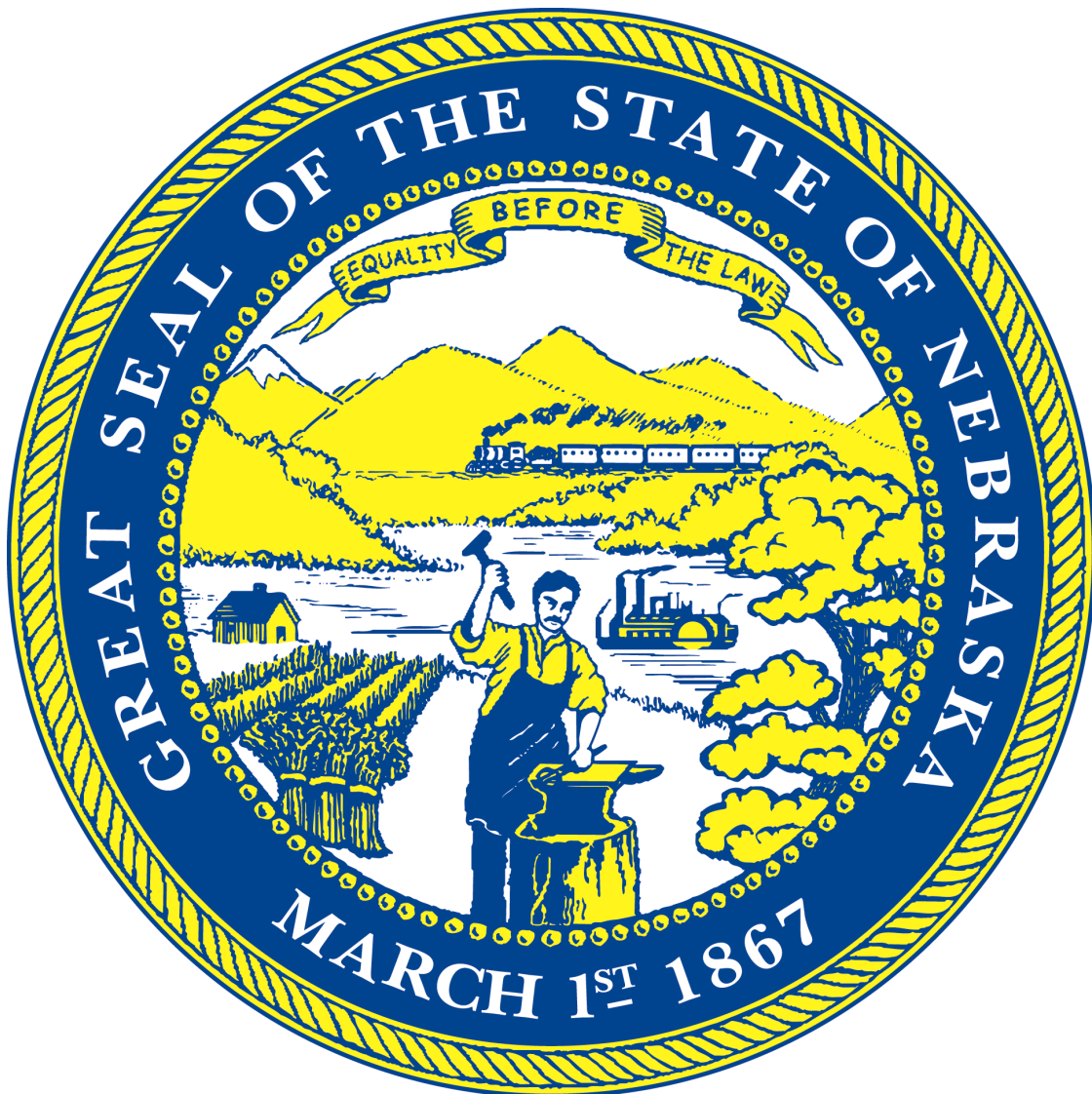


# State of Nebraska

## *Comprehensive Annual Financial Report*

Fiscal Year Ended June 30, 2015



# State of Nebraska

## Comprehensive Annual Financial Report

Year Ended June 30, 2015



**Pete Ricketts**

*Governor*

**Administrative Services**

**Byron Diamond**

*Director*

**Jerry Broz**

*State Accounting Administrator*

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

For the Year Ended June 30, 2015

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# INTRODUCTORY SECTION

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# SELECTED STATE OFFICIALS

As of June 30, 2015

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## EXECUTIVE

**Pete Ricketts**

Governor

**Mike Foley**

Lieutenant Governor

**Doug Peterson**

Attorney General

**Charlie Janssen**

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

**Galen Hadley**

Speaker of the Legislature

Nebraska Unicameral (49 Senators)



December 17, 2015

The Honorable Pete Ricketts, 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, 2015. 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, 2015 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, 2015 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 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 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 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 members elected on a non-partisan ballot. 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 75 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 76 through 79.

## **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 95 percent of all General Fund revenues. Net revenue from income taxes and sales taxes from all funds for the fiscal year ended June 30, 2015 increased \$239 million from the prior year, indicating that the Nebraska economy continues to strengthen.



For the fiscal year ending June 30, 2015 the State's General Fund ended the fiscal year with a cash and investments balance of \$1,503 million. The balance had exceeded \$800 million dollars for the prior seven years.

The current forecast for fiscal year 2016 anticipates net receipts in the General Fund to increase about \$98 million, a 2.3% increase over fiscal year 2015. 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 optimistic about the national economic outlook, and expects Nebraska to maintain its relative economic strength. The Council's June 2015 forecast is shown on the following chart. The agriculture market is a major force in the Nebraska economy. Falling commodity prices started a decline in farm income in 2014, is expected to continue in 2015, recovering slightly in 2016, followed by a modest drop in 2017 as livestock revenue moderates. Nonfarm income will continue growing in 2016 and 2017 along with a steady increase in employment. These are consistent with moderate inflation, moderate employment growth and a steady improvement in real hourly wages. Retail sales will continue to grow in 2016 and 2017.

	ACTUAL			PROJECTED		
	2012	2013	2014	2015	2016	2017
<b>Nonfarm Employment:</b>						
Annual Totals	968,800	980,400	993,300	1,005,900	1,018,000	1,030,200
Growth Rates	1.7%	1.2%	1.3%	1.3%	1.2%	1.2%
<b>Nonfarm Personal Income:</b>						
Annual Totals (in millions \$)	79,896	81,301	84,114	87,116	90,618	94,186
Growth Rates	7.9%	1.8%	3.5%	3.6%	4.0%	3.9%
<b>Net Taxable Retail Sales Growth Rates:</b>						
Total	4.8%	5.1%	3.2%	3.1%	4.1%	4.1%
Motor Vehicle Sales	8.8%	4.1%	4.7%	4.0%	4.5%	4.6%
Non-motor Vehicles Sales	4.2%	5.3%	3.0%	3.0%	4.0%	4.0%

### ***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 2018 and 2019. 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 fiscal years 2016, 2017, 2018 and 2019 are projected to increase by 3.6%, 4.1%, 4.9% and 4.8%, respectively.

Higher than projected tax receipts have recently boosted the state revenue forecast. By operation of law, any revenue above the certified forecast is used to rebuild the cash reserve, which is intended to supplement weak revenue during recessionary periods. The potential for relatively large annual growth in expenditures for school aid and Medicaid presents a challenge in preparing a budget that keeps expenses within projected revenue. In addition, the growth in recent years in the prison inmate population presents an additional challenge due to increased operating costs and possible capital asset improvements. 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***

As you have publicly stated, one of your priorities for growing Nebraska is a more efficient and effective state government through a more customer focused environment and reduction in regulation and regulatory complexity. Another of your priorities is to improve public safety.

## 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, 2014. This was the twenty-fourth 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.

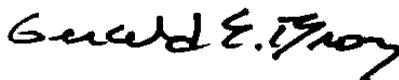
The 2015 CAFR represents the continuous effort on our part to fulfill this commitment. We wish to express our appreciation to the accounting staff of the State Accounting Division of Administrative Services and the budget and accounting staff throughout State government for their assistance in the preparation 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,

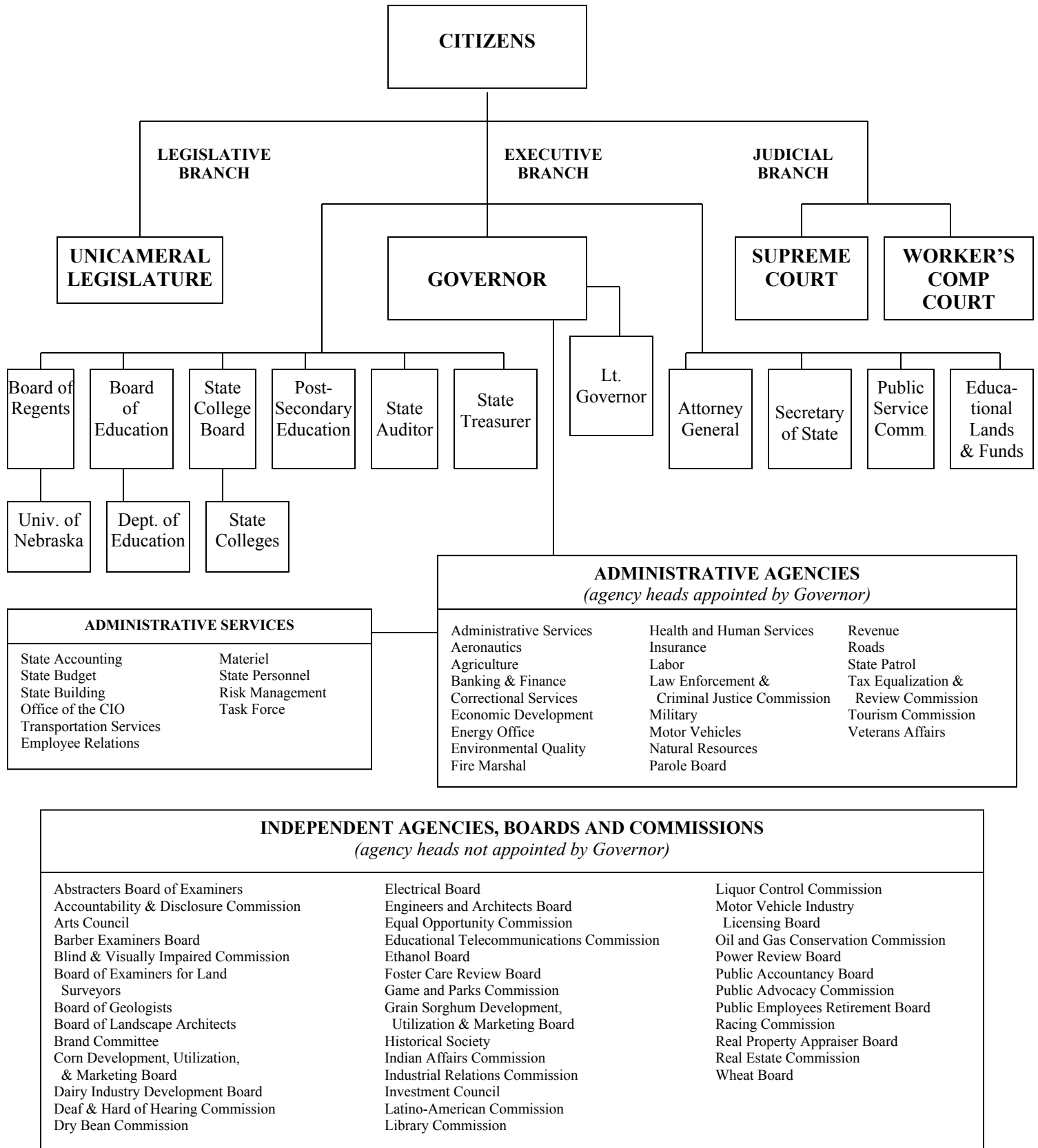


Byron L. Diamond  
Director, Administrative Services



Gerald E. Broz  
State Accounting Administrator

# Nebraska State Government Organization Chart





Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

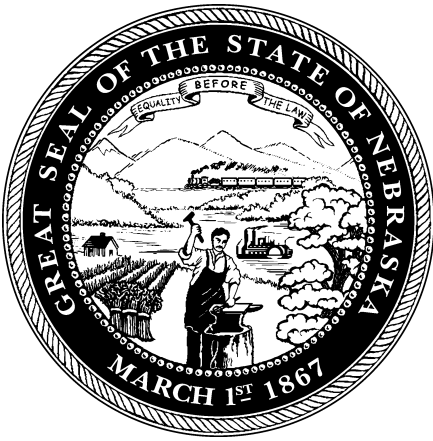
**State of Nebraska**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2014**

A handwritten signature in black ink, reading "Jeffrey R. Emswiler". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Executive Director/CEO



## FINANCIAL SECTION

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## NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

Charlie Janssen  
State Auditor

Charlie.Janssen@nebraska.gov

PO Box 98917  
State Capitol, Suite 2303  
Lincoln, Nebraska 68509  
402-471-2111, FAX 402-471-3301  
[www.auditors.nebraska.gov](http://www.auditors.nebraska.gov)

### Independent Auditor's Report

The Honorable Governor,  
Members of the Legislature and  
Citizens of the State of Nebraska:

#### **Report on the Financial Statements**

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, 2015, and the related notes to the financial statements, which collectively comprise the State of Nebraska's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditor's Responsibility***

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 UNeHealth, 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 activity of the Nebraska State College System Revenue and Refunding Bond Program, and the Nebraska State Colleges Facilities Corporation, which represent 46%, 38%, and 22%, respectively, of the assets, net position or fund balances, and revenues of the aggregate discretely presented component units. We also did not audit the financial statements of the College Savings Plan which represents 19%, 21%, and 22% of the assets, net position or fund balances, and revenues of the aggregate remaining fund information. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included

for the aggregate discretely presented component units and the aggregate remaining fund information for the College Savings Plan is based solely 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 from material misstatement. The financial statements of the University of Nebraska Foundation, the University of Nebraska Facilities Corporation, the UNMC Physicians, the University Dental Associates, the UNeHealth, the Nebraska Utility Corporation, the Nebraska State College System Foundations, the Nebraska State College System Revenue and Refunding Bond Program, and the Nebraska State Colleges Facilities Corporation were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the State of Nebraska's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the State of Nebraska's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***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, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 15 through 28, the Budgetary Comparison Schedules on pages 75 through 80; the Information About Infrastructure Assets Reported Using the Modified Approach on page 81, and the Information About Pension Plans on pages 82 through 98, 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 any assurance.

#### *Supplementary and Other Information*

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 and introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

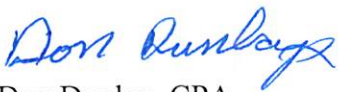
The combining statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 performed as described above, and the report of the other auditors, the combining statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have 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 it.

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2015, 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* in considering the State of Nebraska's internal control over financial reporting and compliance.

Lincoln, Nebraska  
December 17, 2015

  
Don Dunlap, CPA  
Assistant Deputy Auditor



# MANAGEMENT'S DISCUSSION AND ANALYSIS

Management of the State of Nebraska provides the following discussion and analysis of the State of Nebraska's financial performance, as reflected in the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2015. 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. Numerical years refer to fiscal years with a June 30 year-end, unless otherwise noted.

The State of Nebraska (State) implemented one new standard in 2015 required by the Governmental Accounting Standards Board (GASB). Statement No. 68, *Accounting and Financial Reporting for Pensions; an amendment of GASB Statement No. 27*, improves accounting and financial reporting for employers by creating additional transparency in pension expenses and liabilities. In order to aid this discussion, the following items were restated for Statement No. 68 for 2014: current and other non-current assets, deferred outflows of resources, non-current liabilities, and unrestricted net position on the Net Position statement and net position – beginning on the Changes in Net Position.

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, 2015 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, 2015 by \$12.9 billion (presented as "net position" in the CAFR). The majority of the net position is 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 position, unrestricted net position was reported as \$1.2 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 2015 resulting in an increase in net position of \$300 million. This increase in net position is less than the increase in 2014 of \$553 million.

### Fund Level:

General Fund receipts for 2015 were \$85 million above the original budgeted amount and above the final budget by \$10 million. Expenditures were \$381 million less than the original budgeted amount and below the final budget by \$389 million. On a Generally Accepted Accounting Principles (GAAP) basis, the General Fund had \$236 million in excess revenues prior to a legislatively mandated property tax relief transfer of \$138 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, 2015 to \$1,344 million. Other governmental funds expenditures exceeded revenues by \$39 million, chiefly due to market changes. In addition to these operating changes, such other funds received \$73 million in net other financing sources. This \$34 million net increase resulted in raising such fund balances at June 30, 2015 to \$2,631 million.

The \$464 million of net position of the Unemployment Insurance Fund represents 83% of the enterprise funds. Such fund had a \$5 million increase in net position for 2015 compared to a \$21 million increase in 2014, a decrease in growth of \$16 million. Business assessment fees collected from employers exceeded the unemployment insurance claims in 2015. Business assessment fees from employers and unemployment insurance claims were about the same in 2014.

### Long-term Liabilities:

Long-term liabilities shown on the government-wide financial statements totaled \$718 million at June 30, 2015, which is a \$218 million decrease from the prior year, primarily due to a decrease in net accrued pension liability realized as a result of adopting GASB 68. The remaining 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 Position and the Statement of Activities.

The *Statement of Net Position* (page 31) presents all the State's assets and liabilities with the difference between the two reported as "net position." Changes in net position 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 32 and 33) presents information showing how the State's net position changed during the reported year. All changes in net position 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 Trust 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 95% of all activity of the primary government. It includes general government; education; health and social 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-fifth 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 34) 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 35 and 37).

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 position reported in these statements as Enterprise Funds will be identical to the net position reported in the net position 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 Trust Fund, which contains retirement contributions held by the State for state employees, county employees and public school employees (see Note 13 to the financial statements). There are also Private-Purpose Trust Funds whereby the State has control of unclaimed property and contributions from State participants received by the College Savings Plan. 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 position 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 beginning on page 44.

## **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 46.

## **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, and certain pension plan actuarial information.

## **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 Position**

The State's assets and deferred outflows of resources totaled \$15,083 million at June 30, 2015 as compared to \$14,714 million at June 30, 2014, as restated. As total liabilities and deferred inflows of resources only totaled \$2,196 million, net position amounted to \$12,887 million as of June 30, 2015. As of June 30, 2014, these amounts were \$2,127 million and \$12,587 million, respectively, as restated. By far the largest portion of the State of Nebraska's net position (67 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 position is subject to external restrictions, constitutional provisions, or enabling legislation on how it can be used. It is also not available for future general government spending.

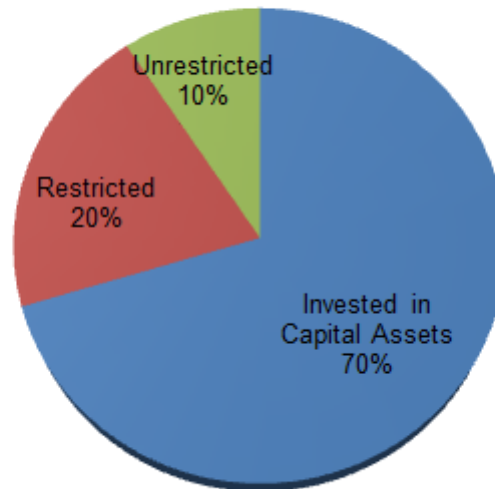
For Governmental Activities other than capital assets, the majority of the restricted net position consists of the Permanent School Trust, the Tobacco Settlement Trust, the Intergovernmental Trust and the loans to political subdivisions for drinking water and clean water projects.

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

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

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Current and Other						
Non-current Assets	\$ 5,695	\$ 5,464	\$ 628	\$ 605	\$ 6,323	\$ 6,069
Capital Assets	8,689	8,590	7	7	8,696	8,597
<b>Total Assets</b>	<b>14,384</b>	<b>14,054</b>	<b>635</b>	<b>612</b>	<b>15,019</b>	<b>14,666</b>
<b>Deferred Outflows of Resources</b>	<b>64</b>	<b>48</b>	<b>-</b>	<b>-</b>	<b>64</b>	<b>48</b>
Non-current Liabilities	691	907	27	29	718	936
Other Liabilities	1,248	1,165	47	26	1,295	1,191
<b>Total Liabilities</b>	<b>1,939</b>	<b>2,072</b>	<b>74</b>	<b>55</b>	<b>2,013</b>	<b>2,127</b>
<b>Deferred Inflows of Resources</b>	<b>183</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>183</b>	<b>-</b>
Net position:						
Net Investment in Capital Assets	8,674	8,572	7	7	8,681	8,579
Restricted	2,495	2,430	466	462	2,961	2,892
Unrestricted	1,157	1,028	88	88	1,245	1,116
<b>Total Net Position</b>	<b>\$ 12,326</b>	<b>\$ 12,030</b>	<b>\$ 561</b>	<b>\$ 557</b>	<b>\$ 12,887</b>	<b>\$ 12,587</b>

**Governmental Activities**  
**Net Position - Total \$12,326 million**



Approximately 76% of the State's non-capital assets consist of cash and investments. It should be noted that \$139 million in 2015 and \$200 million in 2014 of such assets represent "Securities Lending Collateral," an amount established in accordance with GASB guidelines to record a lending transaction. Since the asset is offset by a corresponding equal liability, the effect on net position 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 17% of the non-capital assets.

Liabilities largely reflect three groupings which represent 96% of total State liabilities, not including the obligations under securities lending explained in the above paragraph. These are operational payables, which consist of accounts payable and accrued liabilities totaling \$703 million in 2015 (\$540 million in 2014); tax refunds payable of \$381 million (\$383 million in 2014); and long-term payables, discussed in the following paragraph.

Since the State's Constitution generally prohibits the State from incurring debt, the Statement of Net Position presents few long-term liabilities (shown as noncurrent liabilities), which total \$718 million in 2015 (\$936 million in 2014). The majority of such liabilities are for claims payable for workers' compensation, medical excess liability, litigation, unemployment insurance, and employee health insurance totaling \$105 million in 2015 (\$106 million in 2014), Medicaid claims for \$176 million in 2015 (\$169 million in 2014), the State's liability for pension funds of \$289 million in 2015 (\$506 million in 2014), and the calculated amount for vested sick leave due to employees when they retire and accrued vacation of \$132 million in 2015 (\$130 million for 2014). Another minor amount of long-term liabilities consists of capital lease obligations (See Note 8 to the Financial Statements), which totaled \$15 million at June 30, 2015, compared to \$18 million at June 30, 2014.

The \$296 million increase in net position of Governmental Activities for 2015, was due to a \$102 million increase in the net investment in capital assets, a \$65 million increase in restricted net position, and a \$129 million increase in unrestricted net position. The major source of the increase was a \$212 million increase in taxes collected.

At the end of June 30, 2015, the State reported a positive balance in all of the three categories of net position.

### **Changes in Net Position**

The condensed financial information on the following page was derived from the Government-Wide Statement of Activities and reflects how the State's net position changed during the year. Following that table is management's analysis of the changes in net position for 2015, analyzing both the governmental activities and the business-type activities.

# STATE OF NEBRASKA

## CHANGES IN NET POSITION FOR THE YEAR ENDED JUNE 30

(in millions of dollars)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
<b>REVENUES</b>						
Program Revenues						
Charges for Services	\$ 612	\$ 597	\$ 284	\$ 308	\$ 896	\$ 905
Operating Grants and Contributions	2,648	2,622	-	-	2,648	2,622
Capital Grants and Contributions	3	19	-	-	3	19
General Revenues						
Taxes	4,976	4,764	-	-	4,976	4,764
Unrestricted Investment Earnings	89	223	12	15	101	238
Miscellaneous	2	3	-	-	2	3
<b>Total Revenues</b>	<b>8,330</b>	<b>8,228</b>	<b>296</b>	<b>323</b>	<b>8,626</b>	<b>8,551</b>
<b>EXPENSES</b>						
General Government	548	507	-	-	548	507
Conservation of Natural Resources	150	143	-	-	150	143
Culture - Recreation	32	31	-	-	32	31
Economic Development and Assistance	109	89	-	-	109	89
Education	1,724	1,712	-	-	1,724	1,712
Higher Education - Colleges and Universities	651	618	-	-	651	618
Health and Social Services	3,350	3,242	-	-	3,350	3,242
Public Safety	408	376	-	-	408	376
Regulation of Business and Professions	125	124	-	-	125	124
Transportation	982	920	-	-	982	920
Interest on Long-term Debt	1	1	-	-	1	1
Net Pension Expense	29	-	-	-	29	-
Unemployment Insurance	-	-	94	122	94	122
Lottery	-	-	123	121	123	121
Excess Liability	-	-	6	1	6	1
Cornhusker State Industries	-	-	13	12	13	12
<b>Total Expenses</b>	<b>8,109</b>	<b>7,763</b>	<b>236</b>	<b>256</b>	<b>8,345</b>	<b>8,019</b>
Excess Before Transfers and						
Contributions to Permanent Fund Principal	221	465	60	67	281	532
Net Transfers In (Out)	56	38	(56)	(38)	-	-
Contributions to Permanent Fund Principal	19	21	-	-	19	21
<b>Increase in Net Position</b>	<b>296</b>	<b>524</b>	<b>4</b>	<b>29</b>	<b>300</b>	<b>553</b>
<b>Net Position - Beginning</b> (as restated)	<b>12,030</b>	<b>11,506</b>	<b>557</b>	<b>528</b>	<b>12,587</b>	<b>12,034</b>
<b>Net Position - Ending</b>	<b>\$ 12,326</b>	<b>\$ 12,030</b>	<b>\$ 561</b>	<b>\$ 557</b>	<b>\$ 12,887</b>	<b>\$ 12,587</b>

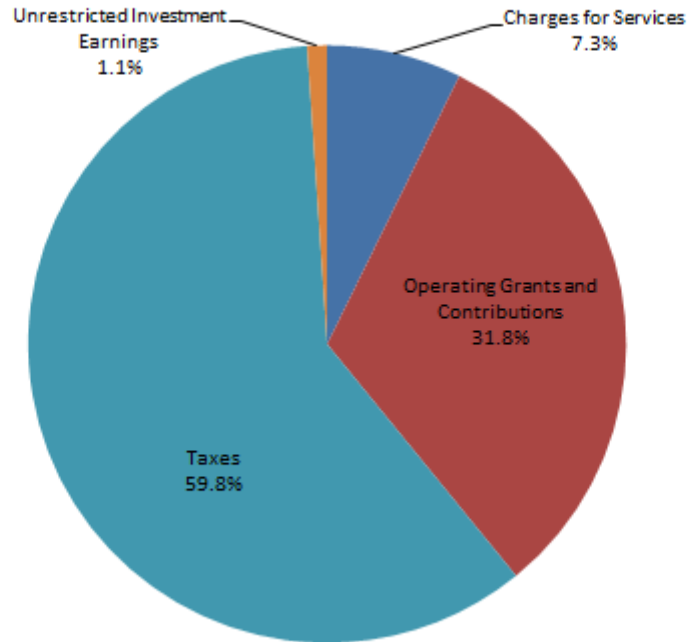
## Governmental Activities

Governmental activities increased the State's net position by \$296 million in 2015 (\$524 million increase in 2014) and represent 97% of all primary government revenues. Program revenues from governmental activities were \$3,263 million and were used to partially offset program expenses of \$8,109 million, leaving net expenses of \$4,846 million. Only 7% of total expenses were incurred for general government services. General revenues from taxes, investment earnings, and miscellaneous sources, plus contributions to the permanent fund principal, and transfers, totaling \$5,142 million, were \$296 million more than the remaining costs of the governmental activities' programs as shown below.

