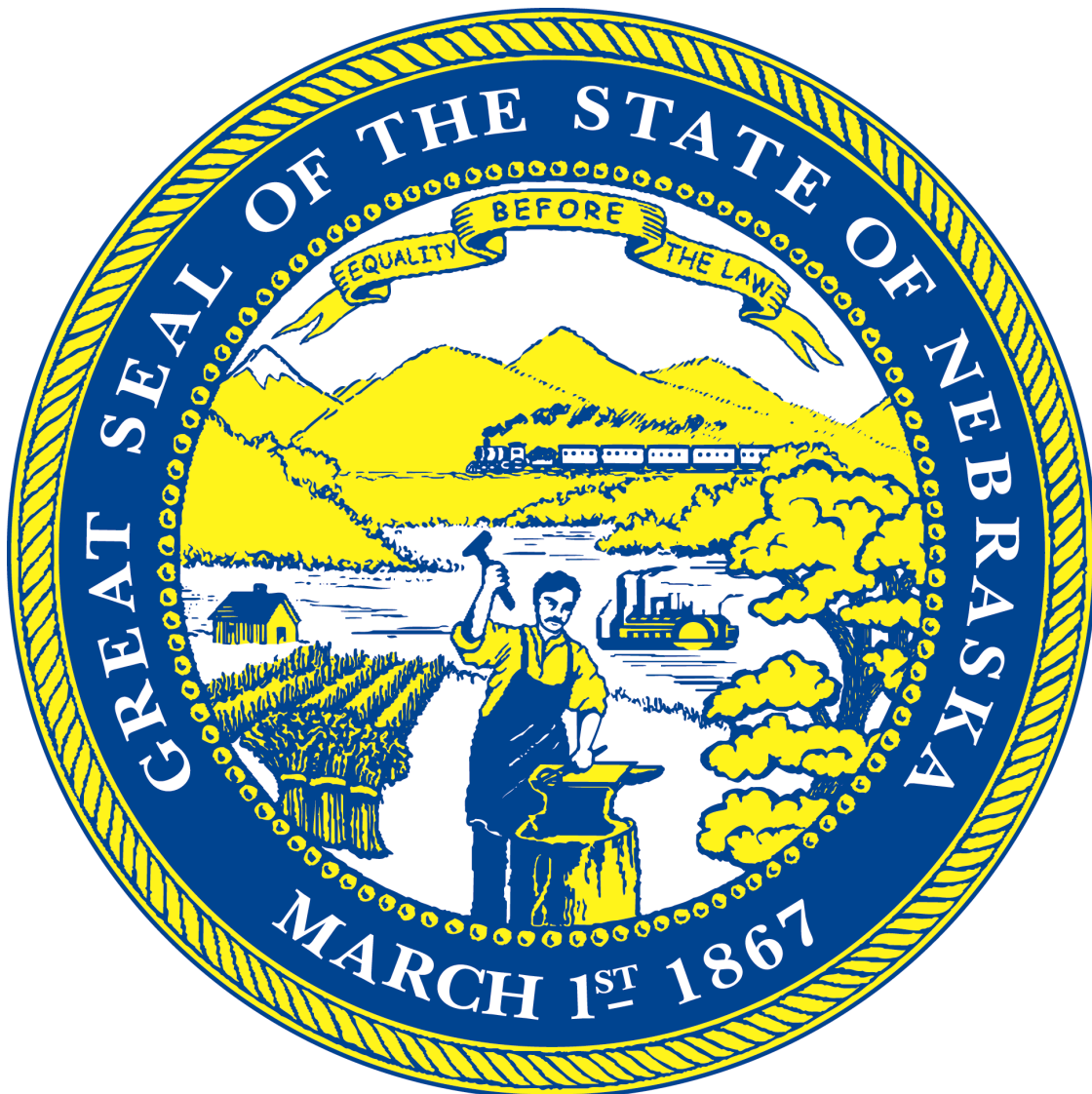


State of Nebraska

Comprehensive Annual Financial Report

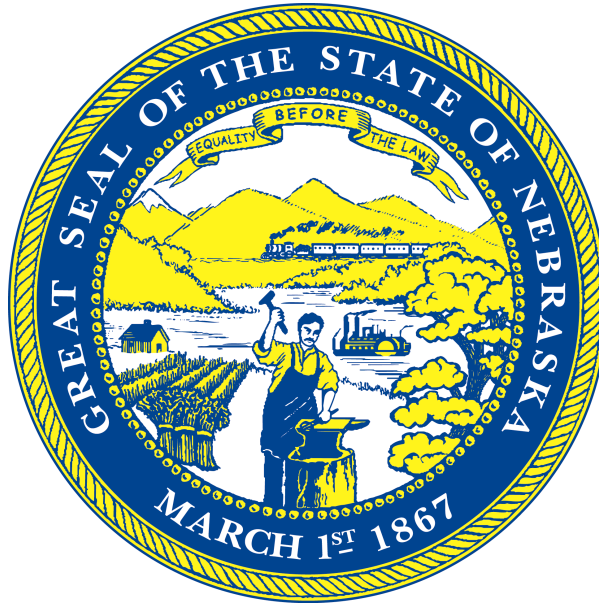
Fiscal Year Ended June 30, 2012



State of Nebraska

Comprehensive Annual Financial Report

Year Ended June 30, 2012



Dave Heineman

Governor

Administrative Services

Carlos Castillo, Jr.

Director

Hari Kadavath

State Accounting Administrator

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

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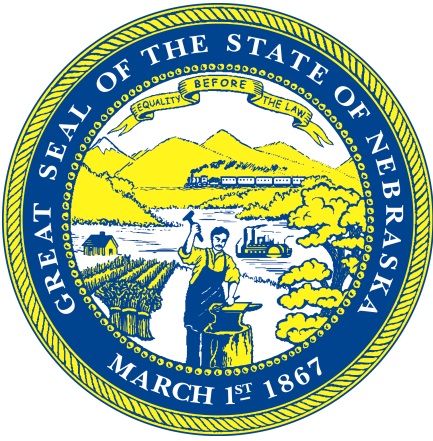
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INTRODUCTORY SECTION

SELECTED STATE OFFICIALS

As of June 30, 2012

EXECUTIVE

Dave Heineman

Governor

Rick Sheehy

Lieutenant Governor

Jon Bruning

Attorney General

Mike Foley

Auditor of Public Accounts

John A. Gale

Secretary of State

Don Stenberg

State Treasurer

JUDICIAL

Supreme Court of Nebraska

Michael G. Heavican, Chief Justice

William B. Cassel, Justice

William M. Connolly, 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)



January 16, 2013

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, 2012. 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, 2012 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, 2012 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 9.

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 and allotment are 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 94 percent of all General Fund revenues. Net revenue from income taxes and sales taxes from all funds for the fiscal year ended June 30, 2012 increased \$264 million from the prior year, indicating that the economy is continuing to recover from the national recession.

For the fiscal year ending June 30, 2012 the State's General Fund ended the fiscal year with a cash and investments balance of \$998 million. The balance had exceeded \$800 million dollars for the prior four years.

The current forecast for fiscal year 2013 anticipates net receipts in the General Fund to increase about \$129 million, or approximately a 3.5% increase over fiscal year 2012. No significant changes in revenue are anticipated in the other funds.

Economy of the State

The University of Nebraska-Lincoln Bureau of Business Research and the Nebraska Business Forecast Council are cautious in forecasting Nebraska's economic future. The Council is uncertain about the national economic outlook, due to slowed growth and continued risk of recession. It also concludes that economic growth will be weak to moderate in Nebraska over the next few years. Nebraska's economy improved in several areas in 2011, but is expected to improve only slightly in 2012. The Council's January 2012 forecast is shown on the following chart. The agriculture market is a major force in the Nebraska economy and farm income was well above its 10-year average in 2010, due to rising commodity prices and other factors. Job growth returned to Nebraska in 2011, and is projected to be moderate in 2012. Continued growth in employment is expected in the manufacturing, transportation, and services industries over the next few years. Retail sales continue to improve as Nebraska recovers from the recession, resulting in a partial recovery in retail employment. The financial services industry is expected to return to job growth in 2012 and solid growth in 2013, with the trend continuing as the housing sector recovers.

	ACTUAL			PROJECTED		
	2008	2009	2010	2011	2012	2013
Nonfarm Employment:						
Annual Totals	965,000	944,600	939,400	955,600	968,500	985,000
Growth Rates	0.8%	-2.1%	-0.6%	1.7%	1.4%	1.7%
Nonfarm Personal Income:						
Annual Totals (in millions \$)	68,846	66,825	68,932	72,816	75,781	78,226
Growth Rates	6.2%	-2.9%	3.2%	5.6%	4.1%	3.2%
Net Taxable Retail Sales Growth Rates:						
Total	1.6%	-3.6%	3.8%	5.2%	3.5%	3.4%
Motor Vehicle Sales	1.4%	-4.9%	8.0%	8.5%	3.5%	4.1%
Non-motor Vehicles Sales	1.7%	-3.4%	3.3%	4.8%	3.5%	3.3%

Long-term Financial Planning

The State always is looking at least four years out in its analysis 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 2016 and 2017. In our analysis, we use forecasting models to forecast revenue and then examine major expenditures, especially those that have a trend of outpacing revenues. Revenues for 2014 and 2015 are projected to increase by 2.5% and 4.0%, respectively. Due to the redirection of one quarter of one percent of the State's sales tax rate for road construction purposes beginning in 2014, the 2.5% increase in 2014 is lower than it would otherwise be. Revenue growth estimates that adjust for this and other legislated rate and base changes are 4.2% in 2014 and 4.9% in 2015.

Higher than projected individual income tax receipts have recently boosted the state revenue forecast. By operation of law, any revenue above the projection will be used to rebuild the cash reserve, which was used to supplement weak revenue during the recession. Relatively large annual growth in expenditures for school aid, Medicaid, and public assistance presents a challenge in preparing a budget that keeps expenses within projected revenue. 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

The major initiatives were a strong focus on jobs creation, improving the economy, and strengthening education.

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, 2011. This was the twenty-first 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 2012 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,

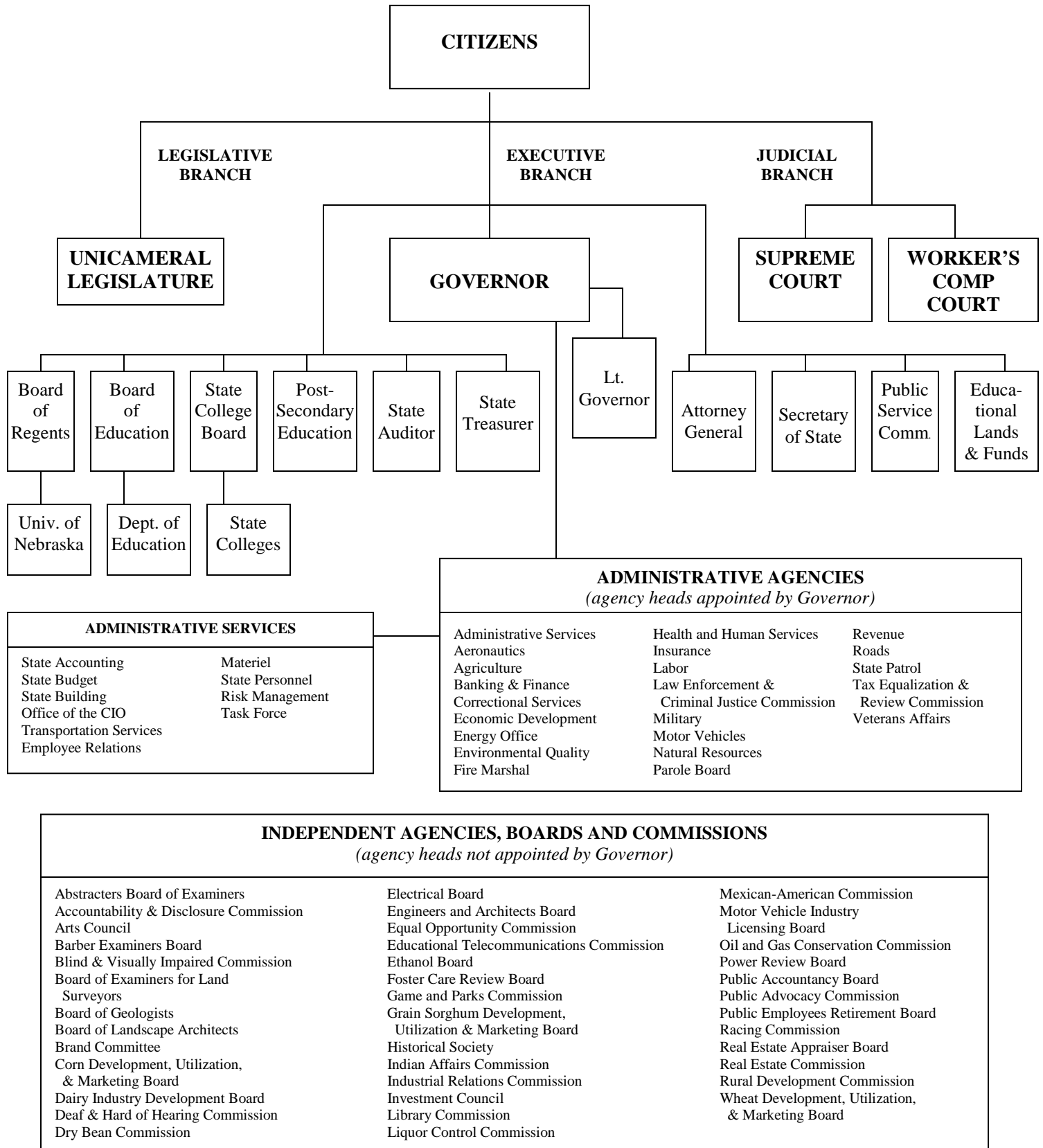


Carlos Castillo, Jr.
Director, Administrative Services



Hari Kadavath
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, 2011

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.

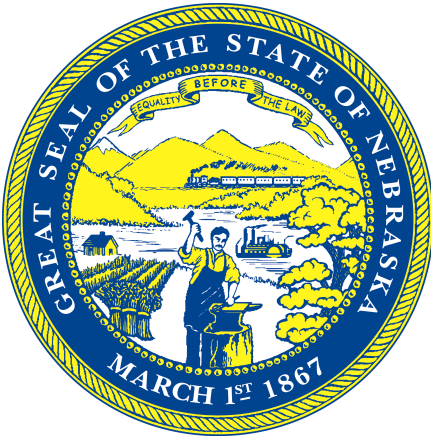


Linda C. Danison

President

Jeffrey R. Emer

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

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, 2012, 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 University of Nebraska Foundation, the University of Nebraska Facilities Corporation, the UNMC Physicians, the University Technology Development Corporation, the University Dental Associates, the Nebraska Utility Corporation, the activity relating to the Members of the Obligated Group Under the Master Trust Indenture, the Nebraska State College System Foundations, the Nebraska State College System Revenue and Refunding Bond Fund, and the Nebraska State Colleges Facilities Corporation which represent 45% and 43%, respectively, of the assets and revenues of the aggregate discretely presented component units. We also did not audit the financial statements of the College Savings Plan which represents 17% and 16% of the assets and revenues 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 in the aggregate discretely presented component units and the aggregate remaining fund information for the College Savings Plan 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 University of Nebraska Foundation, the University of Nebraska Facilities Corporation, the UNMC

Physicians, the University Technology Development Corporation, the University Dental Associates, the Nebraska Utility Corporation, the activity relating to the Members of the Obligated Group Under the Master Trust Indenture, the Nebraska State College System Foundations, the Nebraska State College System Revenue and Refunding Bond Fund, the Nebraska State Colleges Facilities Corporation, and the College Savings Plan 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. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of the 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, 2012, and the respective changes in financial position, and where applicable, cash flows 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 January 16, 2013, 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.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 15 through 26, the Budgetary Comparison Schedules on pages 66 through 71; and the Information About Infrastructure Assets Reported Using the Modified Approach on page 72, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide assurance.

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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The combining statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures described previously, and the reports of the other auditors, the combining statements are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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 introductory and statistical sections are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Lincoln, Nebraska
January 16, 2013


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, 2012. 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.

There were no new Governmental Accounting Standards Board (GASB) statements required to be implemented by The State of Nebraska (State) in 2012.

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, 2012 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, 2012 by \$11.5 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 \$1.0 billion, most of which is available to be used to fund future needs of the State. The primary government's net revenues exceeded net expenses for 2012 resulting in an increase in net assets of \$304 million. This increase in net assets was comparable to the increase in 2011 of \$470 million.

Fund Level:

General Fund receipts for 2012 were \$105 million above the original budgeted amount and above the final budget by \$53 million. Expenditures were \$253 million less than the original budget. On a Generally Accepted Accounting Principles (GAAP) basis, the General Fund had \$190 million in excess revenues prior to a legislatively mandated property tax relief transfer of \$110 million in addition to other financing sources causing an increase in fund balances of \$82 million, and thereby increasing the fund balance on June 30, 2012 to \$815 million. Other governmental funds revenues exceeded expenditures by \$51 million, chiefly due to unrealized market gains. Adding to these operating gains, such other funds received \$36 million in net other financing sources. This \$87 million net increase resulted in raising such fund balances at June 30, 2012 to \$2,201 million.

The \$403 million of net assets of the Unemployment Insurance Fund represents 82% of the enterprise funds. Such fund had a \$59 million increase in net assets for 2012 compared to a \$105 million increase in 2011, a \$46 million difference. This was due to business assessment fees collected from employers exceeding the unemployment insurance claims by \$55 million, and \$11 million in investment income.

Long-term Liabilities:

Long-term liabilities shown on the government-wide financial statements totaled \$550 million at June 30, 2012, which is a \$49 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 to 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 29) 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 30 and 31) 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 93% 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 32) 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 33 and 35).

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 12 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 44.

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 \$13,229 million at June 30, 2012 as compared to \$12,890 million at June 30, 2011. As total liabilities only totaled \$1,711 million, net assets amounted to \$11,518 million as of June 30, 2012. As of June 30, 2011, these amounts were \$1,676 million and \$11,214 million, respectively. By far the largest portion of the State of Nebraska's net assets (70 percent) reflects the State's investment in capital assets (e.g., land, buildings, equipment and infrastructure – highways, bridges, dams, etc.). The State uses these capital assets to provide services to citizens; thus, these assets are not available for future spending.

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

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

The net assets for business-type activities chiefly represent 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	
	2012	2011	2012	2011	2012	2011
Current and Other						
Non-current Assets	\$ 4,586	\$ 4,362	\$ 570	\$ 511	\$ 5,156	\$ 4,873
Capital Assets	8,067	8,010	6	7	8,073	8,017
Total Assets	12,653	12,372	576	518	13,229	12,890
Non-current Liabilities	497	428	53	73	550	501
Other Liabilities	1,127	1,148	34	27	1,161	1,175
Total Liabilities	1,624	1,576	87	100	1,711	1,676
Net assets:						
Invested in Capital Assets,						
Net of Related Debt	8,041	7,983	6	7	8,047	7,990
Restricted	2,082	2,006	406	345	2,488	2,351
Unrestricted	906	807	77	66	983	873
Total Net Assets	\$ 11,029	\$ 10,796	\$ 489	\$ 418	\$ 11,518	\$ 11,214

Over 75% of the State's non-capital assets consist of cash and investments. It should be noted that \$190 million in 2012 and \$233 million in 2011 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 94% 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 \$507 million (\$514 million in 2011); tax refunds payable of \$370 million (\$353 million in 2011); 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 \$550 million (\$501 million in 2011). The majority of such liabilities are for claims payable for workers' compensation, medical excess liability, litigation, unemployment insurance, and employee health insurance totaling \$118 million for 2012 (\$137 million for 2011), Medicaid claims for \$252 million (\$190 million in 2011), and the calculated amount for vested sick leave due employees when they retire and accrued vacation of \$139 million in 2012 (\$130 million for 2011). Other minor amounts of long-term liabilities consist chiefly of capital lease obligations (See Note 8 to the Financial Statements), which totaled \$25 million at June 30, 2012 and \$15 million of obligations under other financing arrangements (See Note 9 to the Financial Statements). There was also a net pension obligation of \$1.2 million (See Note 12 to the Financial Statements).

The \$233 million increase in net assets of Governmental Activities, was due to the \$58 million increase in the net investment in capital assets, the \$76 million increase in restricted net assets, and the \$99 million increase in unrestricted net assets. The major cause of the increase was a \$279 million increase in taxes collected.

At the end of June 30, 2012, 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 2012, 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)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
REVENUES						
Program Revenues						
Charges for Services	\$ 581	\$ 554	\$ 479	\$ 579	\$ 1,060	\$ 1,133
Operating Grants and Contributions	2,647	2,939	-	-	2,647	2,939
Capital Grants and Contributions	16	29	-	-	16	29
General Revenues						
Taxes	4,246	3,967	-	-	4,246	3,967
Unrestricted Investment Earnings	92	214	16	16	108	230
Miscellaneous	-	3	-	-	-	3
Total Revenues	7,582	7,706	495	595	8,077	8,301
EXPENSES						
General Government	461	477	-	-	461	477
Conservation of Natural Resources	151	156	-	-	151	156
Culture - Recreation	25	29	-	-	25	29
Economic Development and Assistance	103	111	-	-	103	111
Education	1,570	1,807	-	-	1,570	1,807
Higher Education - Colleges and Universities	557	561	-	-	557	561
Health and Social Services	3,140	3,069	-	-	3,140	3,069
Public Safety	366	362	-	-	366	362
Regulation of Business and Professions	122	121	-	-	122	121
Transportation	907	697	-	-	907	697
Interest on Long-term Debt	1	1	-	-	1	1
Unemployment Insurance	-	-	262	329	262	329
Lottery	-	-	114	102	114	102
Excess Liability	-	-	1	20	1	20
Cornhusker State Industries	-	-	11	13	11	13
Total Expenses	7,403	7,391	388	464	7,791	7,855
Excess (deficiency) Before Transfers and Contributions to Permanent Fund Principal	179	315	107	131	286	446
Transfers	36	32	(36)	(32)	-	-
Contributions to Permanent Fund Principal	18	24	-	-	18	24
Increase (Decrease) in Net Assets	233	371	71	99	304	470
Net Assets - Beginning	10,796	10,425	418	319	11,214	10,744
Net Assets - Ending	\$ 11,029	\$ 10,796	\$ 489	\$ 418	\$ 11,518	\$ 11,214

Governmental Activities

Governmental activities increased the State's net assets by \$233 million in 2012 (\$371 million increase in 2011). Governmental activities represent 94% of all the primary government's revenues. Program revenues of governmental activities were \$3,244 million and were used to partially offset program expenses of \$7,403 million, leaving net expenses of \$4,159 million. Only 6% of total expenses were spent on general government expenses. General taxes, investment earnings, miscellaneous, contributions to the permanent fund principal, and transfers all totaling \$4,392 million, were \$233 million more than the remaining costs of the governmental activities' programs as shown below.

Tax revenues were up \$279 million compared to an increase of \$313 million in 2011. Program revenues decreased 8% from 2011, chiefly due to income from operating grants being down \$292 million, some of which was due to reduced income from the American Recovery and Reinvestment Act (ARRA). The decrease in grant income resulted in decreased grant designated expenses. Increases in transportation expenses offset the reduced grant related expense, which resulted in the \$12 million increase in program expenses. The increase in tax revenue and the increase in transportation expenses were the chief reasons the change in net assets was \$138 million lower in 2012 than the \$312 million increase recorded in 2011. While the General Fund has more investments than other programs, it maintains safer investments and actually showed an increase in investment income in 2012 over 2011 of \$14 million, due to the increased invested balance.

Program expenses, net of revenue, decreased by \$138 million in 2012, as shown below:

GOVERNMENTAL ACTIVITIES		
<i>(in millions of dollars)</i>		
	<u>2012</u>	<u>2011</u>
Program Expenses, Net of Revenue		
General Government	\$ (353)	\$ (373)
Conservation of Natural Resources	(41)	(28)
Culture - Recreation	2	(8)
Economic Development and Assistance	(29)	(30)
Education	(1,183)	(1,186)
Higher Education - Colleges and University	(557)	(561)
Health and Social Services	(1,326)	(1,166)
Public Safety	(235)	(217)
Regulation of Business and Professions	14	18
Transportation	(450)	(317)
Interest on Long-Term Debt	(1)	(1)
Subtotal	<u>(4,159)</u>	<u>(3,869)</u>
General Revenues		
Taxes	4,246	3,967
Unrestricted Investment Earnings	92	214
Miscellaneous	-	3
Transfers	36	32
Contributions to Permanent Fund Principal	<u>18</u>	<u>24</u>
Increase (Decrease) in Net Assets	<u>\$ 233</u>	<u>\$ 371</u>

Four functional areas of the State comprise 83% of the expenses of all Governmental Activities: Education, Higher Education, Health and Social Services and Transportation. Education expenses were down \$237 million chiefly due to the decreased aid from ARRA funds. Health and Social Services was up \$71 and Transportation expenses were up \$210 million chiefly due to decreased highway construction. All the other functional areas had small variances in net expenses.

Business-type Activities

The business-type activities increased the State's net assets by \$71 million for 2012, which was net of a \$36 million transfer to the governmental activities. Most of the \$479 million of business-type activities' program revenues were related to the business assessment fees in the Unemployment Insurance Fund and Lottery Fund revenues. The Unemployment Insurance Fund had operating income of \$48 million in 2012. This gain, when combined with the \$11 million in investment income, produced a \$59 million increase in net assets for the Unemployment Insurance Fund. Lottery revenues of \$151 million generated net revenue of \$37 million, which was offset by the \$36 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. At June 30, 2012, the State's Governmental Funds reported combined ending fund balances of \$3,016 million. Of this amount, \$492 million is nonspendable, either due to its form or legal constraints, and \$1,600 million is restricted for specific programs by external constraints, constitutional provisions, or contractual obligations. Unspent bond proceeds, revenue restricted by enabling legislation, and public school land lease revenues are included in restricted fund balance. An additional \$457 million of total fund balance has been committed to specific purposes. Committed amounts cannot be used for any other purpose unless approved by the Legislature. An additional \$37 million of total fund balance has been assigned to specific purposes, as expressed by legislative intent. The remaining \$430 million is unassigned and available for appropriations.

