37,983</u>
<b>TOTALS</b>				
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 89,331	\$ 964,765	\$ 964,488	\$ 89,608
Receivables:				
Interest and Dividends Receivable	753	1,853	2,051	555
Other	461	18,856	18,711	606
<b>TOTAL ASSETS</b>	<u>\$ 90,545</u>	<u>\$ 985,474</u>	<u>\$ 985,250</u>	<u>\$ 90,769</u>
<b>LIABILITIES</b>				
Accounts Payable and Accrued Liabilities	\$ 12,007	\$ 306,680	\$ 307,221	\$ 11,466
Due to Other Governments	51,245	271,759	270,340	52,664
Other Liabilities	27,293	407,035	407,689	26,639
<b>TOTAL LIABILITIES</b>	<u>\$ 90,545</u>	<u>\$ 985,474</u>	<u>\$ 985,250</u>	<u>\$ 90,769</u>





# STATISTICAL SECTION

---

# STATISTICAL SECTION TABLE OF CONTENTS

For the Year Ended June 30, 2009

Page

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.

Net Assets by Component .....	109
Changes in Net Assets .....	110
Fund Balances .....	113
Changes in Fund Balances .....	114

## REVENUE CAPACITY INFORMATION

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.

Individual Income Tax Rates .....	116
Individual Income Tax Liability by Income Level .....	117
Taxable Sales by Industry .....	118

## 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.

Comparative Unemployment, Nebraska and United States .....	120
Population, Personal and Per Capita Income, Nebraska and United States .....	121
Ten Largest Employers .....	121
Public and State Operated School Enrollment, Prekindergarten-Grade 12 .....	122
Public Higher Education Institutions Total Fall Headcount Enrollment .....	122

## 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.

Full Time Equivalent Permanent Employees by Function .....	123
Operating Indicators by Function .....	124
Capital Asset Statistics by Function .....	125

MISCELLANEOUS DATA .....	126
--------------------------	-----

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**  
 2003 – 2009

(Dollars in Thousands)	2003	2004	2005	2006	2007	2008	2009
<b>Governmental activities</b>							
Invested in capital assets, net of related debt	\$ 6,909,470	\$ 6,980,310	\$ 7,110,299	\$ 7,269,102	\$ 7,428,729	\$ 7,587,729	\$ 7,718,610
Restricted	933,033	1,050,902	1,099,437	1,566,634	1,762,849	1,789,943	1,631,962
Unrestricted	134,471	425,811	804,266	681,330	966,918	1,078,546	1,015,196
<b>Total governmental activities net assets</b>	<b>\$ 7,976,974</b>	<b>\$ 8,457,023</b>	<b>\$ 9,014,002</b>	<b>\$ 9,517,066</b>	<b>\$ 10,158,496</b>	<b>\$ 10,456,218</b>	<b>\$ 10,365,768</b>
<b>Business-type activities</b>							
Invested in capital assets, net of related debt	\$ 6,563	\$ 6,424	\$ 6,235	\$ 6,066	\$ 5,763	\$ 6,426	\$ 6,283
Restricted	195,802	184,665	213,058	274,537	321,396	344,186	270,394
Unrestricted	14,358	12,592	26,070	30,144	31,019	47,777	47,082
<b>Total business-type activities net assets</b>	<b>\$ 216,723</b>	<b>\$ 203,681</b>	<b>\$ 245,363</b>	<b>\$ 310,747</b>	<b>\$ 358,178</b>	<b>\$ 398,389</b>	<b>\$ 323,759</b>
<b>Primary government</b>							
Invested in capital assets, net of related debt	\$ 6,916,033	\$ 6,986,734	\$ 7,116,534	\$ 7,275,168	\$ 7,434,492	\$ 7,594,155	\$ 7,724,893
Restricted	1,128,835	1,235,567	1,312,495	1,841,171	2,084,245	2,134,129	1,902,356
Unrestricted	148,829	438,403	830,336	711,474	997,937	1,126,323	1,062,278
<b>Total primary government net assets</b>	<b>\$ 8,193,697</b>	<b>\$ 8,660,704</b>	<b>\$ 9,259,365</b>	<b>\$ 9,827,813</b>	<b>\$ 10,516,674</b>	<b>\$ 10,854,607</b>	<b>\$ 10,689,527</b>

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

State of Nebraska  
**CHANGES IN NET ASSETS**  
 2003 – 2009

(Dollars in Thousands)

