

**ATTESTATION REPORT
OF THE
NEBRASKA BOARD OF EDUCATIONAL
LANDS AND FUNDS**

JANUARY 1, 2011 THROUGH DECEMBER 31, 2011

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Issued on May 2, 2012

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NEBRASKA BOARD OF EDUCATIONAL LANDS AND FUNDS

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NEBRASKA BOARD OF EDUCATIONAL LANDS AND FUNDS

BACKGROUND

When Nebraska became a state in 1867, it received land in each township from the Federal government for the support of public schools. In 1936, the duties of the Commissioner of Public Lands and Buildings, which included overseeing the school lands, were transferred to the Board of Educational Lands and Funds (Board). The Board consists of five persons appointed by the Governor, one of whom must be competent in the field of investments.

The Board acts as trustee and manager of nearly 1.3 million acres of school land. The income received from surface and subsurface leasing of this land is distributed to school districts. The income is also used to meet the cost of managing the land. Mineral royalties are deposited in the Permanent School Fund.

The Board also houses the office of the State Surveyor. The State Surveyor provides support services to the Board in the area of mapping and analysis of areas and settles surveying disputes between Nebraska landowners and surveyors. The State Surveyor also keeps a repository of land surveys done in the State.

NEBRASKA BOARD OF EDUCATIONAL LANDS AND FUNDS

EXIT CONFERENCE

An exit conference was held April 10, 2012, with the Board to discuss the results of our examination. Those in attendance for the Nebraska Board of Educational Lands and Funds were:

NAME	TITLE
DeMarus Carlson (via Teleconference)	Board Chairperson
Richard Endacott	Executive Secretary
Cindy Kehling	Executive Assistant
Steven Cobb	State Surveyor
Roxanne Suesz	Executive Assistant
Cort Dewing (via Teleconference)	Director of Field Operations

NEBRASKA BOARD OF EDUCATIONAL LANDS AND FUNDS

SUMMARY OF COMMENTS

During our examination of the Nebraska Board of Educational Lands and Funds, we noted certain deficiencies in internal control and other operational matters that are presented here.

These comments and recommendations are intended to improve the internal control over financial reporting or result in operational efficiencies in the areas as follows:

1. ***Employee Time Records:*** Documentation was not adequate to determine the specific job duties the field staff were engaged in and the amount of time spent on them.
2. ***Contracts for Services:*** The Board did not record contractual services totaling \$6,000 on the EnterpriseOne contractual service database as required by Neb. Rev. Stat. § 73-503 (Reissue 2009).

More detailed information on the above items is provided hereafter. It should be noted that this report is critical in nature as it contains only our comments and recommendations on the areas noted for improvement and does not include our observations on any accounting strengths of the Nebraska Board of Educational Lands and Funds.

Draft copies of this report were furnished to the Board to provide them an opportunity to review the report and to respond to the comments and recommendations included in this report. All formal responses received have been incorporated into this report. Responses have been objectively evaluated and recognized, as appropriate, in the report. Responses that indicate corrective action has been taken were not verified at this time, but will be verified in the next examination.

COMMENTS AND RECOMMENDATIONS

1. Employee Time Records

Neb. Rev. Stat. § 84-1001(1) (Reissue 2008) states, “All state officers and heads of departments and their deputies, assistants, and employees, except permanent part-time employees, temporary employees, and members of any board or commission not required to render full-time service, shall render not less than forty hours of labor each week except any week in which a paid holiday may occur.” In addition, good business practices as well as good internal control requires hours actually worked be adequately documented, for example, via timesheets, time logs, etc., and such documentation be kept on file to provide evidence of compliance with the requirements of § 84-1001(1). Furthermore, good internal control also requires, whenever employees accrue vacation and sick leave, adequate documentation must be maintained to support the employee having “earned” the amounts recorded in the leave records by documenting not less than forty hours of work each week.

During our review of the Board’s payroll, we noted the field staff maintained monthly attendance reports which documented leave used and included a certification that they worked forty hours per week. This report was signed by the employee and a preparer who was the Board’s business manager. The field staff work independently and are not subject to direct supervision. Without additional documentation, it is difficult to determine the specific job duties the field staff were engaged in and the amount of time spent on them. Currently the Board has eleven field staff including a Director of Field Operations who work out of their homes throughout the State. The field supervisor is located in Valentine and does not have day-to-day contact with the field staff. A similar comment was included in the last attestation examination completed for the fiscal year ended June 30, 2005.

Field staff monthly attendance reports were not adequate to document not less than forty hours were worked each week as they provided no information on daily activity.

We recommend the Board obtain and retain adequate supporting documentation to document the field staff’s activity. This documentation should include adequate detail to allow their supervisor to determine they worked or were on leave no less than forty hours each week. This documentation should be signed by the employee and field supervisor.

Board’s Response: The Board and its staff are firmly committed to maximizing the income and preserving the assets of the School Trust. Every effort is made to manage and conduct business operations patterned as closely as possible as the most efficient enterprises in the private sector and believe this business-like approach makes possible the continued successful pursuit of these objectives. Private farm management companies have salaried farm managers who are not required to justify their time but are required to fulfill their management duties. These farm managers are encouraged to make sales, trades, irrigation development and propose higher rents because they receive bonuses for these duties. The Field Representatives for the Board are

COMMENTS AND RECOMMENDATIONS

(Continued)

1. Employee Time Records (Concluded)

Board's Response, Concluded:

farm managers who also have statutory requirements and Agency imposed deadlines to fulfill, and receive no bonuses for any land sales, trades, rental increases or land valuation improvements. These Field Representatives have a unique job that cannot be accomplished between the hours of 8 to 5 Monday through Friday. They are expected to be available to the Office, Lessees and the public 24 hours a day, as needed. Our current review process has allowed the recommendation that we not replace two retiring full time field employees, and that the existing field employees take on these added duties, with a cost savings of over \$200,000 annually. Completion of time sheets will take up valuable time, both in the logging and review, that could be better used in fulfilling the Trust's objective of maximizing income and preserving the assets. A more detailed list of job duties, statutory requirements and deadlines will be prepared, and a checklist developed to track completion of these duties by each Field Representative, will be completed by the field supervisor along with input from the Lincoln Office staff. If all work is completed as assigned, with the additional responsibilities of preparing requests for improvements by Lessees or Capital Expenditure Projects for presentation to the Board, meeting with contractors, Lessees, or researching and reporting on individual issues as they arise, a minimum of 40 hours per week will have been worked. The Director of Field Operations will begin signing the Monthly Attendance Reports, along with the Business Manager.