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 \$361 million. However, such refunds payable are \$8 million less than the expected taxes owed the State. Other assets of the General Fund available to pay non tax-refund liabilities exceed such liabilities by \$807 million.

On June 30, 2011, the General Fund had a positive fund balance of \$733 million. Expenditures increased \$163 million and revenues increased by \$286 million in 2012. This \$123 million increase was less than the \$155 million increase that occurred in 2011, resulting in an operating increase of the fund balance of \$80 million in 2012. This operating increase in 2012 caused the General Fund balance to increase by \$82 million, ending with a fund balance of \$815 million.

Revenues in 2012, significantly more than anticipated, were up \$286 million over 2011 chiefly due to an increase in income tax revenue of \$180 million (a 10% increase) over 2011, an increase in sales and use tax revenue of \$75 million (a 5% increase) over 2011, and an increase in investment income of \$14 million (a 60% increase) over 2011. Expenditures were less than budgeted due to continued efforts by agency heads to be conservative in spending. A net increase in expenditures was caused chiefly in three areas. Health and Social Services expenditures increased \$157 million and Public Safety expenditures increased \$17 million. These increases were offset by a decrease in General Government expenditures of \$12 million.

To compensate for any downturns in revenues, the State has maintained a budgetary basis Cash Reserve Fund. While this Cash Reserve Fund is commingled with General Fund cash in the General Fund financial statements, it is separate and distinct in that, by State Statute, it can only be used (1) when the cash balance of the General Fund is insufficient to meet General Fund current obligations and (2) for legislatively mandated transfers to other funds. Any money transferred in accordance with item one above must be repaid as soon as there is sufficient cash in the General Fund cash account to do so. No such need existed in 2012.

The Cash Reserve Fund was at \$467 million at the beginning of 2011. In 2011 there was a statutory transfer from the Fund to the General Fund of \$154 million, leaving a Cash Reserve Fund balance at June 30, 2011 of \$313 million. In 2012 there was a statutory transfer from the Fund to the General Fund of \$37 million, other net transfers in of \$144 million, and revenues of \$9 million leaving a Fund balance of \$429 million at June 30, 2012. The Cash Reserve Fund is reflected as committed to economic stabilization on the governmental funds balance sheet.

Other Governmental Funds

Other governmental fund balances totaled \$2,201 million at June 30, 2012. Of this amount, \$491 million is nonspendable, either due to its form or legal constraints, and \$1,600 million is restricted for specific programs by external constraints, constitutional provisions, or contractual obligations. An additional \$73 million of total fund balance has been committed

to specific purposes. The remaining \$37 million of total fund balance has been assigned to specific purposes, as expressed by legislative intent.

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 \$723 million. The non-major special revenue fund balances totaled \$790 million.

Governmental funds other than the General Fund saw an increase in fund balances of \$87 million. The fund balances of the following funds increased: the Highway Fund (\$49 million), the Permanent School Fund (\$17 million), and the other Nonmajor Funds (\$41 million.) The Health and Social Service Fund decreased by \$20 million and the Federal Fund had a slight increase.

The Highway Fund had a \$15 million increase in sales and use taxes, a \$71 million increase in federal grants revenue and a \$107 million increase in operating expenses. These increases are why the Highway Fund had a \$49 million increase in its fund balance in 2012 as opposed to a \$52 million increase in 2011.

The activity in the Federal Fund represents federal funds received, and each year's spending should generally approximate grant funds received. In 2012 there was a decrease in federal grants and contracts of \$375 million due to the end of the ARRA program, investment income increased \$2 million and other revenue decreased \$2 million. Expenditures in 2012 decreased by \$235 million for Education, \$7 million for Conservation of Natural Resources, \$11 million for Economic Development and Assistance, \$104 million for Health and Social Services, and \$12 million for Public Safety. Revenues exceeded expenditures by \$6 million before transfers. Transfers out decreased \$7 million in 2012 compared to a decrease of \$31 million in 2011. At the end of 2012 there was a net increase in the fund of less than \$1 million, compared to a \$7 million decrease in 2011.

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 \$75 million decrease in investment income in 2012 (chiefly unrealized losses in the market value of investments) compared to a \$38 million increase in 2011, which was the main reason there was a \$20 million decrease in fund balance in 2012, as opposed to a \$54 million increase in 2011.

The Permanent School Fund had a \$72 million decrease in revenue, chiefly due to a \$66 million decrease in investment income caused by unrealized losses in the market value of investments in 2012, as opposed to a \$27 million investment income increase in 2011 (when compared to 2010). Expenditures decreased \$3 million in 2012. There was a \$17 million increase in fund balance in 2012, as opposed to an \$86 million increase in 2011, a change of \$69 million.

The Nonmajor Funds revenues remained about the same between 2011 and 2012. Expenditures had a \$17 million decrease in General Government and an \$11 million increase in Capital Projects. There were \$25 million in net transfers in for the Nonmajor Funds in 2012 versus \$30 million in net transfers out for 2011. As a result, the fund balances increased \$41 million in 2012 as opposed to a \$13 million decrease in 2011.

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 \$403 million at the end of 2012. This fund's net assets increased \$59 million in 2012, because business assessment fees exceeded unemployment claims paid out by \$55 million, which was offset by investment earnings of \$11 million. Other proprietary or enterprise funds, the Lottery Fund, the Excess Liability Fund (the fund established to provide limited liability for physicians working in Nebraska) and Cornhusker State Industries (an operation that utilizes incarcerated persons to manufacture and sell items) had combined income of \$47 million prior to a \$36 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 had an operating income of \$5 million and earned \$5 million in investment earnings for a net asset increase of \$10 million.

Fiduciary Funds

The Pension Trust Funds represent the majority of the fiduciary funds. Such Pension Trust Fund's net assets increased \$3 million to \$9,610 million in 2012 due to a flat market in 2012. Interest and dividend income in 2012 was \$129 million versus \$138 million in 2011. Benefits, refunds and related administrative expenses exceeded the contributions to the plans by \$82 million. In another trust fund recorded in the Private Purpose Trust Funds, contributions from State participants received by the College Savings Plan totaled \$313 million. The total net assets in the College Savings Plan now total over two billion dollars.

ANALYSIS OF GENERAL FUND BUDGET VARIATIONS

Even though there is a relatively stable economy in the Midwest, in 2012 the State continued to rebound from the effects of the national recession. Forecasted revenues, upon which the State's budgeted General Fund expenditures are based, were anticipated to increase in 2012 by \$133 million over 2011 net tax revenue of \$3,368 million. Because revenues continued to show an increasing trend during 2012, the State's Forecasting Board made three new forecasts throughout the year. At the end, the forecasted net tax revenues were \$52 million above the original forecast. However, that increased forecast was still less than actual tax revenues of \$3,606 million by \$53 million, leaving the State with actual tax revenues, net of refunds, of \$105 million above the original budget on a budgetary basis. Even though tax revenues were starting to increase, they were slightly above pre-recession tax revenues of 2008. To offset this revenue, agencies continued to watch their General Fund expenditures and spent \$269 million less than the final appropriated amount. This reduction, when coupled with the increased tax revenues, caused the State to finish 2012 with General Fund revenues of \$219 million more than expenditures on a budgetary basis, prior to net transfers out. There was a net \$108 million transferred out for specific purposes, causing the fund balance on a budgetary basis to increase from \$813 million to \$924 million in 2012.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2012, the State had invested \$8.1 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 2012 totaled \$62 million, compared to \$50 million for 2011.

CAPITAL ASSETS AS OF JUNE 30						
<i>(net of depreciation in millions of dollars)</i>						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Land	\$ 558	\$ 553	\$ -	\$ -	\$ 558	\$ 553
Buildings and Equipment	415	401	6	7	421	408
Infrastructure	7,012	6,986	-	-	7,012	6,986
Subtotal	7,985	7,940	6	7	7,991	7,947
Construction in Progress	82	70	-	-	82	70
Total	\$ 8,067	\$ 8,010	\$ 6	\$ 7	\$ 8,073	\$ 8,017

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 2011, indicated an overall system rating of 80, a rating that has been very consistent over the past six years.

For 2012, it was estimated that the State needed to spend \$288 million to preserve and maintain the roads at the abovementioned level. The State actually spent \$278 million on roads in 2012, compared to \$218 million in 2011. For 2013, it is estimated that the State needs to spend \$313 million, an increase from actual 2012 and an increase from the average of the previous five years.

The State also spent \$30 million on capitalized infrastructure and land purchases relating to roads in 2012 (\$139 million in 2011), most notably reconstructing (a) Interstate 80 between Omaha and Lincoln, (b) I-80 eastbound bridge over the Missouri River, (c) I-80 10th Street Bridge to Missouri River in Omaha, and (d) US-75 South of Bellevue. Major land purchases included land purchased near four State highways. At June 30, 2012, the State had contractual commitments of \$734 million for various highway and building projects. Most of the related expenditures will be expensed and not capitalized. (See Notes 1.J and 4 to the financial statements.) These commitments are \$172 million more than at June 30, 2011 as a result of new highway construction and repair work being financed by the federal government.

During 2012, the State added \$82 million of new depreciable capital assets, both buildings and equipment. A more detailed analysis of capital assets is shown in Note 4 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 8 and 13 to the financial statements.

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

	GOVERNMENTAL ACTIVITIES	
	2012	2011
Capitalized Leases:	\$ 25	\$ 27

There were no new bonds issued or outstanding in 2012 or 2011. Two new capitalized leases were added in 2012 (two leases were added in 2011). Bonds and Certificates of Participation for leases issued on behalf of the State maintain an Aa2 rating from Moody’s. Standard and Poor’s has issued an AAA rating for the State as a whole, and affirmed this rating in December 2012.

FACTORS THAT WILL AFFECT THE FUTURE

The national economy is improving, which has resulted in forecasted growth in tax receipts. Tax revenues have improved and have exceeded projections during the last year. Net General Fund revenues for 2013 are currently projected to exceed actual 2012 revenues by \$129 million. The State has a low unemployment rate and has had no borrowing or repayment due to the federal government for the State's Unemployment Insurance Fund. The Legislature has responded to the market effect on defined benefit plans by increasing employer and employee contributions to maintain funded ratios.

The State does face many challenges in the coming years. LB84, which earmarks one quarter of one percent of the State's sales tax for state, county and municipal road construction starting in 2013 will create future financing challenges for the General Fund. National healthcare policy, including increased participation in the Medicaid program and the ongoing increase in healthcare costs present some additional challenges. Another area of concern is the school finance formula that provides for growth in aid to education for K-12 schools and special education that is greater than growth in historical tax receipts.

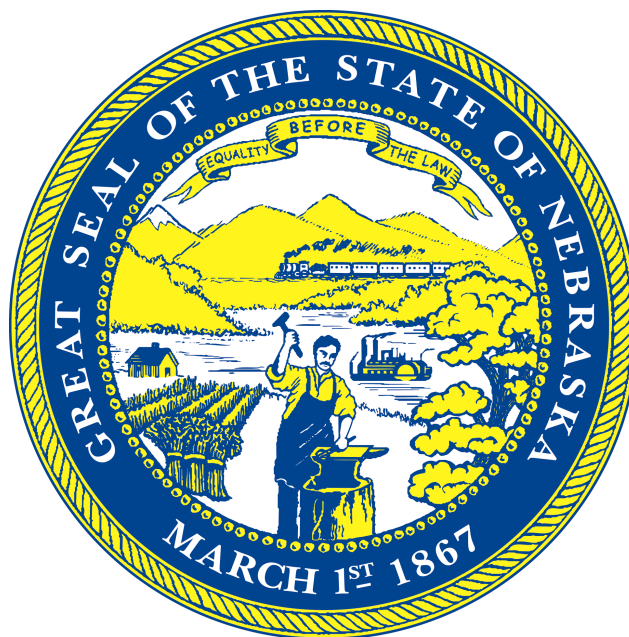
To help offset any future economic downturns, as previously explained, the State maintains a Cash Reserve Fund. As of June 30, 2012, this Fund had a \$429 million balance. A transfer of \$105 million was made from the General Fund in July 2012 as statutorily required. From the Cash Reserve Fund there were \$75 million of other statutory disbursements, resulting in a balance of \$458 million at November 30, 2012. Future significant statutory disbursements from this fund in the next year include \$78 million to be transferred to the General Fund. With the improved revenue forecast, the State currently projects an additional \$58 million transfer into the Cash Reserve Fund in July 2013.

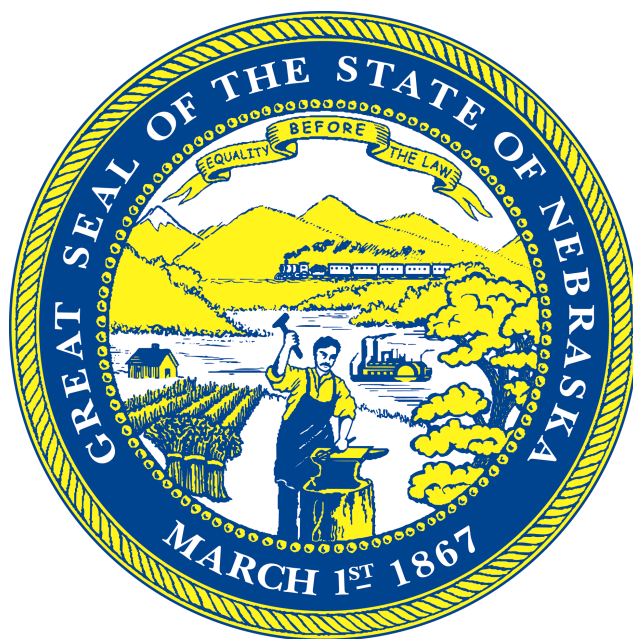
CONTACTING THE STATE ACCOUNTING OFFICE

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 or by going online to their websites. For the University of Nebraska, contact the University of Nebraska, Director of University Accounting, 3835 Holdrege, Lincoln, NE 68583, (402) 472-2111 or online at <http://www.nebraska.edu/administration/business-and-finance/accounting-and-finance.html>. For the State College System, contact the Nebraska State College System, Fiscal and Facilities Management, Box 94605, Lincoln, NE 68509-4605, (402) 471-2505 or online at <http://www.nscs.edu/>.

BASIC FINANCIAL STATEMENTS





State of Nebraska

STATEMENT OF NET ASSETS

June 30, 2012

(Dollars in Thousands)

	PRIMARY GOVERNMENT			
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS	COMPONENT UNITS
ASSETS				
Cash and Cash Equivalents	\$ 236,554	\$ 368,507	\$ 605,061	\$ 558,944
Receivables, net of allowance				
Taxes	421,874	-	421,874	-
Due from Federal Government	315,909	-	315,909	-
Other	190,294	63,673	253,967	340,975
Internal Balances	(533)	533	-	-
Due from Primary Government	-	-	-	617
Investments	2,930,112	123,138	3,053,250	1,778,527
Loans Receivable	280,010	-	280,010	35,694
Investment in Joint Venture	-	-	-	282,013
Other Assets	16,318	3,696	20,014	52,138
Restricted Assets:				
Cash and Cash Equivalents	13,941	-	13,941	362,440
Other	-	2,381	2,381	33,572
Securities Lending Collateral	182,391	7,225	189,616	-
Capital assets:				
Land	557,614	315	557,929	76,255
Infrastructure	7,011,809	-	7,011,809	-
Construction in Progress	82,074	-	82,074	139,629
Land Improvements	-	-	-	186,297
Buildings and Equipment	1,020,548	12,991	1,033,539	2,531,703
Less Accumulated Depreciation	(605,537)	(6,927)	(612,464)	(912,397)
Total Capital Assets, net of depreciation	8,066,508	6,379	8,072,887	2,021,487
Total Assets	\$ 12,653,378	\$ 575,532	\$ 13,228,910	\$ 5,466,407
LIABILITIES				
Accounts Payable and Accrued Liabilities	\$ 483,466	\$ 23,515	\$ 506,981	\$ 168,240
Tax Refunds Payable	370,233	-	370,233	-
Due to Other Governments	23,375	-	23,375	-
Deposits	10,048	-	10,048	14,233
Due to Component Units	617	-	617	-
Unearned Revenue	57,076	2,579	59,655	120,974
Obligations under Securities Lending	182,391	7,225	189,616	-
Noncurrent Liabilities:				
Due within one year	294,843	32,565	327,408	111,578
Due in more than one year	202,529	20,872	223,401	700,479
Total Liabilities	\$ 1,624,578	\$ 86,756	\$ 1,711,334	\$ 1,115,504
NET ASSETS				
Invested in Capital Assets, net of related debt	\$ 8,041,150	\$ 6,379	\$ 8,047,529	\$ 1,193,428
Restricted for:				
Education	19,645	-	19,645	1,630,571
Health and Social Services	469,339	-	469,339	-
Conservation of Natural Resources	506,970	-	506,970	-
Transportation	262,330	-	262,330	-
Licensing and Regulation	77,753	-	77,753	-
Other Purposes	121,173	2,381	123,554	277,725
Unemployment Insurance Benefits	-	402,754	402,754	-
Debt Service and Construction	10,703	-	10,703	353,227
Permanent Trusts:				
Nonexpendable	478,849	-	478,849	-
Expendable	135,385	-	135,385	-
Unrestricted	905,503	77,262	982,765	895,952
Total Net Assets	\$ 11,028,800	\$ 488,776	\$ 11,517,576	\$ 4,350,903

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

State of Nebraska

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2012

(Dollars in Thousands)

		PROGRAM REVENUES		
FUNCTIONS/PROGRAMS	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
PRIMARY GOVERNMENT:				
Governmental Activities:				
General Government	\$ 460,612	\$ 95,899	\$ 10,931	\$ 334
Conservation of Natural Resources	151,318	32,804	76,650	618
Culture – Recreation	24,752	22,984	3,879	-
Economic Development and Assistance	102,839	4,126	69,884	-
Education	1,570,235	36,831	350,349	-
Higher Education - Colleges and University	557,162	-	-	-
Health and Social Services	3,139,786	120,745	1,693,494	-
Public Safety	366,084	26,322	91,119	14,837
Regulation of Business and Professions	122,211	131,312	4,458	-
Transportation	907,173	110,842	346,061	-
Interest on Long-term Debt	1,204	-	-	-
Total governmental activities	7,403,376	581,865	2,646,825	15,789
Business-type activities:				
Unemployment Insurance	261,750	310,188	-	-
Lottery	113,935	150,612	-	-
Excess Liability	672	5,509	-	-
Cornhusker State Industries	11,621	12,053	-	-
Total business-type activities	387,978	478,362	-	-
Total Primary Government	\$ 7,791,354	\$ 1,060,227	\$ 2,646,825	\$ 15,789
COMPONENT UNITS:				
University of Nebraska	\$ 1,826,480	\$ 885,258	\$ 327,802	\$ 9,940
State Colleges	103,403	38,488	16,179	2,097
Total Component Units	\$ 1,929,883	\$ 923,746	\$ 343,981	\$ 12,037

General revenues:

- Income Taxes
- Sales and Use Taxes
- Petroleum Taxes
- Excise Taxes
- Business and Franchise Taxes
- Other Taxes
- Unrestricted Investment earnings
- Miscellaneous
- Payments from the 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	
\$ (353,448)	\$ -	\$ (353,448)	\$ -
(41,246)	-	(41,246)	-
2,111	-	2,111	-
(28,829)	-	(28,829)	-
(1,183,055)	-	(1,183,055)	-
(557,162)	-	(557,162)	-
(1,325,547)	-	(1,325,547)	-
(233,806)	-	(233,806)	-
13,559	-	13,559	-
(450,270)	-	(450,270)	-
(1,204)	-	(1,204)	-
(4,158,897)	-	(4,158,897)	-
-	48,438	48,438	-
-	36,677	36,677	-
-	4,837	4,837	-
-	432	432	-
-	90,384	90,384	-
(4,158,897)	90,384	(4,068,513)	-
-	-	-	(603,480)
-	-	-	(46,639)
-	-	-	(650,119)
2,064,233	-	2,064,233	-
1,638,610	-	1,638,610	-
322,284	-	322,284	-
136,825	-	136,825	-
73,849	-	73,849	-
9,818	-	9,818	-
92,037	16,237	108,274	63,039
-	-	-	222,098
-	-	-	557,162
17,719	-	17,719	-
36,075	(36,075)	-	-
4,391,450	(19,838)	4,371,612	842,299
232,553	70,546	303,099	192,180
10,796,247	418,230	11,214,477	4,158,723
\$ 11,028,800	\$ 488,776	\$ 11,517,576	\$ 4,350,903

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

State of Nebraska
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2012

(Dollars in Thousands)

	GENERAL FUND	HIGHWAY FUND	FEDERAL FUND	HEALTH AND SOCIAL SERVICES	PERMANENT SCHOOL FUND	NONMAJOR FUNDS	TOTALS
ASSETS:							
Cash and Cash Equivalents	\$ 34,074	\$ 7,632	\$ 2,688	\$ 2,354	\$ 4,291	\$ 31,265	\$ 82,304
Cash on Deposit with Fiscal Agents	-	-	-	-	-	13,941	13,941
Investments	964,295	232,260	87,394	439,628	578,552	627,983	2,930,112
Securities Lending Collateral	62,719	15,106	6,142	26,344	31,861	40,219	182,391
Receivables, net of allowance							
Taxes	368,445	52,596	-	-	-	833	421,874
Due from Federal Government	3	49,101	265,565	-	-	1,240	315,909
Loans	-	-	12,166	165	-	267,679	280,010
Other	37,516	9,831	41,455	33,752	49,778	13,666	185,998
Due from Other Funds	60,962	572	227	1,626	-	3,393	66,780
Inventories	945	8,885	2,087	332	-	628	12,877
Prepaid Items	8	8	4	-	-	135	155
Other	492	-	-	-	-	1,149	1,641
TOTAL ASSETS	\$ 1,529,459	\$ 375,991	\$ 417,728	\$ 504,201	\$ 664,482	\$ 1,002,131	\$ 4,493,992
LIABILITIES AND FUND BALANCE							
LIABILITIES:							
Accounts Payable and Accrued Liabilities	\$ 87,315	\$ 75,747	\$ 155,552	7,267	63,303	35,853	425,037
Tax Refunds Payable	360,733	9,473	-	-	-	27	370,233
Due to Other Governments	10,878	11,325	-	-	-	1,172	23,375
Deposits	493	1,007	5,976	266	239	2,067	10,048
Due to Other Funds	35,624	1,161	68,575	506	9	7,030	112,905
Due to Component Units	617	-	-	-	-	-	617
Obligations under Securities Lending	62,719	15,106	6,142	26,344	31,861	40,219	182,391
Claims Payable	122,480	-	125,935	-	-	-	248,415
Deferred Revenue	33,802	-	46,346	18,548	6,559	-	105,255
TOTAL LIABILITIES	714,661	113,819	408,526	52,931	101,971	86,368	1,478,276
FUND BALANCES:							
Nonspendable:							
Inventories and Prepaid Items	953	8,893	2,091	332	-	763	13,032
Endowment Principal	-	-	-	-	459,334	19,515	478,849
Restricted for:							
Education	-	-	-	-	103,177	22,230	125,407
Health and Social Services	-	-	-	450,297	-	29,335	479,632
Conservation of Natural Resources	-	-	-	-	-	506,970	506,970
Transportation	-	253,279	-	-	-	9,837	263,116
Licensing and Regulation	-	-	-	-	-	77,753	77,753
Economic Development	-	-	-	-	-	33,351	33,351
Public Safety	-	-	-	-	-	33,527	33,527
Culture – Recreation	-	-	-	-	-	18,992	18,992
Other Purposes	-	-	7,111	-	-	43,069	50,180
Debt Service	-	-	-	-	-	10,703	10,703
Committed to:							
Economic Stabilization	383,379	-	-	-	-	-	383,379
Other Purposes	-	-	-	-	-	73,327	73,327
Assigned to:							
Education	-	-	-	-	-	103	103
Health and Social Services	-	-	-	641	-	-	641
Conservation of Natural Resources	-	-	-	-	-	64	64
Licensing and Regulation	-	-	-	-	-	34,112	34,112
Economic Development	-	-	-	-	-	55	55
Culture – Recreation	-	-	-	-	-	64	64
Other Purposes	-	-	-	-	-	1,993	1,993
Unassigned	430,466	-	-	-	-	-	430,466
TOTAL FUND BALANCES	814,798	262,172	9,202	451,270	562,511	915,763	3,015,716
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,529,459	\$ 375,991	\$ 417,728	\$ 504,201	\$ 664,482	\$ 1,002,131	\$ 4,493,992

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, 2012

(Dollars in Thousands)

Total fund balances for governmental funds	\$ 3,015,716
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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	557,614	
Infrastructure	7,011,809	
Construction in progress	82,074	
Other capital assets	938,244	
Accumulated depreciation	<u>(550,351)</u>	8,039,390

Certain tax revenues and charges are earned but not available and therefore are deferred in the funds.	49,021
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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.	81,283
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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:

Capital leases	(3,437)	
Obligations under other financing arrangements	(14,860)	
Compensated absences	(133,127)	
Net pension obligation	(1,170)	
Claims and judgments	<u>(4,016)</u>	<u>(156,610)</u>

Net assets of governmental activities	\$ <u>11,028,800</u>
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State of Nebraska

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

For the Year Ended June 30, 2012

(Dollars in Thousands)

	GENERAL FUND	HIGHWAY FUND	FEDERAL FUND	HEALTH AND SOCIAL SERVICES	PERMANENT SCHOOL FUND	NONMAJOR FUNDS	TOTALS
REVENUES:							
Income Taxes	\$ 2,062,125	\$ -	\$ -	\$ 1,197	\$ -	\$ -	2,063,322
Sales and Use Taxes	1,446,594	183,702	-	-	-	4,050	1,634,346
Petroleum Taxes	-	309,261	-	-	5,011	13,023	327,295
Excise Taxes	73,687	-	-	7,297	-	55,841	136,825
Business and Franchise Taxes	57,412	-	-	-	-	16,437	73,849
Other Taxes	1,147	2,824	-	-	-	5,847	9,818
Federal Grants and Contracts	842	323,654	2,296,301	133	-	41,675	2,662,605
Licenses, Fees and Permits	19,687	87,535	602	55,677	1,411	130,374	295,286
Charges for Services	2,258	20,792	22,316	25,302	-	31,965	102,633
Investment Income	37,275	7,658	3,582	(692)	17,782	22,343	87,948
Rents and Royalties	-	467	16	431	34,686	22,238	57,838
Surcharge	-	-	-	-	-	52,743	52,743
Other	12,144	2,726	1,695	13,697	11,636	30,332	72,230
TOTAL REVENUES	3,713,171	938,619	2,324,512	103,042	70,526	426,868	7,576,738
EXPENDITURES:							
Current:							
General Government	344,034	-	6,502	-	-	69,607	420,143
Conservation of Natural Resources	32,066	-	60,777	-	-	58,127	150,970
Culture – Recreation	5,408	-	2,973	-	-	20,053	28,434
Economic Development and Assistance	7,997	-	70,817	-	-	24,088	102,902
Education	1,158,746	-	350,370	-	53,400	19,440	1,581,956
Higher Education - Colleges and University	544,496	-	-	-	-	12,666	557,162
Health and Social Services	1,297,406	-	1,718,717	120,743	-	2,176	3,139,042
Public Safety	239,005	-	103,732	-	-	36,245	378,982
Regulation of Business and Professions	3,569	-	4,264	-	-	114,192	122,025
Transportation	-	907,565	406	-	-	24,474	932,445
Capital Projects	-	-	-	-	-	28,123	28,123
Debt Service:							
Principal	-	-	-	-	-	2,865	2,865
Interest	-	-	-	-	-	684	684
TOTAL EXPENDITURES	3,632,727	907,565	2,318,558	120,743	53,400	412,740	7,445,733
Excess (Deficiency) of Revenues Over (Under) Expenditures	80,444	31,054	5,954	(17,701)	17,126	14,128	131,005
OTHER FINANCING SOURCES (USES):							
Transfers In	48,117	24,292	-	906	-	97,358	170,673
Transfers Out	(47,210)	(6,560)	(5,400)	(3,400)	-	(72,028)	(134,598)
Proceeds from Other Financing Arrangements	-	-	-	-	-	1,505	1,505
TOTAL OTHER FINANCING SOURCES (USES)	907	17,732	(5,400)	(2,494)	-	26,835	37,580
Net Change in Fund Balances	81,351	48,786	554	(20,195)	17,126	40,963	168,585
FUND BALANCES, JULY 1	733,447	213,386	8,648	471,465	545,385	874,800	2,847,131
FUND BALANCES, JUNE 30	\$ 814,798	\$ 262,172	\$ 9,202	\$ 451,270	\$ 562,511	\$ 915,763	\$ 3,015,716

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, 2012

(Dollars in Thousands)

Net change in fund balances—total governmental funds	\$	168,585
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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	116,257	
Capital assets sold	(5,656)	
Depreciation expense	<u>(52,922)</u>	57,679

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	(1,505)	(1,505)
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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:

Other financing arrangement payments	2,865	
Capital lease payments	<u>2,392</u>	5,257

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.