	2003	2004	2005	2006	2007	2008	2009
<b>Governmental Activities:</b>							
Expenses							
General Government	\$ 404,682	\$ 293,586	\$ 320,608	\$ 308,567	\$ 354,737	\$ 437,830	\$ 468,433
Conservation of Natural Resources	87,746	91,996	95,589	100,476	119,286	112,936	127,677
Culture - Recreation	28,083	20,352	28,524	27,174	27,031	26,073	29,272
Economic Development and Assistance	83,974	80,417	79,618	87,299	89,310	84,852	88,520
Education	1,215,793	1,201,349	1,224,973	1,318,123	1,369,110	1,450,085	1,562,662
Higher Education - Colleges and University	461,325	438,225	451,404	482,229	528,861	558,282	571,268
Health and Social Services	2,219,649	2,329,940	2,494,782	2,593,692	2,649,535	2,744,217	2,912,708
Public Safety	237,538	254,085	282,474	288,659	359,755	372,677	351,673
Regulation of Business and Professions	117,235	126,978	139,248	151,853	155,692	130,603	123,579
Transportation	626,550	715,553	716,259	697,210	614,919	714,032	797,462
Interest on Long-term Debt	3,808	3,018	2,800	2,556	2,337	2,241	1,828
<b>Total expenses</b>	<b>5,486,383</b>	<b>5,555,499</b>	<b>5,836,279</b>	<b>6,057,838</b>	<b>6,270,573</b>	<b>6,633,828</b>	<b>7,035,082</b>
Program Revenues							
Charges for Services:							
General Government	57,497	63,919	64,746	73,624	86,746	86,869	87,575
Conservation of Natural Resources	27,644	31,909	22,049	24,332	34,578	34,439	35,324
Culture - Recreation	16,441	15,544	16,700	15,977	16,823	17,072	18,153
Economic Development and Assistance	2,221	3,551	3,600	3,195	5,043	4,808	2,259
Education	34,810	35,140	27,470	23,346	26,180	25,807	30,402
Health and Social Services	130,487	152,240	147,720	120,526	115,036	126,075	148,971
Public Safety	23,275	26,077	27,614	26,183	24,348	25,118	25,363
Regulation of Business and Professions	112,754	116,772	122,536	113,418	118,119	122,667	132,771
Transportation	82,414	77,630	95,322	90,951	89,358	105,748	112,493
Operating grants and contributions	1,801,023	2,146,719	2,121,384	2,151,817	2,217,531	2,235,104	2,490,255
Capital grants and contributions	5,354	6,422	12,245	4,461	8,137	21,258	25,252
<b>Total program revenues</b>	<b>2,293,920</b>	<b>2,675,923</b>	<b>2,661,386</b>	<b>2,647,830</b>	<b>2,741,899</b>	<b>2,804,965</b>	<b>3,108,818</b>
<b>Total Governmental Activities</b>							
Net Program Expense	(3,192,463)	(2,879,576)	(3,174,893)	(3,410,008)	(3,528,674)	(3,828,863)	(3,926,264)
General Revenues and Other Changes in Net Assets							
Taxes							
Income taxes	1,236,845	1,400,161	1,612,683	1,803,670	1,859,467	1,956,656	1,787,950
Sales and use taxes	1,218,045	1,284,260	1,376,100	1,410,980	1,441,743	1,481,067	1,476,995
Petroleum taxes	311,198	313,539	311,231	312,809	326,795	290,721	305,793
Excise taxes	108,788	122,462	126,593	134,406	137,525	141,012	134,877
Business and franchise taxes	59,490	67,322	70,344	79,723	68,771	80,925	70,270
Other taxes	25,187	33,089	68,885	35,369	36,832	15,269	10,863
<b>Total taxes</b>	<b>2,959,553</b>	<b>3,220,833</b>	<b>3,565,836</b>	<b>3,776,957</b>	<b>3,871,133</b>	<b>3,965,650</b>	<b>3,786,748</b>
Unrestricted investment earnings	73,888	86,502	117,977	92,892	250,175	114,252	14,582
Miscellaneous	-	1,055	5,106	39	730	3,374	401
Contributions to permanent fund principal	12,395	11,715	16,581	15,582	18,800	12,301	3,838
Transfers	20,230	20,591	26,372	27,602	29,266	31,008	30,245
<b>Total general revenues and other changes in net assets</b>	<b>3,066,066</b>	<b>3,340,696</b>	<b>3,731,872</b>	<b>3,913,072</b>	<b>4,170,104</b>	<b>4,126,585</b>	<b>3,835,814</b>
<b>Total Governmental Activities</b>							
Change in Net Assets	\$ (126,397)	\$ 461,120	\$ 556,979	\$ 503,064	\$ 641,430	\$ 297,722	\$ (90,450)