APA Response: The uniqueness of the Field Representatives job duties is part of the reason we have recommended additional supporting documentation of their activities be obtained and retained. We continue to recommend this supporting documentation include adequate detail to support the Field Representative worked or was on leave no less than forty hours each week. This documentation should be adequate to allow the Field Representatives direct supervisor to monitor their activities.

2. Contracts for Services

Neb. Rev. Stat. § 73-503(1) (Reissue 2009) states, "All state agencies shall process and document all contracts for services through the state accounting system." Section 73-503(4) states, "The Director of Administrative Services shall establish a centralized data base, either through the state accounting system or through an alternative system, which specifically identifies where a copy of each contract for services may be found." Section 73-503(2) states, "The requirements of this section also apply to the courts, the Legislature, and any officer or agency established by the Constitution of Nebraska, but not to the University of Nebraska."

Neb. Rev. Stat. § 73-502(1) (Reissue 2009) defines a contract as "Contract for services means any contract that directly engages the time or effort of an independent contractor whose purpose is to perform an identifiable task, study, or report rather than to furnish an end item of supply, goods, equipment, or material."

COMMENTS AND RECOMMENDATIONS

(Continued)

2. Contracts for Services (Concluded)

The one payment tested was for a contractual service. No contract for this service was entered on EnterpriseOne. The contractual service payment tested totaled \$6,000. As a result, the EnterpriseOne contractual service database was incomplete and the Board was not in compliance with State statute. This was a comment in the prior examination.

When contracts for services are not entered into EnterpriseOne, the Board is not in compliance with State statute.

We recommend the Board work with the Department of Administrative Services to determine which of their contracts are for contractual services and require the contracts to be included on EnterpriseOne, the State Accounting System, in order to ensure compliance with State statute.

Board's Response: This matter will be reviewed for appropriate action.



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NEBRASKA BOARD OF EDUCATIONAL LANDS AND FUNDS

INDEPENDENT ACCOUNTANT'S REPORT

Nebraska Board of Educational Lands and Funds
Lincoln, Nebraska

We have examined the accompanying schedule of revenues, expenditures, and changes in fund balances of the Nebraska Board of Educational Lands and Funds (Board) for the calendar year ended December 31, 2011. The Board's management is responsible for the schedule of revenues, expenditures, and changes in fund balances. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and accordingly, included examining, on a test basis, evidence supporting the schedule of revenues, expenditures, and changes in fund balances and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the schedule referred to above presents, in all material respects, the revenues, expenditures, and changes in fund balances of the Nebraska Board of Educational Lands and Funds for the calendar year ended December 31, 2011, based on the accounting system and procedures prescribed by the State of Nebraska Director of the Department of Administrative Services as described in Note 1.

In accordance with *Government Auditing Standards*, we are required to report findings of deficiencies in internal control, violations of provisions of contracts or grant agreements, and abuse that are material to the schedule of revenues, expenditures and changes in fund balances and any fraud and illegal acts that are more than inconsequential that come to our attention during our examination. We are also required to obtain the views of management on those matters. We performed our examination to express an opinion on whether the schedule of revenues, expenditures, and changes in fund balances is presented in accordance with the criteria described above and not for the purpose of expressing an opinion on the internal control over the schedule of revenues, expenditures, and changes in fund balances or on compliance and other matters; accordingly we express no such opinions. Our examination disclosed no findings that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Board of Educational Lands and Funds, others within the Board, and the appropriate Federal and regulatory agencies. However, this report is a matter of public record and its distribution is not limited.

Signed Original on File

April 20, 2012

Mike Foley
Auditor of Public Accounts

NEBRASKA BOARD OF EDUCATIONAL LANDS AND FUNDS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

For the Calendar Year Ended December 31, 2011

	State General Fund 10000	Surveyors Cash Fund 23210	BELF Cash Fund 23220	Survey Record Repository Fund 23230
REVENUES:				
Appropriations	\$ 316,621	\$ -	\$ -	\$ -
Sales & Charges	-	-	22,891	18,015
Miscellaneous	-	94	320,864	725
TOTAL REVENUES	316,621	94	343,755	18,740
EXPENDITURES:				
Personal Services	283,521	-	1,894,754	11,612
Operating	32,667	65	9,033,723	2,202
Travel	433	-	26,491	-
Capital Outlay	-	-	64,988	-
TOTAL EXPENDITURES	316,621	65	11,019,956	13,814
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	29	(10,676,201)	4,926
OTHER FINANCING SOURCES (USES):				
Sales of Assets	-	-	122	-
Deposit to General Fund	(53,848)	-	-	-
Deposit to/from Common Fund (Note 7)	-	-	-	-
Operating Transfers In (Note 6)	53,848	-	11,072,442	-
Operating Transfers Out (Note 6)	-	(88)	-	(488)
TOTAL OTHER FINANCING SOURCES (USES)	-	(88)	11,072,564	(488)
Net Change in Fund Balances	-	(59)	396,363	4,438
FUND BALANCES, JANUARY 1, 2011	40	3,411	8,881,346	23,701
FUND BALANCES, DECEMBER 31, 2011	\$ 40	\$ 3,352	\$ 9,277,709	\$ 28,139
FUND BALANCES CONSIST OF:				
General Cash	\$ -	\$ 3,332	9,521,060	\$ 28,058
Deposits with Vendors	40	20	1,463	81
Due From Other Government	-	-	(15)	-
Due to Vendors	-	-	(28,208)	-
Deposits	-	-	(216,591)	-
TOTAL FUND BALANCES	\$ 40	\$ 3,352	\$ 9,277,709	\$ 28,139

The accompanying notes are an integral part of the schedule.