6,902

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.

5,156

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:

Increase in compensated absences	(8,882)	
Increase in net pension obligation	(1,170)	
Decrease in claims and judgments	<u>531</u>	<u>(9,521)</u>

Change in net assets of governmental activities	\$	<u>232,553</u>
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State of Nebraska
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2012

(Dollars in Thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
	UNEMPLOYMENT INSURANCE	NONMAJOR ENTERPRISE FUNDS	TOTALS	
ASSETS				
CURRENT ASSETS:				
Cash and Cash Equivalents	\$ 331,670	\$ 36,837	\$ 368,507	\$ 154,919
Receivables, net of allowance	45,157	18,516	63,673	4,231
Due from Other Funds	-	637	637	16,433
Inventories	-	3,103	3,103	433
Prepaid Items	-	100	100	1,212
Other	-	493	493	-
TOTAL CURRENT ASSETS	<u>376,827</u>	<u>59,686</u>	<u>436,513</u>	<u>177,228</u>
NONCURRENT ASSETS:				
Restricted Long-Term Deposits	-	2,381	2,381	-
Long-Term Investments	53,751	69,387	123,138	-
Securities Lending Collateral	3,496	3,729	7,225	-
Capital Assets:				
Land	-	315	315	-
Buildings and Equipment	761	12,230	12,991	82,304
Less Accumulated Depreciation	(674)	(6,253)	(6,927)	(55,186)
Total Capital Assets, net	<u>87</u>	<u>6,292</u>	<u>6,379</u>	<u>27,118</u>
TOTAL NONCURRENT ASSETS	<u>57,334</u>	<u>81,789</u>	<u>139,123</u>	<u>27,118</u>
TOTAL ASSETS	<u>\$ 434,161</u>	<u>\$ 141,475</u>	<u>\$ 575,636</u>	<u>\$ 204,346</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES:				
Accounts Payable and Accrued Liabilities	\$ 1,024	\$ 22,491	\$ 23,515	\$ 29,066
Due to Other Funds	-	104	104	808
Capital Lease Obligations	-	-	-	5,247
Claims, Judgments and Compensated Absences	26,794	5,771	32,565	27,827
Unearned Revenue	-	2,579	2,579	842
TOTAL CURRENT LIABILITIES	<u>27,818</u>	<u>30,945</u>	<u>58,763</u>	<u>63,790</u>
NONCURRENT LIABILITIES:				
Capital Lease Obligations	-	-	-	16,674
Claims, Judgments and Compensated Absences	6	20,866	20,872	42,599
Obligations under Securities Lending	3,496	3,729	7,225	-
TOTAL NONCURRENT LIABILITIES	<u>3,502</u>	<u>24,595</u>	<u>28,097</u>	<u>59,273</u>
TOTAL LIABILITIES	<u>31,320</u>	<u>55,540</u>	<u>86,860</u>	<u>123,063</u>
NET ASSETS:				
Invested in Capital Assets, net of related debt	87	6,292	6,379	5,197
Restricted for:				
Lottery Prizes, Noncurrent	-	2,381	2,381	-
Unemployment Insurance Benefits	402,754	-	402,754	-
Unrestricted	-	77,262	77,262	76,086
TOTAL NET ASSETS	<u>402,841</u>	<u>85,935</u>	<u>488,776</u>	<u>81,283</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 434,161</u>	<u>\$ 141,475</u>	<u>\$ 575,636</u>	<u>\$ 204,346</u>

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, 2012

(Dollars in Thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
	UNEMPLOYMENT INSURANCE	NONMAJOR ENTERPRISE FUNDS	TOTALS	
OPERATING REVENUES:				
Charges for Services	\$ 310,188	\$ 168,174	\$ 478,362	\$ 360,027
Other	-	-	-	1,206
TOTAL OPERATING REVENUES	310,188	168,174	478,362	361,233
OPERATING EXPENSES:				
Personal Services	2,202	5,899	8,101	36,431
Services and Supplies	4,298	32,062	36,360	116,059
Lottery Prizes	-	87,393	87,393	-
Unemployment Claims	255,176	-	255,176	-
Insurance Claims	-	396	396	197,160
Depreciation	74	456	530	8,071
TOTAL OPERATING EXPENSES	261,750	126,206	387,956	357,721
Operating Income (Loss)	48,438	41,968	90,406	3,512
NONOPERATING REVENUES (EXPENSES):				
Investment Income	10,758	5,479	16,237	4,089
Gain (Loss) on Sale of Capital Assets	-	(22)	(22)	(291)
Other	-	-	-	(408)
TOTAL NONOPERATING REVENUES (EXPENSES)	10,758	5,457	16,215	3,390
Income (Loss) Before Transfers	59,196	47,425	106,621	6,902
Transfers Out	-	(36,075)	(36,075)	-
Change in Net Assets	59,196	11,350	70,546	6,902
NET ASSETS, JULY 1	343,645	74,585	418,230	74,381
NET ASSETS, JUNE 30	\$ 402,841	\$ 85,935	\$ 488,776	\$ 81,283

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, 2012

(Dollars in Thousands)	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
	UNEMPLOYMENT INSURANCE	NONMAJOR ENTERPRISE FUNDS	TOTALS	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash Received from Customers	\$ 317,208	\$ 156,913	\$ 474,121	\$ 20,560
Cash Received from Interfund Charges	-	10,816	10,816	336,728
Cash Paid to Employees	(2,216)	(5,923)	(8,139)	(36,199)
Cash Paid to Suppliers	(4,301)	(33,152)	(37,453)	(104,070)
Cash Paid for Lottery Prizes	-	(86,393)	(86,393)	-
Cash Paid for Insurance Claims	(265,854)	(9,170)	(275,024)	(198,474)
Cash Paid for Interfund Services	(6)	(1,137)	(1,143)	(9,512)
NET CASH FLOWS FROM OPERATING ACTIVITIES	44,831	31,954	76,785	9,033
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers Out	-	(36,075)	(36,075)	-
NET CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	-	(36,075)	(36,075)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition and Construction of Capital Assets	-	(127)	(127)	(3,701)
Proceeds from Sale of Capital Assets	-	5	5	1,804
Principal Paid on Capital Leases	-	-	-	(4,723)
Interest Paid on Capital Leases	-	-	-	(408)
NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	-	(122)	(122)	(7,028)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchase of Investment Securities	-	(117,425)	(117,425)	-
Proceeds from Sale of Investment Securities	841	118,599	119,440	-
Interest and Dividend Income	10,768	3,193	13,961	4,081
NET CASH FLOWS FROM INVESTING ACTIVITIES	11,609	4,367	15,976	4,081
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	56,440	124	56,564	6,086
CASH AND CASH EQUIVALENTS, JULY 1	275,230	36,713	311,943	148,833
CASH AND CASH EQUIVALENTS, JUNE 30	\$ 331,670	\$ 36,837	\$ 368,507	\$ 154,919

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, 2012

(Dollars in Thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			GOVERNMENTAL
	UNEMPLOYMENT	NONMAJOR		ACTIVITIES -
	INSURANCE	ENTERPRISE	TOTALS	INTERNAL
		FUNDS		SERVICE
				FUNDS
RECONCILIATION OF OPERATING INCOME TO NET CASH				
FLOW FROM OPERATING ACTIVITIES:				
Operating Income (Loss)	\$ 48,438	\$ 41,968	\$ 90,406	\$ 3,512
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:				
Depreciation	74	456	530	8,071
Change in Assets and Liabilities:				
(Increase) Decrease in Receivables	6,873	(859)	6,014	(2,171)
(Increase) Decrease in Due from Other Funds	-	618	618	2,431
(Increase) Decrease in Inventories	-	(482)	(482)	(8)
(Increase) Decrease in Prepaid Items	-	482	482	(8)
(Increase) Decrease in Long-Term Deposits	-	(479)	(479)	-
Increase (Decrease) in Accounts Payable and Accrued Liabilities	162	(629)	(467)	3,562
Increase (Decrease) in Due to Other Funds	(3)	5	2	(5,401)
Increase (Decrease) in Claims Payable	(10,713)	(8,774)	(19,487)	(1,314)
Increase (Decrease) in Unearned Revenue	-	(352)	(352)	359
Total Adjustments	(3,607)	(10,014)	(13,621)	5,521
NET CASH FLOWS FROM OPERATING ACTIVITIES	\$ 44,831	\$ 31,954	\$ 76,785	\$ 9,033
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	\$ -	\$ -	\$ -	\$ 5,165
Change in Fair Value of Investments	-	2,384	2,384	-
Total Noncash Transactions	\$ -	\$ 2,384	\$ 2,384	\$ 5,165

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

State of Nebraska

STATEMENT OF FIDUCIARY NET ASSETS

FIDUCIARY FUNDS

June 30, 2012

(Dollars in Thousands)	PENSION TRUST	PRIVATE PURPOSE TRUST	AGENCY
ASSETS			
Cash and Cash Equivalents	\$ 3,448	\$ 20,217	\$ 91,316
Investments:			
U.S. Treasury Notes and Bonds	252,619	-	-
U.S. Treasury Bills	7,286	-	-
Government Agency Securities	21,782	-	-
Corporate Bonds	608,572	-	-
International Bonds	173,548	-	-
Equity Securities	1,347,932	-	-
Private Equity	346,126	-	-
Options	(565)	-	-
Mortgages	565,252	-	-
Private Real Estate	244,282	-	-
Asset Backed Securities	59,497	-	-
Municipal Bonds	42,876	-	-
Commingled Funds	5,698,552	2,474,940	-
Guaranteed Investment Contracts	117,990	-	-
Short Term Investments	189,458	497	-
Total Investments	9,675,207	2,475,437	-
Securities Lending Collateral	391,719	-	-
Receivables:			
Contributions	24,577	-	-
Interest and Dividends	16,300	536	474
Other	530,838	2	480
Total Receivables	571,715	538	954
Due from Other Funds	30,032	-	-
Capital Assets:			
Buildings and Equipment	23,075	-	-
Less Accumulated Depreciation	(22,981)	-	-
Total Capital Assets, net	94	-	-
Other Assets	-	15,921	-
TOTAL ASSETS	\$ 10,672,215	\$ 2,512,113	\$ 92,270
LIABILITIES			
Accounts Payable and Accrued Liabilities	\$ 669,985	\$ 2,170	\$ 18,989
Due to Other Governments	-	-	49,202
Deposits	-	800	-
Due to Other Funds	57	8	-
Obligations under Securities Lending	391,719	-	-
Accrued Compensated Absences	297	-	-
Other Liabilities	-	-	24,079
TOTAL LIABILITIES	\$ 1,062,058	\$ 2,978	\$ 92,270
NET ASSETS			
Held in Trust for:			
Pension Benefits	\$ 9,610,157	\$ -	\$ -
College Savings Plan	-	2,473,998	-
Other Purposes	-	35,137	-
TOTAL NET ASSETS	\$ 9,610,157	\$ 2,509,135	\$ -

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, 2012

(Dollars in Thousands)

	PENSION TRUST	PRIVATE PURPOSE TRUST
ADDITIONS:		
Contributions:		
Participant Contributions	\$ 207,048	\$ 313,368
Client Contributions	-	140
State Contributions	100,891	-
Political Subdivision Contributions	145,582	-
Court Fees	3,490	-
Total Contributions	<u>457,011</u>	<u>313,508</u>
Investment Income:		
Net Appreciation (Depreciation) in		
Fair Value of Investments	(24,854)	(5,472)
Interest and Dividend Income	129,010	3,751
Securities Lending Income	2,956	-
Total Investment Income	<u>107,112</u>	<u>(1,721)</u>
Investment Expenses	21,377	12,275
Securities Lending Expenses	656	-
Total Investment Expense	<u>22,033</u>	<u>12,275</u>
Net Investment Income	<u>85,079</u>	<u>(13,996)</u>
Escheat Revenue	-	7,566
Other Additions	63	5,724
TOTAL ADDITIONS	<u>542,153</u>	<u>312,802</u>
DEDUCTIONS:		
Benefits	514,440	217,663
Refunds	12,354	-
Amounts Distributed to Outside Parties	-	12,664
Administrative Expenses	6,591	2,063
Other Deductions	5,669	-
TOTAL DEDUCTIONS	<u>539,054</u>	<u>232,390</u>
Change in Net Assets Held in Trust for:		
Pension Benefits	3,099	-
College Savings Plan	-	81,215
Other Purposes	-	(803)
NET ASSETS-BEGINNING OF YEAR	<u>9,607,058</u>	<u>2,428,723</u>
NET ASSETS-END OF YEAR	<u>\$ 9,610,157</u>	<u>\$ 2,509,135</u>

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

State of Nebraska
STATEMENT OF NET ASSETS
COMPONENT UNITS

June 30, 2012

(Dollars in Thousands)

	UNIVERSITY OF NEBRASKA	STATE COLLEGES	TOTALS
ASSETS			
Cash and Cash Equivalents	\$ 531,448	\$ 27,496	\$ 558,944
Receivables, net of allowance			
Loans	33,262	2,432	35,694
Other	337,458	3,517	340,975
Due from Primary Government	-	617	617
Investments	1,741,045	37,482	1,778,527
Investment in Joint Venture	282,013	-	282,013
Other Assets	48,027	4,111	52,138
Restricted Assets:			
Cash and Cash Equivalents	322,527	39,913	362,440
Investments Held by Trustee	33,572	-	33,572
Capital assets:			
Land	74,862	1,393	76,255
Land Improvements	159,630	26,667	186,297
Construction in Progress	118,823	20,806	139,629
Buildings and Equipment	2,345,844	185,859	2,531,703
Less Accumulated Depreciation	(837,218)	(75,179)	(912,397)
Total Capital Assets, net of depreciation	<u>1,861,941</u>	<u>159,546</u>	<u>2,021,487</u>
Total Assets	<u>\$ 5,191,293</u>	<u>\$ 275,114</u>	<u>\$ 5,466,407</u>
LIABILITIES			
Accounts Payable and Accrued Liabilities	\$ 158,892	\$ 9,348	\$ 168,240
Deposits	14,029	204	14,233
Deferred Revenue	120,726	248	120,974
Noncurrent Liabilities:			
Due within one year	99,856	11,722	111,578
Due in more than one year	<u>659,151</u>	<u>41,328</u>	<u>700,479</u>
Total Liabilities	<u>\$ 1,052,654</u>	<u>\$ 62,850</u>	<u>\$ 1,115,504</u>
NET ASSETS			
Invested in Capital Assets, net of related debt	\$ 1,066,258	\$ 127,170	\$ 1,193,428
Restricted for:			
Education	1,630,571	-	1,630,571
Other Purposes	234,999	42,726	277,725
Construction and Debt Service	320,784	32,443	353,227
Unrestricted	<u>886,027</u>	<u>9,925</u>	<u>895,952</u>
Total Net Assets	<u>\$ 4,138,639</u>	<u>\$ 212,264</u>	<u>\$ 4,350,903</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, 2012

(Dollars in Thousands)

	UNIVERSITY OF NEBRASKA	STATE COLLEGES	TOTALS
Operating Expenses:			
Compensation and benefits	\$ 1,140,520	\$ 58,977	\$ 1,199,497
Supplies and materials	260,324	12,192	272,516
Contractual services	124,265	3,755	128,020
Repairs and maintenance	62,366	1,853	64,219
Utilities	34,984	3,760	38,744
Communications	14,377	758	15,135
Depreciation	105,200	6,604	111,804
Scholarships and fellowships	67,820	5,618	73,438
Other	16,624	9,886	26,510
Total Operating Expenses	<u>1,826,480</u>	<u>103,403</u>	<u>1,929,883</u>
Program Revenues:			
Charges for Services	885,258	38,488	923,746
Operating Grants and Contributions	327,802	16,179	343,981
Capital Grants and Contributions	9,940	2,097	12,037
Total Program Revenues	<u>1,223,000</u>	<u>56,764</u>	<u>1,279,764</u>
Net (Expense) Revenue	<u>(603,480)</u>	<u>(46,639)</u>	<u>(650,119)</u>
General Revenue:			
Interest and investment earnings	60,946	2,093	63,039
Miscellaneous	217,960	4,138	222,098
Payments from the State of Nebraska	506,708	50,454	557,162
Total General Revenues	<u>785,614</u>	<u>56,685</u>	<u>842,299</u>
Change in Net Assets	182,134	10,046	192,180
Net Assets - Beginning	<u>3,956,505</u>	<u>202,218</u>	<u>4,158,723</u>
Net Assets - Ending	<u>\$ 4,138,639</u>	<u>\$ 212,264</u>	<u>\$ 4,350,903</u>

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

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2012

(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.

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 may be found on the [State Colleges’](#) website under [Audit Reports](#).

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; 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 University Technology Development Center, formed for the purpose of supporting the research mission of the University and advance technology transfer globally; 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 may be found on the [University’s Accounting and Finance](#) website.

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 \$2,487,282 of restricted net assets, of which \$1,466,749 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.

The State also 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. Reflect 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, 2012, 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 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 more than one year is capitalized. Substantially all initial building costs, land, land improvements, and software 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. Fund Balance. In the governmental fund financial statements, fund balances are classified as nonspendable, restricted or unrestricted (committed, assigned or unassigned). Restricted represents those portions of fund balance where constraints placed on the resources are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Committed fund balance represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Legislature (the highest level of decision making authority for the State by passing a legislative bill), such as an appropriation or legislation. Assigned fund balance is constrained by the Legislature's intent to be used for specific purposes, by directive of the Executive Committee of the Legislature or in some cases by legislation. Unrestricted balances are used in the order listed above when expenditures are made which could be used from any of those categories. The State considers restricted balances to have been spent when both restricted and unrestricted fund balance is available.

The State maintains a stabilization fund reported as committed fund balance. The Cash Reserve Fund is part of the General Fund and was established by State Statute to be used as a reserve when the cash balance of the General Fund is insufficient to meet General Fund current obligations and for legislatively mandated transfers to other funds. Additions to the fund are made when actual General Fund revenues exceed certified projections for a fiscal year.

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, 2012 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, 2012, the carrying amounts of the State's deposits were \$35,590 and the bank balances were \$85,683. 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 \$22,116 at June 30, 2012.

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, 2011. The investment risk disclosures presented below for fiduciary funds represent risks as of June 30, 2012.

The primary government's investments at June 30, 2012 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, 2012

	GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES		FIDUCIARY FUNDS	
	FAIR VALUE	EFFECTIVE DURATION	FAIR VALUE	EFFECTIVE DURATION
Debt Securities				
U.S. Treasury Notes and Bonds	\$ 767,311	4.71	\$ 252,619	7.25
U.S. Treasury Bills	7,666	0.80	7,286	0.55
Government Agency Securities	935,989	2.31	21,782	5.58
Corporate Bonds	1,186,990	4.15	608,572	4.73
International Bonds	4,683	5.51	173,548	8.63
Mortgages	79,109	2.77	565,252	3.64
Asset Backed Securities	1,716	2.62	59,497	4.77
Commingled Funds	150,881	4.40	886,431	4.30
Municipal Bonds	9,351	12.00	42,876	11.50
Guaranteed Investment Contracts	7,254	2.75	117,990	2.75
Short Term Investments	202,550	0.27	189,955	0.09
	3,353,500		2,925,808	
Other Investments				
Equity Securities	63,963		1,347,932	
Private Equity	35,244		346,126	
Commingled Funds	603,466		7,287,061	
Options	(140)		(565)	
Private Real Estate	16,556		244,282	
U.S. Treasury Investment Pool	325,522		-	
Less: Component Unit Investment in State Investment Pool	(646,468)		-	
Total Investments	3,751,643		12,150,644	
Securities Lending Short-term Collateral Investment Pool	189,616		391,719	
Total	\$ 3,941,259		\$ 12,542,363	

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, 2012 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, 2012

	FAIR VALUE	QUALITY RATINGS						
		AAA	AA	A	BBB	BB	B	UNRATED
Govt Agency Securities	\$ 935,989	\$ -	\$ 884,549	\$ -	\$ -	\$ -	\$ -	51,440
Corporate Bonds	1,186,990	84,443	315,815	691,223	70,372	6,823	4,641	13,673
International Bonds	4,683	1,789	967	445	1,356	126	-	-
Mortgages	79,109	6,794	61,990	3,400	961	308	474	5,182
Asset Backed Securities	1,716	17	1,182	16	149	-	352	-
Commingled Funds	150,881	-	-	-	-	-	-	150,881
Short Term Investments	202,550	-	-	3,081	-	-	-	199,469
Municipal Bonds	9,351	1,184	2,734	4,461	-	819	153	-

FIDUCIARY FUND INVESTMENTS AT JUNE 30, 2012

	FAIR VALUE	QUALITY RATINGS						
		AAA	AA	A	BBB	BB	B	UNRATED
Govt Agency Securities	\$ 21,953	\$ 331	\$ 14,024	\$ 5,374	\$ -	\$ -	\$ 489	1,735
Corporate Bonds	618,563	56,972	63,495	206,404	131,243	74,678	62,345	23,426
International Bonds	186,919	89,874	31,980	33,613	23,196	5,915	1,058	1,283
Mortgages	563,809	50,325	392,777	17,938	4,987	2,276	1,896	93,610
Asset Backed Securities	59,300	31,196	10,713	5,640	5,352	229	2,231	3,939
Commingled Funds	909,491	-	-	-	-	-	-	909,491
Short Term Investments	194,641	-	-	-	-	-	-	194,641
Municipal Bonds	42,665	10,314	10,737	19,162	1,186	1,266	-	-

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, 2012, the primary government, except fiduciary funds, had debt securities investments with more than 5 percent of total investments in Federal Farm Credit Bank (10 percent) and Federal Home Loan Bank (10 percent). At June 30, 2012, fiduciary funds had no investments that exceeded 5 percent or more of total investments.

Securities Lending Transactions. The State participates in securities lending transactions, where securities are loaned to broker-dealers and banks with a simultaneous agreement to return the collateral for the same securities in the future. The State's primary custodial bank administers the securities lending program and receives collateral in the form of 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. Securities on loan at year end consisted of United States government obligations, equity securities, corporate bonds, and non-US fixed income. 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 from 26 to 40 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.