State of Nebraska  
**CHANGES IN NET ASSETS (Continued)**  
 2003 – 2009

(Dollars in Thousands)

	2003	2004	2005	2006	2007	2008	2009
<b>Business-type Activities:</b>							
Expenses							
Unemployment Insurance	\$ 160,664	\$ 156,172	\$ 114,496	\$ 101,433	\$ 93,939	\$ 98,365	\$ 242,201
Lottery	61,455	73,264	77,128	83,440	85,895	91,653	94,676
Excess Liability	13,796	14,595	1,984	12,551	13,731	(2,707)	12,430
Cornhusker State Industries	6,103	7,868	10,509	10,552	11,690	10,435	10,221
Total expenses	242,018	251,899	204,117	207,976	205,255	197,746	359,528
Revenues							
Charges for services:							
Unemployment Insurance	123,393	132,379	133,840	154,413	127,340	102,881	149,937
Lottery	80,919	92,608	100,658	113,108	114,489	121,910	123,251
Excess Liability	6,686	9,683	10,949	12,903	12,474	10,947	9,267
Cornhusker State Industries	5,196	9,598	13,022	10,851	9,341	9,880	9,412
Operating grants and contributions	-	-	-	-	-	-	-
Capital grants and contributions	-	-	-	-	-	-	-
Total revenues	216,194	244,268	258,469	291,275	263,644	245,618	291,867
Total Business-type Activities							
Net Program Expense	(25,824)	(7,631)	54,352	83,299	58,389	47,872	(67,661)
Other Changes in Net Assets							
Unrestricted investment earnings	16,679	15,183	13,705	10,110	18,308	23,347	23,276
Miscellaneous	-	(3)	(3)	(423)	-	-	-
Transfers	(20,230)	(20,591)	(26,372)	(27,602)	(29,266)	(31,008)	(30,245)
Total other changes in net assets	(3,551)	(5,411)	(12,670)	(17,915)	(10,958)	(7,661)	(6,969)
Total Business-type Activities							
Change in Net Assets	\$ (29,375)	\$ (13,042)	\$ 41,682	\$ 65,384	\$ 47,431	\$ 40,211	\$ (74,630)
<b>Total Primary Government</b>							
Change in Net Assets	\$ (155,772)	\$ 448,078	\$ 598,661	\$ 568,448	\$ 688,861	\$ 337,933	\$ (165,080)

**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**  
2003 – 2009

(Dollars in thousands)

	2003	2004	2005	2006	2007	2008	2009
General Fund							
Reserved	\$ 274	\$ 525	\$ 532	\$ 482	\$ 438	\$ 1,368	\$ 1,062
Unreserved	(17,319)	207,282	408,771	691,757	971,205	972,307	855,542
Total general fund	<u>\$ (17,045)</u>	<u>\$ 207,807</u>	<u>\$ 409,303</u>	<u>\$ 692,239</u>	<u>\$ 971,643</u>	<u>\$ 973,675</u>	<u>\$ 856,604</u>
All Other Governmental Funds							
Reserved	\$ 333,228	\$ 347,660	\$ 377,818	\$ 619,319	\$ 659,349	\$ 687,095	\$ 694,503
Unreserved							
Special revenue funds	765,310	879,041	936,316	893,536	1,014,579	1,065,392	997,377
Permanent funds	197,586	224,869	250,127	77,768	115,901	91,759	23,073
Other funds	30,030	32,206	34,295	47,071	51,784	121,686	118,933
Total all other governmental funds	<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>	<u>\$ 1,833,886</u>

State of Nebraska  
**CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
2000 – 2009

(Dollars in Thousands)