(Continued)

NEBRASKA BOARD OF EDUCATIONAL LANDS AND FUNDS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

For the Calendar Year Ended December 31, 2011

	Temporary School Fund 61360	Ag. & Univ. Land Lease Fund 63320	Permanent School Fund 63340	Totals (Memorandum Only)
REVENUES:				
Appropriations	\$ -	\$ -	\$ -	\$ 316,621
Sales & Charges	500	-	-	41,406
Miscellaneous	36,375,132	1,470,079	1,402,500	39,569,394
TOTAL REVENUES	<u>36,375,632</u>	<u>1,470,079</u>	<u>1,402,500</u>	<u>39,927,421</u>
EXPENDITURES:				
Personal Services	-	-	-	2,189,887
Operating	47,278	-	-	9,115,935
Travel	-	-	-	26,924
Capital Outlay	-	-	-	64,988
TOTAL EXPENDITURES	<u>47,278</u>	<u>-</u>	<u>-</u>	<u>11,397,734</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>36,328,354</u>	<u>1,470,079</u>	<u>1,402,500</u>	<u>28,529,687</u>
OTHER FINANCING SOURCES (USES):				
Sales of Assets	-	-	676,143	676,265
Deposit to General Fund	-	-	-	(53,848)
Deposit to/from Common Fund (Note 7)	(25,255,912)	-	(2,078,643)	(27,334,555)
Operating Transfers In (Note 6)	-	-	-	11,126,290
Operating Transfers Out (Note 6)	(11,072,442)	(385,305)	-	(11,458,323)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(36,328,354)</u>	<u>(385,305)</u>	<u>(1,402,500)</u>	<u>(27,044,171)</u>
Net Change in Fund Balances	-	1,084,774	-	1,485,516
FUND BALANCES, JANUARY 1, 2011	<u>-</u>	<u>604,695</u>	<u>-</u>	<u>9,513,193</u>
FUND BALANCES, DECEMBER 31, 2011	<u>\$ -</u>	<u>\$ 1,689,469</u>	<u>\$ -</u>	<u>\$ 10,998,709</u>
FUND BALANCES CONSIST OF:				
General Cash	\$ -	\$ 1,689,469	\$ -	\$ 11,241,919
Deposits with Vendors	-	-	-	1,604
Due From Other Government	-	-	-	(15)
Due to Vendors	-	-	-	(28,208)
Deposits	-	-	-	(216,591)
TOTAL FUND BALANCES	<u>\$ -</u>	<u>\$ 1,689,469</u>	<u>\$ -</u>	<u>\$ 10,998,709</u>

The accompanying notes are an integral part of the schedule.

(Concluded)

NEBRASKA BOARD OF EDUCATIONAL LANDS AND FUNDS

NOTES TO THE SCHEDULE

For the Calendar Year Ended December 31, 2011

1. Criteria

The accounting policies of the Nebraska Board of Educational Lands and Funds (Board) are on the basis of accounting as prescribed by the State of Nebraska Department of Administrative Services (DAS).

Per Neb. Rev. Stat. § 81-1107(2) (Reissue 2008), the State of Nebraska Director of the Department of Administrative Services duties include “The keeping of general accounts and the adoption and promulgation of appropriate rules, regulations, and administrative orders designed to assure a uniform and effective system of accounts and accounting, the approval of all vouchers, and the preparation and issuance of warrants for all purposes.”

In accordance with Neb. Rev. Stat. § 81-1111(1) (Reissue 2008), The State Accounting Administrator has prescribed the system of accounts and accounting to be maintained by the State and its departments and agencies and has developed necessary accounting policies and procedures. The prescribed accounting system currently utilizes EnterpriseOne to maintain the general ledger and all detailed accounting records. Policies and procedures are detailed in the Nebraska State Accounting Manual published by DAS State Accounting Division (State Accounting) and are available to the public. The financial information used to prepare the schedule of revenues, expenditures, and changes in fund balances was obtained directly from the general ledger and fund balance information maintained on EnterpriseOne. As transactions occur, the agencies record the accounts receivables and accounts payable in the general ledger. As such, certain revenues are recorded when earned and expenditures are recorded when a liability is incurred, regardless of the timing of related cash flows. The expenditures and related accounts payables recorded in the general ledger as of December 31, 2011, include only those payables posted in the general ledger before December 31, 2011, and not yet paid as of that date. The amount recorded as expenditures as of December 31, 2011, **does not** include amounts for goods and services received before December 31, 2011, which had not been posted to the general ledger as of December 31, 2011.

Other liabilities are recorded in accounts titled Due to Vendors and Deposits for the Board. The assets in these funds are being held by the State as an agent and will be used to pay those liabilities to individuals, private organizations, other governments, and/or other funds. The recording of those liabilities reduces the fund balance/equity.

The Board had accounts receivable not included in the Schedule of \$97,206 as of June 30, 2011, from lease rental. State Accounting did not require the Board to record their receivables on the general ledger and these amounts are not reflected in revenues or fund balances on the Schedule. Liabilities for accrued payroll and compensated absences are not recorded in the general ledger.