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, 2012**

Currency	SHORT TERM INVESTMENTS	EQUITY SECURITIES	DEBT SECURITIES
Australian Dollar	\$ 9	\$ 305	\$ 301
Brazilian Real	293	99	502
Canadian Dollar	2	632	1,788
Columbian Peso	-	-	98
Czech Koruna	-	59	-
Danish Krone	-	90	-
Euro Currency	31	7,212	1,028
Hong Kong Dollar	11	625	-
Indonesian Rupiah	2	95	-
Japanese Yen	44	3,553	-
Mexican Peso	156	427	501
New Zeland Dollar	-	-	180
Norwegian Krone	2	93	-
Philippine Peso	1	66	-
Polish Zloty	-	118	-
Pound Sterling	14	3,595	-
Singapore Dollar	10	597	-
South African Rand	1	30	-
South Korean Won	4	759	-
Swedish Krona	-	378	-
Swiss Franc	2	2,081	-
Thailand Baht	1	190	-
Total	\$ 583	\$ 21,004	\$ 4,398

FIDUCIARY FUND FOREIGN CURRENCY AT JUNE 30, 2012

Currency	SHORT TERM INVESTMENTS	EQUITY SECURITIES	DEBT SECURITIES
Australian Dollar	\$ 618	\$ 15,739	\$ 7,232
Brazilian Real	1,064	5,337	3,515
Canadian Dollar	584	24,821	32,975
Chilean Peso	-	-	476
Columbian Peso	-	-	650
Czech Koruna	-	1,244	-
Danish Krone	-	4,050	-
Euro Currency	6,289	226,561	116,649
Hong Kong Dollar	263	27,519	-
Indonesian Rupiah	-	2,318	-
Japanese Yen	1,822	100,215	25,567
Malaysian Ringgit	110	-	5,350
Mexican Peso	1,129	4,586	15,722
New Zealand Dollar	-	-	1,182
Norwegian Krone	73	2,114	-
Philippine Peso	36	-	1,272
Polish Zloty	270	2,450	-
Pound Sterling	1,187	125,604	27,672
Singapore Dollar	77	11,098	-
South African Rand	74	3,387	-
South Korean Won	14	30,353	-
Swedish Krona	219	13,813	8,879
Swiss Franc	17	56,307	-
Thailand Baht	17	13,303	-
Total	\$ 13,863	\$ 670,819	\$ 247,141

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. 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. All changes in fair value of derivatives are reflected in Investment Income and the fair value of derivatives at June 30, 2012 is reflected in Investments. The fair value balances and notional amounts of investment derivative instruments outstanding at June 30, 2012, classified by type, and the changes in fair value of such derivative instruments for the year then ended are as follows:

DERIVATIVE INVESTMENTS AT JUNE 30, 2012
GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES

Derivative	Fair Value	Change in Fair Value	Notional
Credit Default Swap	\$ 75	\$ (244)	\$ 11,913
Fixed Income Futures	-	1,093	8,400
Fixed Income Options	(139)	253	(21,800)
Futures Options	-	28	-
FX Forwards	101	548	23,401
Interest Rate Swap	991	(1,621)	21,722
Warrants	-	-	1

DERIVATIVE INVESTMENTS AT JUNE 30, 2012
FIDUCIARY FUND

Derivative	Fair Value	Change in Fair Value	Notional
Credit Default Swap	\$ 222	\$ (1,333)	\$ 24,751
Fixed Income Futures	-	3,636	32,704
Fixed Income Options	(587)	1,097	(97,400)
Futures Options	-	113	-
FX Forwards	(146)	8,066	250,138
Interest Rate Swap	3,387	(7,303)	85,963
Rights	-	1	-
Warrants	1	-	6

The change in fair value denotes the net realized and unrealized gains and losses recognized during the period. The fair value of the derivative instruments at June 30, 2012, denotes the market value, with the exception of FX Forwards, which denotes the net realized and unrealized gains and losses recognized during the period. Furthermore, the notional amount for Futures and Options was calculated as contract size times the number of contracts. The State is exposed to credit risk on derivative instruments that are in asset positions. To minimize its exposure to loss related to credit risk, it is the Nebraska Investment Council's policy to require counterparty collateral posting provisions in its non-exchange-traded derivative instruments. These terms require full collateralization of the fair value of derivative instruments in asset positions. Collateral posted is to be in the form of U.S. Treasury securities held by a third-party custodian. The Plans have never failed to access collateral when required.

The aggregate fair value of derivative instruments in asset positions at June 30, 2012, was \$1,089 for Governmental and Business-Type Activities and \$5,471 for the Fiduciary Fund. This represents the maximum loss that would be recognized at the reporting date if all counterparties failed to perform as contracted. There is no collateral held or liabilities included in netting arrangements with those counterparties; therefore, the net exposure to credit risk is \$6,560. Although the State executes derivative instruments with various counterparties, there is net exposure to credit risk of approximately 63 percent for the Governmental and Business-Type Activities and 47 percent for the Fiduciary Fund, held with three counterparties. The counterparties are rated A or AA.

The State is exposed to interest rate risk on its interest rate swaps. Interest rate swaps are agreements between two counterparties to exchange future cash flows. These are generally fixed versus variable flows, and can be either received or paid. These swaps are used to adjust interest rate and yield curve exposure and substitute for physical securities. Long swap positions (receive fixed)

increase exposure to long-term interest rates; short positions (pay fixed) decrease exposure. Counterparty risk is limited to monthly exchanged or netted cash flows. All of the State's interest rate swaps were fixed with a LIBOR (London Interbank Offered Rate) or SIFMA (Securities Industry and Financial Markets Association) reference rate. Foreign currency risk for derivative instruments at June 30, 2012 are as follows:

**DERIVATIVES FOREIGN CURRENCY AT JUNE 30, 2012
GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES**

Currency	Swaps	Forward Contracts	Fixed Income Options
Brazilian Real	\$ 293	\$ 43	\$ -
Canadian Dollar	-	7	-
Yuan Renminbi	-	(19)	-
Euro Currency	191	62	-
Pound Sterling	363	4	-
Mexican Peso	144	(6)	-
Norwegian Krone	-	12	-
Total	<u>\$ 991</u>	<u>\$ 103</u>	<u>\$ -</u>

**DERIVATIVES FOREIGN CURRENCY AT JUNE 30, 2012
FIDUCIARY FUND**

Currency	Swaps	Forward Contracts	Fixed Income Options
Australian Dollar	\$ -	\$ 169	\$ -
Brazilian Real	1,064	130	-
Canadian Dollar	-	(106)	-
Swiss Franc	-	42	-
Yuan Renminbi	-	71	-
Danish Krone	-	(55)	-
Euro Currency	489	683	-
Pound Sterling	1,521	26	-
Japanese Yen	-	(822)	-
South Korean Won	-	90	-
Mexican Peso	590	(490)	-
Norwegian Krone	-	132	-
New Zealand Dollar	-	27	-
Polish Zloty	-	40	-
Swedish Krona	-	(115)	-
Singapore Dollar	-	31	-
Thailand Baht	-	1	-
Total	<u>\$ 3,664</u>	<u>\$ (146)</u>	<u>\$ -</u>

Synthetic Guaranteed Investment Contracts (SGICs). In the fiduciary fund, Defined Contribution Plans, employees are eligible to participate in SGICs. The contracts provided an average crediting rate of 3.40 percent during fiscal year 2012. The fair value of these contracts is \$120,637, and the contract value is \$115,717. The fair value of the wrap contract was \$0. The effective duration and credit rating for the investments underlying the SGICs are presented below. There was no foreign currency risk for the underlying investments.

	EFFECTIVE DURATION	FAIR VALUE	Investments Underlying SGICs Quality Ratings at June 30, 2012					
			AAA	AA	A	BBB	BB	UNRATED
Asset Backed Securities	1.87	\$ 13,021	\$ 12,893	\$ 5	\$ 118	\$ 5	\$ -	-
Corporate Bonds	3.98	48,002	2,772	8,884	21,836	13,802	304	404
Government Agency Securities	4.04	12,616	-	10,184	409	-	-	2,023
International Bonds	2.58	2,792	1,215	835	742	-	-	-
Mortgages	1.87	27,666	4,601	21,084	773	-	-	1,208
Short Term Investments	-	1,501	-	-	-	-	-	1,501
US Treasury Notes	5.08	15,039	-	-	-	-	-	15,039
		<u>\$ 120,637</u>						

A reconciliation of deposits and investments for the State to the basic financial statements at June 30, 2012 is as follows:

Disclosure Regarding Deposits and Investments:

Total Investments	\$ 16,483,622
Carrying amount of Deposits	<u>35,590</u>
Total	<u>\$ 16,519,212</u>

Statement of Net Assets:

Cash and Cash Equivalents	\$ 605,061
Investments	3,053,250
Restricted Cash and Cash Equivalents	13,941
Securities Lending Collateral	189,616

Statement of Fiduciary Net Assets:

Cash and Cash Equivalents	114,981
Investments	12,150,644
Securities Lending Collateral	<u>391,719</u>
Total	<u>\$ 16,519,212</u>

3. Receivables

Receivables are reflected net of allowances for doubtful accounts. The following are such related allowances listed by major fund at June 30, 2012:

Governmental Activities:

General Fund	\$ 89,780
Federal Fund	9,025
Health and Social Services Fund	<u>3,810</u>
Total Governmental Activities	<u>\$ 102,615</u>

Business-type Activities:

Unemployment Insurance	\$ 6,812
Total Business-type Activities	<u>\$ 6,812</u>

Of the taxes and other receivables, \$30,494 and \$18,527, 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.

4. Capital Assets

Capital asset activity for the year ended June 30, 2012 was as follows:

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 553,391	\$ 4,223	\$ -	\$ 557,614
Infrastructure	6,985,740	26,069	-	7,011,809
Construction in progress	69,763	15,702	3,391	82,074
Total capital assets, not being depreciated	7,608,894	45,994	3,391	7,651,497
Capital assets, being depreciated:				
Buildings and improvements	538,163	36,349	11,099	563,413
Equipment	435,284	45,505	23,654	457,135
Total capital assets, being depreciated	973,447	81,854	34,753	1,020,548
Less accumulated depreciation for:				
Buildings and improvements	246,889	15,806	5,694	257,001
Equipment	325,323	45,187	21,974	348,536
Total accumulated depreciation	572,212	60,993	27,668	605,537
Total capital assets, being depreciated, net	401,235	20,861	7,085	415,011
Governmental activities capital assets, net	<u>\$ 8,010,129</u>	<u>\$ 66,855</u>	<u>\$ 10,476</u>	<u>\$ 8,066,508</u>
Business-type activities:				
Unemployment Insurance				
Equipment, being depreciated	\$ 1,067	\$ -	\$ 306	\$ 761
Less accumulated depreciation	906	74	306	674
Total Unemployment Insurance, net	161	(74)	-	87
Nonmajor Enterprise Funds				
Capital assets, not being depreciated:				
Land	315	-	-	315
Total capital assets, not being depreciated	315	-	-	315
Capital assets, being depreciated:				
Buildings and improvements	6,945	-	-	6,945
Equipment	5,229	135	79	5,285
Total capital assets, being depreciated	12,174	135	79	12,230
Less accumulated depreciation for:				
Buildings and improvements	1,848	174	-	2,022
Equipment	3,993	282	44	4,231
Total accumulated depreciation	5,841	456	44	6,253
Total capital assets, being depreciated, net	6,333	(321)	35	5,977
Total Nonmajor Enterprise, net	6,648	(321)	35	6,292
Business-type activities capital assets, net	<u>\$ 6,809</u>	<u>\$ (395)</u>	<u>\$ 35</u>	<u>\$ 6,379</u>

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

Governmental activities:	
General Government	\$ 17,752
Conservation of Natural Resources	1,305
Culture – Recreation	2,158
Economic Development and Assistance	279
Education	11,685
Health and Social Services	1,315
Public Safety	10,286
Regulation of Business and Professions	867
Transportation	15,346
Total depreciation expense - Governmental activities	<u>\$ 60,993</u>

Construction Commitments. At June 30, 2012, the State had contractual commitments of approximately \$734,435 for various highway and building projects. Funding of these future expenditures is expected to be provided as follows:

Federal funds	\$ 365,372
State funds	356,999
Local funds	<u>12,064</u>
	<u>\$ 734,435</u>

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

5. Interfund Balances

Due To/From Other Funds at June 30, 2012 consists of the following:

DUE FROM	DUE TO								TOTALS
	General Fund	Highway Fund	Federal Fund	Health and Social Services	Nonmajor Governmental Funds	Nonmajor Enterprise Funds	Internal Service Funds	Pension Trust	
General Fund	\$ -	\$ 219	\$ 42	\$ 152	\$ 487	\$ 166	\$ 4,529	\$ 30,029	\$ 35,624
Highway Fund	-	-	109	2	131	314	605	-	1,161
Federal Fund	60,171	236	-	1,465	2,659	67	3,974	3	68,575
Health and Social Services	-	4	-	-	1	18	483	-	506
Permanent School Fund	-	-	-	-	-	-	9	-	9
Nonmajor Governmental Funds	791	47	76	7	52	21	6,036	-	7,030
Nonmajor Enterprise Funds	-	11	-	-	-	-	93	-	104
Internal Service Funds	-	55	-	-	62	50	641	-	808
Pension Trust	-	-	-	-	-	-	57	-	57
Private Purpose Trust	-	-	-	-	1	1	6	-	8
TOTALS	<u>\$ 60,962</u>	<u>\$ 572</u>	<u>\$ 227</u>	<u>\$ 1,626</u>	<u>\$ 3,393</u>	<u>\$ 637</u>	<u>\$ 16,433</u>	<u>\$ 30,032</u>	<u>\$ 113,882</u>

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.

Interfund transfers at June 30, 2012 consist of the following:

TRANSFERRED FROM:	TRANSFERRED TO:				TOTALS
	General Fund	Highway Fund	Health and Social Services	Nonmajor Governmental Funds	
General Fund	\$ -	\$ -	\$ -	\$ 47,210	\$ 47,210
Highway Fund	-	-	-	6,560	6,560
Federal Fund	-	-	-	5,400	5,400
Health & Social Services Fund	3,400	-	-	-	3,400
Nonmajor Governmental Funds	44,717	24,292	50	2,969	72,028
Nonmajor Enterprise Funds	-	-	856	35,219	36,075
TOTALS	<u>\$ 48,117</u>	<u>\$ 24,292</u>	<u>\$ 906</u>	<u>\$ 97,358</u>	<u>\$ 170,673</u>

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

6. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities as presented in the financial statements at June 30, 2012 consist 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	\$ 11,845	\$ 4,352	\$ 5,086	\$ 462	\$ -	\$ 3,050	\$ 1,252	\$ 1	\$ 180	\$ 26,228
Payables and Accruals	75,470	65,905	150,466	6,805	63,303	31,879	27,143	991	22,311	444,273
Due to Fiduciary Funds *	-	-	-	-	-	-	30,032	-	-	30,032
Miscellaneous	-	5,490	-	-	-	924	2	32	-	6,448
TOTALS	\$ 87,315	\$ 75,747	\$ 155,552	\$ 7,267	\$ 63,303	\$ 35,853	\$ 58,429	\$ 1,024	\$ 22,491	\$ 506,981

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

7. Noncurrent Liabilities

Changes in noncurrent liabilities for the year ended June 30, 2012 are summarized as follows:

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE	AMOUNTS DUE WITHIN ONE YEAR
Governmental Activities:					
Claims Payable	\$ 255,189	\$ 1,768,425	\$ 1,705,550	\$ 318,064	\$ 275,907
Capital Lease Obligations	27,308	5,165	7,115	25,358	7,677
Obligations Under Other Financing Arrangements	16,220	1,505	2,865	14,860	1,605
Compensated Absences	128,975	22,003	13,058	137,920	9,654
Net Pension Obligation	-	1,217	47	1,170	-
Totals	\$ 427,692	\$ 1,798,315	\$ 1,728,635	\$ 497,372	\$ 294,843
Business-type Activities:					
Unemployment Insurance:					
Claims Payable	\$ 37,507	\$ 255,141	\$ 265,854	\$ 26,794	\$ 26,794
Compensated Absences	19	2	15	6	-
Totals for Unemployment Insurance	37,526	255,143	265,869	26,800	26,794
Nonmajor Enterprise Funds:					
Claims Payable	34,694	396	9,170	25,920	5,721
Compensated Absences	753	37	73	717	50
Totals for Nonmajor Enterprise Funds	35,447	433	9,243	26,637	5,771
Totals for Business-type Activities	\$ 72,973	\$ 255,576	\$ 275,112	\$ 53,437	\$ 32,565

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. Obligations under other financing arrangements have been liquidated in the special revenue funds.

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 (principal and interest) and the present value of future minimum payments for capital leases as of June 30, 2012 are as follows:

YEAR	GOVERNMENTAL ACTIVITIES
2013	\$ 8,088
2014	6,382
2015	4,753
2016	3,684
2017	2,232
2018-2022	1,263
Total Minimum Payments	26,402
Less: Interest and executory costs	1,044
Present value of net minimum payments	<u>\$ 25,358</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, 2012:

	GOVERNMENTAL ACTIVITIES
Equipment	\$ 36,624
Less: accumulated depreciation	(16,481)
Carrying value	<u>\$ 20,143</u>

The minimum annual lease payments for operating leases as of June 30, 2012 are as follows:

YEAR	GOVERNMENTAL ACTIVITIES
2013	\$ 6,737
2014	2,136
2015	1,684
2016	1,473
2017	1,012
2018-2022	3,904
2023-2027	865
2028-2032	365
Total	<u>\$ 18,176</u>

Primary Government operating lease payments for the year ended June 30, 2012 totaled \$13,800.

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, 2012, 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 \$38,960 were received under these and other lease agreements for the year ended June 30, 2012.

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 0.90 percent to 5.70 percent is as follows:

YEAR	PRINCIPAL	INTEREST	TOTAL
2013	\$ 1,605	\$ 610	\$ 2,215
2014	1,665	545	2,210
2015	1,715	476	2,191
2016	2,530	386	2,916
2017	1,395	294	1,689
2018-2022	4,750	749	5,499
2023-2027	1,200	92	1,292
Total	<u>\$ 14,860</u>	<u>\$ 3,152</u>	<u>\$ 18,012</u>

10. 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. The Special Master issued a preliminary report on January 9, 2013 that recommended judgment be entered against Nebraska and in favor of Kansas in the amount of \$5,000.

The State is being sued involving a \$12,000 gain on sale of investments that was received in a prior fiscal year. It is not possible at the present time to determine the outcome of this proceeding.

11. 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. 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 \$11,000 limit with a \$25 deduction per loss. The State insures against property damage, maintaining a policy with a \$250,000 limit and a \$200 deductible 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 \$52,873 at a discounted rate of 2.0 percent (\$6,493).

Changes in the balances of claims liabilities of the Risk Management Internal Service Fund during the years ended June 30, 2012, and 2011, were as follows:

	Fiscal Year	
	2012	2011
Beginning Balance	\$ 64,947	\$ 63,730
Current Year Claims and		
Changes in Estimates	(197,788)	(188,747)
Claim Payments	198,474	189,964
Ending Balance	<u>\$ 65,633</u>	<u>\$ 64,947</u>

12. 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 year ended December 31, 2011.

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, 2011, there were 16,119 active members, 4,878 inactive members, and 737 retirees or beneficiaries receiving benefits. Members contributed \$31,225 and the State contributed \$48,686 during the year ended December 31, 2011, 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 year ended December 31, 2011.

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. Effective April 2011, the age requirement for permanent part time employees decreased to age 18. 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 for the first four and one half percent and 100 percent for the extra one and two percent.

As of December 31, 2011, there were 7,652 active members, 2,099 inactive members, and 315 retirees or beneficiaries receiving benefits. Members contributed \$11,499 and counties contributed \$17,007 during the year ended December 31, 2011, which was equal to required contributions.

School Retirement. The School Retirement System is a cost-sharing multiple-employer defined benefit pension plan with 271 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 8.28% of their compensation through August 31, 2011, increasing to 8.88% from September 1, 2011 through August 31, 2012. On September 1, 2012 the rate increased to 9.78%. 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 one and nine 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 nineteen percent of their monthly salary, and State Patrol contributes nineteen 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							
Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b-a) Unfunded AAL (UAAL) (Excess of Assets over AAL)	(a/b) Funded Ratio	(c) Covered Payroll	((b-a)/c) UAAL (Excess of Assets over AAL) as a Percentage of Covered Payroll	
State Cash Balance							
12/31/2011	\$ 743,971	\$ 813,286	\$ 69,315	91.5%	\$ 458,827	15.1%	
12/31/2010	714,132	762,680	48,548	93.6	449,206	10.8	
12/31/2009	670,592	714,409	43,817	93.9	454,776	9.6	
County Cash Balance							
12/31/2011	\$ 220,663	\$ 240,195	\$ 19,532	91.9%	\$ 193,269	10.1%	
12/31/2010	206,036	221,080	15,044	93.2	183,968	8.2	
12/31/2009	187,110	196,773	9,663	95.1	177,732	5.4	
School							
6/30/2012	\$ 7,358,964	\$ 9,609,157	\$ 2,250,193	76.6%	\$ 1,593,185	141.2%	
6/30/2011	7,267,497	9,039,745	1,772,248	80.4	1,590,226	111.4	
6/30/2010	7,040,909	8,542,119	1,501,210	82.4	1,543,931	97.2	
Judges'							
6/30/2012	\$ 125,928	\$ 137,465	\$ 11,537	91.6%	\$ 19,005	60.7%	
6/30/2011	125,191	128,265	3,074	97.6	18,182	16.9	
6/30/2010	121,406	121,309	(97)	100.1	18,773	(0.5)	
State Patrol							
6/30/2012	\$ 282,811	\$ 362,299	\$ 79,488	78.1%	\$ 25,794	308.2%	
6/30/2011	279,193	339,554	60,361	82.2	26,195	230.4	
6/30/2010	273,307	321,901	48,594	84.9	26,766	181.6	

	STATE CASH BALANCE	COUNTY CASH BALANCE	SCHOOL RETIREMENT	JUDGES' RETIREMENT	STATE PATROL RETIREMENT
Actuarial Valuation Date	12/31/2011	12/31/2011	6/30/2012	6/30/2012	6/30/2012
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	23 years	24 years	27 years	30 years	28 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%	4.0% to 9.0%	4.0%	4.0% to 9.5%

** Includes assumed inflation of 3.25% per year for School, Judges', Patrol and 3.5% for State and County

THREE - YEAR TREND INFORMATION						
YEAR ENDED	ANNUAL PENSION COST (APC)			PERCENTAGE OF APC CONTRIBUTED	NET PENSION OBLIGATION	
	COUNTIES AND SCHOOLS	STATE	TOTAL			
State Cash Balance						
12/31/2011	\$	-	\$ 31,188	\$ 31,188	100%	\$ -
12/31/2010		-	30,837	30,837	100%	-
12/31/2009		-	30,327	30,327	100%	-
County Cash Balance						
12/31/2011	\$	11,908	\$ -	\$ 11,908	100%	\$ -
12/31/2010		11,379	-	11,379	100%	-
12/31/2009		10,559	-	10,559	100%	-
School						
6/30/2012	\$	145,582	\$ 46,896	\$ 192,478	88%	\$ -
6/30/2011		135,328	41,747	177,075	89%	-
6/30/2010		128,845	21,380	150,225	100%	-
Judges'						
6/30/2012	\$	-	\$ 3,484	\$ 3,484	100%	\$ -
6/30/2011		-	3,580	3,580	100%	-
6/30/2010		-	3,615	3,615	100%	-
State Patrol						
6/30/2012	\$	-	\$ 7,730	\$ 7,730	100%	\$ 1,170
6/30/2011		-	7,173	7,173	83%	1,217
6/30/2010		-	6,260	6,260	100%	-

The Net Pension Obligation for the State Patrol Retirement plan decreased by \$47 in 2012. The Annual Pension Cost for the State Patrol Retirement plan was calculated by taking the Annual Required Contribution of \$7,775, adding \$97 interest calculated on the Net Pension Obligation, and subtracting the \$142 adjustment to the Annual Required Contribution.

Equal Retirement Benefit Fund. On January 1, 1984, the Equal Retirement Benefit Fund (ERBF) was created for the State and County Retirement Plans. Each State agency and county participating in the retirement system makes contributions to the fund at least annually, in addition to regular retirement contributions.

Upon retirement, any member with an accumulated account balance based on contributions made prior to January 1, 1984, has the option to convert to an annuity, at which time they are eligible to receive a benefit from the fund. The ERBF benefit is included in the member's regular retirement annuity and is included in the benefit payments reported in the financial statements. The balances of the funds are not included in the financial statements. As of December 31, 2011, there was a balance of \$483 in the State ERBF and a balance of \$288 in the County ERBF.

13. 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, 2012, there was no outstanding debt for either of these purposes.

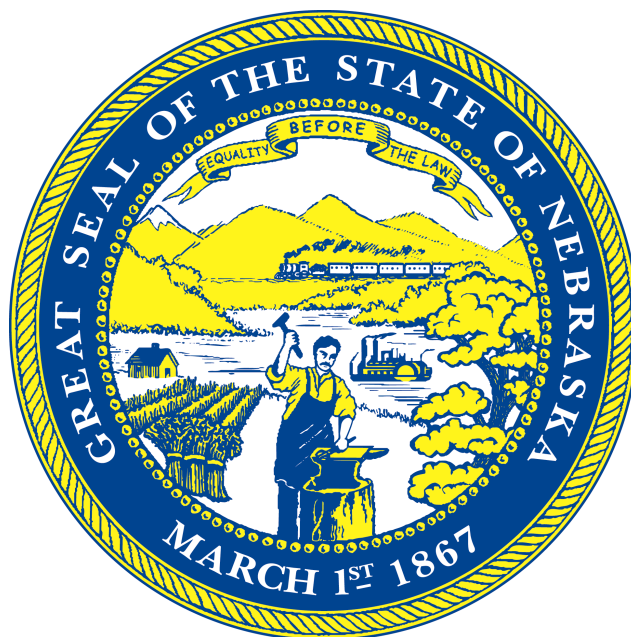
The component units issue bonds for various purposes including student housing, parking facilities and special event centers. Net revenues from student housing and dining facilities, special student fees and parking facilities fees are pledged to secure the appropriate issues.

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.