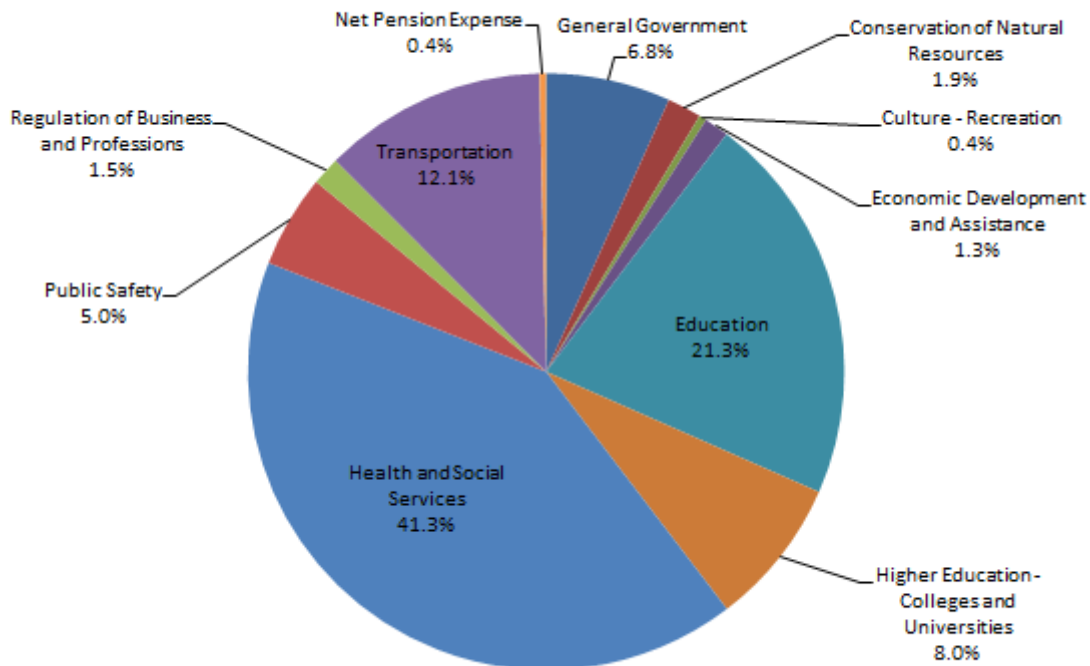
Tax revenues were up \$212 million, over 2014, compared to an increase of \$200 million in 2014 over 2013. Program revenues increased 1% from 2014, chiefly due to income from operating grants being up \$26 million. Increases in general government, health and social services and transportation expenses contributed to the \$346 million increase in program expenses. The change in Net Position decreased \$228 million from 2014 to 2015 compared to the \$6 million decrease from 2013 to 2014. While the General Fund has more investments than other programs, it maintains safer investments and actually showed a decrease in investment income in 2015 over 2014 of \$8 million, which was a smaller change than the \$134 million decrease for governmental activities as investment gains started decreasing during 2015.

**STATE OF NEBRASKA**  
**Governmental Activities**  
As of June 30, 2015

**Revenues - Total \$8,330 million**



**Expenses - Total \$8,109 million**





Program expenses, net of revenue, increased by \$321 million in 2015, over 2014, as shown below:

### **GOVERNMENTAL ACTIVITIES**

*(in millions of dollars)*

	<u>2015</u>	<u>2014</u>
<b>Program Expenses, Net of Revenue</b>		
General Government	\$ (424)	\$ (413)
Conservation of Natural Resources	(44)	(51)
Culture - Recreation	(6)	(7)
Economic Development and Assistance	(64)	(36)
Education	(1,323)	(1,317)
Higher Education - Colleges and University	(651)	(618)
Health and Social Services	(1,501)	(1,379)
Public Safety	(281)	(266)
Regulation of Business and Professions	17	11
Transportation	(539)	(448)
Interest on Long-Term Debt	(1)	(1)
Net Pension Expense	(29)	-
<b>Subtotal</b>	<u>(4,846)</u>	<u>(4,525)</u>
<b>General Revenues</b>		
Taxes	4,976	4,764
Unrestricted Investment Earnings	89	223
Miscellaneous	2	3
<b>Transfers</b>	56	38
<b>Contributions to Permanent Fund Principal</b>	<u>19</u>	<u>21</u>
<b>Increase in Net Position</b>	<u><u>\$ 296</u></u>	<u><u>\$ 524</u></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 up \$12 million, Health and Social Services was up \$108 million, Higher Education was up \$33 million, and Transportation expenses were up \$62 million. All the other functional areas had small variances in net expenses.

### **Business-type Activities**

The business-type activities increased the State's net position by \$4 million for 2015, which was net of a \$56 million transfer to governmental activities. Most of the \$284 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 \$14 million in 2015. This gain, when combined with transfers and \$10 million in investment income, produced a \$5 million increase in net position for the Unemployment Insurance Fund. Lottery revenues of \$160 million generated operating income of \$37 million, which was offset by a \$37 million transfer to 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, 2015, the State's Governmental Funds reported combined ending fund balances of \$3,975 million. Of this amount, \$552 million is nonspendable, either due to its form or legal constraints, and \$1,931 million is restricted for specific programs by external constraints, constitutional provisions, or contractual obligations. Revenue restricted by enabling legislation, and public school land lease revenues are included in restricted fund balance. An additional \$827 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 \$50 million of total fund balance has been assigned to specific purposes, as expressed by legislative intent. The remaining \$615 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 \$370 million. However, such refunds payable are \$44 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 \$1,339 million.

On June 30, 2014, the General Fund had a positive fund balance of \$1,262 million. For 2015 expenditures increased \$287 million from 2014 and revenues increased by \$186 million. The revenues were \$98 million more than expenditures for 2015 while revenues were \$200 million more than expenditures in 2014. The General Fund balance in 2015 increased by \$82 million, after adjusting for transfers in and out of the General Fund, ending with a fund balance of \$1,344 million on June 30, 2015.

Revenues in 2015 increased significantly more than anticipated and were up \$186 million over 2014. This increase was chiefly due to an increase in income tax revenue of \$189 million (a 8% increase) over 2014, an increase in sales and use tax revenue of \$18 million (a 1% increase) over 2014, and decrease in investment income of \$8 million (a 24% decrease) over 2014. 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 five areas. Education expenditures increased \$50 million and Higher Education – Colleges and University expenditures increased \$22 million due to increased aid to education, which had been a major initiative of the Governor. Health and Social Services expenditures increased \$106 million due to increased aid, while General Government expenditures increased \$80 million, mainly because Supreme Court hired additional staff and incurred related operational expenditures for juvenile probation; and, Public Safety expenditures increased \$19 million, mainly due to an increase in payroll for public safety personnel.

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 2015.

The Cash Reserve Fund was at \$384 million at the beginning of 2014. In 2014 there was a net statutory transfer to the Fund from the General Fund of \$335 million, leaving a Cash Reserve Fund balance at June 30, 2014 of \$719 million. In 2015, there was a statutory transfer from the Fund to the General Fund of \$68 million and other net transfers in of \$77 million leaving a Fund balance of \$728 million at June 30, 2015. 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 \$2,631 million at June 30, 2015. Of this amount, \$550 million is nonspendable, either due to its form or legal constraints, and \$1,931 million is restricted for specific programs by external constraints, constitutional provisions, or contractual obligations. An additional \$100 million of total fund balance has been committed to specific purposes. The remaining \$50 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 \$801 million. The non-major special revenue fund balances totaled \$919 million.

Governmental funds other than the General Fund saw an increase in fund balances of \$34 million. The fund balances of the following funds increased: the Permanent School Fund (\$23 million), and the other Nonmajor Funds (\$51 million.) The fund balances of the following funds decreased: the Highway Fund (\$27 million), the Health and Social Service Fund (\$8 million), and the Federal Fund (\$4 million).

The Highway Fund had a \$21 million increase in sales and use taxes, a \$26 million decrease in federal grants revenue and a \$54 million increase in operating expenses. These changes are why the Highway Fund had a \$27 million decrease in its fund balance in 2015 as opposed to a \$32 million increase in 2014.

The activity in the Federal Fund represents federal funds received, and each year's spending should generally approximate grant funds received. In 2015 there was an increase in federal grants and contracts of \$40 million and investment income decreased \$1 million. Expenditures in 2015 increased by \$7 million for Education, decreased \$1 million for Conservation of Natural Resources, increased \$10 million for Economic Development and Assistance, increased \$7 million for Health and Social Services, and increased \$16 million for Public Safety. Revenues exceeded expenditures by \$7 million before transfers. Transfers out increased \$18 million in 2015 compared to a decrease of \$2 million in 2014. At the end of 2015 there was a net decrease in the fund of \$4 million, compared to a \$1 million decrease in 2014.

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 \$48 million decrease in investment income in 2015 (chiefly due to changes in the market value of investments) compared to a \$27 million increase in 2014. There was a \$8 million decrease in fund balance in 2015, as opposed to a \$55 million increase in 2014.

The Permanent School Fund had a \$66 million decrease in revenue, chiefly due to a \$67 million decrease in investment income caused by changes in the market value of investments in 2015, compared to a \$29 million investment income increase in 2014 (when compared to 2013). Expenditures increased \$7 million in 2015. There was a \$23 million increase in fund balance in 2015, as opposed to a \$95 million increase in 2014, a change of \$72 million.

The Nonmajor Funds revenues increased \$25 million compared to 2014. Expenditures increased \$10 million in Economic Development and Assistance, increased \$11 million in Higher Education – Colleges and University, and increased \$16 million in Health and Social Services. There were \$95 million in net transfers in for the Nonmajor Funds in 2015 versus \$29 million in net transfers in for 2014. As a result, the fund balances increased \$51 million in 2015 as opposed to a \$21 million increase in 2014.

## **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 position of \$464 million at the end of 2015. This fund's net position increased \$5 million in 2015, because business assessment fees exceeded unemployment claims paid out by \$13 million, investment earnings of

\$10 million and other changes. 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 \$37 million prior to a \$37 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 loss of \$1 million and earned \$2 million in investment earnings for a net position increase of \$1 million.

## Fiduciary Funds

The Pension Trust Funds represent the majority of the fiduciary funds. Such Pension Trust Fund's net position increased \$402 million to \$12,943 million in 2015 due to a strong performance by the stock market in 2015. Interest and dividend income in 2015 was \$152 million versus \$139 million in 2014. Benefits, refunds and related administrative expenses exceeded the contributions to the plans by \$135 million. In another trust fund recorded in the Private Purpose Trust Funds, contributions from State participants received by the College Savings Plan totaled \$377 million. The total net position in the College Savings Plan now totals over three billion dollars.

## ANALYSIS OF GENERAL FUND BUDGET VARIATIONS

Even though there is a relatively stable economy in the Midwest, in 2015 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 2015 by only \$88 million over 2014 net tax revenue of \$4,017 million. This forecasted increase was smaller due to the enactment of LB84, which redirected the revenue generated from one-quarter of one percent of the State's 5.5% sales tax rate beginning July 1, 2013 toward state, county and municipal road construction. Because revenues continued to show an increasing trend during 2015, the State's Forecasting Board made two new forecasts throughout the year. At the end, the forecasted net tax revenues were \$75 million above the original forecast. However, that increased forecast was still less than actual tax revenues of \$4,190 million by \$10 million, leaving the State with actual tax revenues, net of refunds, of \$85 million above the original budget on a budgetary basis. Agencies continued to watch their General Fund expenditures and spent \$389 million less than the final appropriated amount. This reduction, when coupled with the increased tax revenues, caused the State to finish 2015 with General Fund revenues of \$217 million more than expenditures on a budgetary basis, prior to net transfers out. There was a net \$153 million transferred out for specific purposes. The fund balance on a budgetary basis increased from \$1,392 million at the beginning of the fiscal year to \$1,455 million at June 30, 2015.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At the end of fiscal year 2015, the State had invested \$8.7 billion, net of accumulated depreciation, in capital assets as reported in the Statement of Net Position and summarized in the table below. Depreciation expense for 2015 totaled \$48 million, compared to \$48 million for 2014.

#### CAPITAL ASSETS AS OF JUNE 30

(net of depreciation in millions of dollars)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
Land	\$ 579	\$ 573	\$ -	\$ -	\$ 579	\$ 573
Buildings and Equipment	458	470	7	7	465	477
Infrastructure	7,330	7,246	-	-	7,330	7,246
<b>Subtotal</b>	<b>8,367</b>	<b>8,289</b>	<b>7</b>	<b>7</b>	<b>8,374</b>	<b>8,296</b>
Construction in Progress	322	301	-	-	322	301
<b>Total</b>	<b>\$ 8,689</b>	<b>\$ 8,590</b>	<b>\$ 7</b>	<b>\$ 7</b>	<b>\$ 8,696</b>	<b>\$ 8,597</b>

Infrastructure (roads, bridges, dams, etc.) is by far the largest group of assets owned by the State. GASB Statement No. 34 requires the State to select one of two methods to account for its infrastructure assets. One process is to record depreciation expense on selected infrastructure assets. The State has adopted an alternative method, referred to as the modified approach. Under this 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 2014, indicated an overall system rating of 81, a rating that has been very consistent over the past six years.

For 2015, it was estimated that the State needed to spend \$327 million to preserve and maintain the roads at the abovementioned level. The State actually spent \$348 million on roads in 2015, compared to \$300 million in 2014. For 2016, it is estimated that the State needs to spend \$306 million, a decrease from actual 2015 and an increase from the average of the previous five years.

The State also spent \$88 million on capitalized infrastructure and land purchases relating to roads in 2015 (\$177 million in 2014), most notably reconstructing (a) Interstate 80 by Lincoln, (b) Highway 133, North of Highway 36, and (c) Highway 35, Northeast of Norfolk. Major land purchases included land purchased near four State highways. At June 30, 2015, the State had contractual commitments of \$712 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 \$66 million more than at June 30, 2014 as a result of new highway construction and repair work being financed by the federal government.

During 2015, the State added \$39 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 14 to the financial statements.

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

	GOVERNMENTAL ACTIVITIES	
	2015	2014
Capitalized Leases:	\$ 15	\$ 18

There were no new bonds issued or outstanding in 2015 or 2014. Two new capitalized leases were added in 2015 (three leases were added in 2014). 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.

## **FACTORS THAT WILL AFFECT THE FUTURE**

The state and national economies are 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 2016 are currently projected to exceed actual 2015 revenues by \$98 million on a nominal basis. The State has a low unemployment rate and has borrowed no money from the federal government for the State's Unemployment Insurance Fund. The Legislature has responded to the market effect on defined benefit retirement plans by enacting legislation that improves both the short-term and long-term funding outlook for these plans.

The State does face a number of challenges in the coming years. National healthcare policy, including the potential for increased participation in the Medicaid program and the ongoing increase in healthcare costs present challenges to the State. In addition, the growth in recent years in the prison inmate population presents an additional challenge due to increased operating costs and possible capital asset improvements. There is also a need for continuous monitoring of the school finance formula to ensure sustainable growth in aid to education for K-12 schools, easily the largest General Fund financial commitment annually.

To help offset any future economic downturns, as previously explained, the State maintains a Cash Reserve Fund. As of June 30, 2015, this Fund had a \$728 million balance. A transfer of \$85 million, representing the amount the state fiscal year 2014-15 revenues exceeded the certified forecast, was made from the General Fund to the Cash Reserve Fund in July 2015 as statutorily required. This and other transfers resulted in a Cash Reserve Fund balance of \$779 million at November 30, 2015. Future significant statutory disbursements from this fund include \$76 million to be transferred to the Capital Projects Fund.

## **CONTACTING THE STATE ACCOUNTING OFFICE**

This report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the State's finances and to demonstrate the State's accountability for the money it receives. If you have any questions about this report or need additional information, contact the State Accounting Division of Administrative Services, Suite 1309 State Capitol, Lincoln, NE 68509-4664, (402) 471-2581.

The State's component units issue their own separately issued audited financial statements. These statements may be obtained by directly contacting the component units 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/>.

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## BASIC FINANCIAL STATEMENTS

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State of Nebraska  
**STATEMENT OF NET POSITION**  
June 30, 2015

(Dollars in Thousands)

	PRIMARY GOVERNMENT			COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS	
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 255,306	\$ 436,449	\$ 691,755	\$ 630,037
Receivables, net of allowance				
Taxes	462,958	-	462,958	-
Due from Federal Government	303,841	-	303,841	-
Other	240,215	52,173	292,388	441,819
Internal Balances	(838)	838	-	-
Investments	3,831,484	129,809	3,961,293	2,259,758
Loans Receivable	330,255	-	330,255	37,277
Investment in Joint Venture	-	-	-	343,098
Net Pension Asset	107,658	-	107,658	-
Other Assets	27,777	3,192	30,969	30,905
Restricted Assets:				
Cash and Cash Equivalents	1,188	-	1,188	589,754
Other	-	2,414	2,414	26,901
Securities Lending Collateral	134,952	3,648	138,600	-
Capital assets:				
Land	579,205	315	579,520	92,720
Infrastructure	7,329,963	-	7,329,963	-
Construction in Progress	321,610	-	321,610	383,663
Land Improvements	-	-	-	240,832
Buildings and Equipment	1,144,854	14,282	1,159,136	2,899,362
Less Accumulated Depreciation	(686,241)	(7,567)	(693,808)	(1,102,760)
Total Capital Assets	8,689,391	7,030	8,696,421	2,513,817
Total Assets	<u>\$ 14,384,187</u>	<u>\$ 635,553</u>	<u>\$ 15,019,740</u>	<u>\$ 6,873,366</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred Outflow related to pensions	\$ 63,841	\$ -	\$ 63,841	\$ -
Deferred loss on bond refunding	-	-	-	6,869
Total Deferred Outflows of Resources	<u>\$ 63,841</u>	<u>\$ -</u>	<u>\$ 63,841</u>	<u>\$ 6,869</u>
<b>LIABILITIES</b>				
Accounts Payable and Accrued Liabilities	\$ 661,982	\$ 40,724	\$ 702,706	\$ 262,328
Tax Refunds Payable	380,874	-	380,874	-
Deposits	14,421	-	14,421	21,713
Unearned Revenue	56,479	2,461	58,940	92,040
Obligations under Securities Lending	134,952	3,648	138,600	-
Noncurrent Liabilities:				
Due within one year	225,253	13,403	238,656	134,816
Due in more than one year	176,026	14,014	190,040	865,938
Net Pension Liability	289,309	-	289,309	-
Total Liabilities	<u>\$ 1,939,296</u>	<u>\$ 74,250</u>	<u>\$ 2,013,546</u>	<u>\$ 1,376,835</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred Inflow related to pensions	\$ 182,710	\$ -	\$ 182,710	\$ -
Deferred service concession arrangement receipts	-	-	-	16,780
Total Deferred Inflows of Resources	<u>\$ 182,710</u>	<u>\$ -</u>	<u>\$ 182,710</u>	<u>\$ 16,780</u>
<b>NET POSITION</b>				
Net Investment in Capital Assets	\$ 8,673,916	\$ 7,030	\$ 8,680,946	\$ 1,836,720
Restricted for:				
Education	15,535	-	15,535	2,042,979
Health and Social Services	554,355	-	554,355	-
Conservation of Natural Resources	579,913	-	579,913	-
Transportation	269,184	-	269,184	-
Licensing and Regulation	97,126	-	97,126	-
Other Purposes	168,197	2,414	170,611	331,499
Unemployment Insurance Benefits	-	464,321	464,321	-
Debt Service and Construction	-	-	-	451,874
Permanent Trusts:				
Nonexpendable	545,540	-	545,540	-
Expendable	265,523	-	265,523	-
Unrestricted	1,156,733	87,538	1,244,271	823,548
Total Net Position	<u>\$ 12,326,022</u>	<u>\$ 561,303</u>	<u>\$ 12,887,325</u>	<u>\$ 5,486,620</u>

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

## State of Nebraska

**STATEMENT OF ACTIVITIES**

For the Year Ended June 30, 2015

(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	\$ 548,000	\$ 90,319	\$ 33,930	\$ -
Conservation of Natural Resources	149,492	33,624	69,792	1,764
Culture – Recreation	31,410	22,752	2,625	51
Economic Development and Assistance	109,318	1,758	43,834	-
Education	1,723,893	49,350	351,725	-
Higher Education - Colleges and University	651,138	-	-	-
Health and Social Services	3,350,345	130,645	1,719,118	-
Public Safety	408,096	34,918	90,880	1,505
Regulation of Business and Professions	125,207	139,275	2,566	-
Transportation	981,999	109,427	333,703	-
Interest on Long-term Debt	1,289	-	-	-
Net Pension Expense	29,409	-	-	-
Total governmental activities	8,109,596	612,068	2,648,173	3,320
Business-type activities:				
Unemployment Insurance	93,612	107,613	-	-
Lottery	123,278	159,968	-	-
Excess Liability	5,755	4,519	-	-
Cornhusker State Industries	13,066	12,099	-	-
Total business-type activities	235,711	284,199	-	-
Total Primary Government	\$ 8,345,307	\$ 896,267	\$ 2,648,173	\$ 3,320
COMPONENT UNITS:				
University of Nebraska	\$ 2,079,376	\$ 975,247	\$ 368,113	\$ (30,861)
State Colleges	120,484	46,578	16,578	2,085
Total Component Units	\$ 2,199,860	\$ 1,021,825	\$ 384,691	\$ (28,776)

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 Position
- Net Position - Beginning (as restated)
- Net Position - Ending

NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION			
PRIMARY GOVERNMENT			COMPONENT UNITS
GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	
\$ (423,751)	\$ -	\$ (423,751)	\$ -
(44,312)	-	(44,312)	-
(5,982)	-	(5,982)	-
(63,726)	-	(63,726)	-
(1,322,818)	-	(1,322,818)	-
(651,138)	-	(651,138)	-
(1,500,582)	-	(1,500,582)	-
(280,793)	-	(280,793)	-
16,634	-	16,634	-
(538,869)	-	(538,869)	-
(1,289)	-	(1,289)	-
(29,409)	-	(29,409)	-
(4,846,035)	-	(4,846,035)	-
-	14,001	14,001	-
-	36,690	36,690	-
-	(1,236)	(1,236)	-
-	(967)	(967)	-
-	48,488	48,488	-
\$ (4,846,035)	\$ 48,488	\$ (4,797,547)	\$ -
\$ -	\$ -	\$ -	\$ (766,877)
-	-	-	(55,243)
\$ -	\$ -	\$ -	\$ (822,120)
2,578,226	-	2,578,226	-
1,829,956	-	1,829,956	-
345,357	-	345,357	-
129,390	-	129,390	-
85,959	-	85,959	-
7,117	-	7,117	-
88,736	12,018	100,754	65,192
1,548	14	1,562	311,322
-	-	-	651,138
19,331	-	19,331	-
56,299	(56,299)	-	-
5,141,919	(44,267)	5,097,652	1,027,652
295,884	4,221	300,105	205,532
12,030,138	557,082	12,587,220	5,281,088
\$ 12,326,022	\$ 561,303	\$ 12,887,325	\$ 5,486,620

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

State of Nebraska  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
June 30, 2015

(Dollars in Thousands)