	2000	2001	2002	2003
<b>REVENUES:</b>				
Taxes:				
Income	\$ 1,310,210	\$ 1,374,256	\$ 1,252,950	\$ 1,237,075
Sales and Use	1,083,692	1,068,832	1,135,014	1,215,621
Petroleum	280,700	291,545	309,245	311,198
Excise	95,324	86,518	83,567	107,227
Business and Franchise	42,095	56,420	57,321	59,490
Other	27,735	35,621	24,912	25,187
Total Taxes	<u>2,839,756</u>	<u>2,913,192</u>	<u>2,863,009</u>	<u>2,955,798</u>
Federal Grants and Contracts	1,557,699	1,591,531	1,789,617	1,806,377
Licenses, Fees and Permits	160,915	159,338	169,748	177,317
Charges for Services	78,647	81,691	82,058	74,470
Investment Income	91,173	114,774	57,660	71,225
Rents and Royalties	34,123	33,711	33,586	44,561
Other	181,894	146,874	148,168	196,148
TOTAL REVENUES	<u>4,944,207</u>	<u>5,041,111</u>	<u>5,143,846</u>	<u>5,325,896</u>
<b>EXPENDITURES:</b>				
Current:				
General Government	215,098	268,235	225,446	252,230
Conservation of Natural Resources	95,824	94,481	102,401	88,716
Culture – Recreation	22,754	24,059	29,002	26,844
Economic Development and Assistance	80,559	81,045	86,401	83,378
Education	1,080,926	1,089,059	1,172,525	1,208,046
Higher Education - Colleges and University	429,865	442,176	466,397	461,325
Health and Social Services	1,794,428	1,960,469	2,159,887	2,219,154
Public Safety	189,850	197,363	238,874	236,277
Regulation of Business and Professions	68,044	81,855	104,364	116,560
Transportation	760,048	670,896	750,704	752,810
Capital Projects	66,478	45,321	25,961	27,773
Debt Service				
Principal	13,065	3,125	8,805	3,830
Interest	1,288	1,699	1,886	1,934
TOTAL EXPENDITURES	<u>4,818,227</u>	<u>4,959,783</u>	<u>5,372,653</u>	<u>5,478,877</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	125,980	81,328	(228,807)	(152,981)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	174,364	151,673	151,187	147,825
Transfers Out	(158,142)	(129,619)	(130,025)	(126,721)
Other	30,636	2,947	37,719	5,013
<b>NET CHANGE IN FUND BALANCE</b>	172,838	106,329	(169,926)	(126,864)
Restatements	-	-	11,354	-
<b>BEGINNING FUND BALANCE</b>	<u>1,315,378</u>	<u>1,488,216</u>	<u>1,594,545</u>	<u>1,435,973</u>
<b>ENDING FUND BALANCE</b>	<u>\$ 1,488,216</u>	<u>\$ 1,594,545</u>	<u>\$ 1,435,973</u>	<u>\$ 1,309,109</u>
<b>DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES</b>	<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.

2004	2005	2006	2007	2008	2009
\$ 1,402,371	\$ 1,610,008	\$ 1,802,161	\$ 1,860,712	\$ 1,950,363	\$ 1,790,025
1,283,592	1,376,675	1,411,152	1,437,994	1,474,251	1,475,234
313,539	311,231	312,809	329,490	295,321	309,626
122,320	124,525	132,348	135,449	138,799	134,877
67,322	70,344	79,723	68,771	80,925	70,270
33,089	68,885	35,369	36,832	15,269	10,863
<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>	<u>3,790,895</u>
2,153,141	2,133,629	2,156,278	2,225,668	2,256,362	2,514,288
183,314	198,970	196,966	211,167	259,000	268,817
82,320	93,654	82,132	92,370	108,301	137,234
83,702	115,540	89,888	246,753	110,716	10,508
39,845	41,437	45,951	49,968	51,809	54,549
222,577	201,814	172,545	173,948	129,861	123,953
<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>	<u>6,900,244</u>
240,354	405,798	296,209	311,324	430,310	439,614
92,682	98,067	104,118	119,533	112,333	127,562
26,081	28,313	26,392	26,250	26,226	28,305
80,531	81,172	87,462	89,440	85,807	88,824
1,203,430	1,223,461	1,318,785	1,366,330	1,448,170	1,565,692
438,225	451,404	482,229	528,861	558,282	571,268
2,337,338	2,475,952	2,605,402	2,659,210	2,715,383	2,920,472
262,344	285,732	287,735	359,514	383,156	370,605
127,079	139,086	151,850	155,195	130,330	123,476
794,342	844,709	837,796	763,907	853,521	915,980
19,162	19,048	25,101	27,494	27,289	25,333
4,145	5,525	4,660	6,575	6,215	7,625
1,971	1,852	1,742	1,666	1,459	1,256
<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>	<u>7,186,012</u>
359,448	286,593	287,841	453,823	92,496	(285,768)
126,343	152,721	171,981	155,268	253,986	171,202
(104,664)	(126,349)	(144,379)	(126,002)	(222,978)	(140,957)
1,347	3,311	6,631	234	2,847	6,406
<u>382,474</u>	<u>316,276</u>	<u>322,074</u>	<u>483,323</u>	<u>126,351</u>	<u>(249,117)</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>
<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>	<u>\$ 2,690,490</u>
<1%	<1%	<1%	<1%	<1%	<1%