BONDS PAYABLE COMPONENT UNITS	INTEREST RATES	BALANCE JUNE 30, 2012
University of Nebraska	1.00%-6.00%	\$ 671,305
Nebraska State Colleges	0.30%-5.05%	49,128
Component Units Total		<u>\$ 720,433</u>

COMPONENT UNITS			
DEBT SERVICE REQUIREMENTS TO MATURITY			
YEAR	PRINCIPAL	INTEREST	TOTAL
2013	\$ 43,565	\$ 30,237	\$ 73,802
2014	56,611	29,542	86,153
2015	42,512	27,811	70,323
2016	43,033	26,137	69,170
2017	40,838	23,675	64,513
2018 - 2022	198,874	91,466	290,340
2023 - 2027	103,840	59,522	163,362
2028 - 2032	82,390	37,155	119,545
2033 - 2037	65,025	19,775	84,800
2038 - 2042	39,650	4,915	44,565
2043 - 2047	4,095	102	4,197
Total	<u>\$ 720,433</u>	<u>\$ 350,337</u>	<u>\$ 1,070,770</u>

REQUIRED SUPPLEMENTARY INFORMATION



State of Nebraska

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

For the Year Ended June 30, 2012

(Dollars in Thousands)

	GENERAL FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES:				
Taxes	\$ 3,501,539	\$ 3,553,440	\$ 3,606,329	\$ 52,889
Federal Grants and Contracts	850	850	850	-
Sales and Charges	21,460	21,460	21,460	-
Other	35,616	35,616	35,616	-
TOTAL REVENUES	3,559,465	3,611,366	3,664,255	52,889
EXPENDITURES:				
Current:				
General Government	257,724	256,757	239,160	17,597
Conservation of Natural Resources	46,072	48,123	31,897	16,226
Culture – Recreation	6,008	6,067	5,305	762
Economic Development and Assistance	14,689	14,689	7,231	7,458
Education	1,712,543	1,711,254	1,676,787	34,467
Health and Social Services	1,389,873	1,397,343	1,245,105	152,238
Public Safety	262,205	270,678	236,603	34,075
Regulation of Business and Professions	4,457	4,467	3,620	847
Transportation	-	-	-	-
Capital Projects	5,463	5,463	-	5,463
TOTAL EXPENDITURES	3,699,034	3,714,841	3,445,708	269,133
Excess (Deficiency) of Revenues Over (Under) Expenditures	(139,569)	(103,475)	218,547	322,022
OTHER FINANCING SOURCES (USES):				
Transfers In	231,584	231,584	231,584	-
Transfers Out	(339,366)	(339,366)	(339,366)	-
Other	188	188	188	-
TOTAL OTHER FINANCING SOURCES (USES)	(107,594)	(107,594)	(107,594)	-
 Net Change in Fund Balance	 (247,163)	 (211,069)	 110,953	 322,022
FUND BALANCES, JULY 1	813,487	813,487	813,487	-
FUND BALANCES, JUNE 30	\$ 566,324	\$ 602,418	\$ 924,440	\$ 322,022

A reconciliation of the budgetary basis versus GAAP fund balance for the

General Fund as of June 30, 2012, follows (dollars in thousands):

Actual Fund Balances, budgetary basis, June 30, 2012

General	\$ 495,562
Cash Reserve	428,878
Budgetary fund balances	924,440
DIFFERENCES DUE TO BASIS OF ACCOUNTING:	
Record taxes receivable	368,445
Record tax refund liability	(360,733)
Record State contributions due pension funds	(29,991)
Record claims payable	(122,480)
Record other net accrued receivables and liabilities	35,117
GAAP fund balance, June 30, 2012	\$ 814,798

State of Nebraska

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE

CASH FUNDS

For the Year Ended June 30, 2012

(Dollars in Thousands)

	CASH FUNDS			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES:				
Taxes	\$ 107,341	\$ 107,341	\$ 107,341	\$ -
Federal Grants and Contracts	390,920	390,920	390,920	-
Sales and Charges	533,298	533,298	533,298	-
Other	199,401	199,401	199,401	-
TOTAL REVENUES	<u>1,230,960</u>	<u>1,230,960</u>	<u>1,230,960</u>	<u>-</u>
EXPENDITURES:				
Current:				
General Government	189,789	193,943	182,722	11,221
Conservation of Natural Resources	118,012	120,573	55,096	65,477
Culture – Recreation	28,992	29,236	19,933	9,303
Economic Development and Assistance	52,999	54,146	23,300	30,846
Education	688,065	704,934	441,966	262,968
Health and Social Services	173,871	174,150	121,248	52,902
Public Safety	51,039	51,059	34,524	16,535
Regulation of Business and Professions	150,073	148,673	115,287	33,386
Transportation	800,036	808,851	720,005	88,846
Capital Projects	75,424	75,423	24,347	51,076
TOTAL EXPENDITURES	<u>2,328,300</u>	<u>2,360,988</u>	<u>1,738,428</u>	<u>622,560</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,097,340)</u>	<u>(1,130,028)</u>	<u>(507,468)</u>	<u>622,560</u>
OTHER FINANCING SOURCES (USES):				
Transfers In	1,153,958	1,153,958	1,153,958	-
Transfers Out	(577,530)	(577,530)	(577,530)	-
Other	3,937	3,937	3,937	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>580,365</u>	<u>580,365</u>	<u>580,365</u>	<u>-</u>
 Net Change in Fund Balance	 (516,975)	 (549,663)	 72,897	 622,560
FUND BALANCES, JULY 1	<u>899,524</u>	<u>899,524</u>	<u>899,524</u>	<u>-</u>
FUND BALANCES, JUNE 30	<u>\$ 382,549</u>	<u>\$ 349,861</u>	<u>\$ 972,421</u>	<u>\$ 622,560</u>

A reconciliation of the budgetary basis versus GAAP fund balance for the Major Funds as of June 30, 2012, follows (dollars in thousands):

Actual Fund Balances, budgetary basis, June 30, 2012

Cash	\$ 972,421
Construction	33,027
Federal	91,577
Revolving	332,948
Budgetary fund balances	1,429,973
Unbudgeted fund balances	1,612,573
Non-major fund balances	(1,208,086)
Differences due to basis of accounting	(549,305)
GAAP fund balance, June 30, 2012	<u>\$ 1,285,155</u>
Actual Fund Balances of Major Funds, June 30, 2012	
Highway	\$ 262,172
Federal	9,202
Health and Social Services	451,270
Permanent School	562,511
GAAP fund balance, June 30, 2012	<u>\$ 1,285,155</u>

See independent auditors' report

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE

CONSTRUCTION FUNDS

For the Year Ended June 30, 2012

(Dollars in Thousands)

	CONSTRUCTION FUNDS			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ -
Federal Grants and Contracts	-	-	-	-
Sales and Charges	-	-	-	-
Other	431	431	431	-
TOTAL REVENUES	<u>431</u>	<u>431</u>	<u>431</u>	<u>-</u>
EXPENDITURES:				
Current:				
General Government	-	-	-	-
Conservation of Natural Resources	-	-	-	-
Culture – Recreation	-	-	-	-
Economic Development and Assistance	-	-	-	-
Education	18,298	18,298	802	17,496
Health and Social Services	-	-	-	-
Public Safety	-	-	-	-
Regulation of Business and Professions	-	-	-	-
Transportation	-	-	-	-
Capital Projects	19,136	19,685	12,850	6,835
TOTAL EXPENDITURES	<u>37,434</u>	<u>37,983</u>	<u>13,652</u>	<u>24,331</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(37,003)</u>	<u>(37,552)</u>	<u>(13,221)</u>	<u>24,331</u>
OTHER FINANCING SOURCES (USES):				
Transfers In	25,000	25,000	25,000	-
Transfers Out	-	-	-	-
Other	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>	<u>-</u>
Net Change in Fund Balance	(12,003)	(12,552)	11,779	24,331
FUND BALANCES, JULY 1	<u>21,248</u>	<u>21,248</u>	<u>21,248</u>	<u>-</u>
FUND BALANCES, JUNE 30	<u>\$ 9,245</u>	<u>\$ 8,696</u>	<u>\$ 33,027</u>	<u>\$ 24,331</u>

State of Nebraska

REQUIRED SUPPLEMENTARY INFORMATION **BUDGETARY COMPARISON SCHEDULE** **FEDERAL FUNDS**

For the Year Ended June 30, 2012

(Dollars in Thousands)

	FEDERAL FUNDS			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES:				
Taxes	\$ -	\$ -	\$ -	-
Federal Grants and Contracts	2,658,853	2,658,853	2,658,853	-
Sales and Charges	18,709	18,709	18,709	-
Other	5,892	5,892	5,892	-
TOTAL REVENUES	<u>2,683,454</u>	<u>2,683,454</u>	<u>2,683,454</u>	<u>-</u>
EXPENDITURES:				
Current:				
General Government	7,872	9,642	7,837	1,805
Conservation of Natural Resources	107,475	110,818	71,806	39,012
Culture – Recreation	5,433	7,796	3,003	4,793
Economic Development and Assistance	96,628	110,562	72,327	38,235
Education	1,196,443	1,202,149	974,093	228,056
Health and Social Services	1,689,875	1,696,946	1,446,819	250,127
Public Safety	180,691	195,578	106,069	89,509
Regulation of Business and Professions	5,021	11,433	4,246	7,187
Transportation	-	-	-	-
Capital Projects	144	144	-	144
TOTAL EXPENDITURES	<u>3,289,582</u>	<u>3,345,068</u>	<u>2,686,200</u>	<u>658,868</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(606,128)</u>	<u>(661,614)</u>	<u>(2,746)</u>	<u>658,868</u>
OTHER FINANCING SOURCES (USES):				
Transfers In	33,166	33,166	33,166	-
Transfers Out	(33,376)	(33,376)	(33,376)	-
Other	5,017	5,017	5,017	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>4,807</u>	<u>4,807</u>	<u>4,807</u>	<u>-</u>
Net Change in Fund Balance	(601,321)	(656,807)	2,061	658,868
FUND BALANCES, JULY 1	<u>89,516</u>	<u>89,516</u>	<u>89,516</u>	<u>-</u>
FUND BALANCES, JUNE 30	<u>\$ (511,805)</u>	<u>\$ (567,291)</u>	<u>\$ 91,577</u>	<u>\$ 658,868</u>

State of Nebraska

REQUIRED SUPPLEMENTARY INFORMATION **BUDGETARY COMPARISON SCHEDULE** **REVOLVING FUNDS**

For the Year Ended June 30, 2012

(Dollars in Thousands)

	REVOLVING FUNDS			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES:				
Taxes	\$ -	\$ -	\$ -	-
Federal Grants and Contracts	1,999	1,999	1,999	-
Sales and Charges	554,554	554,554	554,554	-
Other	174,581	174,581	174,581	-
TOTAL REVENUES	731,134	731,134	731,134	-
EXPENDITURES:				
Current:				
General Government	221,645	221,872	176,239	45,633
Conservation of Natural Resources	-	-	-	-
Culture – Recreation	-	-	-	-
Economic Development and Assistance	555	555	497	58
Education	850,475	917,325	503,918	413,407
Health and Social Services	-	-	-	-
Public Safety	20,407	20,407	14,450	5,957
Regulation of Business and Professions	-	-	-	-
Transportation	-	-	-	-
Capital Projects	-	-	-	-
TOTAL EXPENDITURES	1,093,082	1,160,159	695,104	465,055
Excess (Deficiency) of Revenues Over (Under) Expenditures	(361,948)	(429,025)	36,030	465,055
OTHER FINANCING SOURCES (USES):				
Transfers In	50,951	50,951	50,951	-
Transfers Out	(50,808)	(50,808)	(50,808)	-
Other	2,157	2,157	2,157	-
TOTAL OTHER FINANCING SOURCES (USES)	2,300	2,300	2,300	-
Net Change in Fund Balance	(359,648)	(426,725)	38,330	465,055
FUND BALANCES, JULY 1	294,618	294,618	294,618	-
FUND BALANCES, JUNE 30	\$ (65,030)	\$ (132,107)	\$ 332,948	\$ 465,055

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2012

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 2012, the Legislature passed deficit appropriation bills that increased the allowable expenditure level in several of the programs.

For the year ended June 30, 2012, 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, 2012

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).

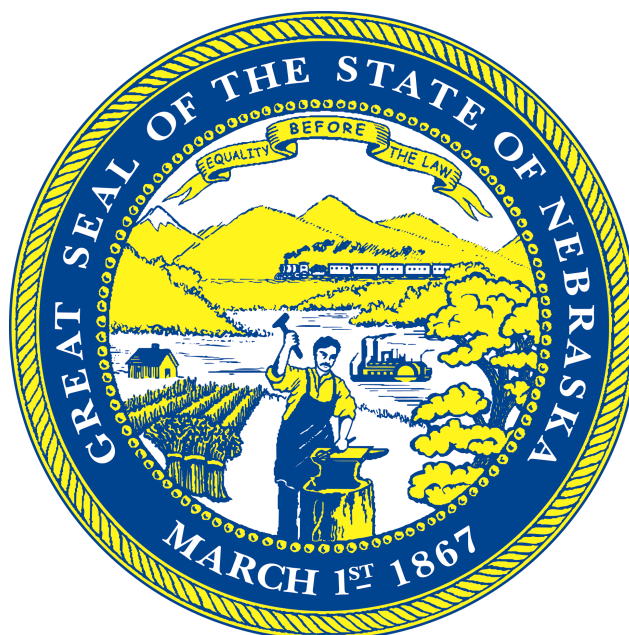
<u>Calendar Year</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Very Good	33%	31%	32%	32%	33%	42%
Good	41%	44%	47%	47%	49%	38%
Fair	23%	22%	19%	19%	17%	19%
Poor	3%	3%	2%	2%	1%	1%
Overall System Rating	80	80	81	82	82	83

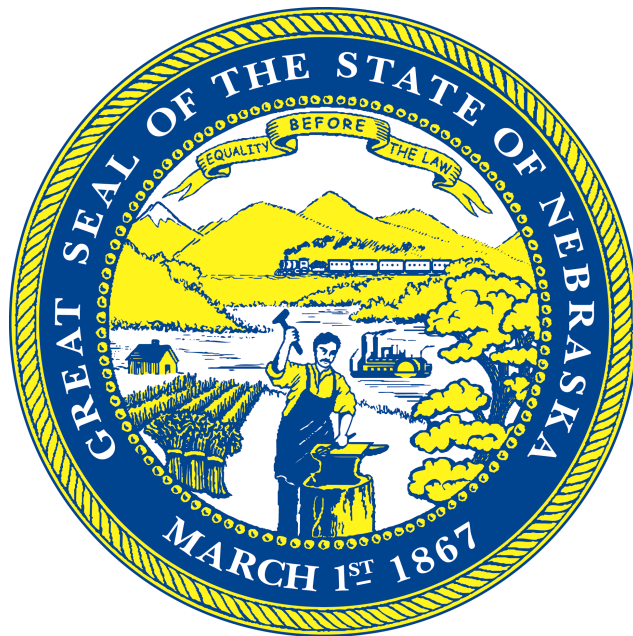
Estimated and Actual Costs to Maintain

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). 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 80 actual).

<u>Fiscal Year</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Estimated	\$ 313	\$ 288	\$ 267	\$ 211	\$ 206	\$ 155
Actual		278	218	270	239	208
Difference		(10)	(49)	59	33	53

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.

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, 2012

(Dollars in Thousands)

	SPECIAL REVENUE	CAPITAL PROJECTS	PERMANENT FUNDS	TOTALS
ASSETS:				
Cash and Cash Equivalents	\$ 24,081	\$ 2,538	\$ 4,646	\$ 31,265
Cash on Deposit with Fiscal Agents	13,941	-	-	13,941
Investments	504,337	76,013	47,633	627,983
Securities Lending Collateral	32,716	4,944	2,559	40,219
Receivables, net of allowance				
Taxes	833	-	-	833
Due from Federal Government	1,240	-	-	1,240
Loans	267,679	-	-	267,679
Other	9,478	445	3,743	13,666
Due from Other Funds	3,393	-	-	3,393
Inventories	628	-	-	628
Prepaid Items	135	-	-	135
Other	1,149	-	-	1,149
TOTAL ASSETS	\$ 859,610	\$ 83,940	\$ 58,581	\$ 1,002,131
LIABILITIES AND FUND BALANCES:				
LIABILITIES:				
Accounts Payable and Accrued Liabilities	\$ 26,261	\$ 5,293	\$ 4,299	\$ 35,853
Tax Refunds Payable	27	-	-	27
Due to Other Governments	1,172	-	-	1,172
Deposits	2,067	-	-	2,067
Due to Other Funds	7,028	2	-	7,030
Obligations under Securities Lending	32,716	4,944	2,559	40,219
TOTAL LIABILITIES	69,271	10,239	6,858	86,368
FUND BALANCES:				
Nonspendable:				
Inventories and Prepaid Items	763	-	-	763
Endowment Principal	-	-	19,515	19,515
Restricted for:				
Education	19,645	-	2,585	22,230
Health and Social Services	515	-	28,820	29,335
Conservation of Natural Resources	506,970	-	-	506,970
Transportation	9,051	-	786	9,837
Licensing and Regulation	77,753	-	-	77,753
Economic Development	33,351	-	-	33,351
Public Safety	33,527	-	-	33,527
Culture – Recreation	18,992	-	-	18,992
Other Purposes	42,678	374	17	43,069
Debt Service	10,703	-	-	10,703
Committed to:				
Other Purposes	-	73,327	-	73,327
Assigned to:				
Education	103	-	-	103
Conservation of Natural Resources	64	-	-	64
Licensing and Regulation	34,112	-	-	34,112
Economic Development	55	-	-	55
Culture – Recreation	64	-	-	64
Other Purposes	1,993	-	-	1,993
TOTAL FUND BALANCES	790,339	73,701	51,723	915,763
TOTAL LIABILITIES AND FUND BALANCES	\$ 859,610	\$ 83,940	\$ 58,581	\$ 1,002,131

State of Nebraska

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

For the Year Ended June 30, 2012

(Dollars in Thousands)

	SPECIAL REVENUE	CAPITAL PROJECTS	PERMANENT FUNDS	TOTALS
REVENUES:				
Sales and Use Taxes	\$ 4,050	\$ -	\$ -	\$ 4,050
Petroleum Taxes	13,023	-	-	13,023
Excise Taxes	46,678	9,163	-	55,841
Business and Franchise Taxes	16,437	-	-	16,437
Other Taxes	5,847	-	-	5,847
Federal Grants and Contracts	41,675	-	-	41,675
Licenses, Fees and Permits	130,374	-	-	130,374
Charges for Services	31,956	9	-	31,965
Investment Income	17,991	2,432	1,920	22,343
Rents and Royalties	14,335	7,903	-	22,238
Surcharge	52,743	-	-	52,743
Other	30,332	-	-	30,332
TOTAL REVENUES	405,441	19,507	1,920	426,868
EXPENDITURES:				
Current:				
General Government	69,605	-	2	69,607
Conservation of Natural Resources	58,127	-	-	58,127
Culture – Recreation	20,053	-	-	20,053
Economic Development and Assistance	24,088	-	-	24,088
Education	19,342	-	98	19,440
Higher Education - Colleges and University	-	12,666	-	12,666
Health and Social Services	1,382	-	794	2,176
Public Safety	36,245	-	-	36,245
Regulation of Business and Professions	114,192	-	-	114,192
Transportation	24,471	-	3	24,474
Capital Projects	-	28,123	-	28,123
Debt Service:				
Principal	2,865	-	-	2,865
Interest	684	-	-	684
TOTAL EXPENDITURES	371,054	40,789	897	412,740
Excess (Deficiency) of Revenues Over (Under) Expenditures	34,387	(21,282)	1,023	14,128
OTHER FINANCING SOURCES (USES):				
Transfers In	72,358	25,000	-	97,358
Transfers Out	(71,455)	-	(573)	(72,028)
Proceeds from Other Financing Arrangements	1,505	-	-	1,505
TOTAL OTHER FINANCING SOURCES (USES)	2,408	25,000	(573)	26,835
Net Change in Fund Balances	36,795	3,718	450	40,963
FUND BALANCES, JULY 1	753,544	69,983	51,273	874,800
FUND BALANCES, JUNE 30	\$ 790,339	\$ 73,701	\$ 51,723	\$ 915,763

State of Nebraska

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

June 30, 2012

(Dollars in Thousands)

	LICENSING AND REGULATION	ECONOMIC DEVELOPMENT	AIRPORT DEVELOPMENT
ASSETS:			
Cash and Cash Equivalents	\$ 3,605	\$ 1,007	\$ 6,939
Cash on Deposit with Fiscal Agents	-	-	-
Investments	109,794	31,817	-
Securities Lending Collateral	7,141	2,069	-
Receivables, net of allowance:			
Taxes	698	-	128
Due from Federal Government	-	-	-
Loans	-	144	1,947
Other	3,083	1,146	134
Due from Other Funds	20	-	41
Inventories	-	-	-
Prepaid Items	2	-	3
Other	-	1,130	-
TOTAL ASSETS	\$ 124,343	\$ 37,313	\$ 9,192
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts Payable and Accrued Liabilities	\$ 5,650	\$ 1,260	\$ 123
Tax Refunds Payable	27	-	-
Due to Other Governments	9	-	-
Deposits	930	1,130	-
Due to Other Funds	213	33	15
Obligations under Securities Lending	7,141	2,069	-
TOTAL LIABILITIES	13,970	4,492	138
FUND BALANCES:			
Nonspendable:			
Inventories and Prepaid Items	2	-	3
Restricted for:			
Education	-	-	-
Health and Social Services	-	-	-
Conservation of Natural Resources	-	-	-
Transportation	-	-	9,051
Licensing and Regulation	77,649	-	-
Economic Development	-	32,766	-
Public Safety	-	-	-
Culture – Recreation	-	-	-
Other Purposes	-	-	-
Debt Service	-	-	-
Assigned to:			
Education	-	-	-
Conservation of Natural Resources	-	-	-
Licensing and Regulation	32,722	-	-
Economic Development	-	55	-
Culture – Recreation	-	-	-
Other Purposes	-	-	-
TOTAL FUND BALANCES	110,373	32,821	9,054
TOTAL LIABILITIES AND FUND BALANCES	\$ 124,343	\$ 37,313	\$ 9,192

GAME AND PARKS	ENVIRONMENTAL QUALITY	ENERGY CONSERVATION	OTHER SPECIAL REVENUE	TOTALS
\$ 3,186	\$ 3,867	\$ 651	\$ 4,826	\$ 24,081
-	10,703	-	3,238	13,941
93,427	122,141	20,628	126,530	504,337
6,065	7,944	1,342	8,155	32,716
-	7	-	-	833
1,154	-	-	86	1,240
-	245,189	15,349	5,050	267,679
2,121	996	174	1,824	9,478
1,163	-	-	2,169	3,393
-	-	-	628	628
41	-	-	89	135
-	-	-	19	1,149
<u>\$ 107,157</u>	<u>\$ 390,847</u>	<u>\$ 38,144</u>	<u>\$ 152,614</u>	<u>\$ 859,610</u>
\$ 8,266	\$ 240	\$ 4	\$ 10,718	\$ 26,261
-	-	-	-	27
8	-	1,000	155	1,172
-	-	-	7	2,067
244	28	6	6,489	7,028
<u>6,065</u>	<u>7,944</u>	<u>1,342</u>	<u>8,155</u>	<u>32,716</u>
<u>14,583</u>	<u>8,212</u>	<u>2,352</u>	<u>25,524</u>	<u>69,271</u>
41	-	-	717	763
-	-	-	19,645	19,645
-	-	-	515	515
80,799	371,868	35,792	18,511	506,970
-	-	-	-	9,051
-	-	-	104	77,753
-	-	-	585	33,351
-	-	-	33,527	33,527
11,734	-	-	7,258	18,992
-	-	-	42,678	42,678
-	10,703	-	-	10,703
-	-	-	103	103
-	64	-	-	64
-	-	-	1,390	34,112
-	-	-	-	55
-	-	-	64	64
-	-	-	1,993	1,993
<u>92,574</u>	<u>382,635</u>	<u>35,792</u>	<u>127,090</u>	<u>790,339</u>
<u>\$ 107,157</u>	<u>\$ 390,847</u>	<u>\$ 38,144</u>	<u>\$ 152,614</u>	<u>\$ 859,610</u>

State of Nebraska

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

For the Year Ended June 30, 2012

(Dollars in Thousands)

	LICENSING AND REGULATION	ECONOMIC DEVELOPMENT	AIRPORT DEVELOPMENT
REVENUES:			
Sales and Use Taxes	\$ -	\$ 4,050	\$ -
Petroleum Taxes	10,699	551	1,422
Excise Taxes	11,180	26,605	-
Business and Franchise Taxes	4,852	152	-
Other Taxes	-	-	-
Federal Grants and Contracts	215	5	22,002
Licenses, Fees and Permits	64,706	155	7
Charges for Services	2,472	201	719
Investment Income	4,261	1,120	169
Rents and Royalties	-	-	705
Surcharge	52,743	-	-
Other	10,093	451	11
TOTAL REVENUES	161,221	33,290	25,035
EXPENDITURES:			
Current:			
General Government	-	-	-
Conservation of Natural Resources	-	-	-
Culture – Recreation	-	-	-
Economic Development and Assistance	-	20,858	-
Education	-	-	-
Health and Social Services	-	-	-
Public Safety	-	-	-
Regulation of Business and Professions	113,423	-	-
Transportation	-	-	24,471
Debt Service			
Principal	-	-	-
Interest	-	-	-
TOTAL EXPENDITURES	113,423	20,858	24,471
Excess (Deficiency) of Revenues Over (Under) Expenditures	47,798	12,432	564
OTHER FINANCING SOURCES (USES):			
Transfers In	1,700	15,498	231
Transfers Out	(33,550)	(28,915)	-
Proceeds from Other Financing Arrangements	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(31,850)	(13,417)	231
Net Change in Fund Balances	15,948	(985)	795
FUND BALANCES, JULY 1	94,425	33,806	8,259
FUND BALANCES, JUNE 30	\$ 110,373	\$ 32,821	\$ 9,054

GAME AND PARKS	ENVIRONMENTAL QUALITY	ENERGY CONSERVATION	OTHER SPECIAL REVENUE	TOTALS
\$ -	\$ -	\$ -	\$ -	\$ 4,050
-	-	300	51	13,023
1,309	2,521	-	5,063	46,678
-	1,869	-	9,564	16,437
-	-	-	5,847	5,847
9,562	-	-	9,891	41,675
26,845	5,229	-	33,432	130,374
2,148	-	40	26,376	31,956
3,358	4,161	658	4,264	17,991
12,300	-	-	1,330	14,335
-	-	-	-	52,743
2,572	2,564	490	14,151	30,332
58,094	16,344	1,488	109,969	405,441
-	-	-	69,605	69,605
46,415	9,169	722	1,821	58,127
18,427	-	-	1,626	20,053
-	-	-	3,230	24,088
-	-	-	19,342	19,342
-	-	-	1,382	1,382
-	-	-	36,245	36,245
-	-	-	769	114,192
-	-	-	-	24,471
-	2,865	-	-	2,865
-	684	-	-	684
64,842	12,718	722	134,020	371,054
(6,748)	3,626	766	(24,051)	34,387
15,831	5,400	-	33,698	72,358
-	(140)	-	(8,850)	(71,455)
-	1,505	-	-	1,505
15,831	6,765	-	24,848	2,408
9,083	10,391	766	797	36,795
83,491	372,244	35,026	126,293	753,544
\$ 92,574	\$ 382,635	\$ 35,792	\$ 127,090	\$ 790,339

State of Nebraska

COMBINING BALANCE SHEET **NONMAJOR PERMANENT FUNDS**

June 30, 2012

(Dollars in Thousands)