	GENERAL FUND	HIGHWAY FUND	FEDERAL FUND	HEALTH AND SOCIAL SERVICES	PERMANENT SCHOOL FUND	NONMAJOR FUNDS	TOTALS
<b>Assets</b>							
Assets:							
Cash and Cash Equivalents	\$ 68,446	\$ 12,700	\$ 2,589	\$ 2,859	\$ 1,694	\$ 41,899	\$ 130,187
Cash on Deposit with Fiscal Agents	-	-	-	-	-	1,188	1,188
Investments	1,434,518	275,104	61,102	527,999	782,117	750,644	3,831,484
Securities Lending Collateral	64,118	12,296	3,398	9,155	13,700	32,285	134,952
Receivables, net of allowance							
Taxes	413,612	48,573	-	-	-	773	462,958
Due from Federal Government	4	34,836	267,559	-	-	1,442	303,841
Loans	-	-	12,350	210	-	317,695	330,255
Other	34,217	6,446	35,840	28,763	113,444	19,671	238,381
Due from Other Funds	74,010	82	241	3,564	-	1,848	79,745
Inventories	674	3,628	158	213	-	325	4,998
Prepaid Items	906	8	3	-	-	207	1,124
Other	541	-	4	-	18,320	883	19,748
Total Assets	<u>\$ 2,091,046</u>	<u>\$ 393,673</u>	<u>\$ 383,244</u>	<u>\$ 572,763</u>	<u>\$ 929,275</u>	<u>\$ 1,168,860</u>	<u>\$ 5,538,861</u>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>							
Liabilities:							
Accounts Payable and Accrued Liabilities	\$ 120,893	\$ 101,474	\$ 166,278	\$ 7,037	\$ 155,037	\$ 48,947	\$ 599,666
Tax Refunds Payable	369,695	11,178	-	-	-	1	380,874
Deposits	542	1,551	8,485	606	256	2,981	14,421
Due to Other Funds	60,006	4,087	84,391	1,502	7	6,296	156,289
Obligations under Securities Lending	64,118	12,296	3,398	9,155	13,700	32,285	134,952
Claims Payable	90,025	-	74,664	-	-	-	164,689
Unearned Revenue	3,344	-	43,785	21	9,030	-	56,180
Total Liabilities	<u>708,623</u>	<u>130,586</u>	<u>381,001</u>	<u>18,321</u>	<u>178,030</u>	<u>90,510</u>	<u>1,507,071</u>
Deferred Inflows of Resources:							
Revenues not yet available	38,245	-	-	18,721	-	-	56,966
Fund Balances:							
Nonspendable:							
Inventories and Prepaid Items	1,580	3,636	161	213	-	532	6,122
Endowment Principal	-	-	-	-	526,025	19,515	545,540
Restricted	-	259,451	2,082	534,963	225,220	909,396	1,931,112
Committed	727,835	-	-	-	-	99,358	827,193
Assigned	-	-	-	545	-	49,549	50,094
Unassigned	614,763	-	-	-	-	-	614,763
Total Fund Balances	<u>1,344,178</u>	<u>263,087</u>	<u>2,243</u>	<u>535,721</u>	<u>751,245</u>	<u>1,078,350</u>	<u>3,974,824</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 2,091,046</u>	<u>\$ 393,673</u>	<u>\$ 383,244</u>	<u>\$ 572,763</u>	<u>\$ 929,275</u>	<u>\$ 1,168,860</u>	<u>\$ 5,538,861</u>

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 POSITION

June 30, 2015

(Dollars in Thousands)

<b>Total fund balances for governmental funds</b>	<b>\$ 3,974,824</b>
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Amounts reported for governmental activities in the Statement of Net Position 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	579,205	
Infrastructure	7,329,963	
Construction in progress	321,610	
Other capital assets	1,052,523	
Accumulated depreciation	<u>(617,765)</u>	8,665,536

Certain tax revenues and charges are earned but not available and therefore are unearned in the funds.	56,966
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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 Position.	68,097
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Deferred Inflows and Outflows related to Pension, they are not related to governmental funds. These Deferred Inflows & Outflows consist of:

Deferred Inflows related to Pension	(182,710)	
Deferred Outflows related to Pension	<u>63,841</u>	(118,869)

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	(545)	
Compensated absences	(126,510)	
Net pension liability/asset	(181,651)	
Claims and judgments	<u>(11,826)</u>	<u>(320,532)</u>

<b>Net position of governmental activities</b>	<b>\$ <u>12,326,022</u></b>
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State of Nebraska

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

For the Year Ended June 30, 2015

(Dollars in Thousands)

	GENERAL FUND	HIGHWAY FUND	FEDERAL FUND	HEALTH AND SOCIAL SERVICES	PERMANENT SCHOOL FUND	NONMAJOR FUNDS	TOTALS
<b>REVENUES</b>							
Income Taxes	\$ 2,572,282	\$ -	\$ -	\$ 4,339	\$ -	\$ -	2,576,621
Sales and Use Taxes	1,548,642	270,085	-	-	-	14,974	1,833,701
Petroleum Taxes	-	332,105	-	-	4,364	13,252	349,721
Excise Taxes	68,871	-	-	8,452	-	52,067	129,390
Business and Franchise Taxes	59,318	-	-	-	-	26,641	85,959
Other Taxes	359	2,728	-	-	-	4,030	7,117
Federal Grants and Contracts	28	318,889	2,305,228	104	-	27,106	2,651,355
Licenses, Fees and Permits	20,573	87,867	642	56,921	679	151,516	318,198
Charges for Services	2,787	19,186	6,347	24,663	-	56,224	109,207
Investment Income	26,195	4,500	1,200	18,215	21,205	14,896	86,211
Rental Income	13	465	5	371	46,599	23,457	70,910
Surcharge	-	-	-	-	-	49,819	49,819
Other	10,496	1,842	373	19,011	14,971	19,560	66,253
Total Revenues	4,309,564	1,037,667	2,313,795	132,076	87,818	453,542	8,334,462
<b>EXPENDITURES</b>							
Current:							
General Government	468,214	-	6,531	-	-	76,552	551,297
Conservation of Natural Resources	44,993	-	34,238	-	-	72,077	151,308
Culture – Recreation	8,902	-	2,284	-	-	27,467	38,653
Economic Development and Assistance	13,236	-	61,369	-	-	35,371	109,976
Education	1,331,439	-	356,383	-	65,270	21,003	1,774,095
Higher Education - Colleges and University	612,444	-	-	-	-	38,694	651,138
Health and Social Services	1,449,979	-	1,751,847	134,079	-	19,160	3,355,065
Public Safety	277,980	-	91,102	-	-	45,153	414,235
Regulation of Business and Professions	4,006	-	2,606	-	-	118,487	125,099
Transportation	-	1,059,154	-	-	-	17,651	1,076,805
Capital Projects	-	-	-	-	-	19,824	19,824
Debt Service:							
Principal	-	-	-	-	-	6,995	6,995
Interest	-	-	-	-	-	1,090	1,090
Total Expenditures	4,211,193	1,059,154	2,306,360	134,079	65,270	499,524	8,275,580
Excess (Deficiency) of Revenues Over (Under) Expenditures	98,371	(21,487)	7,435	(2,003)	22,548	(45,982)	58,882
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers In	56,843	12,515	16,167	1,206	-	162,326	249,057
Transfers Out	(72,794)	(17,588)	(27,678)	(7,816)	-	(66,882)	(192,758)
Proceeds from Other Financing Arrangements	-	-	-	-	-	1,430	1,430
Proceeds from Capital Leases	-	-	-	215	-	-	215
Total Other Financing Sources (Uses)	(15,951)	(5,073)	(11,511)	(6,395)	-	96,874	57,944
Net Change in Fund Balances	82,420	(26,560)	(4,076)	(8,398)	22,548	50,892	116,826
<b>FUND BALANCES, JULY 1</b>	1,261,758	289,647	6,319	544,119	728,697	1,027,458	3,857,998
<b>FUND BALANCES, JUNE 30</b>	\$ 1,344,178	\$ 263,087	\$ 2,243	\$ 535,721	\$ 751,245	\$ 1,078,350	\$ 3,974,824

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, 2015

(Dollars in Thousands)

<b>Net change in fund balances—total governmental funds</b>	<b>\$</b>	<b>116,826</b>
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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	141,211	
Capital assets sold	(200)	
Depreciation expense	<u>(38,236)</u>	102,775

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 Position. In the current period, proceeds were received from:

Other financing arrangements	(1,430)	(1,430)
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Some capital additions were financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the Statement of Net Position, the lease obligation is reported as a liability.

(215)

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 Position. In the current year these amounts consisted of:

Other financing arrangement payments	6,995	
Capital lease payments	<u>50</u>	7,045

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.

6,702

Because some revenues will not be collected in the next year, they are not considered available revenues and are deferred in the governmental funds. Deferred inflows of resources decreased by this amount this year.

(4,353)

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	(2,085)	
Decrease in net pension liability/asset	241,818	
Increase in deferred inflows related to pension	(182,710)	
Increase in deferred outflows related to pension	15,568	
Increase in claims and judgments	<u>(4,057)</u>	68,534

<b>Change in net position of governmental activities</b>	<b>\$</b>	<b><u>295,884</u></b>
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## State of Nebraska

# STATEMENT OF NET POSITION

## PROPRIETARY FUNDS

June 30, 2015

(Dollars in Thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			GOVERNMENTAL
	UNEMPLOYMENT	NONMAJOR	TOTALS	ACTIVITIES -
	INSURANCE	ENTERPRISE		INTERNAL
		FUNDS		SERVICE
				FUNDS
<b>ASSETS</b>				
Current Assets:				
Cash and Cash Equivalents	\$ 394,502	\$ 41,947	\$ 436,449	\$ 125,788
Receivables, net of allowance	23,289	28,884	52,173	1,755
Due from Other Funds	-	1,071	1,071	29,287
Inventories	-	2,769	2,769	408
Prepaid Items	-	-	-	1,499
Other	-	423	423	-
Total Current Assets	<u>417,791</u>	<u>75,094</u>	<u>492,885</u>	<u>158,737</u>
Noncurrent Assets:				
Restricted Long-Term Deposits	-	2,414	2,414	-
Long-Term Investments	56,360	73,449	129,809	-
Securities Lending Collateral	2,519	1,129	3,648	-
Capital Assets:				
Land	-	315	315	-
Buildings and Equipment	324	13,958	14,282	92,331
Less Accumulated Depreciation	<u>(324)</u>	<u>(7,243)</u>	<u>(7,567)</u>	<u>(68,476)</u>
Total Capital Assets	-	7,030	7,030	23,855
Total Noncurrent Assets	<u>58,879</u>	<u>84,022</u>	<u>142,901</u>	<u>23,855</u>
Total Assets	<u>\$ 476,670</u>	<u>\$ 159,116</u>	<u>\$ 635,786</u>	<u>\$ 182,592</u>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	\$ 1,927	\$ 38,797	\$ 40,724	\$ 15,506
Due to Other Funds	144	89	233	981
Capital Lease Obligations	-	-	-	6,090
Claims, Judgments and Compensated Absences	7,759	5,644	13,403	43,003
Unearned Revenue	-	2,461	2,461	299
Total Current Liabilities	<u>9,830</u>	<u>46,991</u>	<u>56,821</u>	<u>65,879</u>
Noncurrent Liabilities:				
Capital Lease Obligations	-	-	-	8,840
Claims, Judgments and Compensated Absences	-	14,014	14,014	39,776
Obligations under Securities Lending	<u>2,519</u>	<u>1,129</u>	<u>3,648</u>	-
Total Noncurrent Liabilities	<u>2,519</u>	<u>15,143</u>	<u>17,662</u>	<u>48,616</u>
Total Liabilities	<u>\$ 12,349</u>	<u>\$ 62,134</u>	<u>\$ 74,483</u>	<u>\$ 114,495</u>
<b>NET POSITION</b>				
Net Investment in Capital Assets	-	7,030	7,030	8,925
Restricted for:				
Lottery Prizes	-	2,414	2,414	-
Unemployment Insurance Benefits	464,321	-	464,321	-
Unrestricted	-	87,538	87,538	59,172
Total Net Position	<u>\$ 464,321</u>	<u>\$ 96,982</u>	<u>\$ 561,303</u>	<u>\$ 68,097</u>

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



State of Nebraska

# STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION PROPRIETARY FUNDS

For the Year Ended June 30, 2015

(Dollars in Thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			GOVERNMENTAL
	UNEMPLOYMENT	NONMAJOR		ACTIVITIES -
	INSURANCE	ENTERPRISE	TOTALS	INTERNAL
		FUNDS		SERVICE
				FUNDS
<b>OPERATING REVENUES</b>				
Charges for Services	\$ 106,435	\$ 176,586	\$ 283,021	\$ 373,761
Federal	598	-	598	-
Other	580	-	580	1,363
Total Operating Revenues	107,613	176,586	284,199	375,124
<b>OPERATING EXPENSES</b>				
Personal Services	66	6,295	6,361	36,075
Services and Supplies	8	35,312	35,320	118,865
Lottery Prizes	-	94,696	94,696	-
Unemployment Claims	93,538	-	93,538	-
Insurance Claims	-	5,331	5,331	205,297
Depreciation	-	465	465	9,702
Total Operating Expenses	93,612	142,099	235,711	369,939
Operating Income (Loss)	14,001	34,487	48,488	5,185
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment Income	9,870	2,148	12,018	2,525
Gain (Loss) on Sale of Capital Assets	-	14	14	(815)
Other	-	-	-	(193)
Total Nonoperating Revenues (Expenses)	9,870	2,162	12,032	1,517
Income (Loss) Before Transfers	23,871	36,649	60,520	6,702
Transfers Out	(19,192)	(37,107)	(56,299)	-
Change in Net Position	4,679	(458)	4,221	6,702
<b>NET POSITION, JULY 1</b>	459,642	97,440	557,082	61,395
<b>NET POSITION, JUNE 30</b>	\$ 464,321	\$ 96,982	\$ 561,303	\$ 68,097

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, 2015

(Dollars in Thousands)

	<b>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS</b>			<b>GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS</b>
	<b>UNEMPLOYMENT INSURANCE</b>	<b>NONMAJOR ENTERPRISE FUNDS</b>	<b>TOTALS</b>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash Received from Customers	\$ 110,799	\$ 166,891	\$ 277,690	\$ 22,887
Cash Received from Interfund Charges	-	9,766	9,766	335,591
Cash Received from Federal Government	598	-	598	-
Cash Paid to Employees	(74)	(6,229)	(6,303)	(36,092)
Cash Paid to Suppliers	(2)	(33,296)	(33,298)	(111,890)
Cash Paid for Lottery Prizes	-	(94,657)	(94,657)	-
Cash Paid for Insurance Claims	(94,896)	(4,960)	(99,856)	(197,844)
Cash Paid for Interfund Services	(11)	(1,161)	(1,172)	(9,761)
Net Cash Flows from Operating Activities	16,414	36,354	52,768	2,891
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Transfers Out	(19,192)	(37,107)	(56,299)	-
Net Cash Flows from Noncapital Financing Activities	(19,192)	(37,107)	(56,299)	-
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Acquisition and Construction of Capital Assets	-	(240)	(240)	(5,705)
Proceeds from Sale of Capital Assets	-	14	14	1,111
Principal Paid on Capital Leases	-	-	-	(5,675)
Interest Paid on Capital Leases	-	-	-	(193)
Net Cash Flows from Capital and Related Financing Activities	-	(226)	(226)	(10,462)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Purchase of Investment Securities	-	(202,229)	(202,229)	-
Proceeds from Sale of Investment Securities	(999)	202,557	201,558	-
Interest and Dividend Income	9,871	2,926	12,797	2,589
Net Cash Flows from Investing Activities	8,872	3,254	12,126	2,589
Net Increase (Decrease) in Cash and Cash Equivalents	6,094	2,275	8,369	(4,982)
<b>CASH AND CASH EQUIVALENTS, JULY 1</b>	<b>388,408</b>	<b>39,672</b>	<b>428,080</b>	<b>130,770</b>
<b>CASH AND CASH EQUIVALENTS, JUNE 30</b>	<b>\$ 394,502</b>	<b>\$ 41,947</b>	<b>\$ 436,449</b>	<b>\$ 125,788</b>

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, 2015

(Dollars in Thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
	UNEMPLOYMENT INSURANCE	NONMAJOR ENTERPRISE FUNDS	TOTALS	
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH</b>				
<b>FLOW FROM OPERATING ACTIVITIES:</b>				
Operating Income (Loss)	\$ 14,001	\$ 34,487	\$ 48,488	\$ 5,185
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:				
Depreciation	-	465	465	9,702
Change in Assets and Liabilities:				
(Increase) Decrease in Receivables	3,607	(446)	3,161	(152)
(Increase) Decrease in Due from Other Funds	-	289	289	(16,304)
(Increase) Decrease in Inventories	-	409	409	(29)
(Increase) Decrease in Prepaid Items	-	40	40	(241)
(Increase) Decrease in Long-Term Deposits	-	61	61	-
Increase (Decrease) in Accounts Payable and Accrued Liabilities	631	467	1,098	(3,012)
Increase (Decrease) in Due to Other Funds	144	(17)	127	479
Increase (Decrease) in Claims Payable	(1,969)	371	(1,598)	7,453
Increase (Decrease) in Unearned Revenue	-	228	228	(190)
Total Adjustments	2,413	1,867	4,280	(2,294)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>\$ 16,414</b>	<b>\$ 36,354</b>	<b>\$ 52,768</b>	<b>\$ 2,891</b>
<b>NONCASH TRANSACTIONS:</b>				
Noncash transactions are investing and financing activities that affect assets and liabilities but do not result in cash receipts or payments.				
The following noncash transactions occurred during the year:				
Capital Assets acquired through Capital Leases	\$ -	\$ -	\$ -	\$ 2,810
Change in Fair Value of Investments	-	(772)	(772)	-
Total Noncash Transactions	\$ -	\$ (772)	\$ (772)	\$ 2,810

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

## State of Nebraska

# STATEMENT OF FIDUCIARY NET POSITION

## FIDUCIARY FUNDS

June 30, 2015

(Dollars in Thousands)	PENSION TRUST	PRIVATE PURPOSE TRUST	AGENCY
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 6,876	\$ 27,334	\$ 108,849
Investments:			
U.S. Treasury Notes and Bonds	443,280	-	-
Government Agency Securities	13,215	-	-
Corporate Bonds	694,784	-	-
International Bonds	165,072	-	-
Equity Securities	1,803,265	-	-
Private Equity	664,232	-	-
Options	(86)	-	-
Mortgages	516,969	-	-
Private Real Estate	343,279	-	-
Adr's, GDRs & Trust	344	-	-
Asset Backed Securities	115,363	-	-
Bank Loans	267,678	-	-
Municipal Bonds	23,111	-	-
Commingled Funds	7,738,561	3,756,552	-
Guaranteed Investment Contracts	73,186	-	-
Short Term Investments	275,102	-	-
Total Investments	13,137,355	3,756,552	-
Securities Lending Collateral	224,875	-	-
Receivables:			
Contributions	28,226	-	-
Interest and Dividends	16,474	753	429
Other	830,468	-	550
Total Receivables	875,168	753	979
Due from Other Funds	47,479	-	-
Capital Assets:			
Buildings and Equipment	6,592	-	-
Less Accumulated Depreciation	(6,588)	-	-
Total Capital Assets	4	-	-
Other Assets	-	13,048	1,179
<b>Total Assets</b>	<b>\$ 14,291,757</b>	<b>\$ 3,797,687</b>	<b>\$ 111,007</b>
<b>LIABILITIES</b>			
Accounts Payable and Accrued Liabilities	\$ 1,117,099	\$ 5,530	\$ 20,037
Due to Other Governments	6,453	-	67,955
Deposits	-	1,091	-
Due to Other Funds	75	4	-
Obligations under Securities Lending	224,875	-	-
Accrued Compensated Absences	375	-	-
Other Liabilities	-	-	23,015
<b>Total Liabilities</b>	<b>\$ 1,348,877</b>	<b>\$ 6,625</b>	<b>\$ 111,007</b>
<b>NET POSITION</b>			
Restricted for:			
Pensions	\$ 12,942,880	\$ -	\$ -
College Savings Plan	-	3,758,720	-
Other Purposes	-	32,342	-
<b>Total Net Position</b>	<b>\$ 12,942,880</b>	<b>\$ 3,791,062</b>	<b>\$ -</b>

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

State of Nebraska

# STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

## FIDUCIARY FUNDS

For the Year Ended June 30, 2015

(Dollars in Thousands)

	PENSION TRUST	PRIVATE PURPOSE TRUST
<b>ADDITIONS</b>		
Contributions:		
Participant Contributions	\$ 245,034	\$ 377,493
Client Contributions	-	38
State Contributions	104,302	-
Political Subdivision Contributions	191,986	-
Court Fees	2,977	-
Total Contributions	<u>544,299</u>	<u>377,531</u>
Investment Income:		
Net Appreciation (Depreciation) in		
Fair Value of Investments	419,237	228,913
Interest and Dividend Income	151,824	4,466
Securities Lending Income	1,786	-
Total Investment Income	<u>572,847</u>	<u>233,379</u>
Investment Expenses	26,692	17,322
Securities Lending Expenses	375	-
Total Investment Expense	<u>27,067</u>	<u>17,322</u>
Net Investment Income	<u>545,780</u>	<u>216,057</u>
Escheat Revenue	-	9,630
Other Additions	153	2,996
Total Additions	<u>1,090,232</u>	<u>606,214</u>
<b>DEDUCTIONS</b>		
Benefits	657,987	246,930
Refunds	16,073	-
Amounts Distributed to Outside Parties	-	9,274
Administrative Expenses	5,465	1,177
Other Deductions	8,367	-
Total Deductions	<u>687,892</u>	<u>257,381</u>
Change in Net Position Restricted for:		
Pensions	402,340	-
College Savings Plan	-	346,421
Other Purposes	-	2,412
<b>NET POSITION-BEGINNING OF YEAR</b>	<u>12,540,540</u>	<u>3,442,229</u>
<b>NET POSITION-END OF YEAR</b>	<u>\$ 12,942,880</u>	<u>\$ 3,791,062</u>

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

## State of Nebraska

# STATEMENT OF NET POSITION

## COMPONENT UNITS

June 30, 2015

(Dollars in Thousands)

	UNIVERSITY OF NEBRASKA	STATE COLLEGES	TOTALS
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 602,893	\$ 27,144	\$ 630,037
Receivables, net of allowance			
Loans	35,683	1,594	37,277
Other	437,680	4,139	441,819
Investments	2,204,960	54,798	2,259,758
Investment in Joint Venture	343,098	-	343,098
Other Assets	29,204	1,701	30,905
Restricted Assets:			
Cash and Cash Equivalents	548,170	41,584	589,754
Investments Held by Trustee	26,901	-	26,901
Capital assets:			
Land	91,280	1,440	92,720
Land Improvements	210,805	30,027	240,832
Construction in Progress	345,823	37,840	383,663
Buildings and Equipment	2,677,459	221,903	2,899,362
Less Accumulated Depreciation	(1,009,900)	(92,860)	(1,102,760)
Total Capital Assets	<u>2,315,467</u>	<u>198,350</u>	<u>2,513,817</u>
Total Assets	<u>\$ 6,544,056</u>	<u>\$ 329,310</u>	<u>\$ 6,873,366</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred loss on bond refunding	\$ 6,822	\$ 47	\$ 6,869
Total Deferred Outflows of Resources	<u>\$ 6,822</u>	<u>\$ 47</u>	<u>\$ 6,869</u>
<b>LIABILITIES</b>			
Accounts Payable and Accrued Liabilities	\$ 250,026	\$ 12,302	\$ 262,328
Deposits	21,536	177	21,713
Unearned Revenue	90,409	1,631	92,040
Noncurrent Liabilities:			
Due within one year	129,189	5,627	134,816
Due in more than one year	814,109	51,829	865,938
Total Liabilities	<u>\$ 1,305,269</u>	<u>\$ 71,566</u>	<u>\$ 1,376,835</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred service concession arrangement receipts	\$ 16,780	\$ -	\$ 16,780
Total Deferred Inflows of Resources	<u>\$ 16,780</u>	<u>\$ -</u>	<u>\$ 16,780</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	\$ 1,683,616	\$ 153,104	\$ 1,836,720
Restricted for:			
Education	2,042,979	-	2,042,979
Other Purposes	265,964	65,535	331,499
Construction and Debt Service	444,709	7,165	451,874
Unrestricted	791,561	31,987	823,548
Total Net Position	<u>\$ 5,228,829</u>	<u>\$ 257,791</u>	<u>\$ 5,486,620</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, 2015

(Dollars in Thousands)

	UNIVERSITY OF NEBRASKA	STATE COLLEGES	TOTALS
Expenses:			
Compensation and benefits	\$ 1,328,116	\$ 66,838	\$ 1,394,954
Supplies and materials	299,107	12,216	311,323
Contractual services	145,277	4,716	149,993
Repairs and maintenance	73,320	3,627	76,947
Utilities	33,704	4,377	38,081
Communications	14,066	444	14,510
Depreciation	108,888	7,588	116,476
Scholarships and fellowships	70,440	6,211	76,651
Other	6,458	14,467	20,925
Total Operating Expenses	2,079,376	120,484	2,199,860
Program Revenues:			
Charges for Services	975,247	46,578	1,021,825
Operating Grants and Contributions	368,113	16,578	384,691
Capital Grants and Contributions	(30,861)	2,085	(28,776)
Total Program Revenues	1,312,499	65,241	1,377,740
Net (Expense) Revenue	(766,877)	(55,243)	(822,120)
General Revenues:			
Interest and investment earnings	62,819	2,373	65,192
Miscellaneous	305,484	5,838	311,322
Payments from the State of Nebraska	593,445	57,693	651,138
Total General Revenues	961,748	65,904	1,027,652
Change in Net Position	194,871	10,661	205,532
Net Position - Beginning (as restated)	5,033,958	247,130	5,281,088
Net Position - Ending	\$ 5,228,829	\$ 257,791	\$ 5,486,620

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

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2015

(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. These component units are reported in a separate column in the government-wide financial statements.