The fund types established by the State that are used by the Board are:

10000 – General Fund – accounts for activities funded by general tax dollars and related expenditures and transfers.

NEBRASKA BOARD OF EDUCATIONAL LANDS AND FUNDS

NOTES TO THE SCHEDULE

(Continued)

1. Criteria (Continued)

20000 – Cash Funds – account for revenues generated by specific activities from sources outside of State government and the expenditures directly related to the generation of the revenues. Cash funds are established by State statutes and must be used in accordance with those statutes.

60000 – Trust Funds – account for assets held by the State in a trustee capacity. Expenditures are made in accordance with the terms of the trust.

The major revenue account classifications established by State Accounting used by the Board are:

Appropriations – Appropriations are granted by the Legislature to make expenditures and to incur obligations. The amount of appropriations reported as revenue is the amount of expenditures.

Sales & Charges – Income derived from sales of merchandise and commodities, compensation for services rendered, and charges for various licenses, permits, and fees.

Miscellaneous – Revenue from sources not covered by other major categories, such as investment income.

The major expenditure account classifications established by State Accounting used by the Board are:

Personal Services – Salaries, wages, and related employee benefits provided for all persons employed by the Board.

Operating – Expenditures directly related to a program's primary service activities.

Travel – All travel expenses for any state officer, employee, or member of any commission, council, committee, or board of the State.

Capital Outlay – Expenditures which result in the acquisition of or an addition to capital assets. Capital assets are resources of a long-term character, owned or held by the government.

Other significant accounting classifications and procedures established by State Accounting and used by the Board include:

Assets – Resources owned or held by a government that have monetary value. Assets include cash accounts, and deposits with vendors. Cash accounts and deposits with vendors are also included in fund balance and are reported as recorded in the general ledger.

NEBRASKA BOARD OF EDUCATIONAL LANDS AND FUNDS

NOTES TO THE SCHEDULE

(Continued)

1. Criteria (Concluded)

Liabilities – Legal obligations arising out of transactions in the past that must be liquidated, renewed, or refunded at some future date. Accounts payable transactions are recorded as expenditures resulting in a decrease to fund balance. Other liabilities recorded in the general ledger for the Board’s funds at December 31, 2011, included amounts recorded in Due to Vendor and Deposits. The activity of these accounts are not recorded through revenue and expenditure accounts on the Schedule of Revenues, Expenditures, and Changes in Fund Balances.

Other Financing Sources – Operating transfers, deposits to common funds, and proceeds of fixed asset dispositions.

2. Reporting Entity

The Nebraska Board of Educational Lands and Funds is a State agency established under and governed by the laws of the State of Nebraska. As such, the Board is exempt from State and Federal income taxes. The schedule includes all funds of the Board included in the general ledger.

The Nebraska Board of Educational Lands and Funds is part of the primary government for the State of Nebraska.

3. Totals

The Totals “Memorandum Only” column represents an aggregation of individual account balances. The column is presented for overview informational purposes and does not present consolidated financial information because interfund balances and transactions have not been eliminated.

4. General Cash

General cash accounts 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 those investments is allocated to funds based on their percentage of the investment pool.

NOTES TO THE SCHEDULE

(Continued)

5. Capital Assets

Capital assets include land, buildings, equipment, improvements to buildings, construction in progress and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items). Under State Accounting policies, expenditures for such capital assets are not capitalized as an asset in the funds used to acquire or construct them. Rather, costs of obtaining the capital assets are reflected as expenditures in the general ledger and are reported as such on the Schedule.

However, State Accounting does adjust such expenditures and reports the capital assets as assets for the State of Nebraska in the Comprehensive Annual Financial Report (CAFR). In addition, the Board takes an annual inventory and accounts for all equipment that has a cost of \$1,500 or more at the date of acquisition in the State Accounting System.

For the CAFR, the State requires the Board to value all capital assets 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. Generally, equipment that has a cost of \$5,000 or more 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 \$100,000 are capitalized. Building improvements and renovations in excess of \$100,000 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. Depreciation expenses are reported in the CAFR in the funds used to acquire or construct them for the State of Nebraska. The cost of normal maintenance and repairs that does not add to the value of the asset or extend the asset's life is not capitalized.

The 1.3 million acres of school trust land managed by the Board was received from the Federal government in 1867 when Nebraska became a State. This school trust land was not included as a capital asset of the Board and was not recorded in EnterpriseOne. The Board does not hold title to the school trust land. Each parcel is considered to be a separate capital asset. The estimated historical cost of each parcel was less than the States' capitalization level of \$100,000.

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

Buildings	40 Years
Equipment	3 to 10 years

Capital asset activity of the Board recorded in the State Accounting System for the calendar year ended December 31, 2011, was as follows:

NEBRASKA BOARD OF EDUCATIONAL LANDS AND FUNDS

NOTES TO THE SCHEDULE

(Continued)

5. Capital Assets (Concluded)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets				
Buildings	\$ 624,257	\$ -	\$ -	\$ 624,257
Equipment	469,660	48,098	19,540	498,218
Total	<u>\$ 1,093,917</u>	<u>\$ 48,098</u>	<u>\$ 19,540</u>	<u>1,122,475</u>

Less accumulated depreciation for:

Buildings	374,553
Equipment	334,565
Total	<u>709,118</u>

Total capital assets, net of depreciation

\$ 413,357

Note: The accumulated depreciation is as of June 30, 2011.

6. Transfers

Operating Transfers In included \$11,072,442 transferred from the Temporary School Fund 61360 to the Board Cash Fund 23220, as required by Neb. Rev. Stat. § 72-232.02 (Reissue 2009), for the costs of administering the unsold school lands.