State of Nebraska  
**INDIVIDUAL INCOME TAX RATES**  
 2000 – 2009

	<b>Tax Brackets</b>			
	<b>Bracket 1</b>	<b>Bracket 2</b>	<b>Bracket 3</b>	<b>Bracket 4</b>
<b>Single</b>				
2000 - 2005 Income Range	\$0-2,400	\$2,400-17,000	\$17,000-26,500	Over \$26,500
2006 - 2009 Income Range	\$0-2,400	\$2,400-17,500	\$17,500-27,000	Over \$27,000
2000 - 2002 Rates	2.51%	3.49%	5.01%	6.68%
2003 - 2009 Rates	2.56%	3.57%	5.12%	6.84%
<b>Heads of Household</b>				
2000 - 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 - 2009 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 - 2009 Rates	2.56%	3.57%	5.12%	6.84%
<b>Married Filing Joint</b>				
2000 - 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 - 2009 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 - 2009 Rates	2.56%	3.57%	5.12%	6.84%
<b>Married Filing Separate</b>				
2000 - 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 - 2009 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 - 2009 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 1998 and 2007

<b>1998</b>				
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	207,633	\$4,720,631	67,023	0.47%
\$10,000 - 24,999	208,824	\$51,537,693	192,571	5.15%
\$25,000 - 49,999	218,673	\$177,402,017	215,114	17.74%
\$50,000 - 99,999	158,960	\$341,114,963	157,449	34.11%
\$100,000 and Over	47,815	\$425,300,237	46,375	42.53%
<b>State Total</b>	<b>841,905</b>	<b>\$1,000,075,541</b>	<b>678,532</b>	<b>100.00%</b>

<b>2007</b>				
Federal Adjusted Gross Income Level	Number of Returns	Net Liability After Nonrefundable Credits	Number of Returns With Liability	Net Liability Percent
Less Than \$10,001	162,351	\$5,177,608	34,724	0.32%
\$10,001 - 25,000	198,028	\$35,493,170	144,514	2.17%
\$25,001 - 50,000	228,976	\$172,753,621	217,513	10.58%
\$50,001 - 100,000	223,724	\$464,330,355	219,401	28.43%
\$100,001 and Over	110,338	\$955,411,772	106,429	58.50%
<b>State Total</b>	<b>923,417</b>	<b>\$1,633,166,526</b>	<b>722,581</b>	<b>100.00%</b>

**SOURCE:** Department of Revenue 1999 and 2008 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. Tax year 2007 is the most recent year for which data is available.

State of Nebraska  
**TAXABLE SALES BY INDUSTRY**  
 Calendar Years 1999 and 2008

	1999	2008
Agriculture, Forestry, Fishing & Hunting	\$50,836,193	\$74,566,544
Mining	31,302,516	37,806,958
Utilities	1,207,348,217	1,990,844,784
Construction	230,287,459	576,637,640
Manufacturing	606,534,389	530,290,196
Wholesale Trade	1,111,603,908	1,528,897,287
Retail Trade	7,299,101,724	9,196,769,244
Transportation	62,900,635	96,931,626
Warehousing Services	651,455	34,364,806
Information	902,144,620	993,552,924
Finance & Insurance	78,876,046	39,829,878
Real Estate, Rental & Leasing Services	194,133,751	276,494,686
Professional, Scientific & Technical Services	326,977,898	298,802,902
Management of Companies & Enterprises Services	91,555	61,197,489
Administration, Support, Waste Management, Remedial Services	287,827,682	465,069,192
Educational Services	41,226,513	73,874,242
Health Care & Social Assistance Services	30,211,828	42,871,800
Arts, Entertainment & Recreation Services	197,965,518	317,291,556
Accommodation & Food Services	1,743,049,305	2,612,557,158
Other Services	539,918,376	790,015,436
Public Administration	89,081,790	127,978,890
Unclassified	36,865,689	11,325,831
Nebraska Total	<u>15,068,937,067</u>	<u>20,177,971,069</u>
Non-Nebraska (1)	<u>2,263,766,656</u>	<u>3,542,903,329</u>
Nebraska - Total Sales	<u><u>\$17,332,703,723</u></u>	<u><u>\$23,720,874,398</u></u>
Direct sales tax rate	Jan. 1 - June 30 4.5%	Jan. 1 - Dec. 31 5.5%
	July 1 - Dec. 31 5.0%	