**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 dependent 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, Health, and Social Services 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 Position 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 Position presents the reporting entity’s non-fiduciary assets and liabilities, with the difference reported as net position. Net position is reported in three categories:

**Net Investment in Capital Assets.** This category reflects the portion of net position 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 Position.** This category results when constraints are externally imposed on net position 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 position only when unrestricted net position is insufficient or unavailable.

The Statement of Net Position reports \$2,962,108 of restricted net position, of which \$1,667,490 is restricted by enabling legislation.

**Unrestricted Net Position.** This category represents net position that does not meet the definition of the preceding two categories. Unrestricted net position often has 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 position. 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. Revenues are considered to be available when they are collected within the current period or expected to be collected soon enough thereafter to pay liabilities of the current period. For this purpose, the State generally considers taxes and other revenues available if the revenues are collected within 60 days after year end, except for federal reimbursement grants which use a one year availability period. Revenues are generally considered to be susceptible to accrual when the underlying activity 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 inflows of resources.

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 Unclaimed Property and Nebraska College Savings Plan activity held for private individuals.

**Agency Funds.** These funds account for assets held by the State pending distribution to other governments and individuals.

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, 2015, 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, except guaranteed investment contracts are valued at contract value. 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 unearned 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 trustee for the Master Lease Purchase Program are classified as restricted position on the Statement of Net Position because they are maintained in separate bank accounts and their use is limited by applicable 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 Position. 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 collection items 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 (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 Activities.** Interfund services provided and used are accounted for as revenues, expenditures or expenses in the funds involved. Activities 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 activities 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, 2015 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, 2015, the carrying amounts of the State's deposits were \$49,540 and the bank balances were \$118,108. 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 \$21,954 at June 30, 2015.

**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, 2014. The investment risk disclosures presented below for fiduciary funds represent risks as of June 30, 2015.

The primary government's investments at June 30, 2015 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, 2015

	GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES		FIDUCIARY FUNDS	
	FAIR VALUE	EFFECTIVE DURATION	FAIR VALUE	EFFECTIVE DURATION
Debt Securities				
U.S. Treasury Notes and Bonds	\$ 989,222	3.85	\$ 443,280	9.12
U.S. Treasury Bills	150	-	-	-
Government Agency Securities	959,679	3.52	13,215	12.41
Corporate Bonds	1,630,667	3.95	694,784	5.85
International Bonds	2,321	7.71	165,072	7.86
Mortgages	65,609	3.42	516,969	3.58
Asset Backed Securities	7,133	0.77	115,363	1.92
Bank Loans	-	-	267,678	0.16
Commingled Funds	207,378	5.23	924,203	5.16
Municipal Bonds	2,937	9.75	23,111	10.64
Guaranteed Investment Contracts	-	-	73,186	2.93
Short Term Investments	367,545	0.05	275,102	0.11
	4,232,641		3,511,963	
Other Investments				
Adr's, GDRs & Trust	-		344	
Equity Securities	76,717		1,803,265	
Private Equity	76,198		664,232	
Commingled Funds	782,659		10,570,910	
Options	(20)		(86)	
Private Real Estate	23,401		343,279	
U.S. Treasury Investment Pool	389,839		-	
Less: Component Unit Investment in State Investment Pool	(833,680)		-	
Total Investments	4,747,755		16,893,907	
Securities Lending Short-term Collateral Investment Pool	138,600		224,875	
Total	\$ 4,886,355		\$ 17,118,782	

**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.

**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. The maximum exposure to any single investment grade issuer excluding the U.S. government, its agencies or instrumentalities or government sponsored entities is 5 percent and the maximum exposure to a single issuer below investment grade is 3 percent. The minimum credit rating of a derivatives counterparty is A. The primary government's rated debt investments as of June 30, 2015 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, 2015

	FAIR VALUE	QUALITY RATINGS						
		AAA	AA	A	BBB	BB	B	UNRATED
Govt Agency Securities	\$ 959,679	\$ -	\$ 942,709	\$ -	\$ -	\$ -	\$ -	16,970
Corporate Bonds	1,630,667	193,180	457,208	874,607	83,522	10,239	3,095	8,816
International Bonds	2,321	322	-	1,114	789	22	-	74
Mortgages	65,609	1,768	2,725	1,473	1,355	130	575	57,583
Asset Backed Securities	7,133	2,807	1,132	263	777	-	1,445	709
Commingled Funds	207,378	-	-	-	-	-	-	207,378
Short Term Investments	367,545	150	-	3,000	-	-	-	364,395
Municipal Bonds	2,937	1,388	769	-	780	-	-	-

## FIDUCIARY FUND INVESTMENTS AT JUNE 30, 2015

	FAIR VALUE	QUALITY RATINGS						
		AAA	AA	A	BBB	BB	B	UNRATED
Govt Agency Securities	\$ 13,680	\$ -	\$ 10,821	\$ 312	\$ -	\$ 278	\$ 1,644	\$ 625
Bank Loans	269,084	-	-	-	-	-	-	269,084
Corporate Bonds	698,250	27,333	28,882	172,497	325,077	98,647	28,466	17,348
International Bonds	153,416	23,371	40,654	40,501	38,616	1,491	654	8,129
Mortgages	536,681	37,773	22,581	12,238	9,239	3,687	1,806	449,357
Asset Backed Securities	118,797	59,983	10,087	19,767	9,488	535	6,426	12,511
Commingled Funds	920,008	-	-	-	-	-	-	920,008
Short Term Investments	276,787	-	-	-	1,227	-	-	275,560
Municipal Bonds	20,248	3,564	11,066	1,481	3,792	345	-	-

**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, 2015, 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 (8 percent). At June 30, 2015, 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 28 to 42 days. Because loans were terminable at will, their duration did not generally match the duration of the investments made with cash collateral. The custodian indemnifies the State against default by the borrower of securities, but does not indemnify against the default by an issuer of a security held in the short term investment funds where cash collateral is invested.

**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, 2015**

<b>Currency</b>	<b>SHORT TERM INVESTMENTS</b>	<b>EQUITY SECURITIES</b>	<b>DEBT SECURITIES</b>
Australian Dollar	\$ 7	\$ 614	\$ 135
Brazilian Real	3	210	527
Canadian Dollar	1	1,298	-
Chilean Peso	-	-	231
Columbian Peso	-	-	148
Czech Koruna	-	34	-
Danish Krone	2	187	90
Euro Currency	274	7,509	1,752
Hong Kong Dollar	29	754	-
Indian Rupee	-	-	461
Indonesian Rupiah	2	62	-
Japanese Yen	19	3,768	-
Malaysian Ringgit	3	80	-
Mexican Peso	211	385	1,105
New Zealand Dollar	16	17	-
Norwegian Krone	2	190	-
Philippine Peso	-	36	395
Polish Zloty	21	56	-
Pound Sterling	100	4,473	820
Singapore Dollar	4	1,009	-
South African Rand	-	254	-
South Korean Won	10	480	-
Swedish Krona	-	1,435	-
Swiss Franc	3	4,172	-
Thailand Baht	-	51	-
<b>Total</b>	<b>\$ 707</b>	<b>\$ 27,074</b>	<b>\$ 5,664</b>

**FIDUCIARY FUND FOREIGN CURRENCY AT JUNE 30, 2015**

<b>Currency</b>	<b>SHORT TERM INVESTMENTS</b>	<b>EQUITY SECURITIES</b>	<b>DEBT SECURITIES</b>
Australian Dollar	\$ 937	\$ 17,095	\$ 4,964
Brazilian Real	262	3,861	2,409
Canadian Dollar	12	22,721	7,954
Chilean Peso	-	-	761
Columbian Peso	-	-	511
Czech Koruna	-	698	272
Danish Krone	-	8,066	1,401
Euro Currency	6,500	307,651	97,342
Hong Kong Dollar	228	23,141	-
Hungarian Forint	-	213	-
Indian Rupee	-	-	2,594
Indonesian Rupiah	120	748	-
Japanese Yen	415	174,690	30,253
Malaysian Ringgit	53	1,675	432
Mexican Peso	971	6,687	6,568
New Israeli Sheqel	-	-	261
New Zealand Dollar	160	61	375
Norwegian Krone	77	3,996	759
Philippine Peso	3	-	2,033
Polish Zloty	-	2,540	432
Pound Sterling	727	121,810	34,953
Singapore Dollar	86	21,768	904
South African Rand	-	4,230	531
South Korean Won	294	15,949	3,717
Swedish Krona	-	41,755	-
Swiss Franc	201	114,886	2,310
Thailand Baht	-	922	-
Turkish Lira	3	111	260
<b>Total</b>	<b>\$ 11,049</b>	<b>\$ 895,274</b>	<b>\$ 201,996</b>

**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, 2015 is reflected in Investments. The fair value balances and notional amounts of investment derivative instruments outstanding at June 30, 2015, 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, 2015**  
**GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES**

<b>Derivative</b>	<b>Fair Value</b>	<b>Change in Fair Value</b>	<b>Notional</b>
Credit Default Swap	\$ (190)	\$ (776)	\$ 19,511
Fixed Income Futures	-	(22)	(9,129)
Fixed Income Options	(1)	37	(24,937)
Foreign Currency Options	(37)	92	(6,143)
Futures Options	(18)	110	(105)
FX Forwards	(437)	2,585	74,540
Interest Rate Swap	609	(24)	63,807
Rights	-	6	-
Warrants	-	-	1

**DERIVATIVE INVESTMENTS AT JUNE 30, 2015**  
**FIDUCIARY FUND**

<b>Derivative</b>	<b>Fair Value</b>	<b>Change in Fair Value</b>	<b>Notional</b>
Credit Default Swap	\$ (607)	\$ (4,471)	\$ 50,172
Fixed Income Futures	-	2,460	(121,997)
Fixed Income Options	(6)	269	(127,399)
Foreign Currency Options	(185)	459	(28,464)
Futures Options	(102)	372	(595)
FX Forwards	227	15,029	472,052
Interest Rate Swap	3,758	1,509	280,919
Rights	-	67	-
Warrants	-	-	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, 2015, 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, 2015, was \$1,119 for Governmental and Business-Type Activities and \$6,878 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 \$7,996. Although the State executes derivative instruments with various counterparties, there is net exposure to credit risk of approximately 84 percent for the Governmental and Business-Type Activities and 78 percent for the Fiduciary Fund, held with three counterparties. The counterparties are rated A or BBB.



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, 2015 are as follows:

**DERIVATIVES FOREIGN CURRENCY AT JUNE 30, 2015  
GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES**

Currency	Swaps	Forward Contracts	Fixed Income Options
Brazilian Real	\$ -	\$ (40)	\$ -
Danish Krone	-	94	-
Euro Currency	2	(433)	(32)
Pound Sterling	-	(30)	-
Indian Rupee	-	(2)	-
Japanese Yen	-	(15)	-
Mexican Peso	(110)	(11)	-
Total	<u>\$ (108)</u>	<u>\$ (437)</u>	<u>\$ (32)</u>

**DERIVATIVES FOREIGN CURRENCY AT JUNE 30, 2015  
FIDUCIARY FUND**

Currency	Swaps	Forward Contracts	Fixed Income Options
Australian Dollar	\$ -	\$ (80)	\$ -
Canadian Dollar	-	(2)	-
Swiss Franc	-	41	-
Danish Krone	-	1	-
Euro Currency	89	386	(154)
Pound Sterling	-	(165)	-
Indian Rupee	-	16	-
Japanese Yen	-	170	-
South Korean Won	-	4	-
Mexican Peso	(571)	(103)	-
Malaysian Ringgit	-	(1)	-
Polish Zloty	-	(2)	-
New Russian Ruble	-	(5)	-
Swedish Krona	-	(37)	-
Singapore Dollar	-	2	-
Thailand Baht	-	2	-
Total	<u>\$ (482)</u>	<u>\$ 227</u>	<u>\$ (154)</u>

**Synthetic Guaranteed Investment Contracts (SGICs).** In the fiduciary fund, Defined Contribution Plans and Deferred Compensation Plans, employees are eligible to participate in SGICs. The contracts provided an average crediting rate of 2.73 percent during fiscal year 2015. The fair value of these contracts is \$71,775, and the contract value is \$70,051. 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, 2015					
			AAA	AA	A	BBB	BB	UNRATED
Asset Backed Securities	1.60	\$ 9,238	\$ 9,238	\$ -	\$ -	\$ -	\$ -	-
Corporate Bonds	3.16	28,612	211	3,999	14,861	9,082	-	459
Government Agency Securities	2.70	7,895	-	6,986	264	-	-	645
International Bonds	1.85	1,165	375	790	-	-	-	-
Mortgages	2.67	11,998	3,724	300	154	-	-	7,820
Short Term Investments	-	2,023	-	-	-	-	-	2,023
US Treasury Notes	4.95	10,844	4,324	-	-	-	-	6,520
		<u>\$ 71,775</u>						

A reconciliation of deposits and investments for the State to the basic financial statements at June 30, 2015 is as follows:

**Disclosure Regarding Deposits and Investments:**

Total Investments	\$ 22,005,137
Carrying amount of Deposits	49,540
Total	<u>\$ 22,054,677</u>

**Statement of Net Position:**

Cash and Cash Equivalents	\$ 691,755
Investments	3,961,293
Restricted Cash and Cash Equivalents	1,188
Securities Lending Collateral	138,600

**Statement of Fiduciary Net Position:**

Cash and Cash Equivalents	143,059
Investments	16,893,907
Securities Lending Collateral	224,875
Total	<u>\$ 22,054,677</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, 2015:

**Governmental Activities:**

General Fund	\$ 92,791
Federal Fund	9,858
Health and Social Services Fund	5,473
Total Governmental Activities	<u>\$ 108,122</u>

**Business-type Activities:**

Unemployment Insurance	\$ 6,882
Total Business-type Activities	<u>\$ 6,882</u>

Of the taxes and other receivables, \$38,245 and \$18,721, respectively, is not expected to be collected within 60 days of the fiscal year end. These amounts have been offset by deferred inflows of resources 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, 2015 was as follows:

	<b>BEGINNING BALANCE</b>	<b>INCREASES</b>	<b>DECREASES</b>	<b>ENDING BALANCE</b>
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 572,954	\$ 6,251	\$ -	\$ 579,205
Infrastructure	7,246,226	83,737	-	7,329,963
Construction in progress	300,901	89,878	69,169	321,610
Total capital assets, not being depreciated	8,120,081	179,866	69,169	8,230,778
Capital assets, being depreciated:				
Buildings and improvements	640,288	5,047	448	644,887
Equipment	485,398	33,982	19,413	499,967
Total capital assets, being depreciated	1,125,686	39,029	19,861	1,144,854
Less accumulated depreciation for:				
Buildings and improvements	283,268	14,362	448	297,182
Equipment	372,770	33,575	17,286	389,059
Total accumulated depreciation	656,038	47,937	17,734	686,241
Total capital assets, being depreciated, net	469,648	(8,908)	2,127	458,613
Governmental activities capital assets, net	<u>\$ 8,589,729</u>	<u>\$ 170,958</u>	<u>\$ 71,296</u>	<u>\$ 8,689,391</u>
<b>Business-type activities:</b>				
<b>Unemployment Insurance</b>				
Equipment, being depreciated	\$ 349	\$ -	\$ 25	\$ 324
Less accumulated depreciation	349	-	25	324
Total Unemployment Insurance, net	-	-	-	-
<b>Nonmajor Enterprise Funds</b>				
Capital assets, not being depreciated:				
Land	315	-	-	315
Total capital assets, not being depreciated	315	-	-	315
Capital assets, being depreciated:				
Buildings and improvements	8,442	-	-	8,442
Equipment	5,330	240	54	5,516
Total capital assets, being depreciated	13,772	240	54	13,958
Less accumulated depreciation for:				
Buildings and improvements	2,478	211	-	2,689
Equipment	4,354	254	54	4,554
Total accumulated depreciation	6,832	465	54	7,243
Total capital assets, being depreciated, net	6,940	(225)	-	6,715
Total Nonmajor Enterprise, net	7,255	(225)	-	7,030
Business-type activities capital assets, net	<u>\$ 7,255</u>	<u>\$ (225)</u>	<u>\$ -</u>	<u>\$ 7,030</u>

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

<b>Governmental activities:</b>	
General Government	\$ 16,782
Conservation of Natural Resources	1,590
Culture – Recreation	1,656
Economic Development and Assistance	184
Education	1,823
Health and Social Services	1,494
Public Safety	9,864
Regulation of Business and Professions	564
Transportation	13,980
Total depreciation expense - Governmental activities	<u>\$ 47,937</u>

**Construction Commitments.** At June 30, 2015, the State had contractual commitments of approximately \$712,325 for various highway and building projects. Funding of these future expenditures is expected to be provided as follows:

Federal funds	\$	304,787
State funds		396,048
Local funds		11,490
	\$	<u>712,325</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, 2015 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	\$ -	\$ 35	\$ 41	\$ 292	\$ 47	\$ 340	\$ 11,772	\$ 47,479	\$ 60,006
Highway Fund	-	-	152	1	144	655	3,135	-	4,087
Federal Fund	72,815	2	-	3,039	1,415	20	7,100	-	84,391
Health and Social Services	1,195	1	-	-	9	29	268	-	1,502
Permanent School Fund	-	-	-	-	-	-	7	-	7
Nonmajor Governmental Funds	-	12	48	232	48	26	5,930	-	6,296
Unemployment Fund	-	-	-	-	144	-	-	-	144
Nonmajor Enterprise Funds	-	7	-	-	2	-	80	-	89
Internal Service Funds	-	25	-	-	39	1	916	-	981
Pension Trust	-	-	-	-	-	-	75	-	75
Private Purpose Trust	-	-	-	-	-	-	4	-	4
<b>TOTALS</b>	<b>\$ 74,010</b>	<b>\$ 82</b>	<b>\$ 241</b>	<b>\$ 3,564</b>	<b>\$ 1,848</b>	<b>\$ 1,071</b>	<b>\$ 29,287</b>	<b>\$ 47,479</b>	<b>\$ 157,582</b>

Interfund receivables and payables are recorded for: (1) short term borrowings, (2) billing for services provided between agencies, (3) pension liabilities, and (4) risk management liabilities. All interfund receivables and payables are considered short term in nature.

Interfund transfers at June 30, 2015 consist of the following:

TRANSFERRED FROM:	TRANSFERRED TO:					TOTALS
	General Fund	Highway Fund	Federal Fund	Health and Social Services	Nonmajor Governmental Funds	
General Fund	\$ -	\$ -	\$ -	\$ -	\$ 72,794	\$ 72,794
Highway Fund	-	-	-	-	17,588	17,588
Federal Fund	-	-	-	-	27,678	27,678
Health & Social Services Fund	7,800	-	-	-	16	7,816
Nonmajor Governmental Funds	49,043	12,515	-	340	4,984	66,882
Unemployment Fund	-	-	16,167	-	3,025	19,192
Nonmajor Enterprise Funds	-	-	-	866	36,241	37,107
<b>TOTALS</b>	<b>\$ 56,843</b>	<b>\$ 12,515</b>	<b>\$ 16,167</b>	<b>\$ 1,206</b>	<b>\$ 162,326</b>	<b>\$ 249,057</b>

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

## 6. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities as presented in the financial statements at June 30, 2015 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	\$ 16,270	\$ 5,509	\$ 6,091	\$ 480	\$ -	\$ 3,582	\$ 1,503	\$ -	\$ 253	\$ 33,688
Payables to Vendors	65,440	76,953	18,115	6,365	149,718	35,979	13,045	1,909	31,448	398,972
Payables to Governments	39,183	19,012	142,072	192	5,319	9,281	289	-	16	215,364
Due to Fiduciary Funds *	-	-	-	-	-	-	47,479	-	-	47,479
Miscellaneous	-	-	-	-	-	105	-	18	7,080	7,203
<b>TOTALS</b>	<b>\$ 120,893</b>	<b>\$ 101,474</b>	<b>\$ 166,278</b>	<b>\$ 7,037</b>	<b>\$ 155,037</b>	<b>\$ 48,947</b>	<b>\$ 62,316</b>	<b>\$ 1,927</b>	<b>\$ 38,797</b>	<b>\$ 702,706</b>

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

## 7. Noncurrent Liabilities

Changes in noncurrent liabilities for the year ended June 30, 2015 are summarized as follows:

	BEGINNING BALANCE (as restated)	INCREASES	DECREASES	ENDING BALANCE	AMOUNTS DUE WITHIN ONE YEAR
<b>Governmental Activities:</b>					
Claims Payable	\$ 247,366	\$ 1,889,744	\$ 1,882,448	\$ 254,662	\$ 207,273
Capital Lease Obligations	18,175	3,025	5,725	15,475	6,175
Obligations Under Other Financing Arrangements	5,565	1,430	6,995	-	-
Compensated Absences	129,219	18,048	16,125	131,142	11,805
Net Pension Liability	506,450	-	217,141	289,309	-
<b>Totals</b>	<b>\$ 906,775</b>	<b>\$ 1,912,247</b>	<b>\$ 2,128,434</b>	<b>\$ 690,588</b>	<b>\$ 225,253</b>
<b>Business-type Activities:</b>					
<b>Unemployment Insurance:</b>					
Claims Payable	\$ 9,728	\$ 97,750	\$ 99,719	\$ 7,759	\$ 7,759
Compensated Absences	7	1	8	-	-
<b>Totals for Unemployment Insurance</b>	<b>9,735</b>	<b>97,751</b>	<b>99,727</b>	<b>7,759</b>	<b>7,759</b>
<b>Nonmajor Enterprise Funds:</b>					
Claims Payable	18,377	5,331	4,960	18,748	5,562
Compensated Absences	874	114	78	910	82
<b>Totals for Nonmajor Enterprise Funds</b>	<b>19,251</b>	<b>5,445</b>	<b>5,038</b>	<b>19,658</b>	<b>5,644</b>
<b>Totals for Business-type Activities</b>	<b>\$ 28,986</b>	<b>\$ 103,196</b>	<b>\$ 104,765</b>	<b>\$ 27,417</b>	<b>\$ 13,403</b>

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, 2015 are as follows:

YEAR	GOVERNMENTAL ACTIVITIES
2016	\$ 6,343
2017	4,765
2018	2,829
2019	1,115
2020	672
2021-2025	123
Total Minimum Payments	15,847
Less: Interest and executory costs	372
Present value of net minimum payments	<u>\$ 15,475</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, 2015:

	GOVERNMENTAL ACTIVITIES
Equipment	\$ 29,250
Less: accumulated depreciation	(17,496)
Carrying value	<u>\$ 11,754</u>

The minimum annual lease payments for operating leases as of June 30, 2015 are as follows:

YEAR	GOVERNMENTAL ACTIVITIES
2016	\$ 8,422
2017	2,071
2018	1,911
2019	1,931
2020	1,867
2021-2025	6,815
2026-2030	4,901
2031-2035	4,578
2036-2040	195
Total	<u>\$ 32,691</u>

Primary Government operating lease payments for the year ended June 30, 2015 totaled \$14,274.

**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, 2015, 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 \$51,037 were received under these and other lease agreements for the year ended June 30, 2015.

**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.

On June 18, 2015 the State called for the redemption of the Drinking Water State Revolving Fund Revenue Bonds, series 2000A and 2008A. The bond call of \$1,044 and \$1,285 respectively was funded by available cash.

On June 18, 2015 the State in-substance defeased the Drinking Water State Revolving Fund Revenue Bonds, series 2010A, by depositing \$2,680 with an escrow agent in trust. The in-substance defeasance was funded by available cash. Debt is considered defeased in substance for accounting and financial reporting purposes if the debtor irrevocably places cash or other assets with an escrow agent in a trust to be used solely for satisfying scheduled payments of both interest and principal of the defeased debt. These bonds are scheduled to be redeemed on July 1, 2017.

As of June 30, 2015 the State has no Obligations Under Other Financing Arrangements.