7. Deposits to/from Common Funds

Deposits to Common Funds represent the collections made by the Board that were due to the Temporary School Fund 61360 and the Permanent School Fund 63340. Since the Board has no control over these funds once the deposits were made to the funds, the fund balances were not reflected in the Board's financial schedule.

8. Permanent School Fund – Fund 63340

The following accounts are recorded on EnterpriseOne as part of the Boards' general ledger activity; however, they were not reflected in the Boards' financial schedule because the Board had no control over these accounts.

Account 453500 – Severance taxes (oil and gas severed from lands) are not collected by the Board. They are collected by the Nebraska Department of Revenue and deposited with the State Treasurer. The State Treasurer allocates proceeds to various funds as required by Neb. Rev. Stat. § 57-705 (Reissue 2010). The Permanent School Fund receives all severance taxes collected from school lands.

Accounts 481100, 481200, and 559100 – Investment Earnings and Expenses are processed and posted by the Investment Council and not the Board.

NEBRASKA BOARD OF EDUCATIONAL LANDS AND FUNDS

NOTES TO THE SCHEDULE

(Continued)

8. Permanent School Fund – Fund 63340 (Concluded)

Account 484822 – Federal mineral deposits and escheat money are not received by the Board. The State Treasurer receives and deposits the money into the Permanent School Fund.

Account 493112 – Unclaimed property money is collected by the State Treasurer and not the Board. The State Treasurer deposits the money into a trust fund and transfers balances in excess of an established amount into the Permanent School Fund at least annually.

9. Common Funds Identified with the Board but Not Recorded on the Boards Financial Schedule (Funds 63280, 63330, 63350, 65130)

The Board activity for Fund 63280 – Normal School Endowment, 63330 – Veteran’s Aid, 63350 – Permanent University Endowment, and 65130 – Agriculture College Endowment was investment income (accounts 481100 and 481200) and investment expenses (account 559100) in the investment pools. These funds are under the control of the State Treasurer and Investment Council. The Board has no control and cannot spend the money. Because the Board has no control over these funds, they were not reflected in the Board’s financial schedule.

10. Permanent School Fund - Investment in Land Compared to Investments by the State Investment Officer

The following table shows the value of the school trust permanent portfolio as of June 30, 2011.

K-12 School Trust Land	\$ 794,770,284
Investments managed by the Investment Council	488,004,557
Total Assets	<u>\$ 1,282,774,841</u>

Percentage School Land is of the Total Assets 61%

See the supplementary information on page 21 for the Boards’ analysis of the rate of return on Permanent School Trust land compared to the rate of return on Permanent School Fund Investments managed by the State Investment Officer.

NEBRASKA BOARD OF EDUCATIONAL LANDS AND FUNDS

SUPPLEMENTARY INFORMATION

Our examination was conducted for the purpose of forming an opinion on the schedule of revenues, expenditures, and changes in fund balances. Supplementary information is presented for purposes of additional analysis. Such information has not been subjected to the procedures applied in the examination of the schedule of revenues, expenditures, and changes in fund balances, and, accordingly, we express no opinion on it.

**NEBRASKA BOARD OF EDUCATIONAL LANDS AND FUNDS
SCHEDULE OF LAND REVENUES AND COSTS**

	Fiscal year ended June 30,				
	2007	2008	2009	2010	2011
Land Use Revenues (1)	\$ 24,558,751	\$ 27,889,118	\$ 29,567,422	\$ 34,520,578	\$ 36,236,998
Administrative Costs (2)	\$ 8,546,197	\$ 8,943,047	\$ 9,643,849	\$ 10,127,904	\$ 10,789,469
Calculated Net Revenue (3)	\$ 16,012,554	\$ 18,946,071	\$ 19,923,573	\$ 24,392,674	\$ 25,447,529
Market Valuation (4)	\$ 579,900,000	\$ 677,000,000	\$ 688,700,000	\$ 677,000,000	\$ 794,770,284
Enhanced Valuation (4a)	\$ -	\$ -	\$ -	717,800,000	\$ 828,770,284
Calculated Return (5)	2.8%	2.8%	2.9%	3.6%	3.2%
Calc Return Enhanced (5a)	n/a	n/a	n/a	3.4%	3.1%

Notes:

(1) Land Use Revenues include EnterpriseOne 482000's account code transactions included in Board of Educational Lands and Funds Cash Fund - 23220, Temporary School Fund - 61360, and Permanent School Fund - 63340. Revenues include rent, royalties, and bonus bids, but does not include land sales.

(2) Expenditures for Board of Educational Lands and Funds Fund 23220; (Temporary School Fund - 61360 is shown by EnterpriseOne to be a fund for the Board, however, it is under the control of another agency and not shown here.)

(3) Land Use Revenues less Administrative Costs

(4) Per Board biennial reports, approximate market value using University valuation data.