	AERONAUTICS TRUST	NEBRASKA VETERANS AID	PERMANENT ENDOWMENT	AGRICULTURE ENDOWMENT	OTHER	TOTALS
ASSETS:						
Cash and Cash Equivalents	\$ -	\$ 4,169	\$ 360	\$ 105	\$ 12	\$ 4,646
Investments	6,927	37,186	1,018	2,241	261	47,633
Securities Lending Collateral	337	2,030	56	122	14	2,559
Other Receivables, net of allowance	54	3,370	94	202	23	3,743
TOTAL ASSETS	<u>\$ 7,318</u>	<u>\$ 46,755</u>	<u>\$ 1,528</u>	<u>\$ 2,670</u>	<u>\$ 310</u>	<u>\$ 58,581</u>
LIABILITIES AND FUND BALANCES						
LIABILITIES:						
Accounts Payable and Accrued Liabilities	\$ -	\$ 3,905	\$ 114	\$ 251	\$ 29	\$ 4,299
Obligations under Securities Lending	337	2,030	56	122	14	2,559
TOTAL LIABILITIES	<u>337</u>	<u>5,935</u>	<u>170</u>	<u>373</u>	<u>43</u>	<u>6,858</u>
FUND BALANCES:						
Nonspendable:						
Endowment Principal	6,195	12,000	503	722	95	19,515
Restricted for:						
Education	-	-	855	1,575	155	2,585
Health and Social Services	-	28,820	-	-	-	28,820
Transportation	786	-	-	-	-	786
Other Purposes	-	-	-	-	17	17
TOTAL FUND BALANCES	<u>6,981</u>	<u>40,820</u>	<u>1,358</u>	<u>2,297</u>	<u>267</u>	<u>51,723</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 7,318</u>	<u>\$ 46,755</u>	<u>\$ 1,528</u>	<u>\$ 2,670</u>	<u>\$ 310</u>	<u>\$ 58,581</u>

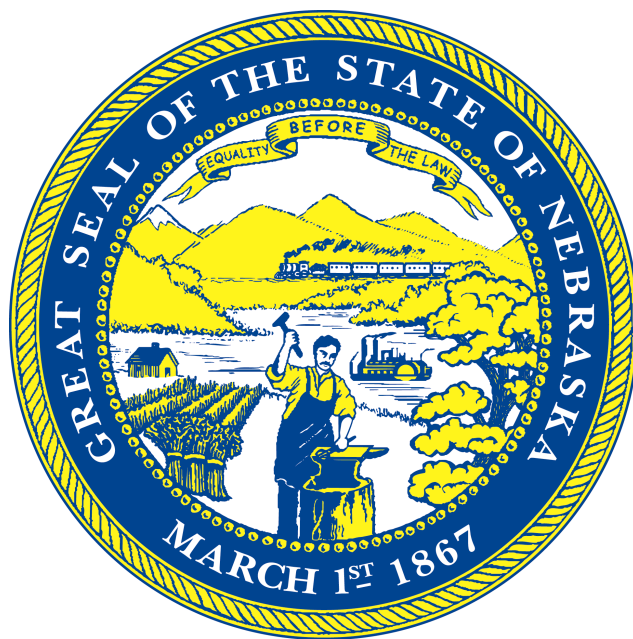
State of Nebraska

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

For the Year Ended June 30, 2012

(Dollars in Thousands)

	AERONAUTICS TRUST	NEBRASKA VETERANS AID	PERMANENT ENDOWMENT	AGRICULTURE ENDOWMENT	OTHER	TOTALS
REVENUES:						
Investment Income	\$ 613	\$ 1,192	\$ 39	\$ 68	\$ 8	\$ 1,920
TOTAL REVENUES	<u>613</u>	<u>1,192</u>	<u>39</u>	<u>68</u>	<u>8</u>	<u>1,920</u>
EXPENDITURES:						
General Government	-	-	-	-	2	2
Education	-	-	29	62	7	98
Health and Social Services	-	794	-	-	-	794
Transportation	3	-	-	-	-	3
TOTAL EXPENDITURES	<u>3</u>	<u>794</u>	<u>29</u>	<u>62</u>	<u>9</u>	<u>897</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	610	398	10	6	(1)	1,023
OTHER FINANCING SOURCES (USES):						
Transfers Out	<u>(231)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(342)</u>	<u>(573)</u>
Net Change in Fund Balances	379	398	10	6	(343)	450
FUND BALANCES, JULY 1	<u>6,602</u>	<u>40,422</u>	<u>1,348</u>	<u>2,291</u>	<u>610</u>	<u>51,273</u>
FUND BALANCES, JUNE 30	<u>\$ 6,981</u>	<u>\$ 40,820</u>	<u>\$ 1,358</u>	<u>\$ 2,297</u>	<u>\$ 267</u>	<u>\$ 51,723</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, 2012

(Dollars in Thousands)

	LOTTERY	EXCESS LIABILITY	CORNHUSKER STATE INDUSTRIES	TOTALS
ASSETS				
CURRENT ASSETS:				
Cash and Cash Equivalents	\$ 5,460	\$ 21,873	\$ 9,504	\$ 36,837
Receivables, net of allowance	5,690	12,503	323	18,516
Due from Other Funds	-	-	637	637
Inventories	-	-	3,103	3,103
Prepaid Items	100	-	-	100
Other	493	-	-	493
TOTAL CURRENT ASSETS	<u>11,743</u>	<u>34,376</u>	<u>13,567</u>	<u>59,686</u>
NONCURRENT ASSETS:				
Restricted Long-Term Deposits	2,381	-	-	2,381
Long-Term Investments	-	69,387	-	69,387
Securities Lending Collateral	-	3,729	-	3,729
Capital Assets:				
Land	-	-	315	315
Buildings and Equipment	357	-	11,873	12,230
Less Accumulated Depreciation	(336)	-	(5,917)	(6,253)
Total Capital Assets, net	<u>21</u>	<u>-</u>	<u>6,271</u>	<u>6,292</u>
TOTAL NONCURRENT ASSETS	<u>2,402</u>	<u>73,116</u>	<u>6,271</u>	<u>81,789</u>
TOTAL ASSETS	<u>\$ 14,145</u>	<u>\$ 107,492</u>	<u>\$ 19,838</u>	<u>\$ 141,475</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES:				
Accounts Payable and Accrued Liabilities	\$ 7,686	\$ 14,444	\$ 361	\$ 22,491
Due to Other Funds	33	-	71	104
Claims, Judgments and Compensated Absences	17	5,721	33	5,771
Unearned Revenue	-	2,579	-	2,579
TOTAL CURRENT LIABILITIES	<u>7,736</u>	<u>22,744</u>	<u>465</u>	<u>30,945</u>
NONCURRENT LIABILITIES:				
Claims, Judgments and Compensated Absences	220	20,199	447	20,866
Obligations under Securities Lending	-	3,729	-	3,729
TOTAL NONCURRENT LIABILITIES	<u>220</u>	<u>23,928</u>	<u>447</u>	<u>24,595</u>
TOTAL LIABILITIES	<u>7,956</u>	<u>46,672</u>	<u>912</u>	<u>55,540</u>
NET ASSETS:				
Invested in Capital Assets, net of related debt	21	-	6,271	6,292
Restricted for:				
Lottery Prizes, Noncurrent	2,381	-	-	2,381
Unrestricted	3,787	60,820	12,655	77,262
TOTAL NET ASSETS	<u>6,189</u>	<u>60,820</u>	<u>18,926</u>	<u>85,935</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 14,145</u>	<u>\$ 107,492</u>	<u>\$ 19,838</u>	<u>\$ 141,475</u>

State of Nebraska

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

For the Year Ended June 30, 2012

(Dollars in Thousands)

	LOTTERY	EXCESS LIABILITY	CORNHUSKER STATE INDUSTRIES	TOTALS
OPERATING REVENUES:				
Charges for Services	\$ 150,612	\$ 5,509	\$ 12,053	\$ 168,174
TOTAL OPERATING REVENUES	<u>150,612</u>	<u>5,509</u>	<u>12,053</u>	<u>168,174</u>
OPERATING EXPENSES:				
Personal Services	1,351	-	4,548	5,899
Services and Supplies	25,175	276	6,611	32,062
Lottery Prizes	87,393	-	-	87,393
Insurance Claims	-	396	-	396
Depreciation	16	-	440	456
TOTAL OPERATING EXPENSES	<u>113,935</u>	<u>672</u>	<u>11,599</u>	<u>126,206</u>
Operating Income (Loss)	<u>36,677</u>	<u>4,837</u>	<u>454</u>	<u>41,968</u>
NONOPERATING REVENUES (EXPENSES):				
Investment Income	306	4,926	247	5,479
Gain (Loss) on Sale of Fixed Assets	-	-	(22)	(22)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>306</u>	<u>4,926</u>	<u>225</u>	<u>5,457</u>
Income (Loss) Before Transfers	36,983	9,763	679	47,425
Transfers Out	<u>(36,075)</u>	<u>-</u>	<u>-</u>	<u>(36,075)</u>
Change in Net Assets	908	9,763	679	11,350
NET ASSETS, JULY 1	<u>5,281</u>	<u>51,057</u>	<u>18,247</u>	<u>74,585</u>
NET ASSETS, JUNE 30	<u>\$ 6,189</u>	<u>\$ 60,820</u>	<u>\$ 18,926</u>	<u>\$ 85,935</u>

State of Nebraska

COMBINING STATEMENT OF CASH FLOWS

NONMAJOR ENTERPRISE FUNDS

For the Year Ended June 30, 2012

(Dollars in Thousands)

	LOTTERY	EXCESS LIABILITY	CORNHUSKER STATE INDUSTRIES	TOTALS
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash Received from Customers	\$ 149,813	\$ 5,157	\$ 1,943	\$ 156,913
Cash Received from Interfund Charges	-	-	10,816	10,816
Cash Paid to Employees	(1,393)	-	(4,530)	(5,923)
Cash Paid to Suppliers	(25,814)	(125)	(7,213)	(33,152)
Cash Paid for Lottery Prizes	(86,393)	-	-	(86,393)
Cash Paid for Insurance Claims	-	(9,170)	-	(9,170)
Cash Paid for Interfund Services	(357)	(172)	(608)	(1,137)
NET CASH FLOWS FROM OPERATING ACTIVITIES	35,856	(4,310)	408	31,954
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers Out	(36,075)	-	-	(36,075)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING:				
Acquisition and Construction of Capital Assets	-	-	(127)	(127)
Proceeds from Sale of Fixed Assets	1	-	4	5
NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	1	-	(123)	(122)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchase of Investment Securities	-	(117,425)	-	(117,425)
Proceeds from Sale of Investment Securities	-	118,599	-	118,599
Interest and Dividend Income	306	2,641	246	3,193
NET CASH FLOWS FROM INVESTING ACTIVITIES	306	3,815	246	4,367
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	88	(495)	531	124
CASH AND CASH EQUIVALENTS, JULY 1	<u>5,372</u>	<u>22,368</u>	<u>8,973</u>	<u>36,713</u>
CASH AND CASH EQUIVALENTS, JUNE 30	<u>\$ 5,460</u>	<u>\$ 21,873</u>	<u>\$ 9,504</u>	<u>\$ 36,837</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES:				
Operating Income (Loss)	\$ 36,677	\$ 4,837	\$ 454	\$ 41,968
Adjustments to reconcile operating income to net cash flows from operating activities:				
Depreciation	16	-	440	456
Change in Assets and Liabilities:				
(Increase) Decrease in Receivables	(947)	-	88	(859)
(Increase) Decrease in Due from Other Funds	-	-	618	618
(Increase) Decrease in Inventories	-	-	(482)	(482)
(Increase) Decrease in Prepaid Items	482	-	-	482
(Increase) Decrease in Long-Term Deposits	(479)	-	-	(479)
Increase (Decrease) in Accounts Payable and Accrued Liabilities	106	(21)	(714)	(629)
Increase (Decrease) in Due to Other Funds	1	-	4	5
Increase (Decrease) in Claims Payable	-	(8,774)	-	(8,774)
Increase (Decrease) in Unearned Revenue	-	(352)	-	(352)
Total adjustments	(821)	(9,147)	(46)	(10,014)
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ 35,856</u>	<u>\$ (4,310)</u>	<u>\$ 408</u>	<u>\$ 31,954</u>
NONCASH TRANSACTIONS (dollars in thousands):				
Noncash transactions are investing and financing activities that affect assets and liabilities but do not result in cash receipts or payments.				
The following noncash transactions occurred during the year:				
Change in Fair Value of Investments	\$ -	\$ 2,384	\$ -	\$ 2,384

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, 2012

(Dollars in Thousands)

	BUILDINGS AND GROUNDS	GENERAL SERVICES	OFFICE OF THE CIO
ASSETS			
CURRENT ASSETS:			
Cash and Cash Equivalents	\$ 13,162	\$ 5,860	\$ 25,766
Receivables, net of allowance			
Accounts	48	46	2,679
Accrued Interest	123	54	202
Due from Other Funds	130	2,214	12,707
Inventories	-	357	76
Prepaid Items	1,108	104	-
TOTAL CURRENT ASSETS	<u>14,571</u>	<u>8,635</u>	<u>41,430</u>
NONCURRENT ASSETS:			
Capital Assets:			
Buildings and Equipment	588	9,422	52,866
Less Accumulated Depreciation	(492)	(6,333)	(37,238)
Total Capital Assets, net	96	3,089	15,628
TOTAL ASSETS	<u>\$ 14,667</u>	<u>\$ 11,724</u>	<u>\$ 57,058</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES:			
Accounts Payable and Accrued Liabilities	\$ 1,631	\$ 2,334	\$ 9,110
Due to Other Funds	151	43	432
Capital Lease Obligations	-	-	5,247
Claims, Judgments and Compensated Absences	41	37	213
Unearned Revenue	-	-	842
TOTAL CURRENT LIABILITIES	<u>1,823</u>	<u>2,414</u>	<u>15,844</u>
NONCURRENT LIABILITIES:			
Capital Lease Obligations	-	-	16,674
Claims, Judgments and Compensated Absences	546	490	2,831
TOTAL NONCURRENT LIABILITIES	<u>546</u>	<u>490</u>	<u>19,505</u>
TOTAL LIABILITIES	<u>2,369</u>	<u>2,904</u>	<u>35,349</u>
NET ASSETS:			
Invested in Capital Assets, net of related debt	96	3,089	(6,293)
Unrestricted	12,202	5,731	28,002
TOTAL NET ASSETS	<u>12,298</u>	<u>8,820</u>	<u>21,709</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 14,667</u>	<u>\$ 11,724</u>	<u>\$ 57,058</u>

TRANSPORTATION SERVICES	RISK MANAGEMENT	ACCOUNTING SERVICES	OTHER INTERNAL SERVICE	TOTALS
\$ 6,087	\$ 97,401	\$ 2,654	\$ 3,989	\$ 154,919
-	3	2	137	2,915
50	785	76	26	1,316
697	6	5	674	16,433
-	-	-	-	433
-	-	-	-	1,212
<u>6,834</u>	<u>98,195</u>	<u>2,737</u>	<u>4,826</u>	<u>177,228</u>
17,257	-	1,445	726	82,304
<u>(9,045)</u>	<u>-</u>	<u>(1,441)</u>	<u>(637)</u>	<u>(55,186)</u>
8,212	-	4	89	27,118
<u>\$ 15,046</u>	<u>\$ 98,195</u>	<u>\$ 2,741</u>	<u>\$ 4,915</u>	<u>\$ 204,346</u>
\$ 1,084	\$ 13,847	\$ 113	\$ 947	\$ 29,066
56	29	84	13	808
-	-	-	-	5,247
8	27,493	22	13	27,827
-	-	-	-	842
<u>1,148</u>	<u>41,369</u>	<u>219</u>	<u>973</u>	<u>63,790</u>
-	-	-	-	16,674
<u>112</u>	<u>38,151</u>	<u>296</u>	<u>173</u>	<u>42,599</u>
<u>112</u>	<u>38,151</u>	<u>296</u>	<u>173</u>	<u>59,273</u>
<u>1,260</u>	<u>79,520</u>	<u>515</u>	<u>1,146</u>	<u>123,063</u>
8,212	-	4	89	5,197
<u>5,574</u>	<u>18,675</u>	<u>2,222</u>	<u>3,680</u>	<u>76,086</u>
<u>13,786</u>	<u>18,675</u>	<u>2,226</u>	<u>3,769</u>	<u>81,283</u>
<u>\$ 15,046</u>	<u>\$ 98,195</u>	<u>\$ 2,741</u>	<u>\$ 4,915</u>	<u>\$ 204,346</u>

State of Nebraska

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

For the Year Ended June 30, 2012

(Dollars in Thousands)

	BUILDINGS AND GROUNDS	GENERAL SERVICES	OFFICE OF THE CIO
OPERATING REVENUES:			
Charges for Services	\$ 33,444	\$ 17,828	\$ 88,507
Other	837	-	-
TOTAL OPERATING REVENUES	<u>34,281</u>	<u>17,828</u>	<u>88,507</u>
OPERATING EXPENSES:			
Personal Services	4,227	3,101	18,574
Services and Supplies	29,542	13,330	61,394
Insurance Claims	-	-	-
Depreciation	13	1,075	4,848
TOTAL OPERATING EXPENSES	<u>33,782</u>	<u>17,506</u>	<u>84,816</u>
 Operating Income (Loss)	 <u>499</u>	 <u>322</u>	 <u>3,691</u>
NONOPERATING REVENUES (EXPENSES):			
Investment Income	360	166	475
Gain (Loss) on Sale of Capital Assets	(221)	(2)	16
Other	-	-	(400)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>139</u>	<u>164</u>	<u>91</u>
 Income (Loss) Before Transfers	 <u>638</u>	 <u>486</u>	 <u>3,782</u>
 Change in Net Assets	 <u>638</u>	 <u>486</u>	 <u>3,782</u>
NET ASSETS, JULY 1	<u>11,660</u>	<u>8,334</u>	<u>17,927</u>
NET ASSETS, JUNE 30	<u>\$ 12,298</u>	<u>\$ 8,820</u>	<u>\$ 21,709</u>

TRANSPORTATION SERVICES	RISK MANAGEMENT	ACCOUNTING SERVICES	OTHER INTERNAL SERVICE	TOTALS
\$ 5,841	\$ 197,701	\$ 4,203	\$ 12,503	\$ 360,027
-	-	3	366	1,206
<u>5,841</u>	<u>197,701</u>	<u>4,206</u>	<u>12,869</u>	<u>361,233</u>
524	165	1,970	7,870	36,431
4,602	252	2,243	4,696	116,059
-	197,160	-	-	197,160
2,101	-	17	17	8,071
<u>7,227</u>	<u>197,577</u>	<u>4,230</u>	<u>12,583</u>	<u>357,721</u>
(1,386)	124	(24)	286	3,512
145	2,671	189	83	4,089
(84)	-	-	-	(291)
(8)	-	-	-	(408)
<u>53</u>	<u>2,671</u>	<u>189</u>	<u>83</u>	<u>3,390</u>
(1,333)	2,795	165	369	6,902
<u>(1,333)</u>	<u>2,795</u>	<u>165</u>	<u>369</u>	<u>6,902</u>
15,119	15,880	2,061	3,400	74,381
<u>\$ 13,786</u>	<u>\$ 18,675</u>	<u>\$ 2,226</u>	<u>\$ 3,769</u>	<u>\$ 81,283</u>

State of Nebraska

COMBINING STATEMENT OF CASH FLOWS

INTERNAL SERVICE FUNDS

For the Year Ended June 30, 2012

(Dollars in Thousands)

	BUILDINGS AND GROUNDS	GENERAL SERVICES	OFFICE OF THE CIO
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Received from Customers	\$ 303	\$ 231	\$ 4,586
Cash Received from Interfund Charges	33,959	17,755	83,353
Cash Paid to Employees	(4,193)	(3,068)	(18,537)
Cash Paid to Suppliers	(28,217)	(13,952)	(53,706)
Cash Paid for Insurance Claims	-	-	-
Cash Paid for Interfund Services	(1,845)	(138)	(4,577)
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>7</u>	<u>828</u>	<u>11,119</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition and Construction of Capital Assets	(29)	(1,274)	-
Proceeds from Sale of Capital Assets	14	6	699
Principal Paid on Capital Leases	-	-	(4,007)
Interest Paid on Capital Leases	-	-	(400)
NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(15)</u>	<u>(1,268)</u>	<u>(3,708)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment Income	<u>354</u>	<u>166</u>	<u>422</u>
NET CASH FLOWS FROM INVESTING ACTIVITIES	<u>354</u>	<u>166</u>	<u>422</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	346	(274)	7,833
CASH AND CASH EQUIVALENTS, JULY 1	<u>12,816</u>	<u>6,134</u>	<u>17,933</u>
CASH AND CASH EQUIVALENTS, JUNE 30	<u>\$ 13,162</u>	<u>\$ 5,860</u>	<u>\$ 25,766</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES:			
Operating Income (Loss)	\$ 499	\$ 322	\$ 3,691
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:			
Depreciation	13	1,075	4,848
Change in Assets and Liabilities:			
(Increase) Decrease in Receivables	(19)	(4)	(2,130)
(Increase) Decrease in Due from Other Funds	-	162	1,203
(Increase) Decrease in Inventories	-	5	(13)
(Increase) Decrease in Prepaid Items	(58)	50	-
Increase (Decrease) in Accounts Payable and Accrued Liabilities	(445)	237	3,036
Increase (Decrease) in Due to Other Funds	17	(1,019)	125
Increase (Decrease) in Claims Payable	-	-	-
Increase (Decrease) in Unearned Revenue	-	-	359
Total Adjustments	<u>(492)</u>	<u>506</u>	<u>7,428</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ 7</u>	<u>\$ 828</u>	<u>\$ 11,119</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	\$ -	\$ -	\$ 5,165

TRANSPORTATION SERVICES	RISK MANAGEMENT	ACCOUNTING SERVICES	OTHER INTERNAL SERVICE	TOTALS
\$ 33	\$ 6,296	\$ 4	\$ 9,107	\$ 20,560
6,690	187,081	4,204	3,686	336,728
(514)	(159)	(1,969)	(7,759)	(36,199)
(2,399)	(38)	(1,573)	(4,185)	(104,070)
-	(198,474)	-	-	(198,474)
<u>(1,694)</u>	<u>(141)</u>	<u>(914)</u>	<u>(203)</u>	<u>(9,512)</u>
<u>2,116</u>	<u>(5,435)</u>	<u>(248)</u>	<u>646</u>	<u>9,033</u>
(2,388)	-	-	(10)	(3,701)
1,085	-	-	-	1,804
(716)	-	-	-	(4,723)
<u>(8)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(408)</u>
<u>(2,027)</u>	<u>-</u>	<u>-</u>	<u>(10)</u>	<u>(7,028)</u>
<u>105</u>	<u>2,762</u>	<u>186</u>	<u>86</u>	<u>4,081</u>
<u>105</u>	<u>2,762</u>	<u>186</u>	<u>86</u>	<u>4,081</u>
194	(2,673)	(62)	722	6,086
<u>5,893</u>	<u>100,074</u>	<u>2,716</u>	<u>3,267</u>	<u>148,833</u>
<u>\$ 6,087</u>	<u>\$ 97,401</u>	<u>\$ 2,654</u>	<u>\$ 3,989</u>	<u>\$ 154,919</u>
<u>\$ (1,386)</u>	<u>\$ 124</u>	<u>\$ (24)</u>	<u>\$ 286</u>	<u>\$ 3,512</u>
2,101	-	17	17	8,071
-	35	-	(53)	(2,171)
882	205	2	(23)	2,431
-	-	-	-	(8)
-	-	-	-	(8)
529	63	(276)	418	3,562
(10)	(4,548)	33	1	(5,401)
-	(1,314)	-	-	(1,314)
-	-	-	-	359
<u>3,502</u>	<u>(5,559)</u>	<u>(224)</u>	<u>360</u>	<u>5,521</u>
<u>\$ 2,116</u>	<u>\$ (5,435)</u>	<u>\$ (248)</u>	<u>\$ 646</u>	<u>\$ 9,033</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,165</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, 2012

(Dollars in Thousands)

	STATE EMPLOYEES RETIREMENT		
	DEFERRED COMPENSATION	DEFINED CONTRIBUTION	CASH BALANCE
ASSETS			
Cash and Cash Equivalents	\$ 30	\$ 12	\$ 1,225
Investments:			
U.S. Treasury Notes and Bonds	-	-	20,583
U.S. Treasury Bills	-	-	-
Government Agency Securities	-	-	1,781
Corporate Bonds	-	-	46,171
International Bonds	-	-	5,966
Equity Securities	-	-	128,673
Private Equity	-	-	25,738
Options	-	-	(34)
Mortgages	-	-	50,198
Private Real Estate	-	-	1,492
Asset Backed Securities	-	-	5,317
Municipal Bonds	-	-	3,879
Commingled Funds	164,105	597,210	394,382
Guaranteed Investment Contracts	-	95,765	-
Short Term Investments	-	11,532	18,835
Total Investments	164,105	704,507	702,981
Securities Lending Collateral	-	14,275	31,682
Receivables:			
Contributions	-	852	1,658
Interest and Dividends	-	256	1,288
Other	-	-	37,737
Total Receivables	-	1,108	40,683
Due from Other Funds	-	41	-
Capital Assets:			
Buildings and Equipment	135	1,640	2,577
Less Accumulated Depreciation	(135)	(1,610)	(2,551)
Total Capital Assets, net	-	30	26
TOTAL ASSETS	\$ 164,135	\$ 719,973	\$ 776,597
LIABILITIES			
Accounts Payable and Accrued Liabilities	\$ 2	\$ 591	\$ 42,385
Due to Other Funds	2	2	5
Obligations under Securities Lending	-	14,275	31,682
Accrued Compensated Absences	5	15	30
TOTAL LIABILITIES	9	14,883	74,102
NET ASSETS			
Held in Trust for Pension Benefits	\$ 164,126	\$ 705,090	\$ 702,495