**10. Governmental Fund Balances**

The State's governmental fund balances represent: (1) Restricted Purposes, which include balances that are legally restricted for specific purposes due to constraints that are imposed by law through constitutional provisions or are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; (2) Committed Purposes, which include balances that can only be used for specific purposes pursuant to constraints imposed by formal action of the Legislature; (3) Assigned Purposes, which includes balances that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. A summary of the nature and purpose of these reserves by fund type at June 30, 2015, follows:

<b>Governmental Fund Balances</b>						
	<b>General Fund</b>	<b>Highway Fund</b>	<b>Federal Fund</b>	<b>Health and Social Services</b>	<b>Permanent School Fund</b>	<b>Nonmajor Funds</b>
Restricted for:						
Education	\$ -	\$ -	\$ -	\$ -	\$ 225,220	\$ 18,844
Health and Social Services	-	-	-	534,963	-	37,159
Conservation of Natural Resources	-	-	-	-	-	579,913
Transportation	-	259,451	-	-	-	10,218
Licensing and Regulation	-	-	-	-	-	97,126
Economic Development	-	-	-	-	-	56,482
Public Safety	-	-	-	-	-	27,493
Culture – Recreation	-	-	-	-	-	44,498
Other Purposes	-	-	2,082	-	-	37,663
Total Restricted	<u>\$ -</u>	<u>\$ 259,451</u>	<u>\$ 2,082</u>	<u>\$ 534,963</u>	<u>\$ 225,220</u>	<u>\$ 909,396</u>
Committed to:						
Economic Stabilization	727,835	-	-	-	-	-
Other Purposes	-	-	-	-	-	99,358
Total Committed	<u>\$ 727,835</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 99,358</u>
Assigned to:						
Education	-	-	-	-	-	163
Health and Social Services	-	-	-	545	-	1,503
Licensing and Regulation	-	-	-	-	-	46,471
Economic Development	-	-	-	-	-	46
Culture – Recreation	-	-	-	-	-	83
Other Purposes	-	-	-	-	-	1,283
Total Assigned	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 545</u>	<u>\$ -</u>	<u>\$ 49,549</u>

## 11. 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.

## 12. 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. All vehicles owned by the State are covered to the maximum of \$5,000 limit and a \$300 retention per occurrence for liability (bodily injury and property damage to personal or real property) caused by a State vehicle.

Risk Management has procured excess commercial crime coverage in the amount of \$31,000 with a self-insured retention of \$25. Risk Management has procured excess property coverage in the amount of \$250,000 with a self-insured retention of \$200. Each State agency has the option of purchasing insurance coverage for its contents, i.e. personal property. This coverage is not required, but Risk Management will purchase such coverage on behalf of an agency at its direction. 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 \$47,697 at a discounted rate of 2.0 percent (\$6,150).

Changes in the balances of claims liabilities of the Risk Management Internal Service Fund during the years ended June 30, 2015, and 2014, were as follows:

	Fiscal Year	
	2015	2014
Beginning Balance	\$ 72,693	\$ 71,674
Current Year Claims and		
Changes in Estimates	(192,391)	(185,224)
Claim Payments	197,844	186,243
Ending Balance	<u>\$ 78,146</u>	<u>\$ 72,693</u>



## 13. Pension Plans

### Summary of Significant Accounting Policies

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of each plan and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by each plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

### 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 County Employee Retirement System. The plans have been created in accordance with Internal Revenue Code, Sections 401(a), 414(h) and 414(k). 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 on the Nebraska Public Employees Retirement System (NPERS) website at: [npers.ne.gov](http://npers.ne.gov). Information on NPERS may also 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 all plan administration expenses among the retirement systems administered by the Board, and all such expenses shall be provided from the investment income earned by the various retirement funds.

The main benefits provided by each of these plans are retirement benefits. However, the plan also provides ancillary benefits in the event of pre-retirement death, disability, or termination of employment prior to meeting the eligibility requirements to retire.

Following is a summary of each of these plans:

**State Employees' Retirement.** This 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. For both Cash Balance and Defined Contribution plans, benefits are vested after three years of plan participation. Members can become vested in less than three years if they attain age 55 before terminating employment, die before terminating employment or qualify for disability retirement.

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 in the normal form. The normal form of payment is a single life annuity with five-year-certain, payable monthly. Members will have the option to convert their member cash balance account to a monthly annuity and have the option to purchase a built in cost-of-living adjustments of 2.5 percent annually. If the retiree elects an annuity with no cost-of-living adjustments, the monthly annuity amount will never change. If the retiree purchases the cost-of-living adjustment, the annuity dollar amount increases 2.5 percent each year. Also available are additional forms of payment allowed under the plan, which are actuarially equivalent to the normal form, including the option of a full or partial lump-sum.

Under the defined contribution option, a member upon attainment of age 55, regardless of service, the retirement allowance is equal to the sum of the employee and employer accounts. Members have several forms of payment available, including withdrawals, deferrals, annuities, or a combination of these.

For both the cash balance and defined contribution plans, the amounts presented in the accompanying financial statements for the State Employees' Retirement System are for the plan's fiscal year ended December 31, 2014.

Participation in the plan is required for all permanent full-time employees upon employment. Part-time employees may elect voluntary participation upon reaching age 18. Each member contributes 4.8 percent of their compensation. The State matches a member's contribution at a rate of 156 percent. Benefit and contribution provisions are established by State law (Neb. Rev. Stat. §§ 84-1301 through 84-1333 (Reissue 2014)) and may be amended only by the Nebraska Legislature. Pursuant to state statute, an actuarial valuation is performed each year to determine the actuarial required contribution. To the extent member

and State payroll-related contributions are insufficient to meet the full actuarial contribution; the remainder is paid by the State.

As of December 31, 2014, there were 24,099 members in the plan. Of these members, 15,770 were active, 7,107 were inactive, and 1,222 were retirees or beneficiaries receiving benefits. The accompanying financial statements include member contributions of \$33,794 and State contributions of \$52,644 for the plan year ended December 31, 2014.

**School Employee's Retirement.** The State is the plan sponsor for the School Retirement System, a cost-sharing multiple-employer defined benefit pension plan, with 266 participating school districts; and, the Service Annuity Plan, a single-employer defined benefit pension plan. The State is also a non-employer contributing entity for the Omaha School Employees' Retirement System.

Participation in the School plan is required for all permanent employees of a Nebraska school district (other than the Omaha Public School District), an educational service unit, the state or county (if the position with the state or county requires a teaching certificate), working at least 20 hours per week on an ongoing basis, or with a full-time contract. Once an employee meets the requirements to participate in the plan, they will remain in the plan until termination or retirement. Members' benefits are vested after five years of plan participation or when termination occurs at age 65 or later.

In this plan, the State is in a special funding situation and contributes 2 percent of estimated payroll for the plan year. The employees' contribution is 9.78 percent of their compensation. Pursuant to state statute, a fixed contribution rate is paid by the employers. Currently the school district's contribution is 101 percent of the employees' contribution. Benefit and contribution provisions are established by State law (Neb. Rev. Stat. §§ 79-901 through 79-977.03 (Reissue 2014)) and may be amended only by the Nebraska Legislature.

Normal retirement age is 65. Unreduced benefits are also available for a member who is at least age 55 and whose age plus service equals or exceeds 85 (Rule of 85). The monthly benefit is equal to the greater of: 1) The sum of a savings annuity, which is the actuarial equivalent of the member's accumulated contributions and a service annuity equal to \$3.50 per year of service; or 2) the average of the three 12-month periods of service as a school employee in which such compensation was the greatest, multiplied by total years of creditable service, multiplied by a formula factor (currently 2 percent) set by statute, and an actuarial factor based on age. For an employee who became a member on or after July 1, 2013, the monthly benefit is equal to the greater of: 1) The sum of a savings annuity, which is the actuarial equivalent of the member's accumulated contributions and a service annuity equal to \$3.50 per year of service; or 2) the average of the five 12-month periods of service in which such compensation was the greatest, multiplied by the total years of creditable service, multiplied by a formula factor (currently 2 percent) set by statute, and an actuarial factor based on age. Benefit calculations vary with early retirement.

For employees who became members prior to July 1, 2013, the benefit paid to a retired member or beneficiary receives an annual cost-of-living adjustment, which is increased by the lesser of the percentage change in the Consumer Price Index for Urban Wage Earners and Clerical Workers or two and one-half percent. The current benefit paid to a retired member or beneficiary shall be adjusted so that the purchasing power of the benefit being paid is not less than 75 percent of the purchasing power of the initial benefit. For employees who became members on or after July 1, 2013, the benefit paid to a retired member or beneficiary receives an annual cost-of-living adjustment, which is increased by the lesser of the percentage change in the Consumer Price Index for Urban Wage Earners and Clerical Workers or one percent.

The accompanying financial statements include member contributions of \$175,138, employer contributions of \$173,014, and State contributions of \$35,493 for the plan year ended June 30, 2015.

The Service Annuity Plan provides benefits for the employees of the Omaha Public School District equal to \$3.50 times years of services. In this plan, the State is in a special funding situation because the benefits provided to the employees of the Omaha Public School District are funded exclusively by the State. There are no employee or employer contributions made to the plan. The benefit and contribution provisions for this plan are established by State law and may be amended only by the Nebraska Legislature.

Retirement is at age 65 with 5 years of service. Early retirement is at age 55 with 10 years of service, five of which must be with the Omaha Public School District. The benefit vests when the member has five years of service.

As of September 1, 2014, there were 8,352 members in the plan. Of these members, 7,415 were active and 937 were inactive. For the fiscal year ending June 30, 2015, the Service Annuity received \$998 in non-employer contributions from the State.

Under state statutes, the State, as a non-employer contributing entity with a special funding situation in the Omaha School Employees' Retirement System, contributes 2% of the members' compensation. The accompanying financial statements include the State's special funding contribution of \$6,453 for the plan year ended June 30, 2015.

**Judges Retirement.** The Judges Retirement System is a single-employer defined benefit pension plan. 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 vest when the member takes office.

Retirement is at age 65 with benefits calculated using the compensation for the three 12-month periods of service as a judge in which compensation was the greatest, or the average monthly compensation, multiplied by the total years of service and the formula factor of 3.5 percent, subject to a maximum of 70 percent of the final average salary. The calculation varies with early retirement.

The benefit paid to a retired member or beneficiary receives an annual cost-of-living adjustment which is increased by the lesser of the percentage change in the Consumer Price Index for Urban Wage Earners and Clerical Workers or two and one-half percent. The current benefit paid to a retired member or beneficiary shall be adjusted so that the purchasing power of the benefit being paid is not less than 75 percent of the purchasing power of the initial benefit.

The plan is funded by members' contributions, a portion of court fees collected, and the State's contribution. Benefit and contribution provisions are established by State law (Neb. Rev. Stat. §§ 24-701 through 24-714 (Reissue 2008, Cum. Supp. 2014)) and may be amended only by the Nebraska Legislature. Each member hired after July 1, 2004, contributes nine percent of their monthly salary until the maximum benefit has been earned. After earning the maximum benefit, members contribute five percent of their monthly salary for the remainder of their active service. All other members contribute seven percent of their monthly salary until the maximum benefit has been earned. After earning the maximum benefit, those members contribute one percent of their monthly salary for the remainder of their active service. A six dollar fee for each case is collected for District and County courts, Juvenile courts, the Workers' Compensation Court, the Supreme Court, and the Court of Appeals, plus a 10 percent charge on certain fees collected in the County courts. An actuarial valuation is performed each year to determine the actuarial required contribution. To the extent member contributions and court fees are insufficient to meet the full actuarial required contribution, the remainder is paid by the State.

As of June 30, 2015, there were 332 members in the plan. Of these members, 147 were active, 6 were inactive, 5 were disabled and 174 were retirees or beneficiaries receiving benefits. The accompanying financial statements include member contributions of \$1,611, court fees of \$2,977 and State contributions of \$94 for the plan year ended June 30, 2015.

**State Patrol Retirement.** The State Patrol Retirement System is a single-employer defined benefit pension plan for officers of the Nebraska State Patrol.

Participation is required upon employment. Members are required to contribute sixteen percent of their monthly salary, and the State Patrol contributes sixteen percent. Benefit and contribution provisions are established by State law (Neb. Rev. Stat. §§ 81-2014 through 81-2041 (Reissue 2014)) and may be amended only by the Nebraska Legislature. Pursuant to this statute, an actuarial valuation is performed each year to determine the actuarial required contribution. To the extent the member and employer statutory contributions are insufficient to meet the full actuarial required contribution, the remainder is paid by the State as an additional contribution. Member benefits vest when the officer completes six years of service.

Unreduced retirement benefits are payable upon meeting the following criteria: 1) age 50 and 25 years of service, 2) age 55 and 10 years of service, or 3) age 60 regardless of service. The retirement benefit is calculated using the compensation for the three 12-month periods of service in which compensation was the greatest, multiplied by the total years of service and the formula factor of 3.0 percent, subject to a maximum of 75 percent of the final average salary. The calculation varies with early retirement which is available at age 50 and 10 years of service.

The benefit paid to a retired member or beneficiary receives an annual cost-of-living adjustment which is increased by the lesser of the percentage change in the Consumer Price Index for Urban Wage Earners and Clerical Workers or two and one-half percent. The current benefit paid to a retired member or beneficiary shall be adjusted so that the purchasing power of the benefit being paid is not less than 60% of the purchasing power of the initial benefit.

Deferred Retirement Option Plan (DROP) Neb. Rev. Stat. § 81-2041 (Reissue 2014) established the Patrol DROP effective September 1, 2008. The DROP is a voluntary deferred retirement plan that a member can enter between the ages of 50 and 60, with 25 years of service. Upon choosing to participate in DROP, the member is deemed to have retired; however, the member continues in active employment for up to a five-year period with no retirement contributions withheld from his or her paychecks. When the member enters DROP, the individual's monthly benefit is calculated and paid into an IRC § 414(k) Deferred Compensation Plan (DCP). After the member retires (60 years of age) or has been in DROP for five years, whichever occurs first, the member then has the option to receive a lump sum payment and/or rollover the funds in the DCP account to another qualified plan. Thereafter, future retirement benefit payments are made directly to the member.

As of June 30, 2015, there were 902 members in the plan. Of these members, 413 were active, 25 were inactive, 13 were disabled, 51 were participating in the DROP program, and 400 were retirees or beneficiaries receiving benefits. The accompanying financial statements include member contributions of \$4,180, and State contributions of \$8,620 for the plan year ended June 30, 2015.

### **Other Plan Administered**

**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. For both Cash Balance and Defined Contribution plans, benefits are vested after three years of plan participation. Members can become vested in less than three years if they attain age 55 before terminating employment, die before terminating employment or qualify for disability retirement.

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 18. Part-time elected officials may exercise the option to participate. 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. The State does not contribute to this plan.

As of December 31, 2014, there were 10,858 members in the plan. Of these members, 7,553 were active, 2,879 were inactive, and 426 were retirees or beneficiaries receiving benefits. Members contributed \$12,840 and counties contributed \$18,972 during the year ended December 31, 2014, which was equal to required contributions.

### **Net Pension Liability/(Asset)**

The net pension liability/(asset) calculation for the Judges, Patrol and Service Annuity plans, and the collective net pension liability for the School plan were performed with a measurement date of June 30, 2014. The total pension asset for the Judges plan and the total pension liability for the Patrol, Service Annuity and School plans as of June 30, 2014 were determined based on the annual actuarial funding valuation report prepared as of July 1, 2014.

The net pension asset calculation for the State Employees' Retirement plan was performed with a measurement date of December 31, 2014. The total pension asset as of December 31, 2014 was determined based on the annual actuarial funding valuation report prepared as of January 1, 2015.

The net pension liability calculation for the Omaha School Employees' Retirement System was performed with a measurement date of August 31, 2014. The total pension liability as of August 31, 2014 was determined based on the annual actuarial funding valuation report prepared as of September 1, 2013.

The State Employees' Retirement plan, the State Patrol Retirement plan and the Judges' Retirement plan are all single employer plans with the State as the employer. The State will report 100 percent of the net pension liability/(asset) for each of those plans.

The State is a non-employer with a special funding situation for the school retirement plans. The State reported a \$245,210 total pension liability for its proportionate share of the collective net pension liability for the school retirement plans. The State's share is a combination of \$169,592 from the Nebraska Public Employees Retirement System's School plan, \$2,879 from the Service Annuity plan, and \$72,739 from the Omaha School Employees' Retirement System. The State's percentage of its proportionate share of the net pension liability for the Nebraska Public Employees Retirement System's School plan is 17.44 percent, the Service Annuity plan is 100 percent, and the Omaha School Employees' Retirement System is 16.84 percent. In the School plan and the Omaha School Employees Retirement System, the determination of proportionate share is based on individual employer contribution information.

The key actuarial assumptions used to measure the total pension liability, as of the latest valuation date, are as follows:

	STATE CASH BALANCE	STATE PATROL RETIREMENT	JUDGES' RETIREMENT	SCHOOL RETIREMENT AND SERVICE ANNUITY	OMAHA SCHOOL EMPLOYEES' RETIREMENT
Measurement Date	12/31/2014	6/30/2014	6/30/2014	6/30/2014	8/31/2014
Actuarial Valuation Date	1/1/2015	7/1/2014	7/1/2014	7/1/2014	9/1/2014
Actuarial Cost Method	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age
Amortization Method	Level dollar amount, closed	Level percent of payroll, closed	Level percent of payroll, closed	Level percent of payroll, closed	Level percent of payroll, closed
Single Amortization Period	21 years	27 years	27 years	26 years	30 years
Asset Valuation Method	5 year smoothed market	5 year smoothed market	5 year smoothed market	5 year smoothed market	market related smoothed value
Actuarial Assumptions:					
Investment Rate of Return **	7.75%	8.0%	8.0%	8.0%	8.0%
Projected Salary Increases **	4.0% to 5.43%	4.0% to 9.5%	4.0%	4.0% to 9.0%	4.0% to 5.6%

\*\* Includes assumed inflation of 3.25% per year for State, Judges Patrol, and School plans, 3.00% for Omaha School Employees Retirement System

**Mortality Rates.** The Judges, State, School, and Service Annuity plans' pre-retirement mortality rates were based on the 1994 Group Annuity Mortality Table, projected to 2015 using scale AA, set back one year (sex distinct with 55 percent of male rates for males and 40 percent of female rates for females).

The Judges, State, School, and Service Annuity plans' post-retirement rates were based on the 1994 Group Annuity Mortality Table, projected to 2015 using Scale AA, set-back one year (sex distinct). The Patrol plan's post-retirement mortality rates are the same as pre-retirement rates.

The Patrol plan's pre-retirement mortality rates were based on the 1994 Group Annuity Mortality Table, projected to 2015 using Scale AA, set-back one year (sex distinct).

The Omaha School Employees' Retirement System pre-retirement mortality rates were based on the RP 2000 Combined Mortality Table, female rates set back 1 year and male rates with no set back, projected on a generational basis using Scale AA. Post-retirement mortality rates are the same as pre-retirement rates.

The Patrol, School and Service Annuity plans' disability mortality rates were based on the 1983 Railroad Retirement Board Disabled Annuitants Mortality (unisex). The Judges plan did not utilize a disability mortality rate.

The Omaha School Employees' Retirement System post-disability mortality rates were based on the same tables as the post-retirement tables, with ages set forward 10 years.

The actuarial assumptions used in the January 1, 2015 valuation for the State are based on the results of the most recent actuarial experience study, which covered the five-year period ending June 30, 2011. The experience study report is dated August 20, 2012.

The actuarial assumptions used in the July 1, 2014, valuations for the School, Judges, and Patrol plans are based on the results of the most recent actuarial experience study, for the period July 1, 2006 - June 30, 2011. The experience study report is dated August 20, 2012.

The actuarial assumptions used in the September 1, 2013 valuation were based on the results of the most recent actuarial experience study, which covered the five-year period ending August 31, 2012. The experience study report is dated December 23, 2013.

**Target Asset Allocation.** The long-term expected real rate of return on pension plan investments was based upon the expected long-term investment returns provided by a consultant of the Nebraska Investment Council, who is responsible for investing the pension plan assets. The School, Service Annuity, State, Judges, and Patrol plans commingle their investments; thus, the target allocations are the same for each of the plans. The return assumptions were developed using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the pension plans' target asset allocations as of June 30, 2014 are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Estate of Return *</b>
Large Cap US Equity	26.10%	4.4%
Small Cap US Equity	2.90%	4.9%
Global Equity	15.00%	5.0%
International Developed Equity	11.14%	5.0%
Emerging Markets Equity	2.36%	6.2%
Fixed Income	25.00%	1.7%
Bank Loans	5.00%	2.0%
Real Estate	7.50%	4.7%
Private Equity	5.00%	6.5%
Total	100.00%	

\*Geometric mean, net of investment expense

For the Omaha School Employees' Retirement System, the target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by the System's investment consultant for the last experience study, are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Estate of Return *</b>
Small Cap US Equity	12.00%	7.1%
Global Equity	15.00%	7.6%
Specialty Funds	15.00%	11.0%
Alternatives	25.00%	7.6%
Fixed Income	5.00%	3.4%
High Yield Investments	16.00%	5.9%
Real Estate	12.00%	7.0%
Total	100.00%	

\*Arithmetic mean, net of investment expenses

**Discount Rate.** The discount rate used to measure the total pension liability was 7.75 percent for the State and 8 percent for Judges, Patrol and Schools. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that State contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The change in the net pension liability/(asset) is presented in the following schedules:

### Judges Retirement Plan

	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability / (Asset) (a) - (b)</b>
Balance at 6/30/2013	\$ 148,582	\$ 137,022	\$ 11,560
Changes for the year:			
Service Cost	4,257	-	4,257
Interest on Total Pension Liability	11,568	-	11,568
Differences between expected and actual experience	42	-	42
Benefit payments, including member refunds	(8,122)	(8,122)	-
Employer contributions	-	3,906	(3,906)
Employee contributions	-	1,519	(1,519)
Net investment income	-	24,543	(24,543)
Administrative expenses	-	(78)	78
Net changes	7,745	21,768	(14,023)
Balance at 6/30/2014	\$ 156,327	\$ 158,790	\$ (2,463)

### State Retirement Plan

	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability / (Asset) (a) - (b)</b>
Balance at 12/31/2013	\$ 1,139,773	\$ 1,223,695	\$ (83,922)
Changes for the year:			
Service Cost	54,921	-	54,921
Interest on Total Pension Liability	85,696	-	85,696
Differences between expected and actual experience	(11,217)	-	(11,217)
Benefit payments, including member refunds	(73,527)	(73,527)	-
Employer contributions	-	41,456	(41,456)
Employee contributions	-	26,603	(26,603)
Net investment income	-	83,524	(83,524)
Administrative expenses	-	(910)	910
Transfers	4,196	4,196	-
Net changes	60,069	81,342	(21,273)
Balance at 12/31/2014	\$ 1,199,842	\$ 1,305,037	\$ (105,195)

### State Patrol Retirement Plan

	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability / (Asset) (a) - (b)</b>
Balance at 6/30/2013	\$ 386,875	\$ 309,590	\$ 77,285
Changes for the year:			
Service Cost	8,174	-	8,174
Interest on Total Pension Liability	30,165	-	30,165
Differences between expected and actual experience	(3,788)	-	(3,788)
Benefit payments, including member refunds	(20,010)	(20,010)	-
Employer contributions	-	8,753	(8,753)
Employee contributions	-	4,134	(4,134)
Net investment income	-	54,950	(54,950)
Administrative expenses	-	(121)	121
Other changes	-	21	(21)
Net changes	14,541	47,727	(33,186)
Balance at 6/30/2014	\$ 401,416	\$ 357,317	\$ 44,099

**Sensitivity of the net pension liability/(asset) to changes in the discount rate.** The following presents the net pension liability/(asset) of the plans calculated using the current discount rate of 8 percent for Judges, Patrol, and School. A current discount rate of 7.75 percent was used for the State plan. The table also shows what the plans' net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate.

<b>Net Pension Liability / (Asset)</b>				
	<b>1% Decrease (7.00%)</b>	<b>Current Discount Rate (8.00%)</b>	<b>1% Increase (9.00%)</b>	
School	\$ 517,281	\$ 245,210	\$ 18,903	
Judges	13,527	(2,463)	(16,245)	
Patrol	98,018	44,099	1	
	<b>1% Decrease (6.75%)</b>	<b>Current Discount Rate (7.75%)</b>	<b>1% Increase (8.75%)</b>	
State	\$ (1,523)	\$ (105,195)	\$ (194,169)	

**Pension Plan Fiduciary Net Position.** Detailed information about the pension plan's fiduciary net position is available in the separately issued financial reports prepared by the Nebraska Public Employees Retirement Board and the Omaha School Employee Retirement System.

### Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

As a result of its requirement to contribute to these retirement plans, the State recognized expense of \$29,409 for the year ended June 30, 2015. Of this amount, \$812 pension income was recognized for the Nebraska Public Employees Retirement System's School plan, \$20,701 expense was recognized for the State plan, \$4,961 pension expense was recognized for the Omaha School Plan, \$2,953 pension expense was recognized for the State Patrol Plan, \$803 pension expense was recognized for the Judges Plan, and \$803 in pension expense was recognized for the Service Annuity. In the accompanying financial statements, presented as of June 30, 2015, the State reported deferred outflows of resources and deferred inflows of resources from the following sources:

	<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>DEFERRED INFLOWS OF RESOURCES</b>
<b>Actuarial Calculations:</b>		
<b>Judges Retirement</b>		
Differences between expected and actual experience	\$ 33	\$ -
Net difference between projected and actual earnings on pension plan investments	-	10,952
<b>Patrol Retirement</b>		
Differences between expected and actual experience	-	3,013
Net difference between projected and actual earnings on pension plan investments	-	24,373
<b>School Retirement</b>		
Differences between expected and actual experience	27	10,993
Net difference between projected and actual earnings on pension plan investments	-	122,087
Changes in proportion	163	1,790
<b>State Retirement</b>		
Differences between expected and actual experience	-	9,502
Net difference between projected and actual earnings on pension plan investments	8,983	-
<b>Total Actuarial Calculations</b>	<b>9,206</b>	<b>182,710</b>
<b>Employer Contributions Paid Subsequent to Actuarial Measurement Date:</b>		
Judges Retirement	3,071	-
Patrol Retirement	8,620	-
School Retirement	42,944	-
<b>TOTAL</b>	<b>\$ 63,841</b>	<b>\$ 182,710</b>



Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	Judges		Patrol		School		State	
	Outflow	Inflow	Outflow	Inflow	Outflow	Inflow	Outflow	Inflow
2016 \$	3,081 \$	2,738 \$	8,620 \$	6,868 \$	42,947 \$	33,049 \$	2,246 \$	1,715
2017	10	2,738	-	6,868	3	33,049	2,246	1,715
2018	10	2,738	-	6,867	3	33,049	2,246	1,715
2019	3	2,738	-	6,783	3	33,049	2,245	1,715
2020	-	-	-	-	3	884	-	1,715
Thereafter			-	-	12	-	-	927
Total \$	3,104 \$	10,952 \$	8,620 \$	27,386 \$	42,971 \$	133,080 \$	8,983 \$	9,502

### Payable to the Pension Plans

At June 30, 2015, the State reported a payable of \$47,477 for the outstanding amount of contributions to the pension plans required for the year ended June 30, 2015.