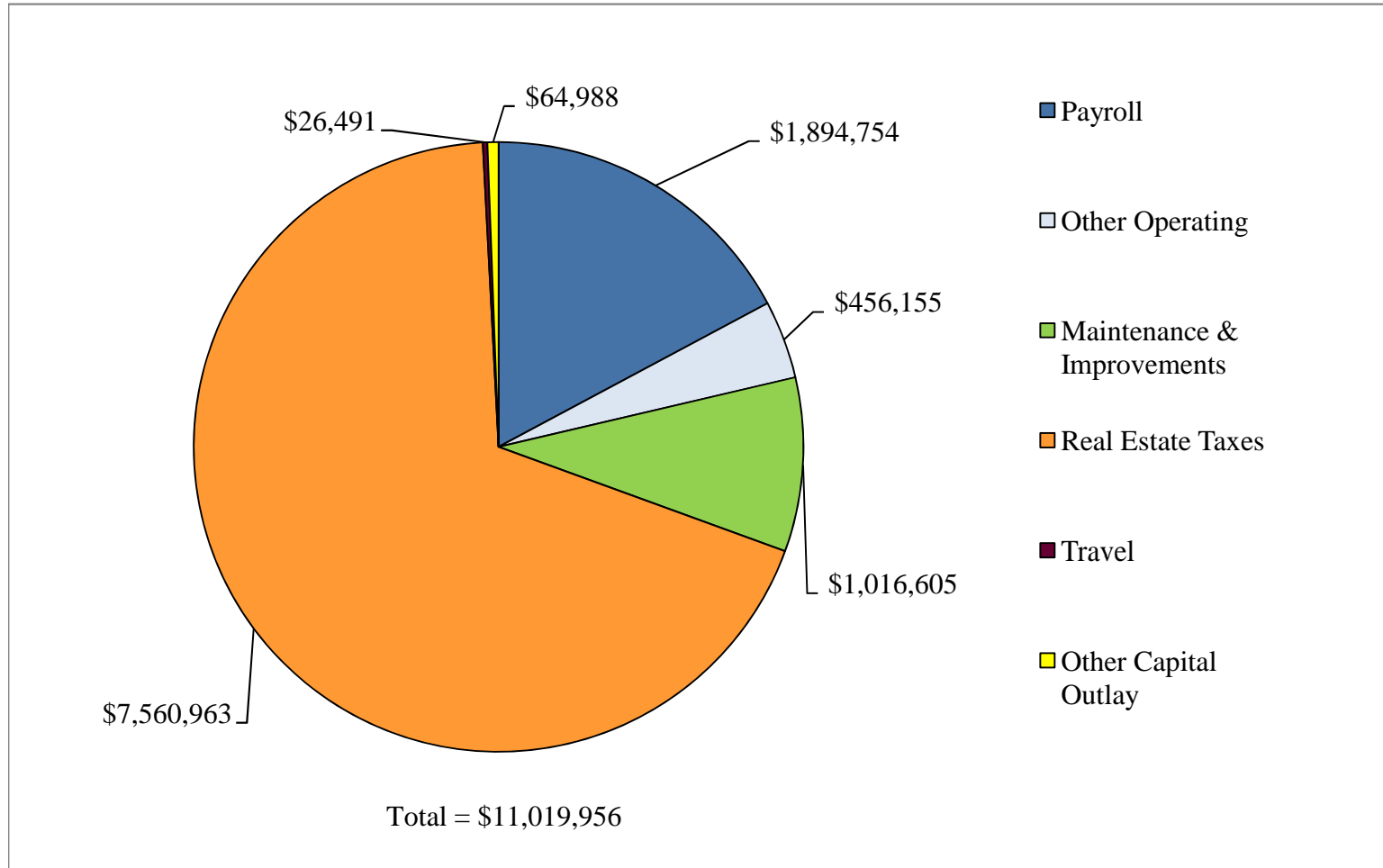
(4a) Beginning in fiscal year 2010, the Board included "enhanced values for scenic or recreational lands" in their annual report.

(5) Calculated Net Revenue divided by Market Valuation

(5a) Calculated Net Revenue divided by Enhanced Valuation

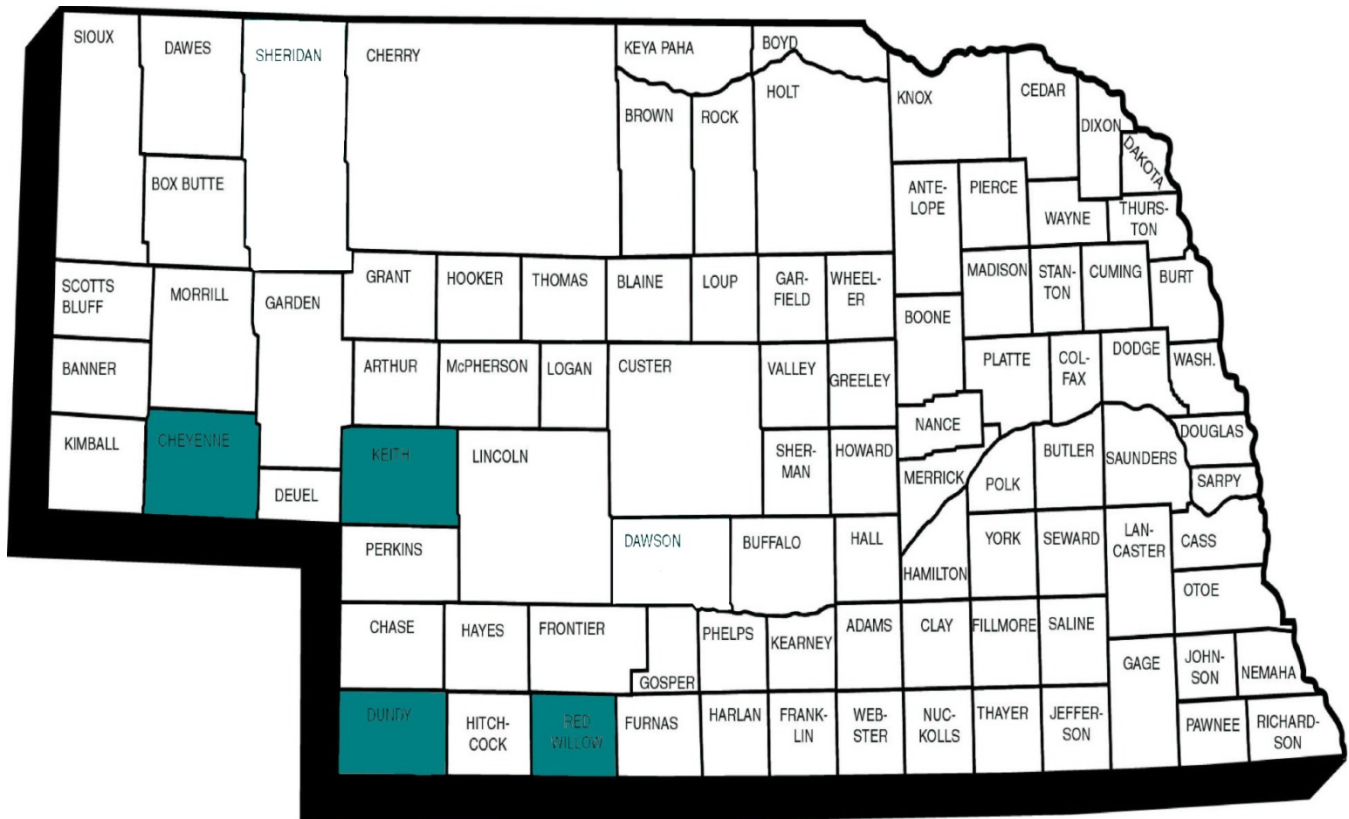
The Land Use Revenues and Costs are shown on a fiscal year basis as fiscal year data was more readily available.