<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>				
\$ 211	\$ 30	\$ 1,764	\$ 69	\$ 107	\$ 3,448
-	6,097	214,202	3,673	8,064	252,619
-	-	6,908	118	260	7,286
-	527	18,462	317	695	21,782
-	13,677	520,218	8,921	19,585	608,572
-	1,767	157,201	2,696	5,918	173,548
-	38,116	1,119,784	19,203	42,156	1,347,932
-	7,624	296,516	5,085	11,163	346,126
-	(10)	(494)	(8)	(19)	(565)
-	14,870	474,200	8,132	17,852	565,252
-	442	229,758	3,940	8,650	244,282
-	1,575	49,872	855	1,878	59,497
-	1,149	35,882	615	1,351	42,876
156,255	116,825	4,044,930	69,365	155,480	5,698,552
21,355	-	-	-	870	117,990
3,162	6,413	141,242	2,422	5,852	189,458
180,772	209,072	7,308,681	125,334	279,755	9,675,207
3,184	9,385	315,884	5,417	11,892	391,719
247	677	20,848	295	-	24,577
57	381	13,576	233	509	16,300
-	11,178	456,888	7,835	17,200	530,838
304	12,236	491,312	8,363	17,709	571,715
-	-	27,349	72	2,570	30,032
772	1,377	12,410	2,104	2,060	23,075
(757)	(1,362)	(12,402)	(2,104)	(2,060)	(22,981)
15	15	8	-	-	94
\$ 184,486	\$ 230,738	\$ 8,144,998	\$ 139,255	\$ 312,033	\$ 10,672,215
\$ 141	12,599	582,551	9,928	21,788	669,985
2	4	42	-	-	57
3,184	9,385	315,884	5,417	11,892	391,719
9	21	211	3	3	297
\$ 3,336	\$ 22,009	\$ 898,688	\$ 15,348	\$ 33,683	\$ 1,062,058
\$ 181,150	\$ 208,729	\$ 7,246,310	\$ 123,907	\$ 278,350	\$ 9,610,157

State of Nebraska

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS PENSION TRUST FUNDS

For the Year Ended June 30, 2012

(Dollars in Thousands)

	DEFERRED COMPENSATION	STATE EMPLOYEES RETIREMENT DEFINED CONTRIBUTION	CASH BALANCE
ADDITIONS:			
Contributions:			
Participant Contributions	\$ 10,749	\$ 11,227	\$ 19,998
State Contributions	-	17,498	31,188
Political Subdivision Contributions	-	-	-
Court Fees	-	-	-
Total Contributions	10,749	28,725	51,186
Investment Income:			
Net Appreciation (Depreciation) in			
Fair Value of Investments	1,052	8,996	(6,852)
Interest and Dividend Income	2	3,740	11,185
Securities Lending Income	-	52	219
Total Investment Income	1,054	12,788	4,552
Investment Expenses	-	396	1,826
Securities Lending Expenses	-	16	52
Total Investment Expense	-	412	1,878
Net Investment Income	1,054	12,376	2,674
Other Additions	-	4	7
TOTAL ADDITIONS	11,803	41,105	53,867
DEDUCTIONS:			
Benefits	12,571	35,117	46,220
Refunds	-	-	-
Administrative Expenses	174	536	900
Other Deductions	-	142	95
TOTAL DEDUCTIONS	12,745	35,795	47,215
TRANSFERS:			
Transfers In (Out)	-	(6,681)	6,681
Change in Net Assets	(942)	(1,371)	13,333
NET ASSETS-BEGINNING OF YEAR	165,068	706,461	689,162
NET ASSETS-END OF YEAR	\$ 164,126	\$ 705,090	\$ 702,495

COUNTY EMPLOYEES RETIREMENT		SCHOOL RETIREMENT	JUDGES RETIREMENT	STATE PATROL RETIREMENT	TOTALS
DEFINED CONTRIBUTION	CASH BALANCE				
\$ 3,453	\$ 8,046	\$ 147,046	\$ 1,322	\$ 5,207	\$ 207,048
5,099	11,908	27,349	72	7,777	100,891
-	-	145,582	-	-	145,582
-	-	-	3,490	-	3,490
8,552	19,954	319,977	4,884	12,984	457,011
2,771	(2,205)	(27,177)	(462)	(977)	(24,854)
847	3,255	104,225	1,792	3,964	129,010
11	65	2,474	42	93	2,956
3,629	1,115	79,522	1,372	3,080	107,112
97	573	17,509	301	675	21,377
4	15	540	9	20	656
101	588	18,049	310	695	22,033
3,528	527	61,473	1,062	2,385	85,079
2	2	35	-	13	63
12,082	20,483	381,485	5,946	15,382	542,153
8,242	13,057	377,660	6,835	14,738	514,440
-	-	11,970	-	384	12,354
273	527	4,068	56	57	6,591
-	-	5,432	-	-	5,669
8,515	13,584	399,130	6,891	15,179	539,054
(1,787)	1,787	-	-	-	-
1,780	8,686	(17,645)	(945)	203	3,099
179,370	200,043	7,263,955	124,852	278,147	9,607,058
<u>\$ 181,150</u>	<u>\$ 208,729</u>	<u>\$ 7,246,310</u>	<u>\$ 123,907</u>	<u>\$ 278,350</u>	<u>\$ 9,610,157</u>

State of Nebraska

COMBINING STATEMENT OF FIDUCIARY NET ASSETS

PRIVATE PURPOSE TRUST FUNDS

June 30, 2012

(Dollars in Thousands)

	VOCATIONAL REHABILITATION	CANTEEN AND WELFARE	ESCHEAT TRUST	COLLEGE SAVINGS PLAN	OTHER	TOTALS
ASSETS						
Cash and Cash Equivalents	\$ 3,040	\$ 4,145	\$ 5,821	\$ -	\$ 7,211	\$ 20,217
Investments:						
Commingled Funds	-	-	-	2,474,940	-	2,474,940
Short Term Investments	-	-	-	497	-	497
Receivables:						
Interest and Dividends	26	36	79	335	60	536
Other	-	2	-	-	-	2
Other Assets	-	-	15,121	-	800	15,921
TOTAL ASSETS	<u>\$ 3,066</u>	<u>\$ 4,183</u>	<u>\$ 21,021</u>	<u>\$ 2,475,772</u>	<u>\$ 8,071</u>	<u>\$ 2,512,113</u>
LIABILITIES						
Accounts Payable and Accrued Liabilities	\$ 9	\$ 365	\$ 22	\$ 1,774	\$ -	\$ 2,170
Deposits	-	-	-	-	800	800
Due to Other Funds	-	2	6	-	-	8
TOTAL LIABILITIES	<u>\$ 9</u>	<u>\$ 367</u>	<u>\$ 28</u>	<u>\$ 1,774</u>	<u>\$ 800</u>	<u>\$ 2,978</u>
NET ASSETS						
Held in Trust for:						
College Savings Plan	\$ -	\$ -	\$ -	\$ 2,473,998	\$ -	\$ 2,473,998
Other Purposes	<u>3,057</u>	<u>3,816</u>	<u>20,993</u>	<u>-</u>	<u>7,271</u>	<u>35,137</u>
TOTAL NET ASSETS	<u>\$ 3,057</u>	<u>\$ 3,816</u>	<u>\$ 20,993</u>	<u>\$ 2,473,998</u>	<u>\$ 7,271</u>	<u>\$ 2,509,135</u>

State of Nebraska

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

For the Year Ended June 30, 2012

(Dollars in Thousands)						
	VOCATIONAL REHABILITATION	CANTEEN AND WELFARE	ESCHEAT TRUST	COLLEGE SAVINGS PLAN	OTHER	TOTALS
ADDITIONS:						
Contributions:						
Participant Contributions	\$ -	\$ -	\$ -	\$ 313,368	\$ -	\$ 313,368
Client Contributions	-	140	-	-	-	140
Investment Income:						
Net Appreciation (Depreciation) in						
Fair Value of Investments	-	-	-	(5,472)	-	(5,472)
Interest and Dividend Income	95	112	279	3,090	175	3,751
Investment Expenses	-	-	-	12,275	-	12,275
Total Investment Income	95	112	279	(14,657)	175	(13,996)
Escheat Revenue	-	-	7,566	-	-	7,566
Other Additions	-	5,151	-	167	406	5,724
TOTAL ADDITIONS	95	5,403	7,845	298,878	581	312,802
DEDUCTIONS:						
Benefits	-	-	-	217,663	-	217,663
Amounts Distributed to Outside Parties	1,104	4,243	7,195	-	122	12,664
Administrative Expenses	-	1,084	801	-	178	2,063
TOTAL DEDUCTIONS	1,104	5,327	7,996	217,663	300	232,390
Change in Net Assets Held in Trust for:						
College Savings Plan	-	-	-	81,215	-	81,215
Other Purposes	(1,009)	76	(151)	-	281	(803)
NET ASSETS-BEGINNING OF YEAR	4,066	3,740	21,144	2,392,783	6,990	2,428,723
NET ASSETS-END OF YEAR	\$ 3,057	\$ 3,816	\$ 20,993	\$ 2,473,998	\$ 7,271	\$ 2,509,135

State of Nebraska

COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES AGENCY FUNDS

June 30, 2012

(Dollars in Thousands)

	LOCAL GOVERNMENT FUND	OTHER	TOTALS
ASSETS			
Cash and Cash Equivalents	\$ 49,148	\$ 42,168	\$ 91,316
Receivables:			
Interest and Dividends Receivable	339	135	474
Other	-	480	480
TOTAL ASSETS	<u>\$ 49,487</u>	<u>\$ 42,783</u>	<u>\$ 92,270</u>
LIABILITIES			
Accounts Payable and Accrued Liabilities	\$ 285	\$ 18,704	\$ 18,989
Due to Other Governments	49,202	-	49,202
Other Liabilities	-	24,079	24,079
TOTAL LIABILITIES	<u>\$ 49,487</u>	<u>\$ 42,783</u>	<u>\$ 92,270</u>

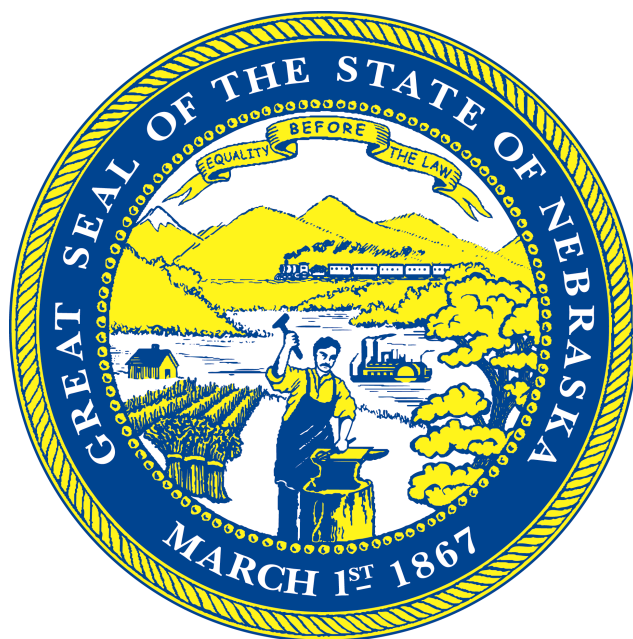
State of Nebraska

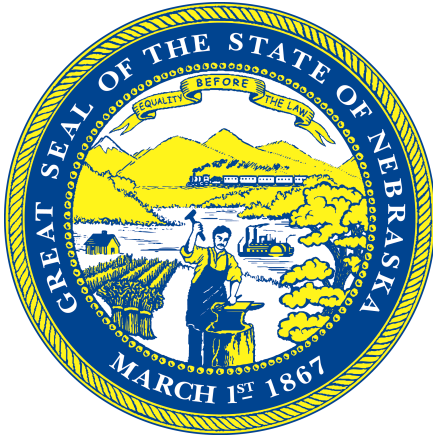
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES AGENCY FUNDS

For the Year Ended June 30, 2012

(Dollars in Thousands)

	BALANCE JULY 1, 2011	ADDITIONS	REDUCTIONS	BALANCE JUNE 30, 2012
LOCAL GOVERNMENT FUND				
ASSETS				
Cash and Cash Equivalents	\$ 52,326	\$ 547,863	\$ 551,041	\$ 49,148
Receivables:				
Interest and Dividends Receivable	364	824	849	339
Other	-	250	250	-
TOTAL ASSETS	\$ 52,690	\$ 548,937	\$ 552,140	\$ 49,487
LIABILITIES				
Accounts Payable and Accrued Liabilities	\$ 715	\$ 255,834	\$ 256,264	\$ 285
Due to Other Governments	51,975	293,103	295,876	49,202
TOTAL LIABILITIES	\$ 52,690	\$ 548,937	\$ 552,140	\$ 49,487
OTHER				
ASSETS				
Cash and Cash Equivalents	\$ 30,306	\$ 475,748	\$ 463,886	\$ 42,168
Receivables:				
Interest and Dividends Receivable	90	343	298	135
Other	461	14,555	14,536	480
TOTAL ASSETS	\$ 30,857	\$ 490,646	\$ 478,720	\$ 42,783
LIABILITIES				
Accounts Payable and Accrued Liabilities	\$ 9,608	\$ 73,962	\$ 64,866	\$ 18,704
Other Liabilities	21,249	416,684	413,854	24,079
TOTAL LIABILITIES	\$ 30,857	\$ 490,646	\$ 478,720	\$ 42,783
TOTALS				
ASSETS				
Cash and Cash Equivalents	\$ 82,632	\$ 1,023,611	\$ 1,014,927	\$ 91,316
Receivables:				
Interest and Dividends Receivable	454	1,167	1,147	474
Other	461	14,805	14,786	480
TOTAL ASSETS	\$ 83,547	\$ 1,039,583	\$ 1,030,860	\$ 92,270
LIABILITIES				
Accounts Payable and Accrued Liabilities	\$ 10,323	\$ 329,796	\$ 321,130	\$ 18,989
Due to Other Governments	51,975	293,103	295,876	49,202
Other Liabilities	21,249	416,684	413,854	24,079
TOTAL LIABILITIES	\$ 83,547	\$ 1,039,583	\$ 1,030,860	\$ 92,270





STATISTICAL SECTION

STATISTICAL SECTION TABLE OF CONTENTSFor the Year Ended June 30, 2012

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

FINANCIAL TRENDS INFORMATION

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

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Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

State of Nebraska

NET ASSETS BY COMPONENT

2003 - 2012

(Dollars in Thousands)					
	2003	2004	2005	2006	2007
Governmental activities					
Invested in capital assets, net of related debt	\$ 6,909,470	\$ 6,980,310	\$ 7,110,299	\$ 7,269,102	\$ 7,428,729
Restricted	933,033	1,050,902	1,099,437	1,566,634	1,762,849
Unrestricted	134,471	425,811	804,266	681,330	966,918
Total governmental activities net assets	<u>\$ 7,976,974</u>	<u>\$ 8,457,023</u>	<u>\$ 9,014,002</u>	<u>\$ 9,517,066</u>	<u>\$ 10,158,496</u>
Business-type activities					
Invested in capital assets, net of related debt	\$ 6,563	\$ 6,424	\$ 6,235	\$ 6,066	\$ 5,763
Restricted	195,802	184,665	213,058	274,537	321,396
Unrestricted	14,358	12,592	26,070	30,144	31,019
Total business-type activities net assets	<u>\$ 216,723</u>	<u>\$ 203,681</u>	<u>\$ 245,363</u>	<u>\$ 310,747</u>	<u>\$ 358,178</u>
Primary government					
Invested in capital assets, net of related debt	\$ 6,916,033	\$ 6,986,734	\$ 7,116,534	\$ 7,275,168	\$ 7,434,492
Restricted	1,128,835	1,235,567	1,312,495	1,841,171	2,084,245
Unrestricted	148,829	438,403	830,336	711,474	997,937
Total primary government net assets	<u>\$ 8,193,697</u>	<u>\$ 8,660,704</u>	<u>\$ 9,259,365</u>	<u>\$ 9,827,813</u>	<u>\$ 10,516,674</u>

(Dollars in Thousands)					
	2008	2009	2010	2011	2012
Governmental activities					
Invested in capital assets, net of related debt	\$ 7,587,729	\$ 7,718,610	\$ 7,820,246	\$ 7,982,821	\$ 8,041,150
Restricted	1,789,943	1,631,962	1,754,186	2,006,750	2,082,147
Unrestricted	1,078,546	1,015,196	850,757	806,676	905,503
Total governmental activities net assets	<u>\$ 10,456,218</u>	<u>\$ 10,365,768</u>	<u>\$ 10,425,189</u>	<u>\$ 10,796,247</u>	<u>\$ 11,028,800</u>
Business-type activities					
Invested in capital assets, net of related debt	\$ 6,426	\$ 6,283	\$ 5,848	\$ 6,809	\$ 6,379
Restricted	344,186	270,394	240,878	345,731	405,135
Unrestricted	47,777	47,082	72,173	65,690	77,262
Total business-type activities net assets	<u>\$ 398,389</u>	<u>\$ 323,759</u>	<u>\$ 318,899</u>	<u>\$ 418,230</u>	<u>\$ 488,776</u>
Primary government					
Invested in capital assets, net of related debt	\$ 7,594,155	\$ 7,724,893	\$ 7,826,094	\$ 7,989,630	\$ 8,047,529
Restricted	2,134,129	1,902,356	1,995,064	2,352,481	2,487,282
Unrestricted	1,126,323	1,062,278	922,930	872,366	982,765
Total primary government net assets	<u>\$ 10,854,607</u>	<u>\$ 10,689,527</u>	<u>\$ 10,744,088</u>	<u>\$ 11,214,477</u>	<u>\$ 11,517,576</u>

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 - 2012

(Dollars in Thousands)

	2003	2004	2005	2006
Governmental Activities:				
Expenses				
General Government	\$ 404,682	\$ 293,586	\$ 320,608	\$ 308,567
Conservation of Natural Resources	87,746	91,996	95,589	100,476
Culture - Recreation	28,083	20,352	28,524	27,174
Economic Development and Assistance	83,974	80,417	79,618	87,299
Education	1,215,793	1,201,349	1,224,973	1,318,123
Higher Education - Colleges and University	461,325	438,225	451,404	482,229
Health and Social Services	2,219,649	2,329,940	2,494,782	2,593,692
Public Safety	237,538	254,085	282,474	288,659
Regulation of Business and Professions	117,235	126,978	139,248	151,853
Transportation	626,550	715,553	716,259	697,210
Interest on Long-term Debt	3,808	3,018	2,800	2,556
Total expenses	<u>5,486,383</u>	<u>5,555,499</u>	<u>5,836,279</u>	<u>6,057,838</u>
Program Revenues				
Charges for Services:				
General Government	57,497	63,919	64,746	73,624
Conservation of Natural Resources	27,644	31,909	22,049	24,332
Culture - Recreation	16,441	15,544	16,700	15,977
Economic Development and Assistance	2,221	3,551	3,600	3,195
Education	34,810	35,140	27,470	23,346
Health and Social Services	130,487	152,240	147,720	120,526
Public Safety	23,275	26,077	27,614	26,183
Regulation of Business and Professions	112,754	116,772	122,536	113,418
Transportation	82,414	77,630	95,322	90,951
Operating grants and contributions	1,801,023	2,146,719	2,121,384	2,151,817
Capital grants and contributions	5,354	6,422	12,245	4,461
Total program revenues	<u>2,293,920</u>	<u>2,675,923</u>	<u>2,661,386</u>	<u>2,647,830</u>
Total Governmental Activities				
Net Program Expense	<u>(3,192,463)</u>	<u>(2,879,576)</u>	<u>(3,174,893)</u>	<u>(3,410,008)</u>
General Revenues and Other Changes in Net Assets				
Taxes				
Income taxes	1,236,845	1,400,161	1,612,683	1,803,670
Sales and use taxes	1,218,045	1,284,260	1,376,100	1,410,980
Petroleum taxes	311,198	313,539	311,231	312,809
Excise taxes	108,788	122,462	126,593	134,406
Business and franchise taxes	59,490	67,322	70,344	79,723
Other taxes	25,187	33,089	68,885	35,369
Total taxes	<u>2,959,553</u>	<u>3,220,833</u>	<u>3,565,836</u>	<u>3,776,957</u>
Unrestricted investment earnings	73,888	86,502	117,977	92,892
Miscellaneous	-	1,055	5,106	39
Contributions to permanent fund principal	12,395	11,715	16,581	15,582
Transfers	20,230	20,591	26,372	27,602
Total general revenues and other changes in net assets	<u>3,066,066</u>	<u>3,340,696</u>	<u>3,731,872</u>	<u>3,913,072</u>
Total Governmental Activities				
Change in Net Assets	<u>\$ (126,397)</u>	<u>\$ 461,120</u>	<u>\$ 556,979</u>	<u>\$ 503,064</u>

2007	2008	2009	2010	2011	2012
\$ 354,737	\$ 437,830	\$ 468,433	\$ 471,614	\$ 476,622	\$ 460,612
119,286	112,936	127,677	148,452	155,692	151,318
27,031	26,073	29,272	24,228	28,837	24,752
89,310	84,852	88,520	95,228	111,096	102,839
1,369,110	1,450,085	1,562,662	1,712,705	1,807,170	1,570,235
528,861	558,282	571,268	571,288	561,090	557,162
2,649,535	2,744,217	2,912,708	3,010,299	3,069,195	3,139,786
359,755	372,677	351,673	372,813	361,921	366,084
155,692	130,603	123,579	132,094	121,616	122,211
614,919	714,032	797,462	736,449	696,727	907,173
2,337	2,241	1,828	1,400	1,153	1,204
6,270,573	6,633,828	7,035,082	7,276,570	7,391,119	7,403,376
86,746	86,869	87,575	100,501	88,550	95,899
34,578	34,439	35,324	35,483	36,263	32,804
16,823	17,072	18,153	18,550	18,657	22,984
5,043	4,808	2,259	2,171	1,007	4,126
26,180	25,807	30,402	34,166	36,545	36,831
115,036	126,075	148,971	109,333	112,145	120,745
24,348	25,118	25,363	25,320	26,973	26,322
118,119	122,667	132,771	131,814	135,820	131,312
89,358	105,748	112,493	95,950	98,151	110,842
2,217,531	2,235,104	2,490,255	2,841,557	2,939,166	2,646,825
8,137	21,258	25,252	24,680	29,234	15,789
2,741,899	2,804,965	3,108,818	3,419,525	3,522,511	3,244,479
(3,528,674)	(3,828,863)	(3,926,264)	(3,857,045)	(3,868,608)	(4,158,897)
1,859,467	1,956,656	1,787,950	1,676,829	1,889,796	2,064,233
1,441,743	1,481,067	1,476,995	1,447,865	1,545,494	1,638,610
326,795	290,721	305,793	303,865	321,919	322,284
137,525	141,012	134,877	132,779	135,250	136,825
68,771	80,925	70,270	79,115	65,630	73,849
36,832	15,269	10,863	13,436	9,243	9,818
3,871,133	3,965,650	3,786,748	3,653,889	3,967,332	4,245,619
250,175	114,252	14,582	216,190	214,054	92,037
730	3,374	401	(1,927)	2,590	-
18,800	12,301	3,838	16,314	23,635	17,719
29,266	31,008	30,245	32,000	32,055	36,075
4,170,104	4,126,585	3,835,814	3,916,466	4,239,666	4,391,450
\$ 641,430	\$ 297,722	\$ (90,450)	\$ 59,421	\$ 371,058	\$ 232,553

(continued)

State of Nebraska

CHANGES IN NET ASSETS (Continued)

2003 - 2012

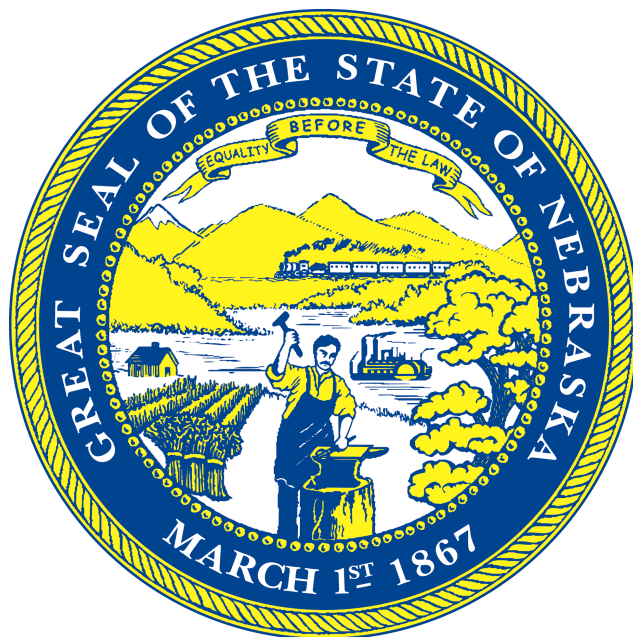
(Dollars in Thousands)

	2003	2004	2005	2006
Business-type Activities:				
Expenses				
Unemployment Insurance	\$ 160,664	\$ 156,172	\$ 114,496	\$ 101,433
Lottery	61,455	73,264	77,128	83,440
Excess Liability	13,796	14,595	1,984	12,551
Cornhusker State Industries	6,103	7,868	10,509	10,552
Total expenses	<u>242,018</u>	<u>251,899</u>	<u>204,117</u>	<u>207,976</u>
Revenues				
Charges for services:				
Unemployment Insurance	123,393	132,379	133,840	154,413
Lottery	80,919	92,608	100,658	113,108
Excess Liability	6,686	9,683	10,949	12,903
Cornhusker State Industries	5,196	9,598	13,022	10,851
Total revenues	<u>216,194</u>	<u>244,268</u>	<u>258,469</u>	<u>291,275</u>
Total Business-type Activities				
Net Program Expense	<u>(25,824)</u>	<u>(7,631)</u>	<u>54,352</u>	<u>83,299</u>
Other Changes in Net Assets				
Unrestricted investment earnings	16,679	15,183	13,705	10,110
Miscellaneous	-	(3)	(3)	(423)
Transfers	<u>(20,230)</u>	<u>(20,591)</u>	<u>(26,372)</u>	<u>(27,602)</u>
Total other changes in net assets	<u>(3,551)</u>	<u>(5,411)</u>	<u>(12,670)</u>	<u>(17,915)</u>
Total Business-type Activities				
Change in Net Assets	<u>\$ (29,375)</u>	<u>\$ (13,042)</u>	<u>\$ 41,682</u>	<u>\$ 65,384</u>
Total Primary Government				
Change in Net Assets	<u>\$ (155,772)</u>	<u>\$ 448,078</u>	<u>\$ 598,661</u>	<u>\$ 568,448</u>

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

The decreases in taxes in 2009 and 2010 and change in net assets in 2009 were primarily due to the economic recession.