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

**NOTES:** (1) Sales made by non-Nebraska vendors, goods delivered to Nebraska, sales tax remitted to Nebraska.



State of Nebraska

**RATIOS OF OUTSTANDING DEBT**

2003 – 2009

(Dollars in thousands)							
	2003	2004	2005	2006	2007	2008	2009
<b>Governmental Activities</b>							
Lease rental bonds (blended component units)	\$ 30,960	\$ 27,265	\$ 23,430	\$ 19,435	\$ 15,240	\$ 10,835	\$ 4,850
Capital leases under certificates of participation	29,836	27,235	24,927	22,965	22,072	\$ 19,509	\$ 22,182
Obligations under other financing arrangements	<u>10,555</u>	<u>11,230</u>	<u>11,430</u>	<u>16,185</u>	<u>13,805</u>	<u>\$ 14,785</u>	<u>\$ 15,660</u>
<b>Total Primary Government</b>	<b><u>\$ 71,351</u></b>	<b><u>\$ 65,730</u></b>	<b><u>\$ 59,787</u></b>	<b><u>\$ 58,585</u></b>	<b><u>\$ 51,117</u></b>	<b><u>\$ 45,129</u></b>	<b><u>\$ 42,692</u></b>
<b>Debt as a Percentage of Personal Income</b>	0.13%	0.12%	0.10%	0.10%	0.08%	0.07%	0.06% *
<b>Amount of Debt per Capita</b>	\$ 41	\$ 38	\$ 34	\$ 33	\$ 29	\$ 25	\$ 24

**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.

\* 2009 figures were computed using 2008 census information as 2009 census data is not available.

State of Nebraska  
**COMPARATIVE UNEMPLOYMENT**  
**NEBRASKA AND UNITED STATES**  
 1999 – 2008

YEAR	NEBRASKA			NEBRASKA UNEMPLOYMENT AS PERCENT OF LABOR FORCE	UNITED STATES UNEMPLOYMENT AS PERCENT OF LABOR FORCE
	TOTAL LABOR FORCE	TOTAL EMPLOYMENT	UNEMPLOYMENT		
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
2008	995,635	962,418	33,217	3.3	5.8

**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 1999 – 2008

YEAR	NEBRASKA			UNITED STATES		
	POPULATION	PERSONAL INCOME (IN MILLIONS)	PER CAPITA INCOME	POPULATION	PERSONAL INCOME (IN MILLIONS)	PER CAPITA INCOME
1999	1,704,764	45,116	26,465	279,040,168	7,796,139	27,939
2000	1,713,261	47,329	27,625	282,193,477	8,422,074	29,845
2001	1,718,965	49,303	28,682	285,107,923	8,716,992	30,574
2002	1,726,753	50,390	29,182	287,984,799	8,872,521	30,809
2003	1,738,013	53,388	30,718	290,850,005	9,150,108	31,460
2004	1,747,704	55,858	31,961	293,656,842	9,717,173	33,090
2005	1,758,787	58,019	32,988	296,410,404	10,224,761	34,495
2006	1,768,331	60,826	34,397	299,398,484	10,860,917	36,276
2007	1,774,571	64,220	36,189	301,621,157	11,631,571	38,564
2008	1,783,432	69,820	39,150	304,059,724	12,225,589	40,208

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 EMPLOYEE	% OF TOTAL EMPLOYMENT	RANK	NUMBER OF EMPLOYEE	% 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**

1999/2000 – 2008/09

ACADEMIC YEAR	PRE KDG. AND KDG.	GRADES 1 – 3	GRADES 4 – 6	GRADES 7 – 9	GRADES 10 – 12	TOTAL ALL GRADES
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
2008 – 2009	33,835	65,227	62,079	64,839	66,517	292,497