### 14. 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, 2015, 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.

	INTEREST RATES	BALANCE JUNE 30, 2015
<b>BONDS PAYABLE</b>		
<b>COMPONENT UNITS</b>		
University of Nebraska	1.00%-6.00%	\$ 792,995
Nebraska State Colleges	0.30%-5.25%	52,106
Component Units Total		<u>\$ 845,101</u>

COMPONENT UNITS DEBT SERVICE REQUIREMENTS TO MATURITY			
YEAR	PRINCIPAL	INTEREST	TOTAL
2016	\$ 51,657	\$ 33,964	\$ 85,621
2017	59,726	33,627	93,353
2018	80,710	31,452	112,162
2019	63,016	28,481	91,497
2020	47,997	26,075	74,072
2021 - 2025	198,370	101,278	299,648
2026 - 2030	140,905	66,117	207,022
2031 - 2035	96,705	37,698	134,403
2036 - 2040	71,985	16,566	88,551
2041 - 2045	29,930	3,615	33,545
2046	4,100	82	4,182
Total	<u>\$ 845,101</u>	<u>\$ 378,955</u>	<u>\$ 1,224,056</u>

## 15. Restatements

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions; an amendment of GASB Statement No. 27*, was implemented during fiscal year 2015. As a result, the beginning Net Position of Governmental Activities on the Statement of Activities decreased \$374,255 to reflect the beginning balances of Net Pension Liability, Net Pension Asset, and Deferred Outflows of Resources related to Pensions. This restatement did not include Deferred inflows of Resources related to Pensions as this information was not available for the beginning of fiscal year 2015. Fiscal years prior to 2014 were not restated as this information was not available.

Component Units Net Position – The Nebraska State College System restated prior year net position due to some liabilities and assets that were not accrued or were not properly accrued. These errors caused the fiscal year 2014 ending net position to be understated. As a result, the beginning Net Position for Component Units on the Statement of Activities increased by \$101.



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## REQUIRED SUPPLEMENTARY INFORMATION

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State of Nebraska

# **REQUIRED SUPPLEMENTARY INFORMATION** **BUDGETARY COMPARISON SCHEDULE** **GENERAL FUND**

For the Year Ended June 30, 2015

(Dollars in Thousands)

	GENERAL FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
<b>REVENUES</b>				
Taxes	\$ 4,105,611	\$ 4,180,111	\$ 4,190,210	\$ 10,099
Federal Grants and Contracts	44	44	44	-
Sales and Charges	22,367	22,367	22,367	-
Other	34,703	34,703	34,703	-
Total Revenues	<u>4,162,725</u>	<u>4,237,225</u>	<u>4,247,324</u>	<u>10,099</u>
<b>EXPENDITURES</b>				
Current:				
General Government	363,966	367,080	346,289	20,791
Conservation of Natural Resources	58,381	58,381	45,240	13,141
Culture – Recreation	11,805	11,821	8,402	3,419
Economic Development and Assistance	24,826	24,826	13,163	11,663
Education	1,947,362	1,945,062	1,899,516	45,546
Health and Social Services	1,702,233	1,694,811	1,440,941	253,870
Public Safety	294,048	308,952	272,935	36,017
Regulation of Business and Professions	5,256	5,256	3,919	1,337
Transportation	92	92	-	92
Capital Projects	3,284	3,284	-	3,284
Total Expenditures	<u>4,411,253</u>	<u>4,419,565</u>	<u>4,030,405</u>	<u>389,160</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(248,528)</u>	<u>(182,340)</u>	<u>216,919</u>	<u>399,259</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	221,819	221,819	221,819	-
Transfers Out	(375,426)	(375,426)	(375,426)	-
Other	129	129	129	-
Total Other Financing Sources (Uses)	<u>(153,478)</u>	<u>(153,478)</u>	<u>(153,478)</u>	<u>-</u>
Net Change in Fund Balance	(402,006)	(335,818)	63,441	399,259
<b>FUND BALANCES, JULY 1</b>	<u>1,391,940</u>	<u>1,391,940</u>	<u>1,391,940</u>	<u>-</u>
<b>FUND BALANCES, JUNE 30</b>	<u>\$ 989,934</u>	<u>\$ 1,056,122</u>	<u>\$ 1,455,381</u>	<u>\$ 399,259</u>

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

General Fund as of June 30, 2015, follows:

Actual Fund Balances, budgetary basis, June 30, 2015

General	\$ 727,546
Cash Reserve	727,835
Budgetary fund balances	<u>1,455,381</u>
<b>DIFFERENCES DUE TO BASIS OF ACCOUNTING:</b>	
Record State contributions due pension funds	(47,479)
Record claims payable	(90,025)
Record other net accrued receivables and liabilities	<u>26,301</u>
GAAP fund balance, June 30, 2015	<u>\$ 1,344,178</u>

State of Nebraska

# REQUIRED SUPPLEMENTARY INFORMATION

## BUDGETARY COMPARISON SCHEDULE

### CASH FUNDS

For the Year Ended June 30, 2015

(Dollars in Thousands)

	CASH FUNDS			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
<b>REVENUES</b>				
Taxes	\$ 170,804	\$ 170,804	\$ 170,804	\$ -
Federal Grants and Contracts	389,143	389,143	389,143	-
Sales and Charges	609,703	609,703	609,703	-
Other	169,449	169,449	169,449	-
Total Revenues	<u>1,339,099</u>	<u>1,339,099</u>	<u>1,339,099</u>	<u>-</u>
<b>EXPENDITURES</b>				
Current:				
General Government	228,375	238,620	218,219	20,401
Conservation of Natural Resources	156,366	167,666	73,712	93,954
Culture – Recreation	56,203	57,073	27,084	29,989
Economic Development and Assistance	99,847	99,967	34,942	65,025
Education	699,535	708,058	469,278	238,780
Health and Social Services	204,347	204,351	133,570	70,781
Public Safety	57,373	57,780	36,083	21,697
Regulation of Business and Professions	206,118	198,601	118,057	80,544
Transportation	1,017,369	1,017,369	823,018	194,351
Capital Projects	54,676	54,676	19,679	34,997
Total Expenditures	<u>2,780,209</u>	<u>2,804,161</u>	<u>1,953,642</u>	<u>850,519</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,441,110)</u>	<u>(1,465,062)</u>	<u>(614,543)</u>	<u>850,519</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	1,267,857	1,267,857	1,267,857	-
Transfers Out	(592,566)	(592,566)	(592,566)	-
Other	2,923	2,923	2,923	-
Total Other Financing Sources (Uses)	<u>678,214</u>	<u>678,214</u>	<u>678,214</u>	<u>-</u>
Net Change in Fund Balance	(762,896)	(786,848)	63,671	850,519
<b>FUND BALANCES, JULY 1</b>	<u>1,111,119</u>	<u>1,111,119</u>	<u>1,111,119</u>	<u>-</u>
<b>FUND BALANCES, JUNE 30</b>	<u>\$ 348,223</u>	<u>\$ 324,271</u>	<u>\$ 1,174,790</u>	<u>\$ 850,519</u>

A reconciliation of the budgetary basis versus GAAP fund balance for the Major Funds as of June 30, 2015, follows :

Actual Fund Balances, budgetary basis, June 30, 2015

Cash	\$ 1,174,790
Construction	73,360
Federal	66,705
Revolving	369,855
Budgetary fund balances	1,684,710
Unbudgeted fund balances	2,182,032
Non-major fund balances	(1,604,491)
Differences due to basis of accounting	(709,955)
GAAP fund balance, June 30, 2015	<u>\$ 1,552,296</u>
Actual Fund Balances of Major Funds, June 30, 2015	
Highway	\$ 263,087
Federal	2,243
Health and Social Services	535,721
Permanent School	751,245
GAAP fund balance, June 30, 2015	<u>\$ 1,552,296</u>

See independent auditor's report

# REQUIRED SUPPLEMENTARY INFORMATION

## BUDGETARY COMPARISON SCHEDULE

### CONSTRUCTION FUNDS

For the Year Ended June 30, 2015

(Dollars in Thousands)

	CONSTRUCTION FUNDS			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
<b>REVENUES</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Federal Grants and Contracts	-	-	-	-
Sales and Charges	-	-	-	-
Other	1,515	1,515	1,515	-
Total Revenues	1,515	1,515	1,515	-
<b>EXPENDITURES</b>				
Current:				
General Government	-	-	-	-
Conservation of Natural Resources	-	-	-	-
Culture – Recreation	-	-	-	-
Economic Development and Assistance	-	-	-	-
Education	79,684	79,684	31,287	48,397
Health and Social Services	-	-	-	-
Public Safety	-	-	-	-
Regulation of Business and Professions	-	-	-	-
Transportation	-	-	-	-
Capital Projects	71,528	71,528	4,510	67,018
Total Expenditures	151,212	151,212	35,797	115,415
Excess (Deficiency) of Revenues Over (Under) Expenditures	(149,697)	(149,697)	(34,282)	115,415
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	14,750	14,750	14,750	-
Transfers Out	-	-	-	-
Other	-	-	-	-
Total Other Financing Sources (Uses)	14,750	14,750	14,750	-
Net Change in Fund Balance	(134,947)	(134,947)	(19,532)	115,415
<b>FUND BALANCES, JULY 1</b>	92,892	92,892	92,892	-
<b>FUND BALANCES, JUNE 30</b>	<u>\$ (42,055)</u>	<u>\$ (42,055)</u>	<u>\$ 73,360</u>	<u>\$ 115,415</u>

State of Nebraska

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

For the Year Ended June 30, 2015

(Dollars in Thousands)

	FEDERAL FUNDS			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
<b>REVENUES</b>				
Taxes	\$ -	\$ -	\$ -	-
Federal Grants and Contracts	2,512,772	2,512,772	2,512,772	-
Sales and Charges	19,743	19,743	19,743	-
Other	28,201	28,201	28,201	-
Total Revenues	<u>2,560,716</u>	<u>2,560,716</u>	<u>2,560,716</u>	<u>-</u>
<b>EXPENDITURES</b>				
Current:				
General Government	7,928	8,045	4,023	4,022
Conservation of Natural Resources	54,552	80,010	62,804	17,206
Culture – Recreation	3,142	4,278	2,321	1,957
Economic Development and Assistance	138,715	139,721	62,441	77,280
Education	1,139,875	1,142,468	860,566	281,902
Health and Social Services	2,132,708	2,107,928	1,500,510	607,418
Public Safety	148,152	151,668	92,027	59,641
Regulation of Business and Professions	8,210	8,382	2,624	5,758
Transportation	-	-	-	-
Capital Projects	74,005	74,005	-	74,005
Total Expenditures	<u>3,707,287</u>	<u>3,716,505</u>	<u>2,587,316</u>	<u>1,129,189</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,146,571)</u>	<u>(1,155,789)</u>	<u>(26,600)</u>	<u>1,129,189</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	60,247	60,247	60,247	-
Transfers Out	(44,124)	(44,124)	(44,124)	-
Other	(828)	(828)	(828)	-
Total Other Financing Sources (Uses)	<u>15,295</u>	<u>15,295</u>	<u>15,295</u>	<u>-</u>
Net Change in Fund Balance	(1,131,276)	(1,140,494)	(11,305)	1,129,189
<b>FUND BALANCES, JULY 1</b>	<u>78,010</u>	<u>78,010</u>	<u>78,010</u>	<u>-</u>
<b>FUND BALANCES, JUNE 30</b>	<u>\$ (1,053,266)</u>	<u>\$ (1,062,484)</u>	<u>\$ 66,705</u>	<u>\$ 1,129,189</u>



State of Nebraska

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

For the Year Ended June 30, 2015

(Dollars in Thousands)

	REVOLVING FUNDS			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
<b>REVENUES</b>				
Taxes	\$ -	\$ -	\$ -	-
Federal Grants and Contracts	4,529	4,529	4,529	-
Sales and Charges	572,830	572,830	572,830	-
Other	202,724	202,724	202,724	-
Total Revenues	780,083	780,083	780,083	-
<b>EXPENDITURES</b>				
Current:				
General Government	253,356	253,840	185,447	68,393
Conservation of Natural Resources	-	-	-	-
Culture – Recreation	-	-	-	-
Economic Development and Assistance	549	549	531	18
Education	779,540	779,540	570,210	209,330
Health and Social Services	-	-	-	-
Public Safety	26,624	26,624	14,947	11,677
Regulation of Business and Professions	-	-	-	-
Transportation	-	-	-	-
Capital Projects	-	-	-	-
Total Expenditures	1,060,069	1,060,553	771,135	289,418
Excess (Deficiency) of Revenues Over (Under) Expenditures	(279,986)	(280,470)	8,948	289,418
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	84,351	84,351	84,351	-
Transfers Out	(93,481)	(93,481)	(93,481)	-
Other	1,781	1,781	1,781	-
Total Other Financing Sources (Uses)	(7,349)	(7,349)	(7,349)	-
Net Change in Fund Balance	(287,335)	(287,819)	1,599	289,418
<b>FUND BALANCES, JULY 1</b>	368,256	368,256	368,256	-
<b>FUND BALANCES, JUNE 30</b>	\$ 80,921	\$ 80,437	\$ 369,855	\$ 289,418

# NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR BUDGETARY COMPARISONS

For the Year Ended June 30, 2015

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## 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 2015, the Legislature passed deficit appropriation bills that increased the allowable expenditure level in several of the programs.

For the year ended June 30, 2015, 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, 2015

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>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Very Good	38%	39%	36%	33%	31%	32%
Good	37%	35%	38%	41%	44%	47%
Fair	22%	23%	23%	23%	22%	19%
Poor	3%	3%	3%	3%	3%	2%
Overall System Rating	81	81	81	80	80	81

### 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 81 actual).

<u>Fiscal Year</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Estimated	\$ 306	\$ 327	\$ 302	\$ 313	\$ 288	\$ 267
Actual		348	300	335	278	218
Difference		24	(2)	22	(10)	(49)

State of Nebraska

**REQUIRED SUPPLEMENTARY INFORMATION**  
**INFORMATION ABOUT PENSION PLANS**

For the Year Ended June 30, 2015

**SCHEDULE OF STATE'S PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY**

Last 10 Fiscal Years

(Dollar amounts in thousands)

	June 30, 2014*
State's proportion of the School plan collective net pension liability	17.44%
State's net pension liability for the Service Annuity plan	100.00%
State's proportion of the Omaha School Employees Retirement System collective net pension liability	16.84%
State's proportionate share of the School plan collective net pension liability (a)	\$ 169,592
Employer's proportionate share of the School plan collective net pension liability	\$ 802,660
Total collective net pension liability for the School plan	<u>\$ 972,252</u>
State's net pension liability for the Service Annuity plan	<u>\$ 2,879</u>
State's proportionate share of the Omaha School Employees Retirement System collective net pension liability	\$ 72,739
Employer's proportionate share of the Omaha School Employees Retirement System collective net pension liability	\$ 359,251
Total collective net pension liability for the Omaha School Employees Retirement System	<u>\$ 431,990</u>
School plan employer's covered-employee payroll (b)	\$ 6,125
Employer's proportionate share of the School plan collective net pension liability as a percentage of the employer's covered-employee payroll (a) / (b)	2768.85%
School plan Fiduciary net position as a percentage of the total pension liability	90.66%
Service Annuity plan Fiduciary net position as a percentage of the total pension liability	80.33%
Omaha School Employees Retirement System Fiduciary net position as a percentage of the total pension liability	74.98%

This schedule is presented to illustrate the requirement to show information for 10 years. Additional years will be reported as they become available.

\*The Omaha School Employees' Retirement System has a measurement date of August 31, 2014

**SCHEDULE OF STATE CONTRIBUTIONS**

School Employees Retirement Plan

Last 10 Fiscal Years

(Dollar amounts in thousands)

	2015
School plan statutorily required contribution	\$ 35,494
Service Annuity plan statutorily required contribution	\$ 998
Omaha School Employees Retirement System statutorily required contribution	\$ 6,453
School plan contributions in relation to the statutorily required contribution (a)	\$ 35,494
Service Annuity plan contributions in relation to the statutorily required contribution	\$ 998
Omaha School Employees Retirement System contributions in relation to the statutorily required contribution	\$ 6,453
School plan annual contribution deficiency (excess)	\$ -
Service Annuity plan annual contribution deficiency (excess)	\$ -
Omaha School Employees Retirement System annual contribution deficiency (excess)	\$ -
School plan employer's covered-employee payroll (b)	\$ 6,125
Contributions recognized by the School plan in relation to the statutorily required contribution as a percentage of the employer's covered-employee payroll (a) / (b)	579.49%

This schedule is presented to illustrate the requirement to show information for 10 years. Additional years will be reported as they become available.

See independent auditor's report

**STATE PATROL RETIREMENT PLAN**  
**SCHEDULE OF CHANGES IN THE EMPLOYERS' NET PENSION LIABILITY**

(Dollars in Thousands)

	<u><b>2014</b></u>
<b>Total Pension Liability</b>	
Service Cost	\$8,174
Interest	30,165
Differences between expected and actual experience	(3,788)
Benefit payments, including member refunds	<u>(20,010)</u>
<b>Net change in Total Pension Liability</b>	<b>\$14,541</b>
 <b>Total Pension Liability - beginning</b>	 <b>\$386,875</b>
<b>Total Pension Liability - ending (a)</b>	<b>\$401,416</b>
 <b>Plan Fiduciary Net Position</b>	
Employer contributions	\$8,753
Employee contributions	4,134
Net investment income	54,950
Benefit payments, including member refunds	(20,010)
Administrative expenses	(121)
Other	<u>21</u>
<b>Net change in Plan Fiduciary Net Position</b>	<b>\$47,727</b>
 <b>Plan Fiduciary Net Position - beginning</b>	 <b>\$309,590</b>
<b>Plan Fiduciary Net Position - ending (b)</b>	<b>\$357,317</b>
 <b>Net Pension Liability - ending (a) - (b)</b>	 <b><u><u>\$44,099</u></u></b>
 <b>Plan Fiduciary Net Position as a percentage of the Total Pension Liability</b>	 <b>89.01%</b>
 <b>Covered payroll</b>	 <b>\$25,624</b>
<b>Employers' Net Pension Liability as a percentage of covered payroll</b>	<b>172.10%</b>

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

**STATE PATROL RETIREMENT PLAN  
SCHEDULE OF EMPLOYER CONTRIBUTIONS**

(Dollars in Thousands)

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Actuarially determined employer contribution	\$8,074	\$8,753	\$9,769	\$7,775	\$7,563	\$6,260	\$5,385	\$4,856	\$5,059	\$5,082
Actual employer contributions**	\$8,074	\$8,753	\$7,516	\$7,775	\$5,957	\$6,260	\$5,385	\$4,856	\$5,059	\$5,082
Annual contribution deficiency (excess)	-	-	\$2,253	-	\$1,606	-	-	-	-	-
Covered-employee payroll*	\$26,294	\$25,624	\$26,902	\$27,391	\$27,988	\$27,625	\$28,386	\$27,839	\$26,204	\$24,454
Actual contributions as a percentage of covered-employee payroll*	30.71%	34.16%	27.94%	28.39%	21.28%	22.66%	18.97%	17.44%	19.31%	20.78%

\*Covered-employee payroll is based upon the pensionable payroll reported to the Plan and excludes additional compensation amounts that may need to be reported by the employer.

\*\*Includes any additional appropriations by the State beyond the regular, payroll-related contributions. 2015 excludes \$573 in military service credits

Note: Information prior to 2013 was produced by the prior actuary.

**JUDGES' RETIREMENT PLAN**  
**SCHEDULE OF CHANGES IN THE EMPLOYERS' NET PENSION LIABILITY**

(Dollars in thousands)

	<u>2014</u>
<b>Total Pension Liability</b>	
Service Cost	\$4,257
Interest	11,568
Differences between expected and actual experience	42
Benefit payments, including member refunds	<u>(8,122)</u>
<b>Net change in Total Pension Liability</b>	<b>\$7,745</b>
 <b>Total Pension Liability - beginning</b>	 <b>\$148,582</b>
<b>Total Pension Liability - ending (a)</b>	<b>\$156,327</b>
 <b>Plan Fiduciary Net Position</b>	
Employer contributions*	\$3,906
Employee contributions	1,519
Net investment income	24,543
Benefit payments, including member refunds	(8,122)
Administrative expenses	<u>(78)</u>
<b>Net change in Plan Fiduciary Net Position</b>	<b>\$21,768</b>
 <b>Plan Fiduciary Net Position - beginning</b>	 <b>\$137,022</b>
<b>Plan Fiduciary Net Position - ending (b)</b>	<b>\$158,790</b>
 <b>Net Pension Liability - ending (a) - (b)</b>	 <b><u><u>(\$2,463)</u></u></b>
 <b>Plan Fiduciary Net Position as a percentage of the Total Pension Liability</b>	 <b>101.58%</b>
 <b>Covered payroll</b>	 <b>\$20,100</b>
<b>Employers' Net Pension Liability as a percentage of covered payroll</b>	<b>(12.26%)</b>

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

\*Employer contributions consist of \$3,103 in Court Fees and \$804 in State Appropriations.

**JUDGES' RETIREMENT PLAN**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

(Dollars in thousands)

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Actuarially determined employer contribution	\$3,727	\$3,906	\$3,180	\$3,484	\$3,580	\$3,615	\$3,491	\$3,353	\$3,208	\$3,120
Actual employer contributions**	\$3,071	\$3,906	\$3,180	\$3,484	\$3,580	\$3,615	\$3,491	\$3,353	\$3,208	\$3,120
Annual contribution deficiency (excess)	\$656	-	-	-	-	-	-	-	-	-
Covered-employee payroll*	\$21,587	\$20,100	\$19,005	\$18,182	\$18,773	\$18,373	\$17,990	\$17,004	\$16,423	\$16,285
Actual contributions as a percentage of covered-employee payroll*	14.23%	19.43%	16.73%	19.16%	19.07%	19.68%	19.41%	19.72%	19.53%	19.16%

\*Covered-employee payroll is based upon the pensionable payroll reported to the Plan and excludes additional compensation amounts that may need to be reported by the employer. For years 2014 and prior, covered-employee payroll was estimated based on the valuation.

\*\*Employer contributions include court fees and State contributions

Note: Information prior to 2013 was produced by the prior actuary.



**STATE EMPLOYEES' RETIREMENT PLAN**  
**SCHEDULE OF CHANGES IN THE EMPLOYERS' NET PENSION LIABILITY**

(Dollars in thousands)

	<u>2014</u>
<b>Total Pension Liability</b>	
Service Cost	\$54,921
Interest	85,696
Differences between expected and actual experience	(11,217)
Transfers	4,195
Benefit payments, including member refunds	<u>(73,527)</u>
<b>Net change in Total Pension Liability</b>	\$60,068
 <b>Total Pension Liability - beginning</b>	 \$1,139,773
<b>Total Pension Liability - ending (a)</b>	<b>\$1,199,841</b>
 <b>Plan Fiduciary Net Position</b>	
Employer contributions	\$41,456
Employee contributions	26,603
Net investment income	83,524
Benefit payments, including member refunds	(73,527)
Administrative expenses	(910)
Transfers	<u>4,195</u>
<b>Net change in Plan Fiduciary Net Position</b>	\$81,341
 <b>Plan Fiduciary Net Position - beginning</b>	 \$1,223,695
<b>Plan Fiduciary Net Position - ending (b)</b>	<b>\$1,305,036</b>
 <b>Net Pension Liability - ending (a) - (b)</b>	 <u><u>(\$105,195)</u></u>
 <b>Plan Fiduciary Net Position as a percentage of the Total Pension Liability</b>	 108.77%
 <b>Covered payroll</b>	 \$553,631
<b>Employers' Net Pension Liability as a percentage of covered payroll</b>	<b>(19.00%)</b>

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

**STATE EMPLOYEES' RETIREMENT PLAN**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

(Dollars in thousands)

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Actuarially determined employer contribution	\$31,986	\$35,129	\$32,983	\$27,256	\$26,361	\$24,632	\$19,975	\$19,145	\$12,565	\$10,831
Actual employer contributions**	\$42,392	\$40,345	\$35,794	\$31,496	\$30,987	\$30,895	\$29,213	\$25,599	\$20,318	\$15,814
Annual contribution deficiency (excess)	(\$10,406)	(\$5,216)	(\$2,811)	(\$4,240)	(\$4,626)	(\$6,263)	(\$9,238)	(\$6,454)	(\$7,753)	(\$4,983)
Covered-employee payroll*	\$566,127	\$538,790	\$478,020	\$420,619	\$413,827	\$412,596	\$390,129	\$341,870	\$286,880	\$223,781
Actual contributions as a percentage of covered-employee payroll*	7.49%	7.49%	7.49%	7.49%	7.49%	7.49%	7.49%	7.49%	7.08%	7.07%

\*Covered-employee payroll is based upon the pensionable payroll reported to the Plan and excludes additional compensation amounts that may need to be reported by the employer.