NEBRASKA BOARD OF EDUCATIONAL LANDS AND FUNDS
LAND ADMINISTRATION COSTS
BOARD OF EDUCATIONAL LANDS AND FUNDS CASH FUND 23220 EXPENDITURES
 Calendar Year Ended December 31, 2011



Note: The Land Administration Costs are shown for calendar year 2011.

NEBRASKA BOARD OF EDUCATIONAL LANDS AND FUNDS
SCHEDULE OF LAND SALES
 Calendar Year Ended December 31, 2011

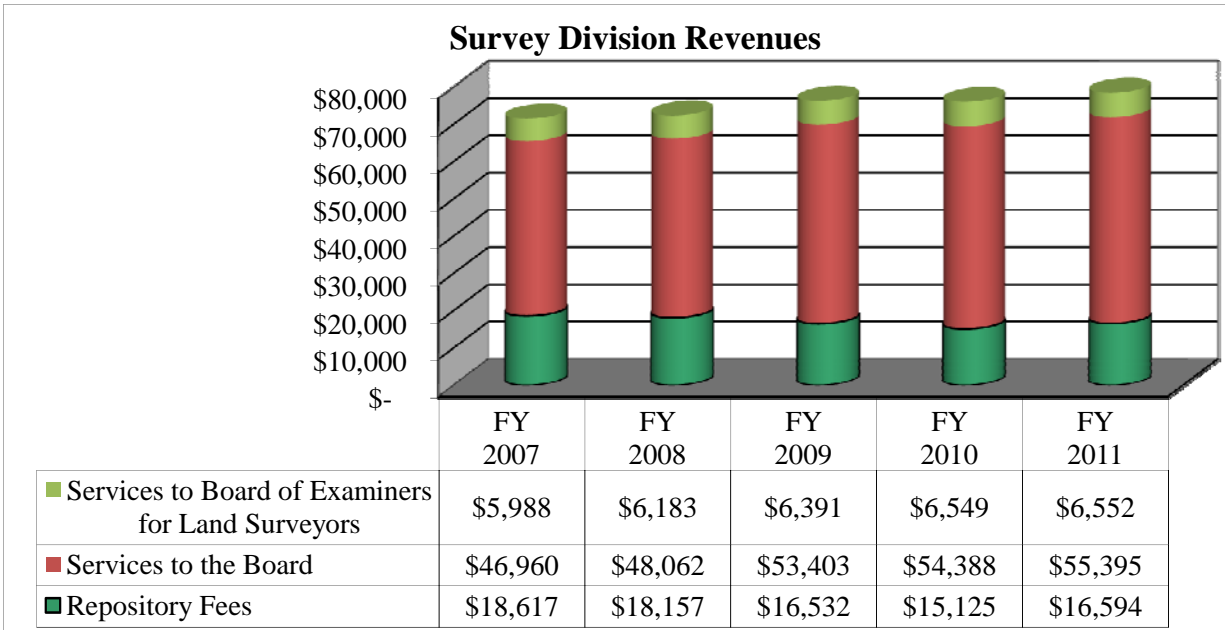
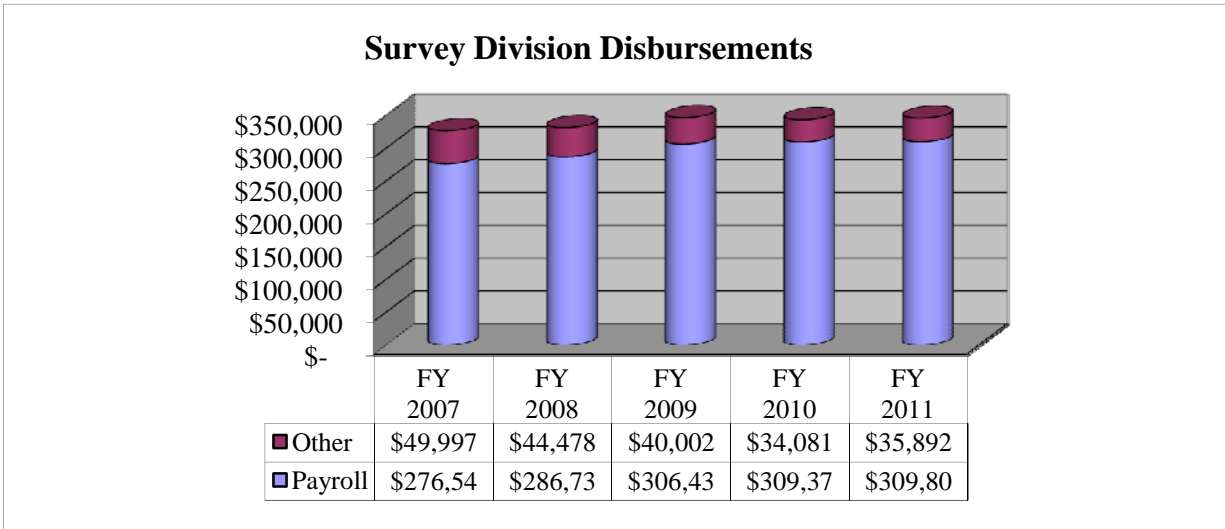
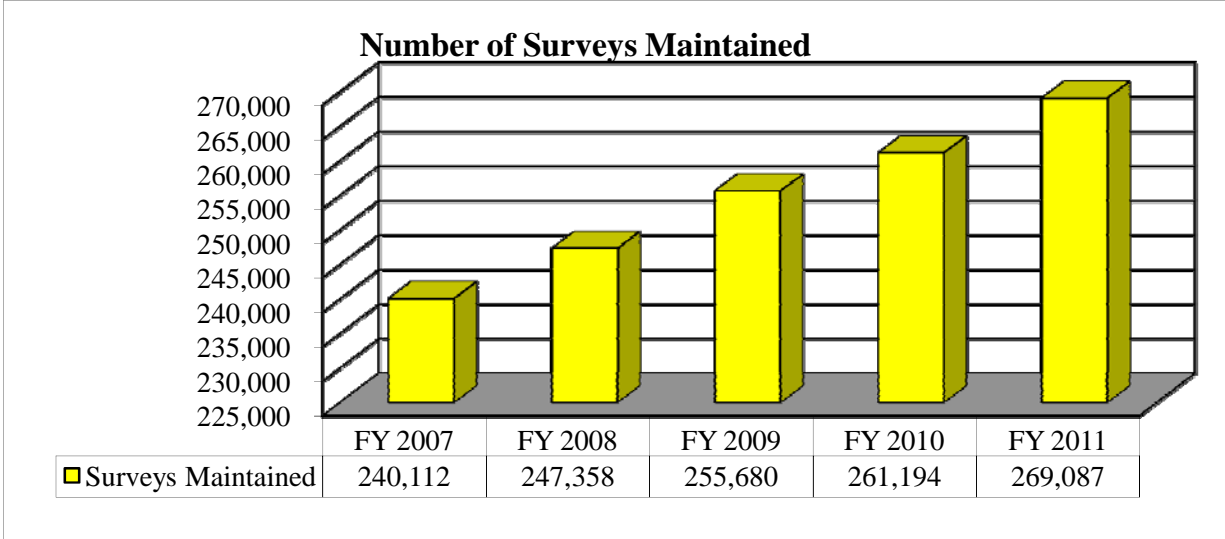