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

State of Nebraska

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

1999 – 2008

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
<b>COLLEGES AND UNIVERSITIES:</b>										
Chadron State College	2,768	2,686	2,804	2,712	2,667	2,569	2,472	2,577	2,660	2,649
Peru State College	1,664	1,698	1,629	1,687	1,618	1,683	1,959	2,124	2,307	2,328
Wayne State College	3,601	3,518	3,311	3,220	3,305	3,398	3,322	3,407	3,527	3,566
University of Nebraska										
Lincoln (1)	22,394	22,502	22,998	23,241	22,734	22,012	21,937	22,378	22,877	23,862
Omaha	13,264	13,479	14,143	14,451	13,931	13,824	14,093	13,906	14,156	14,213
Kearney	6,780	6,506	6,426	6,395	6,311	6,382	6,445	6,468	6,478	6,543
Medical Center	2,590	2,696	2,724	2,819	2,865	2,904	2,995	3,067	2,206	3,194
TOTAL COLLEGES AND UNIVERSITIES	<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>	<u>56,355</u>
<b>COMMUNITY COLLEGES</b>										
Central CC (2)	7,095	7,126	6,399	6,417	6,364	6,524	6,564	6,543	6,531	6,885
Metropolitan CC	11,658	11,534	11,704	12,253	12,177	12,961	13,237	14,098	14,804	15,055
Mid-Plains CC	2,518	2,607	2,816	3,020	3,001	2,957	2,607	3,030	2,715	2,708
Northeast CC	4,671	4,520	4,600	4,832	4,805	5,053	5,101	5,261	5,149	5,140
Southeast CC	7,351	7,396	7,935	8,912	8,451	10,079	10,059	9,594	9,603	10,419
Western CC	1,836	2,264	2,150	2,152	2,420	2,659	2,283	1,918	2,233	2,939
TOTAL COMMUNITY COLLEGES	<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>	<u>43,146</u>
TOTAL ALL INSTITUTIONS	<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>	<u>99,501</u>

NOTE: (1) University of Nebraska-Lincoln count includes Nebraska College of Technical Agriculture - 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**  
 1999 - 2008

<b>FUNCTION</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
Conservation	305	340	307	305	308	316	313	313	318	289
Regulation	359	358	348	351	345	355	358	372	364	351
Economic Development	571	529	525	537	528	542	526	532	525	430
Culture and Recreation	548	560	565	584	580	569	579	579	564	557
Education	568	572	591	575	578	587	597	601	590	581
Transportation	2,297	2,256	2,239	2,201	2,182	2,193	2,175	2,163	2,137	2,094
General Government	2,715	2,783	2,891	2,853	2,612	2,687	2,718	2,769	2,756	2,666
Public Safety	2,716	2,765	2,939	3,199	3,285	3,260	3,303	3,349	3,380	3,299
Health & Social Services	5,918	5,907	5,898	5,834	6,076	6,056	6,115	6,044	5,799	5,656
	<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>	<u>15,923</u>