\*\*Provided by Nebraska Public Employees Retirement System

## Notes to Required Supplementary Information for Pension Plans

For the Year Ended June 30, 2015

### School

**Changes of benefit and funding terms:** The following changes were made by the Nebraska Legislature and reflected in the valuation performed as of July 1, 2014 listed below:

2014: As scheduled, the State contribution rate increased from 1% of covered payroll to 2%.

2013: Legislative Bill 553, which was passed by the 2013 Legislature, increased the State's payroll related contribution from 1% to 2% of pay, effective July 1, 2014. LB 553 also made some changes to the benefit structure for members hired on or after July 1, 2013 (Tier 2), including changing the period over which to determine final average salary to the highest 60 months rather than the current highest 36 months of service and changing the maximum cost of living adjustment from 2.5% to 1%. LB 553 also removed the scheduled reduction in the employee contribution rate in 2017. In addition, it required the use of the Entry Age Normal, level percent of payroll, method to determine the costs for the Omaha State Service Annuity and changed the amortization of the unfunded actuarial accrued liability to be based on payments determined as a level percent of payroll instead of a level dollar amount.

2011: Under Legislative Bill 382 passed during the 2011 Legislative session, the member contribution rate increased from 8.28% to 8.88% on September 1, 2011. Effective September 1, 2012, the member contribution rate was scheduled to increase to 9.78% and then decrease to 7.28% effective September 1, 2017. The employer contribution rate match remained unchanged at 101% of the member contribution rate. The current State of Nebraska contribution rate of 1% remained in effect until July 1, 2017, at which time it was scheduled to decrease to 0.7%.

See independent auditor's report

- 2009: Under Legislative Bill 187, from September 1, 2009 to September 1, 2014, the member contribution rate was scheduled to increase from 7.28% to 8.28% and the State match to increase from 0.7% to 1.0% of covered pay. On September 1, 2014, the member contribution rate was scheduled to return to 7.28% and the State match to 0.7%.
- 2007: Per LB 596, passed in 2007, a one-time adjustment was made to the annuities of School members so that the current annuity was not less than 85% of the original annuity amount adjusted by the CPI-W. The statutory member contribution rate decreased to 7.28% as of September 1, 2007. Under existing statutes the rate was scheduled to drop to 7.25% on September 1, 2007.
- 2006: Per LB 1019, the unfunded actuarial accrued liability was reinitialized as of July 1, 2006 and amortized over a closed 30-year period.
- 2005: LB 503 increased member contribution rates to 7.98% for the first year (September 1, 2005 to August 31, 2006) and 7.83% for the second year (September 1, 2006 to August 31, 2007). Contribution rates were scheduled to return to 7.25% on September 1, 2007. Employer contribution rates continued at 101% of the member contribution rates.

### **Changes in actuarial assumptions:**

#### **7/1/2012 valuation:**

The interest rate on employee contributions was lowered to 4.25% from 5.50%.

Salary increases were changed to rates grading down from 9.00% for less than one year of service to 4.00% at 40 years of service. Prior valuation rates graded from 7.46% for less than one year to 4.55% at 40 years of service.

Retirement rates are based on age and retirement eligibility. 100% retirement age was extended to age 80 from age 70. Unreduced rates were decreased at age 63.

Pre- and post-retirement healthy mortality assumptions were changed from the 1994 Group Annuity Mortality (GAM) table projected to 2010 (for pre-retirement males rates were 65% of rates and female rates were 50% of rates) to the 1994 GAM table, with a 1 year age setback, projected to 2015 (pre-retirement rates are adjusted by 55% for males and 40% for females).

Disabled mortality was changed to the 1983 Railroad Retirement Board Disabled Annuitants Mortality setback one year from the 1983 Railroad Retirement Board Disabled Annuitants Mortality. The prior assumption was based on the same table with no setback.

Termination rates are service based and were decreased from the prior valuation based on actual experience.

Disability rates were decreased by 50% from the prior valuation.

Price inflation assumption was lowered to 3.25% from 3.50%.

Economic productivity assumption was lowered to 0.75% from 1.00%.

#### **7/1/2007 valuation:**

Salary increase assumption was converted from age-based to service-based, grading down from 7.50% for less than one year of service to 4.50% after 40 years of service.

Retirement rates were increased at age 55 and decreased for ages 57 through age 65.

Withdrawal rates were converted from age-and-service-based to service-based only and grade down from 27% (males) and 32% (females) for employees with less than one year of service to 1% (males) and 3% (females) and back up to 10% (males) and 7% (females) at 34 (or more) years of service.

Existing disability rates were reduced by 50% at each age.

Pre- and post-retirement mortality assumptions were changed from the 1994 Group Annuity Mortality (GAM) table with a two-year age setback to the 1994 GAM table, projected to 2010.

### **Method and assumptions used in calculations of actuarially determined contributions.**

The system is funded with contribution rates that are 9.78% of monthly salary for members, contribution rates that are 101% of the members' rates (9.88% of monthly salary) for the school districts and 2.00% of monthly salary for the state of Nebraska. The

actuarially determined contributions in the *Schedule of Employer Contributions* are calculated as of the beginning of the fiscal year in which contributions are reported.

The following actuarial methods and assumptions were used to determine the actuarially determined employer contribution reported in the most recent actuarial valuation (July 1, 2014):

Actuarial cost method	Entry Age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	Range from 23 to 30 years (Single Equivalent Amortization Period is 26 years)
Asset valuation method	5-year smoothed market
Inflation	3.25 percent
Payroll growth	4.00 percent
Salary increase	4.00 to 9.00 percent, including inflation
Investment rate of return	8.00 percent compounded annually, net of investment expense, and including inflation
Cost-of-living adjustments	2.50% with a floor benefit equal to 75% purchasing power of original benefit

### Service Annuity

**Changes of benefit and funding terms:** The following changes to the plan provisions were made by the Nebraska Legislature and reflected in the valuation performed as of July 1, 2014 listed below:

None

### Changes in actuarial assumptions:

#### 9/1/2012 valuation:

Salary increases were changed to rates grading down from 9.00% for less than one year of service to 4.00% at 40 years of service. Prior valuation rates graded from 7.46% for less than one year to 4.55% at 40 years of service.

Retirement rates are based on age and retirement eligibility. 100% retirement age was extended to age 80 from age 70. Unreduced rates were decreased at age 63.

Pre-retirement healthy mortality assumptions were changed from the 1994 Group Annuity Mortality (GAM) table projected to 2010 (for pre-retirement males rates were 65% of rates and female rates were 50% of rates) to the 1994 GAM table, with a 1 year age setback, projected to 2015 (pre-retirement rates are adjusted by 55% for males and 40% for females). Termination rates are service based and were decreased from the prior valuation based on actual experience.

Disability rates were decreased by 50% from the prior valuation. Price inflation assumption was lowered to 3.25% from 3.50%. Economic productivity assumption was lowered to 0.75% from 1.00%.

#### 9/1/2007 valuation:

Salary increase assumption was converted from age-based to service-based, grading down from 7.50% for less than one year of service to 4.50% after 40 years of service.

Retirement rates were increased at age 55 and decreased for ages 57 through age 65. Withdrawal rates were converted from age-and-service-based to service-based only and grade down from 27% (males) and 32%

*See independent auditor's report*

(females) for employees with less than one year of service to 1% (males) and 3% (females) and back up to 10% (males) and 7% (females) at 34 (or more) years of service.

Existing disability rates were reduced by 50% at each age.

Pre-retirement mortality assumptions were changed from the 1994 Group Annuity Mortality (GAM) table with a two-year age setback to the 1994 GAM table, projected to 2010.

#### **Method and assumptions used in calculations of Actuarially Determined Contributions.**

The Plan is funded with contribution amounts from the State which are actuarially determined to fund the Service Annuity benefit. The Actuarially Determined Contributions in the *Schedule of Employer Contributions* are calculated as of the beginning of the fiscal year in which contributions are reported.

The following actuarial methods and assumptions were used to determine the Actuarially Determined Contribution reported for the most recent Measurement Date, June 30, 2014.

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	Range from 23 to 30 years (Single Equivalent Amortization Period is 26 years) Asset
valuation method	5-year smoothed market
Price Inflation	3.25 percent
Salary increases, including wage	4.00 to 9.00 percent
Long-term rate of return, net of investment expense, and including inflation	8.00 percent

#### **Omaha School Employees**

**Changes of benefit and funding terms:** The following changes to the plan provisions were made by the Nebraska Legislature and reflected in the valuation performed as of September 1, 2014 listed below:

- 2013: The 2013 session of the Nebraska Legislature enacted Legislative Bill 553 (LB 553), which increased the Member's contribution rate from 9.30% of pay to 9.78% of pay. The School District's contribution rate is equal to 101% of the employee contribution rate so the District's contribution rate increased from 9.3930% of pay to 9.8778% of pay. The State contribution rate also increased permanently from 1.00% (plus \$973,301) to 2.00% of payroll, effective July 1, 2014. LB 553 also created a new benefit structure for members hired on or after July 1, 2013 with the same benefit structure as pre-July 1, 2013 hires except annual cost of living adjustments are the lesser of 1.00% or CPI and final average compensation is defined as 1/60 of the total compensation received during the five fiscal years of highest compensation.
- 2011: The member contribution rate was increased by the 2011 Legislature from 8.30% to 9.30%, effective September 1, 2011. Since the employer contributes 101% of the member contribution rate, the 1.00% increase in the member contribution rate resulted in an increase of 1.01% in the District's contribution rate.
- 2009: Legislation passed in 2009 increased the employee contribution rate from 7.30% to 8.30% of pay. The School District contributes 101% of the employee rate so the District's contribution increased from 7.373% to 8.383% of

pay. The legislation that enacted these changes also provided for a temporary increase in the State's contribution rate from 0.70% to 1.00% of pay for July, 2009 to July, 2014.

2007: Legislation passed in 2007 increased the employee contribution rate from 6.30% to 7.30% of pay and provided for the employer contribution rate of 101% of the employee rate.

#### **Changes in actuarial assumptions:**

9/1/2013 valuation:

The one-year age set forward in mortality rates for active male employees was eliminated.

Classified members' retirement rates were adjusted.

Vested Certificated members' assumption to elect a refund of contributions was adjusted at certain ages.

The assumed interest rate credited on member contribution accounts was lowered from 7.00% to 3.00%.

9/1/2010 valuation:

The inflation assumption was changed from 3.50% to 3.00%.

The real rate of return increased from 4.50% to 5.00%

The productivity portion of the general wage increase assumption increased from 0.50% to 1.00%.

9/1/2008 valuation:

Mortality table was changed to the RP-2000 table with age adjustments (+1 male, -1 female) and generational projections of mortality improvements.

Retirement rates were adjusted to better fit the observed experience.

The use of a disability assumption was eliminated.

Termination rates were modified to better fit the observed experience.

Small adjustments based on actual experience were made to the election of a refund assumption.

9/1/2007 valuation:

The actuarial value of assets was reset to the actual market value.

The funding policy was set equal to the normal cost plus amortization of the unfunded actuarial liability over a closed 30 year period, commencing September 1, 2007.

#### **Method and assumptions used in calculations of Actuarially Determined Contributions.**

The System is funded by statutory contribution rates for members, the School District and the state of Nebraska. The Actuarially Determined Contributions in the *Schedule of Employer Contributions* are calculated as of the beginning of the fiscal year in which contributions are reported.

The following actuarial methods and assumptions were used to determine the Actuarially Determined Contribution reported for the most recent Measurement Date, August 31, 2014 (based on the September 1, 2013 actuarial valuation).

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	30 years
Asset valuation method	Market related smoothed market
Price Inflation	3.00 percent
<i>See independent auditor's report</i>	

Salary increases, including wage inflation	4.00 to 5.60 percent
Long-term rate of return, net of investment expense, and including inflation	8.00 percent
Cost-of-living adjustments	1.50 percent if hired before July 1, 2013 1.00 percent if hired on or after July 1, 2013 Medical COLA of \$10/month for each year retired (max \$250/month)

## State Patrol

**Changes of benefit and funding terms:** The following changes to the plan provisions were made by the Nebraska Legislature and reflected in the valuation performed as of July 1, 2014 listed below:

- 2013: Legislative Bill 553 (LB 553) changed the amortization of the unfunded actuarial accrued liability from a level dollar payment to a level percent of payroll payment. As scheduled in state statute, the employee and employer contribution rate each decreased from 19% of pay to 16%.
- 2011: Under LB 382 passed during the 2011 Legislative session, both the member and employer contribution rates were increased from 16% to 19% on July 1, 2011. Effective July 1, 2013, both the member and employer contribution rates were scheduled to decrease to 16%.
- 2010: As scheduled, the member and employer contribution rates increased to 16% each.
- 2009: Under Legislative Bill 188, the member contribution rate increased from 13% to 15% on July 1, 2009. The employer contribution rate remained unchanged at 15%. Effective July 1, 2010, both the member and employer contribution rates increased to 16%.
- 2008: The DROP was first reflected with an assumption that 100% of members who are eligible for the DROP will either retire or elect to participate in DROP.
- 2007: LB 324 made the current contribution rates of 13% for members and 15% for employers permanent (the rates were scheduled to drop to 12% for members and 13% for employers on July 1, 2007). LB 324 also added a Deferred Retirement Option Plan (DROP) for members who are at least 50 and have 25 years of service. The effective date of the DROP was the earlier of September 1, 2008 or the first of the month following receipt of a Favorable Determination Letter from the Internal Revenue Service so it was not reflected in the July 1, 2007 actuarial valuation.
- 2006: Per LB 1019, the unfunded actuarial accrued liability was reinitialized as of July 1, 2006 and amortized over a closed 30-year period.
- 2005: Per LB 503, the member and employer contribution rates increased. The member contribution rate increased to 13% from July 1, 2005 to July 1, 2007, and 12% thereafter. The employer contribution rate increased to 15% from July 1, 2005 to July 1, 2007, and 13% thereafter.

## Changes in actuarial assumptions:

### 7/1/2012 valuation:

The interest rate on employee contributions was lowered to 4.25% from 5.50%.

Salary increases were changed to rates grading down from 9.50% for less than one year of service to 4.00% at 30 years of service. Prior valuation rates graded from 9.00% for less than one year to 4.50% at 25 years of service.

Retirement rates were increased for early retirement (reduced benefits available at 50 years of age and 10 years of service) and decreased for normal retirement (unreduced benefits available at 55 years of age and 10 years of service).

Pre- and post-retirement healthy mortality assumptions were changed from the 1994 Group Annuity Mortality (GAM) table projected to 2010 (for pre-retirement males rates were 65% of rates and female rates were 50% of rates) to the 1994 GAM table, with a 1 year setback, projected to 2015.

The assumption to value deferred vested members was changed to assume they elect the greater of the present value of an annuity at earliest unreduced retirement eligibility or a refund of contributions.

Consumer price inflation was lowered from 3.50% to 3.25%.

Economic productivity was lowered from 1.00% to 0.75%.

### 7/1/2007 valuation:

Salary increases were converted from age-based to service-based, grading down from 9.0% for less than one year of service to 4.5% at 25 years of service.

Retirement rates were reduced for both reduced (50 years of age and 10 years of service) and unreduced (55 years of age and 10 years of service or 50 years of age and 25 years of service) early retirement.

Withdrawal rates were changed from 3.0% at all ages to service-based rates grading down from 4.0% for less than one year of service to 1.5% at 6 years, reducing farther to 1.0% at 15 years and beyond.

Pre- and post-retirement healthy mortality assumptions were changed from the 1994 Group Annuity Mortality (GAM) table to the 1994 GAM table projected to 2010.

Disabled Mortality was changed from the 1971 GAM table to the 1983 Railroad Retirement Board Disabled Annuitants Mortality table

## Method and assumptions used in calculations of Actuarially Determined Contributions.

The Plan is funded by statutory contribution rates for members and the employer (state of Nebraska). State Statutes require the State of Nebraska to make additional contributions if the regular, payroll-related contributions are insufficient to meet the actuarial required contribution for the year. The Actuarially Determined Contributions in the *Schedule of Employer Contributions* are calculated as of the beginning of the fiscal year in which contributions are reported.

The following actuarial methods and assumptions were used to determine the Actuarially Determined Contribution reported for the most recent Measurement Date, June 30, 2014 (based on the July 1, 2014 actuarial valuation).

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	Range from 23 to 30 years (Single Equivalent Amortization Period is 27 years)
Asset valuation method	5-year smoothed market
Price Inflation	3.25 percent
Salary increases, including wage inflation	4.00 to 9.50 percent

See independent auditor's report



Long-term rate of return, net of investment expense, and including inflation	8.00 percent
Cost-of-living adjustment	2.50% with a floor benefit equal to 60% purchasing power of original benefit

## **Judges**

**Changes of benefit and funding terms:** The following changes to the plan provisions were made by the Nebraska Legislature and reflected in the valuation performed as of July 1, 2014 listed below:

- 2013: Legislative Bill 553 (LB 553) changed the amortization of the unfunded actuarial accrued liability from a level dollar payment to a level percent of payroll payment. The court fee designated for the Judges Retirement System was scheduled to decrease from \$6 to \$5 dollars on July 1, 2014. Legislative Bill 306 (LB 306) removed the language to decrease the court fees so the court fee in future years remains at six dollars. The passage of Legislative Bill 414 (LB 414) in 2009 increased the member contribution rate by 1 percent, but this increase was scheduled to be removed July 1, 2014. Legislative Bill 306 (LB 306) removed the sunset provision on the increase in the member contribution rate, thereby retaining the higher contribution rates.
- 2009: LB 414 passed during the 2009 Legislative session amended the plan provisions to increase all member contribution rates by 1% and increase the court fees from \$5 to \$6 per case.
- 2008: LB 1147 amended the plan provisions to provide a subsidized early retirement benefit. The monthly benefit is reduced by 3% for retirement at age 64, by 6% at age 63, and by 9% at age 62. The monthly benefit is further reduced on an actuarially equivalent basis for retirement before age 62 to as early as age 55.
- 2006: Per LB 1019, Nebraska Revised Statutes Section 24-703(9) was amended such that the unfunded actuarial accrued liability is reinitialized as of July 1, 2006 and amortized over a 30-year period.

## **Changes in actuarial assumptions:**

### **7/1/2012 valuation:**

The interest rate on employee contributions was lowered to 4.25% from 5.50%.

Salary increase were lowered to 4.00% from 4.50%.

Retirement rates were decreased for ages under 65 and age 66.

Pre- and post-retirement healthy mortality assumptions were changed from the 1994 Group Annuity Mortality (GAM) table projected to 2010 (for pre-retirement males rates were 65% of rates and female rates were 50% of rates) to the 1994 GAM table, with a 1 year setback, projected to 2015. Deferred vested members were changed to assume they elected the greater of the present value of an annuity at age 63 or a refund of contributions.

Consumer price inflation was lowered to 3.25% from 3.50%. Economic productivity was lowered to 0.75% from 1.00%.

### **7/1/2008 valuation:**

Retirement rates were increased at ages 62 through 64 to account for the possible increase in retirements due to the subsidized early retirement factors.

7/1/2007 valuation:

Salary increases were lowered from an assumed 5.00% annual increase to a 4.50% annual increase at each age.

Retirement rates were decreased at ages 55 through 61, increased at ages 62 through 64, and decreased at ages 65 through 71.

Pre- and post-retirement mortality assumptions were changed from the 1994 Group Annuity Mortality (GAM) table with a 2-year setback to the 1994 GAM table, projected to 2010.

#### **Method and assumptions used in calculations of Actuarially Determined Contributions.**

The Plan is funded with contribution rates that vary by date of hire and service for members, variable court fees as well as contributions from the state of Nebraska that cover the remaining required amounts, if necessary. The Actuarially Determined Contributions in the *Schedule of Employer Contributions* are calculated as of the beginning of the fiscal year in which contributions are reported.

The following actuarial methods and assumptions were used to determine the Actuarially Determined Contribution reported for the most recent Measurement Date, June 30, 2014 (based on the July 1, 2014 actuarial valuation).

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	Range from 27 to 30 years (Single Equivalent Amortization Period is 27 years)
Asset valuation method	5-year smoothed market
Price Inflation	3.25 percent
Salary increases, including wage inflation	4.00 percent
Long-term rate of return, net of investment expense, and including inflation	8.00 percent
Cost-of-living adjustments	2.50% with a floor benefit equal to 75% purchasing power of original benefit

#### **State Employees**

**Changes of benefit and funding terms:** The following changes to the plan provisions were made by the Nebraska Legislature and reflected in the valuation performed as of January 1, 2015 listed below:

- 2013: The 2012 Nebraska Legislature passed LB 916, as amended by AM1739, which created an election period beginning September 1, 2012 and ending October 31, 2012 during which members in the State Defined Contribution Plan could elect to transfer their account balances to the State Employees' Retirement System Cash Balance Benefit Fund.

2008: Under Legislative Bill 328, enacted by the 2007 Legislature, members of the State Defined Contribution Plan could elect to transfer their account balance and participate in the State Employees' Retirement System Cash Balance Benefit Fund. The election period was from November 1, 2007 to December 31, 2007

2007: Legislative Bill 366, enacted in 2006, eliminated the 12-month waiting period for participation. Effective January 1, 2007, any State employee who had not completed 12 continuous months of employment immediately became a member of the System. Any State employee hired in 2007 or later becomes a member of the System at their date of hire.

The bill also increased the member contribution rate from 4.33% of pay up to \$19,954 and 4.86% on pay over \$19,954, to 4.8% on all pay. This increase also resulted in an increase in the employer contribution rate.

### **Changes in actuarial assumptions:**

#### **1/1/2013 valuation:**

The interest crediting rate on cash balance accounts was lowered from 7.00% to 6.75% per year. Salary increases were changed to rates grading down from 5.43% for less than one year of service to 4.00% at 20 years of service. Prior rates graded from 5.9% for less than one year of service to 4.5% at 20 years of service. Retirement rates increased at age 65 to 69 and 100% probability of retirement was extended to age 80 from age 70.

Pre- and post-retirement healthy mortality assumptions were changed from the 1994 Group Annuity Mortality (GAM) table projected to 2010 (pre-retirement male rates were 65% of rates and female rates were 50% of rates) to the 1994 GAM table, with 1-year setback, projected to 2015 (pre-retirement rates are adjusted by 55% for males and 40% for females).

The select and ultimate termination rates were increased. Disability rates were removed.

Price inflation was lowered from 3.50% to 3.25% per year.

Economic productivity was lowered from 1.00% to 0.75% per year.

The assumption for the form of payment elected by retiring active members was changed from 100% elect an annuity to 50% elect a lump sum and 50% elect an annuity.

#### **1/1/2008 valuation:**

Investment return and the interest rate for annuity factors to convert account balances into monthly benefits was changed from 7.60% to 7.75%.

Salary scale was changed from an age-based assumption to a service-based assumption, grading down from 5.9% with less than one year of service to 4.5% with 20 years of service.

Retirement rates were decreased at ages 60 through 63 and 65 through 69.

The select period for termination of employment rates was extended to five years with a general decrease in select and ultimate rates prior to age 30 and increases after age 30.

Pre- and post-retirement mortality assumptions were changed from the 1994 Group Annuity Mortality (GAM) table with a one-year setback to the 1994 GAM table, projected to 2010.

### **Method and assumptions used in calculations of actuarially determined contributions.**

The Plan is funded with fixed contribution rates for members and the state of Nebraska. If such contributions are less than the Actuarially Determined Contribution, the State makes an additional contribution. The Actuarially Determined Contributions in the *Schedule of Employer Contributions* are calculated as of the January 1 preceding the first day of the fiscal year in which contributions are reported (January 1, 2014 actuarial valuation applies for contributions reported for July 1, 2014 to June 30, 2015).

The following actuarial methods and assumptions were used to determine the Actuarially Determined Contribution reported for the most recent fiscal year, June 30, 2015 (based on the January 1, 2014 actuarial valuation).

Actuarial cost method	Entry age
Amortization method	Level dollar amount, closed
Remaining amortization period	Range from 20 to 25 years (Single Equivalent Amortization Period is 21 years)
Asset valuation method	5-year smoothed market
Price Inflation	3.25 percent
Wage Inflation	4.00 percent
Salary increases, including wage inflation	4.00 to 5.43 percent
Long-term rate of return, net of investment expense, and including inflation	7.75 percent
Interest crediting rate	6.75 percent



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# COMBINING FINANCIAL STATEMENTS

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# NONMAJOR GOVERNMENTAL FUNDS

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## 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, 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 and Miscellaneous Permanent Trust.