2007	2008	2009	2010	2011	2012
\$ 93,939	\$ 98,365	\$ 242,201	\$ 431,836	\$ 329,576	\$ 261,750
85,895	91,653	94,676	98,948	101,625	113,935
13,731	(2,707)	12,430	7,220	19,623	672
11,690	10,435	10,221	11,847	13,451	11,621
<u>205,255</u>	<u>197,746</u>	<u>359,528</u>	<u>549,851</u>	<u>464,275</u>	<u>387,978</u>
127,340	102,881	149,937	391,067	422,977	310,188
114,489	121,910	123,251	130,580	131,919	150,612
12,474	10,947	9,267	21,475	8,943	5,509
9,341	9,880	9,412	13,549	15,568	12,053
<u>263,644</u>	<u>245,618</u>	<u>291,867</u>	<u>556,671</u>	<u>579,407</u>	<u>478,362</u>
58,389	47,872	(67,661)	6,820	115,132	90,384
18,308	23,347	23,276	20,293	16,254	16,237
-	-	-	27	-	-
<u>(29,266)</u>	<u>(31,008)</u>	<u>(30,245)</u>	<u>(32,000)</u>	<u>(32,055)</u>	<u>(36,075)</u>
<u>(10,958)</u>	<u>(7,661)</u>	<u>(6,969)</u>	<u>(11,680)</u>	<u>(15,801)</u>	<u>(19,838)</u>
\$ 47,431	\$ 40,211	\$ (74,630)	\$ (4,860)	\$ 99,331	\$ 70,546
\$ 688,861	\$ 337,933	\$ (165,080)	\$ 54,561	\$ 470,389	\$ 303,099



State of Nebraska
FUND BALANCES
GOVERNMENTAL FUNDS
2003 - 2012

(Dollars in thousands)					
	2003	2004	2005	2006	2007
General Fund					
Reserved	\$ 274	\$ 525	\$ 532	\$ 482	\$ 438
Unreserved	(17,319)	207,282	408,771	691,757	971,205
Total general fund	<u>\$ (17,045)</u>	<u>\$ 207,807</u>	<u>\$ 409,303</u>	<u>\$ 692,239</u>	<u>\$ 971,643</u>
All Other Governmental Funds					
Reserved	\$ 333,228	\$ 347,660	\$ 377,818	\$ 619,319	\$ 659,349
Unreserved					
Special revenue funds	765,310	879,041	936,316	893,536	1,014,579
Permanent funds	197,586	224,869	250,127	77,768	115,901
Other funds	30,030	32,206	34,295	47,071	51,784
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>

(Dollars in thousands)					
	2008	2009	2010	2011	2012
General Fund					
Reserved	\$ 1,368	\$ 1,062	\$ 894	\$ -	\$ -
Unreserved	972,307	855,542	715,530	-	-
Nonspendable	-	-	-	785	953
Committed	-	-	-	313,202	383,379
Unassigned	-	-	-	419,460	430,466
Total general fund	<u>\$ 973,675</u>	<u>\$ 856,604</u>	<u>\$ 716,424</u>	<u>\$ 733,447</u>	<u>\$ 814,798</u>
All Other Governmental Funds					
Reserved	\$ 687,095	\$ 694,503	\$ 729,377	\$ -	\$ -
Unreserved					
Special revenue funds	1,065,392	997,377	1,062,679	-	-
Permanent funds	91,759	23,073	67,754	-	-
Other funds	121,686	118,933	82,371	-	-
Nonspendable	-	-	-	468,363	490,928
Restricted	-	-	-	1,543,263	1,599,631
Committed	-	-	-	69,619	73,327
Assigned	-	-	-	32,439	37,032
Total all other governmental funds	<u>\$ 1,965,932</u>	<u>\$ 1,833,886</u>	<u>\$ 1,942,181</u>	<u>\$ 2,113,684</u>	<u>\$ 2,200,918</u>

NOTE: The classification of fund balances changed in 2011 with the implementation of GASB Statement No. 54.

State of Nebraska
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
2003 - 2012

(Dollars in Thousands)

	2003	2004	2005	2006
REVENUES:				
Taxes:				
Income	\$ 1,237,075	\$ 1,402,371	\$ 1,610,008	\$ 1,802,161
Sales and Use	1,215,621	1,283,592	1,376,675	1,411,152
Petroleum	311,198	313,539	311,231	312,809
Excise	107,227	122,320	124,525	132,348
Business and Franchise	59,490	67,322	70,344	79,723
Other	25,187	33,089	68,885	35,369
Total Taxes	2,955,798	3,222,233	3,561,668	3,773,562
Federal Grants and Contracts	1,806,377	2,153,141	2,133,629	2,156,278
Licenses, Fees and Permits	177,317	183,314	198,970	196,966
Charges for Services	74,470	82,320	93,654	82,132
Investment Income	71,225	83,702	115,540	89,888
Rents and Royalties	44,561	39,845	41,437	45,951
Other	196,148	222,577	201,814	172,545
TOTAL REVENUES	5,325,896	5,987,132	6,346,712	6,517,322
EXPENDITURES:				
Current:				
General Government	252,230	240,354	405,798	296,209
Conservation of Natural Resources	88,716	92,682	98,067	104,118
Culture – Recreation	26,844	26,081	28,313	26,392
Economic Development and Assistance	83,378	80,531	81,172	87,462
Education	1,208,046	1,203,430	1,223,461	1,318,785
Higher Education - Colleges and University	461,325	438,225	451,404	482,229
Health and Social Services	2,219,154	2,337,338	2,475,952	2,605,402
Public Safety	236,277	262,344	285,732	287,735
Regulation of Business and Professions	116,560	127,079	139,086	151,850
Transportation	752,810	794,342	844,709	837,796
Capital Projects	27,773	19,162	19,048	25,101
Debt Service				
Principal	3,830	4,145	5,525	4,660
Interest	1,934	1,971	1,852	1,742
TOTAL EXPENDITURES	5,478,877	5,627,684	6,060,119	6,229,481
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(152,981)	359,448	286,593	287,841
OTHER FINANCING SOURCES (USES)				
Transfers In	147,825	126,343	152,721	171,981
Transfers Out	(126,721)	(104,664)	(126,349)	(144,379)
Other	5,013	1,347	3,311	6,631
NET CHANGE IN FUND BALANCE	(126,864)	382,474	316,276	322,074
BEGINNING FUND BALANCE	1,435,973	1,309,109	1,691,583	2,007,859
ENDING FUND BALANCE	\$ 1,309,109	\$ 1,691,583	\$ 2,007,859	\$ 2,329,933
DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES	<1%	<1%	<1%	<1%

NOTE: The increases in taxes and fund balances from 2004 to 2008 were primarily due to a strengthening economy.
The increase of general government expenditures in 2005 was due to settling a low-level radioactive waste lawsuit.
The decreases in taxes and fund balances in 2009 and 2010 were primarily due to the economic recession.

2007	2008	2009	2010	2011	2012
\$ 1,860,712	\$ 1,950,363	\$ 1,790,025	\$ 1,675,922	\$ 1,889,223	\$ 2,063,322
1,437,994	1,474,251	1,475,234	1,452,362	1,544,303	1,634,346
329,490	295,321	309,626	307,005	326,016	327,295
135,449	138,799	134,877	132,779	135,250	136,825
68,771	80,925	70,270	79,115	65,630	73,849
36,832	15,269	10,863	13,436	9,243	9,818
3,869,248	3,954,928	3,790,895	3,660,619	3,969,665	4,245,455
2,225,668	2,256,362	2,514,288	2,865,989	2,967,939	2,662,605
211,167	259,000	268,817	266,899	282,078	295,286
92,370	108,301	137,234	96,165	96,779	102,633
246,753	110,716	10,508	212,353	209,509	87,948
49,968	51,809	54,549	49,286	55,158	57,838
173,948	129,861	123,953	146,216	123,754	124,973
6,869,122	6,870,977	6,900,244	7,297,527	7,704,882	7,576,738
311,324	430,310	439,614	439,330	450,474	420,143
119,533	112,333	127,562	149,556	156,268	150,970
26,250	26,226	28,305	30,183	30,290	28,434
89,440	85,807	88,824	96,584	113,506	102,902
1,366,330	1,448,170	1,565,692	1,710,935	1,810,806	1,581,956
528,861	558,282	571,268	571,288	561,090	557,162
2,659,210	2,715,383	2,920,472	3,004,678	3,079,889	3,139,042
359,514	383,156	370,605	351,084	375,334	378,982
155,195	130,330	123,476	131,884	122,852	122,025
763,907	853,521	915,980	842,583	832,394	932,445
27,494	27,289	25,333	30,584	16,676	28,123
6,575	6,215	7,625	6,105	3,380	2,865
1,666	1,459	1,256	976	647	684
6,415,299	6,778,481	7,186,012	7,365,770	7,553,606	7,445,733
453,823	92,496	(285,768)	(68,243)	151,276	131,005
155,268	253,986	171,202	226,156	175,684	170,673
(126,002)	(222,978)	(140,957)	(194,156)	(143,629)	(134,598)
234	2,847	6,406	4,358	5,195	1,505
483,323	126,351	(249,117)	(31,885)	188,526	168,585
2,329,933	2,813,256	2,939,607	2,690,490	2,658,605	2,847,131
\$ 2,813,256	\$ 2,939,607	\$ 2,690,490	\$ 2,658,605	\$ 2,847,131	\$ 3,015,716
<1%	<1%	<1%	<1%	<1%	<1%

State of Nebraska

INDIVIDUAL INCOME TAX RATES

2003 - 2012

	Tax Brackets			
	Bracket 1	Bracket 2	Bracket 3	Bracket 4
Single				
2003 - 2005 Income Range	\$0-2,400	\$2,400-17,000	\$17,000-26,500	Over \$26,500
2006 - 2012 Income Range	\$0-2,400	\$2,400-17,500	\$17,500-27,000	Over \$27,000
2003 - 2012 Rates	2.56%	3.57%	5.12%	6.84%
Heads of Household				
2003 - 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 - 2012 Income Range	\$0-4,500	\$4,500-28,000	\$28,000-40,000	Over \$40,000
2003 - 2012 Rates	2.56%	3.57%	5.12%	6.84%
Married Filing Joint				
2003 - 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 - 2012 Income Range	\$0-4,800	\$4,800-35,000	\$35,000-54,000	Over \$54,000
2003 - 2012 Rates	2.56%	3.57%	5.12%	6.84%
Married Filing Separate				
2003 - 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 - 2012 Income Range	\$0-2,400	\$2,400-17,500	\$17,500-27,000	Over \$27,000
2003 - 2012 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 2001 and 2010

2001				
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	198,354	\$ 5,955,885	56,951	0.48%
\$10,000 - 24,999	189,920	\$ 69,375,403	183,668	5.57%
\$25,000 - 49,999	222,387	\$ 226,556,024	220,839	18.20%
\$50,000 - 99,999	181,173	\$ 444,860,698	180,098	35.72%
\$100,000 and Over	57,461	\$ 498,491,127	55,778	40.03%
State Total	849,295	\$ 1,245,239,137	697,334	100.00%

2010				
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	144,292	\$ 3,456,783	50,266	0.21%
\$10,000 - 24,999	198,378	\$ 31,203,820	183,564	1.89%
\$25,000 - 49,999	226,644	\$ 166,671,067	221,663	10.07%
\$50,000 - 99,999	224,158	\$ 470,874,014	221,085	28.46%
\$100,000 and Over	121,945	\$ 982,269,847	117,872	59.37%
State Total	915,417	\$ 1,654,475,531	794,450	100.00%

SOURCE: Department of Revenue 2001 and 2010 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 2010 is the most recent year for which data is available.

State of Nebraska

TAXABLE SALES BY INDUSTRY

Calendar Years 2002 and 2011

	2002	2011
Agriculture, Forestry, Fishing & Hunting	\$ 52,550,800	\$ 76,211,151
Mining	35,370,917	51,250,770
Utilities	1,497,042,498	2,223,128,012
Construction	288,544,394	518,678,399
Manufacturing	500,828,094	501,826,765
Wholesale Trade	1,077,158,381	1,635,203,615
Retail Trade	7,839,422,786	9,446,715,571
Transportation	70,177,193	91,161,436
Warehousing Services	656,465	41,131,138
Information	804,499,303	845,406,183
Finance & Insurance	74,880,401	27,289,357
Real Estate, Rental & Leasing Services	121,692,432	217,679,895
Professional, Scientific & Technical Services	309,673,729	313,763,339
Management of Companies & Enterprises Services	283,502	4,961,437
Administration, Support, Waste Management, Remedial Services	342,678,318	490,073,874
Educational Services	59,154,826	26,190,076
Health Care & Social Assistance Services	32,058,754	40,486,540
Arts, Entertainment & Recreation Services	274,088,457	316,715,014
Accommodation & Food Services	1,930,357,368	2,820,677,755
Other Services	704,108,445	882,524,778
Public Administration	108,668,267	219,179,228
Unclassified	16,946,403	4,553,074
Nebraska Total	16,140,841,733	20,794,807,407
Non-Nebraska (1)	2,359,053,663	4,124,104,270
Nebraska - Total Sales	\$ 18,499,895,396	\$ 24,918,911,677
Direct sales tax rate	Jan. 1 - Sept 30 5.0% Oct. 1 - Dec 31 5.5%	Jan. 1 - Dec. 31 5.5%

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 – 2012

(Dollars in thousands)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental Activities										
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	23,181	27,308	25,358
Obligations under other financing arrangements	10,555	11,230	11,430	16,185	13,805	14,785	15,660	14,405	16,220	14,860
Total Primary Government	<u>\$ 71,351</u>	<u>\$ 65,730</u>	<u>\$ 59,787</u>	<u>\$ 58,585</u>	<u>\$ 51,117</u>	<u>\$ 45,129</u>	<u>\$ 42,692</u>	<u>\$ 37,586</u>	<u>\$ 43,528</u>	<u>\$ 40,218</u>
Debt as a Percentage of Personal Income	0.13%	0.12%	0.10%	0.10%	0.08%	0.07%	0.06%	0.05%	0.06%	0.05%
Amount of Debt per Capita	\$ 41	\$ 38	\$ 34	\$ 33	\$ 29	\$ 25	\$ 24	\$ 21	\$ 24	\$ 22

NOTE: Details regarding Lease Commitments, Obligations Under Other Financing Arrangements, and Bonds Payable can be found in Notes 8, 9 & 13 of the financial statements.

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

* 2012 figures were computed using 2011 census information as 2012 census data is not available.

State of Nebraska

COMPARATIVE UNEMPLOYMENT
NEBRASKA AND UNITED STATES
 2002 - 2011

YEAR	NEBRASKA			NEBRASKA	UNITED STATES
	TOTAL LABOR FORCE	TOTAL EMPLOYMENT	UNEMPLOYMENT	UNEMPLOYMENT AS PERCENT OF LABOR FORCE	UNEMPLOYMENT AS PERCENT OF LABOR FORCE
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
2009	983,517	938,080	45,437	4.6	9.3
2010	976,859	931,414	45,445	4.7	9.6
2011	1,005,455	960,830	44,625	4.4	8.9

SOURCE: Nebraska Statistics - Nebraska Department of Labor, Labor Market Info
 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 2002 – 2011

YEAR	NEBRASKA			UNITED STATES		
	POPULATION	PERSONAL INCOME (IN MILLIONS)	PER CAPITA INCOME	POPULATION	PERSONAL INCOME (IN MILLIONS)	PER CAPITA INCOME
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
2009	1,796,619	70,565	39,277	307,006,550	12,165,474	39,626
2010	1,830,429	72,620	39,674	309,349,689	12,357,113	39,945
2011	1,842,641	78,220	42,450	311,591,917	12,949,905	41,560

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

State of Nebraska

TEN LARGEST EMPLOYERS

2005 and 1995

	December 2005			December 1995		
	Total	Employment	949,070	Total	Employment	874,357
NAME OF COMPANY	RANK	NUMBER OF EMPLOYEES	% OF TOTAL EMPLOYMENT	RANK	NUMBER OF EMPLOYEES	% OF TOTAL EMPLOYMENT
State of Nebraska (excluding University)	1	18,653	1.965	1	17,700	2.024
US Government (excluding Department of Defense)	2	15,403	1.623	2	16,000	1.830
Offutt Air Force Base	3	11,137	1.173	4	11,000	1.258
Tyson Foods, Inc. (1995-IBP)	4	11,000	1.159	5	9,400	1.075
University of Nebraska *	5	10,547	1.111	3	14,900	1.704
Walmart	6	9,755	1.028	12	4,800	0.549
Omaha Public Schools	7	8,073	0.851	6	8,600	0.984
Union Pacific Corporation	8	7,200	0.759	8	6,300	0.721
Alegent Health **	9	6,675	0.703	11	5,100	0.583
First Data Corp.	10	6,300	0.664	7	8,000	0.915
Mutual of Omaha Ins. Co.				9	6,000	0.686
ConAgra				10	5,900	0.675

SOURCES:

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**

2002/03 – 2011/12

ACADEMIC YEAR	PRE KDG. AND KDG.	GRADES 1 – 3	GRADES 4 – 6	GRADES 7 – 9	GRADES 10 – 12	TOTAL ALL GRADES
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
2009 – 2010	35,525	66,401	63,340	64,349	65,737	295,352
2010 – 2011	36,171	67,702	64,688	64,429	65,560	298,550
2011 – 2012	36,682	68,470	65,974	64,341	65,850	301,317

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

State of Nebraska

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

2002 - 2011

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
COLLEGES AND UNIVERSITIES:										
Chadron State College	2,712	2,667	2,569	2,472	2,577	2,660	2,649	2,712	2,759	2,851
Peru State College	1,687	1,618	1,683	1,959	2,124	2,307	2,328	2,492	2,518	2,358
Wayne State College	3,220	3,305	3,398	3,322	3,407	3,527	3,566	3,631	3,569	3,517
University of Nebraska										
Lincoln (1)	23,241	22,734	22,012	21,937	22,378	22,877	23,862	24,525	24,993	24,926
Omaha	14,451	13,931	13,824	14,093	13,906	14,156	14,213	14,620	14,665	14,712
Kearney	6,395	6,311	6,382	6,445	6,468	6,478	6,543	6,650	6,753	7,100
Medical Center	2,819	2,865	2,904	2,995	3,067	2,206	3,194	3,237	3,494	3,625
TOTAL COLLEGES AND UNIVERSITIES	54,525	53,431	52,772	53,223	53,927	54,211	56,355	57,867	58,751	59,089
COMMUNITY COLLEGES										
Central CC (2)	6,417	6,364	6,524	6,564	6,543	6,531	6,885	7,320	7,527	7,521
Metropolitan CC	12,253	12,177	12,961	13,237	14,098	14,804	15,055	17,003	18,523	18,518
Mid-Plains CC	3,020	3,001	2,957	2,607	3,030	2,715	2,708	2,765	2,988	2,623
Northeast CC	4,832	4,805	5,053	5,101	5,261	5,149	5,140	5,205	5,377	5,161
Southeast CC	8,912	8,451	10,079	10,059	9,594	9,603	10,419	11,556	12,242	11,479
Western CC	2,152	2,420	2,659	2,283	1,918	2,233	2,939	2,304	2,395	2,240
TOTAL COMMUNITY COLLEGES	37,586	37,218	40,233	39,851	40,444	41,035	43,146	46,153	49,052	47,542
TOTAL ALL INSTITUTIONS	92,111	90,649	93,005	93,074	94,371	95,246	99,501	104,020	107,803	106,631

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**

2002 - 2011

FUNCTION	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Conservation	305	308	316	313	313	318	309	318	329	323
Regulation	351	345	355	358	372	362	364	358	357	350
Economic Development	537	528	542	526	532	525	452	478	441	459
Culture and Recreation	584	580	569	579	579	564	556	542	519	495
Education	575	578	587	597	601	590	593	606	598	586
Transportation	2,201	2,182	2,193	2,175	2,163	2,137	2,153	2,175	2,147	2,118
General Government	2,853	2,624	2,687	2,718	2,769	2,765	2,723	2,777	2,692	2,706
Public Safety	3,199	3,285	3,260	3,303	3,349	3,380	3,414	3,457	3,409	3,369
Health & Social Services	5,834	6,076	6,056	6,115	6,044	5,802	5,665	5,738	5,524	5,433
	<u>16,439</u>	<u>16,506</u>	<u>16,565</u>	<u>16,684</u>	<u>16,722</u>	<u>16,443</u>	<u>16,229</u>	<u>16,449</u>	<u>16,016</u>	<u>15,839</u>

SOURCE: Nebraska State Government - State Personnel Division - 2011 Almanac

State of Nebraska

OPERATING INDICATORS BY FUNCTION

2003 - 2012

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Government										
Department of Revenue										
Percentage of returns filed electronically	N/A	N/A	53.6%	57.6%	62.5%	66.0%	70.0%	78.0%	85.0%	88.0%
Percentage of direct deposit refunds	N/A	N/A	39.7%	43.9%	54.5%	75.0%	77.0%	72.0%	71.0%	80.5%
Department of Roads										
Percentage of Roads in very good or good condition (1)	84%	85%	85%	80%	79%	81%	79%	75%	74%	N/A
Conservation of Natural Resources										
Department of Environmental Quality										
Inspections by field office staff										
Air Quality	N/A	N/A	N/A	82	186	129	129	133	148	139
Water Quality	N/A	N/A	N/A	543	999	1,158	1,147	1,384	1,502	1,591
Waste Management	N/A	N/A	N/A	110	179	137	140	141	146	153
Culture - Recreation										
Game and Parks Commission										
Park visitors (1,2)	9,885,628	10,085,789	10,293,381	9,997,632	10,193,030	9,910,097	8,780,619	10,441,504	9,703,332	N/A
Hatchery fish raised (in millions) (1)	5.2	14.2	6.8	15.6	25.6	22.8	35.6	46.4	35.5	N/A
Education										
Department of Education										
Fall Enrollment										
Pre-K to 12th grade	285,542	284,559	285,548	287,135	291,111	292,497	295,352	298,550	301,317	N/A
State Colleges and Universities	53,431	52,772	53,223	53,927	54,211	56,355	57,867	58,751	59,089	N/A
Public Community Colleges	37,218	40,233	39,851	40,444	41,035	43,146	46,153	49,052	47,542	N/A
Health and Social Services										
Health and Human Services										
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	1,483,868	1,486,397	1,517,767
Number of Payments Disbursed	N/A	1,111,672	1,127,651	1,153,771	1,202,635	1,156,102	1,312,748	1,332,638	1,362,598	1,387,684
Medicaid (average monthly)										
Medicaid recipients	201,534	197,152	198,757	200,670	201,009	203,513	208,696	224,459	235,353	237,543
Percentage of Nebraska population	11.6%	11.3%	11.3%	11.3%	11.3%	11.4%	11.6%	12.3%	12.8%	N/A
Food Stamps (average monthly)										
Number of households	41,620	47,292	49,726	51,146	51,915	52,162	55,178	68,098	75,460	76,776
Percentage of Nebraska households	6.2%	6.9%	7.1%	7.3%	7.3%	7.3%	7.7%	9.3%	10.2%	N/A
Public Safety										
Department of Correctional Services										
Inmate population (average monthly) (1)	4,871	4,938	5,010	5,145	5,222	5,289	5,395	5,469	5,602	N/A
Percentage of Nebraska population	0.28%	0.28%	0.29%	0.29%	0.29%	0.30%	0.30%	0.30%	0.30%	N/A
Total Admissions (1)	2,753	2,662	2,924	3,039	2,902	2,801	2,709	2,648	2,956	N/A
Total Releases (1)	2,643	2,902	2,800	2,969	3,092	2,789	2,598	2,544	2,861	N/A
State Patrol										
Miles Patrolled (1)	10,198,444	10,395,505	10,087,966	10,130,500	10,348,580	10,489,515	10,161,183	10,119,800	9,360,000	N/A
Accidents Investigated (1)	2,557	2,228	2,960	2,315	2,392	1,963	2,331	2,430	2,293	N/A
Transportation										
Department of Motor Vehicles										
Motor Vehicle Registrations (1)										
Automobiles	1,081,868	1,088,620	1,106,684	1,112,320	1,122,877	1,140,386	1,147,354	1,148,305	1,158,374	N/A
Trucks										
Farm	147,571	148,278	148,625	147,509	157,282	160,264	162,778	165,760	171,458	N/A
Commercial / Other	378,615	383,024	389,947	392,589	388,098	389,686	392,120	396,004	400,746	N/A
Motorcycles	29,794	32,916	36,622	40,065	43,387	49,191	50,322	51,359	53,773	N/A

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

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

State of Nebraska

CAPITAL ASSET STATISTICS BY FUNCTION

2003 - 2012

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Government										
Department of Administrative Services										
Buildings	285	285	285	285	283	291	288	283	278	277
Vehicles	1,264	1,182	1,006	1,034	1,371	1,093	1,134	1,075	1,077	1,083
Conservation of Natural Resources										
Game and Parks Commission										
Acres of state park and wildlife land (in thousands)	140	143	146	148	149	149	149	150	150	151
Culture - Recreation										
Game and Parks Commission										
State Parks	8	8	8	8	8	8	8	8	8	8
Historical Parks	10	10	10	10	10	10	10	10	10	10
Recreation and wildlife areas	320	320	322	322	322	325	327	328	323	321
Fish hatcheries	5	5	5	5	5	5	5	5	5	5
Education										
NETV Commission										
Towers, antennas and transmitters	60	60	60	56	60	60	42	42	42	42
Public Safety										
State Patrol										
Pursuit Vehicles	429	479	442	364	351	474	474	432	384	436
Department of Corrections										
Buildings	126	126	124	129	126	143	135	131	134	135
Transportation										
Department of Roads										
Highway miles (calendar year)	9,959	9,959	9,953	9,950	9,949	9,949	9,949	9,950	9,945	N/A
Heavy trucks, plows and graders	1,087	1,085	1,083	1,068	1,072	1,053	1,120	1,095	1,109	1,063

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

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

State of Nebraska

MISCELLANEOUS DATA

June 30, 2012

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, 2010-2011.

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Sheryl Hesseltine
Lauren Dyer
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