**SOURCE:** Nebraska State Government - State Personnel Division - 2009 Almanac

State of Nebraska  
**OPERATING INDICATORS BY FUNCTION**  
 2003-2009

	2003	2004	2005	2006	2007	2008	2009
<b>General Government</b>							
<b>Department of Revenue</b>							
Percentage of returns filed electronically	N/A	N/A	53.6%	57.6%	62.5%	66.0%	70.0%
Percentage of direct deposit refunds	N/A	N/A	39.7%	43.9%	54.5%	75.0%	77.0%
<b>Department of Roads</b>							
Percentage of Roads in very good or good condition (1)	84%	85%	85%	80%	79%	81%	N/A
<b>Conservation of Natural Resources</b>							
<b>Department of Environmental Quality</b>							
Inspections by field office staff							
Air Quality	N/A	N/A	N/A	82	* 186	129	129
Water Quality	N/A	N/A	N/A	543	999	1,158	1,147
Waste Management	N/A	N/A	N/A	110	179	137	140
<b>Culture - Recreation</b>							
<b>Game and Parks Commission</b>							
Park visitors (1,2)	9,885,628	10,085,789	10,293,381	9,997,632	10,193,030	9,910,097	N/A
Hatchery fish raised (in millions) (1)	5.2	14.2	6.8	15.6	25.6	22.8	N/A
<b>Education</b>							
<b>Department of Education</b>							
Fall Enrollment							
Pre-K to 12th grade	285,542	284,559	285,548	287,135	291,111	292,497	N/A
State Colleges and Universities	53,431	52,772	53,223	53,927	54,211	56,355	N/A
Public Community Colleges	37,218	40,233	39,851	40,444	41,035	43,146	N/A
<b>Health and Social Services</b>							
<b>Health and Human Services</b>							
Child Support Payments							
Number of Payments Received	N/A	1,266,853	1,316,154	1,344,778	1,383,619	1,444,202	1,471,974
Number of Payments Disbursed	N/A	1,111,672	1,127,651	1,153,771	1,202,635	1,156,102	1,312,748
Medicaid (average monthly)							
Medicaid recipients	201,534	197,152	198,757	200,670	201,009	203,513	208,696
Percentage of Nebraska population	11.6%	11.3%	11.4%	11.3%	11.3%	11.4%	N/A
Food Stamps (average monthly)							
Number of households	41,620	47,292	49,726	51,146	51,915	52,162	55,178
Percentage of Nebraska households	6.2%	6.9%	7.1%	7.3%	7.3%	7.3%	N/A
<b>Public Safety</b>							
<b>Department of Correctional Services</b>							
Inmate population (average monthly) (1)	4,871	4,938	5,010	5,145	5,222	5,289	N/A
Percentage of Nebraska population	0.28%	0.28%	0.29%	0.29%	0.29%	0.30%	N/A
Total Admissions (1)	2,753	2,662	2,924	3,039	2,902	2,801	N/A
Total Releases (1)	2,643	2,902	2,800	2,969	3,092	2,789	N/A
<b>State Patrol</b>							
Miles Patrolled (1)	10,198,444	10,395,505	10,087,966	10,130,500	10,348,580	10,489,515	N/A
Accidents Investigated (1)	2,557	2,228	2,960	2,315	2,392	1,963	N/A
<b>Transportation</b>							
<b>Department of Motor Vehicles</b>							
Motor Vehicle Registrations (1)							
Automobiles	1,081,868	1,088,620	1,106,684	1,112,320	1,122,877	1,140,386	N/A
Trucks							
Farm	147,571	148,278	148,625	147,509	157,282	160,264	N/A
Commercial / Other	378,615	383,024	389,947	392,589	388,098	389,686	N/A
Motorcycles	29,794	32,916	36,622	40,065	43,387	49,191	N/A

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

**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

State of Nebraska  
**CAPITAL ASSET STATISTICS BY FUNCTION**  
 2003 – 2009

	2003	2004	2005	2006	2007	2008	2009
<b><u>General Government</u></b>							
<b>Department of Administrative Services</b>							
Buildings	285	285	285	285	283	291	288
Vehicles	1,264	1,182	1,006	1,034	1,371	1,093	1,134
<b><u>Conservation of Natural Resources</u></b>							
<b>Game and Parks Commission</b>							
Acres of state park and wildlife land (in thousands)	140	143	146	148	149	* 149	149
<b><u>Culture - Recreation</u></b>							
<b>Game and Parks Commission</b>							
State Parks	8	8	8	8	8	8	8
Historical Parks	10	10	10	10	10	10	10
Recreation and wildlife areas	320	320	322	322	322	325	327
Fish hatcheries	5	5	5	5	5	5	5
<b><u>Education</u></b>							
<b>NETV Commission</b>							
Towers, antennas and transmitters	60	60	60	56	60	60	42
<b><u>Public Safety</u></b>							
<b>State Patrol</b>							
Pursuit Vehicles	429	479	442	364	351	474	474
<b>Department of Corrections</b>							
Buildings	126	126	124	129	126	143	135
<b><u>Transportation</u></b>							
<b>Department of Roads</b>							
Highway miles (calendar year)	9,959	9,959	9,953	9,950	9,949	9,949	N/A
Heavy trucks, plows and graders	1,087	1,085	1,083	1,068	1,072	1,053	1,120

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

\* Restated since prior report

**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, 2009

---

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.



## Acknowledgments

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

Bruce Snyder, CPA, CGFM  
Amy Wilson, CPA  
Ruilin Cheng  
Trung Vo  
Miles Hunke, student intern

Special acknowledgment goes to:

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

Administrative Services, Materiel Division staff who contributed to the report's production and assembly.

Report produced by:

State Accounting Division  
Suite 1309, State Capitol  
Lincoln, NE 68509-4664

Report located on our website: [www.das.state.ne.us/accounting/](http://www.das.state.ne.us/accounting/)