County	Total Acres	Beginning Bid Price	Sale Price
Cheyenne	41.20	\$ 45,000	\$ 45,000
Dundy	2	\$ 4,000	\$ 4,000
Keith	78.31	\$ 100,000	\$ 100,000
Red Willow	210	\$ 92,900	\$ 92,900
Red Willow	300	\$ 137,100	\$ 137,100
Totals	631.51	\$ 379,000	\$ 379,000

NEBRASKA BOARD OF EDUCATIONAL LANDS AND FUNDS

SURVEY DIVISION STATISTICS

Fiscal Years Ended June 30, 2007 through 2011



NEBRASKA BOARD OF EDUCATIONAL LANDS AND FUNDS
TOTAL RETURN OF PERMANENT SCHOOL FUND
VS. TOTAL RETURN OF SCHOOL LAND
 Fiscal Years 2002 - 2010 (8 Years)

APPRECIATION OF ASSETS				RATE OF RETURN			
	Value of Permanent School Fund	Revenue to the Permanent School Fund	Gain or Loss	Interest and Dividends on Permanent Investments	% Change in Value of Fund (2 yr)		
2000-02	262,253,942						Total Annual Return through 2010 2.39% + 3.66% = 6.05%
2002-04	287,079,162	23,305,583	1,519,637	17,646,769	0.58%		
2004-06	397,131,360	36,298,352	73,753,846	20,779,515	25.69%		
2006-08	452,338,506	39,451,293	15,755,853	30,842,286	3.97%		
2008-10	447,733,460	19,604,188	(24,209,234)	33,182,883	-5.35%		
Avg Annual % Change 2002 to 2010			2.39%	3.66%			
	Market Value of School Land	Value of Land Sales and Easements	Gain or Loss	Total Land Income less Expenses	Total Land Income less Modified Expenses (plus 40% R.E. Taxes* minus CEPs**)	% Change in Market Value (2 yr)	
2000-02	403,600,000						↓ 5.89% ↑ Total Annual Return through 2010 7.71% + 4.22% =11.94%
2002-04	425,500,000	11,948,645	33,848,645	40,841,197	37,709,997	8.39%	
2004-06	517,400,000	15,123,561	107,023,561	41,242,979	37,381,252	25.15%	
2006-08	677,037,856	8,809,222	168,409,222	46,840,216	42,681,014	32.55%	
2008-10	677,045,589	2,818,933	2,818,933	56,892,448	53,205,956	0.42%	
Avg Annual % Change 2002 to 2010			7.71%	4.59%	4.22%		

* On the Average Statewide - 60% of Real Estate Taxes Paid are directly payable to K-12 Public Schools.

** CEP = Capital Expenditure Projects on School Trust Land (terraces, dams, irrigation wells, stockwells, etc.)