## State of Nebraska

# COMBINING BALANCE SHEET

## NONMAJOR GOVERNMENTAL FUNDS

June 30, 2015

(Dollars in Thousands)

	SPECIAL REVENUE	CAPITAL PROJECTS	PERMANENT FUNDS	TOTALS
<b>Assets</b>				
Cash and Cash Equivalents	\$ 35,511	\$ 4,575	\$ 1,813	\$ 41,899
Cash on Deposit with Fiscal Agents	1,188	-	-	1,188
Investments	590,800	99,240	60,604	750,644
Securities Lending Collateral	26,033	4,436	1,816	32,285
Receivables, net of allowance				
Taxes	773	-	-	773
Due from Federal Government	1,442	-	-	1,442
Loans	317,695	-	-	317,695
Other	10,869	559	8,243	19,671
Due from Other Funds	1,848	-	-	1,848
Inventories	325	-	-	325
Prepaid Items	207	-	-	207
Other	883	-	-	883
Total Assets	<u>\$ 987,574</u>	<u>\$ 108,810</u>	<u>\$ 72,476</u>	<u>\$ 1,168,860</u>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts Payable and Accrued Liabilities	\$ 33,487	\$ 4,618	\$ 10,842	\$ 48,947
Tax Refunds Payable	1	-	-	1
Deposits	2,981	-	-	2,981
Due to Other Funds	6,295	1	-	6,296
Obligations under Securities Lending	26,033	4,436	1,816	32,285
Total Liabilities	<u>68,797</u>	<u>9,055</u>	<u>12,658</u>	<u>90,510</u>
Fund Balances:				
Nonspendable:				
Inventories and Prepaid Items	532	-	-	532
Endowment Principal	-	-	19,515	19,515
Restricted for:				
Education	15,535	-	3,309	18,844
Health and Social Services	671	-	36,488	37,159
Conservation of Natural Resources	579,913	-	-	579,913
Transportation	9,733	-	485	10,218
Licensing and Regulation	97,126	-	-	97,126
Economic Development	56,482	-	-	56,482
Public Safety	27,493	-	-	27,493
Culture – Recreation	44,498	-	-	44,498
Other Purposes	37,245	397	21	37,663
Committed to:				
Other Purposes	-	99,358	-	99,358
Assigned to:				
Education	163	-	-	163
Health and Social Services	1,503	-	-	1,503
Licensing and Regulation	46,471	-	-	46,471
Economic Development	46	-	-	46
Culture – Recreation	83	-	-	83
Other Purposes	1,283	-	-	1,283
Total Fund Balances	<u>918,777</u>	<u>99,755</u>	<u>59,818</u>	<u>1,078,350</u>
Total Liabilities and Fund Balances	<u>\$ 987,574</u>	<u>\$ 108,810</u>	<u>\$ 72,476</u>	<u>\$ 1,168,860</u>



## State of Nebraska

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

For the Year Ended June 30, 2015

(Dollars in Thousands)

	<b>SPECIAL REVENUE</b>	<b>CAPITAL PROJECTS</b>	<b>PERMANENT FUNDS</b>	<b>TOTALS</b>
<b>REVENUES</b>				
Sales and Use Taxes	\$ 14,974	\$ -	\$ -	\$ 14,974
Petroleum Taxes	13,252	-	-	13,252
Excise Taxes	42,903	9,164	-	52,067
Business and Franchise Taxes	26,641	-	-	26,641
Other Taxes	4,030	-	-	4,030
Federal Grants and Contracts	27,106	-	-	27,106
Licenses, Fees and Permits	151,516	-	-	151,516
Charges for Services	56,224	-	-	56,224
Investment Income	11,632	1,535	1,729	14,896
Rental Income	15,177	8,280	-	23,457
Surcharge	49,819	-	-	49,819
Other	19,560	-	-	19,560
Total Revenues	<u>432,834</u>	<u>18,979</u>	<u>1,729</u>	<u>453,542</u>
<b>EXPENDITURES</b>				
Current:				
General Government	76,551	-	1	76,552
Conservation of Natural Resources	72,077	-	-	72,077
Culture – Recreation	27,467	-	-	27,467
Economic Development and Assistance	35,371	-	-	35,371
Education	20,874	-	129	21,003
Higher Education - Colleges and University	-	38,694	-	38,694
Health and Social Services	17,731	-	1,429	19,160
Public Safety	45,153	-	-	45,153
Regulation of Business and Professions	118,487	-	-	118,487
Transportation	17,648	-	3	17,651
Capital Projects	-	19,824	-	19,824
Debt Service:				
Principal	6,995	-	-	6,995
Interest	1,090	-	-	1,090
Total Expenditures	<u>439,444</u>	<u>58,518</u>	<u>1,562</u>	<u>499,524</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(6,610)</u>	<u>(39,539)</u>	<u>167</u>	<u>(45,982)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	147,576	14,750	-	162,326
Transfers Out	(66,717)	-	(165)	(66,882)
Proceeds from Other Financing Arrangements	1,430	-	-	1,430
Total Other Financing Sources (Uses)	<u>82,289</u>	<u>14,750</u>	<u>(165)</u>	<u>96,874</u>
Net Change in Fund Balances	75,679	(24,789)	2	50,892
<b>FUND BALANCES, JULY 1</b>	<u>843,098</u>	<u>124,544</u>	<u>59,816</u>	<u>1,027,458</u>
<b>FUND BALANCES, JUNE 30</b>	<u>\$ 918,777</u>	<u>\$ 99,755</u>	<u>\$ 59,818</u>	<u>\$ 1,078,350</u>

## State of Nebraska

# COMBINING BALANCE SHEET

## NONMAJOR SPECIAL REVENUE FUNDS

June 30, 2015

(Dollars in Thousands)

	LICENSING AND REGULATION	ECONOMIC DEVELOPMENT	AIRPORT DEVELOPMENT
<b>Assets</b>			
Cash and Cash Equivalents	\$ 6,557	\$ 2,350	\$ 8,497
Cash on Deposit with Fiscal Agents	-	-	-
Investments	141,447	52,582	-
Securities Lending Collateral	6,322	2,270	-
Receivables, net of allowance:			
Taxes	642	-	123
Due from Federal Government	-	-	-
Loans	-	144	1,745
Other	2,397	1,659	63
Due from Other Funds	23	-	7
Inventories	-	-	-
Prepaid Items	18	-	3
Other	-	871	-
Total Assets	<u>\$ 157,406</u>	<u>\$ 59,876</u>	<u>\$ 10,438</u>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts Payable and Accrued Liabilities	\$ 8,262	\$ 1,356	\$ 686
Tax Refunds Payable	1	-	-
Deposits	314	2,656	-
Due to Other Funds	331	28	16
Obligations under Securities Lending	6,322	2,270	-
Total Liabilities	<u>15,230</u>	<u>6,310</u>	<u>702</u>
Fund Balances:			
Nonspendable:			
Inventories and Prepaid Items	18	-	3
Restricted for:			
Education	-	-	-
Health and Social Services	-	-	-
Conservation of Natural Resources	-	-	-
Transportation	-	-	9,733
Licensing and Regulation	95,687	-	-
Economic Development	-	53,520	-
Public Safety	-	-	-
Culture – Recreation	-	-	-
Other Purposes	-	-	-
Assigned to:			
Education	-	-	-
Health and Social Services	-	-	-
Licensing and Regulation	46,471	-	-
Economic Development	-	46	-
Culture – Recreation	-	-	-
Other Purposes	-	-	-
Total Fund Balances	<u>142,176</u>	<u>53,566</u>	<u>9,736</u>
Total Liabilities and Fund Balances	<u>\$ 157,406</u>	<u>\$ 59,876</u>	<u>\$ 10,438</u>

GAME AND PARKS	ENVIRONMENTAL QUALITY	ENERGY CONSERVATION	OTHER SPECIAL REVENUE	TOTALS
\$ 5,141	\$ 6,756	\$ 578	\$ 5,632	\$ 35,511
-	-	-	1,188	1,188
104,166	148,167	12,704	131,734	590,800
4,614	6,623	568	5,636	26,033
-	8	-	-	773
1,321	-	-	121	1,442
-	292,483	23,259	64	317,695
2,021	940	86	3,703	10,869
138	-	-	1,680	1,848
-	-	-	325	325
52	-	-	134	207
-	-	-	12	883
<u>\$ 117,453</u>	<u>\$ 454,977</u>	<u>\$ 37,195</u>	<u>\$ 150,229</u>	<u>\$ 987,574</u>
\$ 8,691	\$ 921	\$ 1,035	\$ 12,536	\$ 33,487
-	-	-	-	1
-	-	-	11	2,981
186	47	3	5,684	6,295
4,614	6,623	568	5,636	26,033
<u>13,491</u>	<u>7,591</u>	<u>1,606</u>	<u>23,867</u>	<u>68,797</u>
52	-	-	459	532
-	-	-	15,535	15,535
-	-	-	671	671
68,390	447,386	35,589	28,548	579,913
-	-	-	-	9,733
-	-	-	1,439	97,126
-	-	-	2,962	56,482
-	-	-	27,493	27,493
35,520	-	-	8,978	44,498
-	-	-	37,245	37,245
-	-	-	163	163
-	-	-	1,503	1,503
-	-	-	-	46,471
-	-	-	-	46
-	-	-	83	83
-	-	-	1,283	1,283
<u>103,962</u>	<u>447,386</u>	<u>35,589</u>	<u>126,362</u>	<u>918,777</u>
<u>\$ 117,453</u>	<u>\$ 454,977</u>	<u>\$ 37,195</u>	<u>\$ 150,229</u>	<u>\$ 987,574</u>

## State of Nebraska

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

For the Year Ended June 30, 2015

(Dollars in Thousands)

	LICENSING AND REGULATION	ECONOMIC DEVELOPMENT	AIRPORT DEVELOPMENT
<b>REVENUES</b>			
Sales and Use Taxes	\$ -	\$ 4,994	\$ -
Petroleum Taxes	11,091	539	1,277
Excise Taxes	12,310	21,633	-
Business and Franchise Taxes	4,241	116	-
Other Taxes	-	-	-
Federal Grants and Contracts	6	-	14,814
Licenses, Fees and Permits	76,550	267	13
Charges for Services	2,246	186	354
Investment Income	2,799	950	158
Rental Income	-	-	572
Surcharge	49,819	-	-
Other	9,305	350	636
Total Revenues	<u>168,367</u>	<u>29,035</u>	<u>17,824</u>
<b>EXPENDITURES</b>			
Current:			
General Government	-	-	-
Conservation of Natural Resources	-	-	-
Culture – Recreation	-	-	-
Economic Development and Assistance	-	32,312	-
Education	-	-	-
Health and Social Services	-	-	-
Public Safety	-	-	-
Regulation of Business and Professions	117,651	-	-
Transportation	-	-	17,648
Debt Service			
Principal	-	-	-
Interest	-	-	-
Total Expenditures	<u>117,651</u>	<u>32,312</u>	<u>17,648</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>50,716</u>	<u>(3,277)</u>	<u>176</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	1,517	13,829	165
Transfers Out	(39,192)	(44)	-
Proceeds from Other Financing Arrangements	-	-	-
Total Other Financing Sources (Uses)	<u>(37,675)</u>	<u>13,785</u>	<u>165</u>
Net Change in Fund Balances	13,041	10,508	341
<b>FUND BALANCES, JULY 1</b>	<u>129,135</u>	<u>43,058</u>	<u>9,395</u>
<b>FUND BALANCES, JUNE 30</b>	<u>\$ 142,176</u>	<u>\$ 53,566</u>	<u>\$ 9,736</u>

GAME AND PARKS	ENVIRONMENTAL QUALITY	ENERGY CONSERVATION	OTHER SPECIAL REVENUE	TOTALS
\$ 1,437	\$ -	\$ -	\$ 8,543	\$ 14,974
-	-	300	45	13,252
1,309	2,642	-	5,009	42,903
-	1,897	-	20,387	26,641
-	-	-	4,030	4,030
10,460	-	-	1,826	27,106
26,237	5,628	16	42,805	151,516
2,538	-	39	50,861	56,224
2,174	2,891	211	2,449	11,632
13,144	-	-	1,461	15,177
-	-	-	-	49,819
713	4,378	13	4,165	19,560
<u>58,012</u>	<u>17,436</u>	<u>579</u>	<u>141,581</u>	<u>432,834</u>
-	-	-	76,551	76,551
50,463	8,372	761	12,481	72,077
25,375	-	-	2,092	27,467
-	-	-	3,059	35,371
-	-	-	20,874	20,874
-	-	-	17,731	17,731
-	-	-	45,153	45,153
-	-	-	836	118,487
-	-	-	-	17,648
-	6,995	-	-	6,995
-	1,090	-	-	1,090
<u>75,838</u>	<u>16,457</u>	<u>761</u>	<u>178,777</u>	<u>439,444</u>
<u>(17,826)</u>	<u>979</u>	<u>(182)</u>	<u>(37,196)</u>	<u>(6,610)</u>
39,424	27,678	-	64,963	147,576
-	(80)	-	(27,401)	(66,717)
-	1,430	-	-	1,430
<u>39,424</u>	<u>29,028</u>	<u>-</u>	<u>37,562</u>	<u>82,289</u>
21,598	30,007	(182)	366	75,679
<u>82,364</u>	<u>417,379</u>	<u>35,771</u>	<u>125,996</u>	<u>843,098</u>
<u>\$ 103,962</u>	<u>\$ 447,386</u>	<u>\$ 35,589</u>	<u>\$ 126,362</u>	<u>\$ 918,777</u>

## State of Nebraska

# COMBINING BALANCE SHEET

## NONMAJOR PERMANENT FUNDS

June 30, 2015

(Dollars in Thousands)

	AERONAUTICS TRUST	NEBRASKA VETERANS' AID	PERMANENT ENDOWMENT	AGRICULTURE ENDOWMENT	OTHER	TOTALS
<b>Assets</b>						
Cash and Cash Equivalents	\$ -	\$ 1,304	\$ 384	\$ 112	\$ 13	\$ 1,813
Investments	6,640	49,579	1,268	2,792	325	60,604
Securities Lending Collateral	943	802	21	45	5	1,816
Other Receivables, net of allowance	40	7,534	195	424	50	8,243
Total Assets	<u>\$ 7,623</u>	<u>\$ 59,219</u>	<u>\$ 1,868</u>	<u>\$ 3,373</u>	<u>\$ 393</u>	<u>\$ 72,476</u>
<b>Liabilities and Fund Balances</b>						
Liabilities:						
Accounts Payable and Accrued Liabilities	\$ -	\$ 9,929	\$ 264	\$ 581	\$ 68	\$ 10,842
Obligations under Securities Lending	943	802	21	45	5	1,816
Total Liabilities	<u>943</u>	<u>10,731</u>	<u>285</u>	<u>626</u>	<u>73</u>	<u>12,658</u>
Fund Balances:						
Nonspendable:						
Endowment Principal	6,195	12,000	503	722	95	19,515
Restricted for:						
Education	-	-	1,080	2,025	204	3,309
Health and Social Services	-	36,488	-	-	-	36,488
Transportation	485	-	-	-	-	485
Other Purposes	-	-	-	-	21	21
Total Fund Balances	<u>6,680</u>	<u>48,488</u>	<u>1,583</u>	<u>2,747</u>	<u>320</u>	<u>59,818</u>
Total Liabilities and Fund Balances	<u>\$ 7,623</u>	<u>\$ 59,219</u>	<u>\$ 1,868</u>	<u>\$ 3,373</u>	<u>\$ 393</u>	<u>\$ 72,476</u>

State of Nebraska

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

For the Year Ended June 30, 2015

(Dollars in Thousands)

	<b>AERONAUTICS TRUST</b>	<b>NEBRASKA VETERANS' AID</b>	<b>PERMANENT ENDOWMENT</b>	<b>AGRICULTURE ENDOWMENT</b>	<b>OTHER</b>	<b>TOTALS</b>
<b>REVENUES</b>						
Investment Income	\$ 200	\$ 1,398	\$ 43	\$ 79	\$ 9	\$ 1,729
Total Revenues	200	1,398	43	79	9	1,729
<b>EXPENDITURES</b>						
General Government	-	-	-	-	1	1
Education	-	-	38	83	8	129
Health and Social Services	-	1,429	-	-	-	1,429
Transportation	3	-	-	-	-	3
Total Expenditures	3	1,429	38	83	9	1,562
Excess (Deficiency) of Revenues Over (Under) Expenditures	197	(31)	5	(4)	-	167
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers Out	(165)	-	-	-	-	(165)
Net Change in Fund Balances	32	(31)	5	(4)	-	2
<b>FUND BALANCES, JULY 1</b>	6,648	48,519	1,578	2,751	320	59,816
<b>FUND BALANCES, JUNE 30</b>	<u>\$ 6,680</u>	<u>\$ 48,488</u>	<u>\$ 1,583</u>	<u>\$ 2,747</u>	<u>\$ 320</u>	<u>\$ 59,818</u>





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## NONMAJOR ENTERPRISE FUNDS

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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 on or before December 31, 2014 and \$2,250,000 for any occurrence after December 31, 2014.

**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 POSITION** **NONMAJOR ENTERPRISE FUNDS**

June 30, 2015

(Dollars in Thousands)

	LOTTERY	EXCESS LIABILITY	CORNHUSKER STATE INDUSTRIES	TOTALS
<b>ASSETS</b>				
Current Assets:				
Cash and Cash Equivalents	\$ 5,911	\$ 26,627	\$ 9,409	\$ 41,947
Receivables, net of allowance	6,139	22,172	573	28,884
Due from Other Funds	-	-	1,071	1,071
Inventories	-	-	2,769	2,769
Other	423	-	-	423
Total Current Assets	<u>12,473</u>	<u>48,799</u>	<u>13,822</u>	<u>75,094</u>
Noncurrent Assets:				
Restricted Long-Term Deposits	2,414	-	-	2,414
Long-Term Investments	-	73,449	-	73,449
Securities Lending Collateral	-	1,129	-	1,129
Capital Assets:				
Land	-	-	315	315
Buildings and Equipment	251	-	13,707	13,958
Less Accumulated Depreciation	(201)	-	(7,042)	(7,243)
Total Capital Assets	<u>50</u>	<u>-</u>	<u>6,980</u>	<u>7,030</u>
Total Noncurrent Assets	<u>2,464</u>	<u>74,578</u>	<u>6,980</u>	<u>84,022</u>
Total Assets	<u>\$ 14,937</u>	<u>\$ 123,377</u>	<u>\$ 20,802</u>	<u>\$ 159,116</u>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	\$ 8,963	\$ 29,080	\$ 754	\$ 38,797
Due to Other Funds	32	-	57	89
Claims, Judgments and Compensated Absences	23	5,562	59	5,644
Unearned Revenue	-	2,461	-	2,461
Total Current Liabilities	<u>9,018</u>	<u>37,103</u>	<u>870</u>	<u>46,991</u>
Noncurrent Liabilities:				
Claims, Judgments and Compensated Absences	236	13,186	592	14,014
Obligations under Securities Lending	-	1,129	-	1,129
Total Noncurrent Liabilities	<u>236</u>	<u>14,315</u>	<u>592</u>	<u>15,143</u>
Total Liabilities	<u>\$ 9,254</u>	<u>\$ 51,418</u>	<u>\$ 1,462</u>	<u>\$ 62,134</u>
<b>NET POSITION</b>				
Net Investment in Capital Assets	50	-	6,980	7,030
Restricted for:				
Lottery Prizes	2,414	-	-	2,414
Unrestricted	<u>3,219</u>	<u>71,959</u>	<u>12,360</u>	<u>87,538</u>
Total Net Position	<u>\$ 5,683</u>	<u>\$ 71,959</u>	<u>\$ 19,340</u>	<u>\$ 96,982</u>

State of Nebraska

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

For the Year Ended June 30, 2015

(Dollars in Thousands)

	LOTTERY	EXCESS LIABILITY	CORNHUSKER STATE INDUSTRIES	TOTALS
<b>OPERATING REVENUES</b>				
Charges for Services	\$ 159,968	\$ 4,519	\$ 12,099	\$ 176,586
Total Operating Revenues	<u>159,968</u>	<u>4,519</u>	<u>12,099</u>	<u>176,586</u>
<b>OPERATING EXPENSES</b>				
Personal Services	1,371	-	4,924	6,295
Services and Supplies	27,195	424	7,693	35,312
Lottery Prizes	94,696	-	-	94,696
Insurance Claims	-	5,331	-	5,331
Depreciation	16	-	449	465
Total Operating Expenses	<u>123,278</u>	<u>5,755</u>	<u>13,066</u>	<u>142,099</u>
Operating Income (Loss)	<u>36,690</u>	<u>(1,236)</u>	<u>(967)</u>	<u>34,487</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment Income	251	1,729	168	2,148
Gain (Loss) on Sale of Capital Assets	-	-	14	14
Total Nonoperating Revenues (Expenses)	<u>251</u>	<u>1,729</u>	<u>182</u>	<u>2,162</u>
Income (Loss) Before Transfers	36,941	493	(785)	36,649
Transfers Out	<u>(37,107)</u>	-	-	<u>(37,107)</u>
Change in Net Position	<u>(166)</u>	<u>493</u>	<u>(785)</u>	<u>(458)</u>
<b>NET POSITION, JULY 1</b>	<u>5,849</u>	<u>71,466</u>	<u>20,125</u>	<u>97,440</u>
<b>NET POSITION, JUNE 30</b>	<u>\$ 5,683</u>	<u>\$ 71,959</u>	<u>\$ 19,340</u>	<u>\$ 96,982</u>

## State of Nebraska

# COMBINING STATEMENT OF CASH FLOWS

## NONMAJOR ENTERPRISE FUNDS

For the Year Ended June 30, 2015

(Dollars in Thousands)

	LOTTERY	EXCESS LIABILITY	CORNHUSKER STATE INDUSTRIES	TOTALS
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash Received from Customers	\$ 159,805	\$ 4,747	\$ 2,339	\$ 166,891
Cash Received from Interfund Charges	-	-	9,766	9,766
Cash Paid to Employees	(1,365)	-	(4,864)	(6,229)
Cash Paid to Suppliers	(26,483)	(182)	(6,631)	(33,296)
Cash Paid for Lottery Prizes	(94,657)	-	-	(94,657)
Cash Paid for Insurance Claims	-	(4,960)	-	(4,960)
Cash Paid for Interfund Services	(305)	(219)	(637)	(1,161)
Net Cash Flows from Operating Activities	36,995	(614)	(27)	36,354
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Transfers Out	(37,107)	-	-	(37,107)
Net Cash Flows from Noncapital Financing Activities	(37,107)	-	-	(37,107)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING:</b>				
Acquisition and Construction of Capital Assets	(31)	-	(209)	(240)
Proceeds from Sale of Capital Assets	-	-	14	14
Net Cash Flows from Capital and Related Financing Activities	(31)	-	(195)	(226)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Purchase of Investment Securities	-	(202,229)	-	(202,229)
Proceeds from Sale of Investment Securities	-	202,557	-	202,557
Interest and Dividend Income	250	2,499	177	2,926
Net Cash Flows from Investing Activities	250	2,827	177	3,254
Net Increase (Decrease) in Cash and Cash Equivalents	107	2,213	(45)	2,275
<b>CASH AND CASH EQUIVALENTS, JULY 1</b>	<b>5,804</b>	<b>24,414</b>	<b>9,454</b>	<b>39,672</b>
<b>CASH AND CASH EQUIVALENTS, JUNE 30</b>	<b>\$ 5,911</b>	<b>\$ 26,627</b>	<b>\$ 9,409</b>	<b>\$ 41,947</b>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Operating Income (Loss)	\$ 36,690	\$ (1,236)	\$ (967)	\$ 34,487
Adjustments to reconcile operating income to net cash flows from operating activities:				
Depreciation	16	-	449	465
Change in Assets and Liabilities:				
(Increase) Decrease in Receivables	(163)	-	(283)	(446)
(Increase) Decrease in Due from Other Funds	-	-	289	289
(Increase) Decrease in Inventories	-	-	409	409
(Increase) Decrease in Prepaid Items	40	-	-	40
(Increase) Decrease in Long-Term Deposits	61	-	-	61
Increase (Decrease) in Accounts Payable and Accrued Liabilities	356	23	88	467
Increase (Decrease) in Due to Other Funds	(5)	-	(12)	(17)
Increase (Decrease) in Claims Payable	-	371	-	371
Increase (Decrease) in Unearned Revenue	-	228	-	228
Total adjustments	305	622	940	1,867
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>\$ 36,995</b>	<b>\$ (614)</b>	<b>\$ (27)</b>	<b>\$ 36,354</b>
<b>NONCASH TRANSACTIONS:</b>				
Noncash transactions are investing and financing activities that affect assets and liabilities but do not result in cash receipts or payments.				
The following noncash transactions occurred during the year:				
Change in Fair Value of Investments	\$ -	\$ (772)	\$ -	\$ (772)

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# INTERNAL SERVICE FUNDS

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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 POSITION** **INTERNAL SERVICE FUNDS**

June 30, 2015

(Dollars in Thousands)

	<b>BUILDINGS AND GROUNDS</b>	<b>GENERAL SERVICES</b>	<b>OFFICE OF THE CIO</b>
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 12,278	\$ 5,517	\$ 28,334
Receivables, net of allowance			
Accounts	17	39	642
Accrued Interest	87	34	164
Due from Other Funds	122	2,089	12,385
Inventories	-	334	74
Prepaid Items	1,153	346	-
Total Current Assets	<u>13,657</u>	<u>8,359</u>	<u>41,599</u>
Noncurrent Assets:			
Capital Assets:			
Buildings and Equipment	712	7,762	63,000
Less Accumulated Depreciation	(552)	(5,141)	(52,549)
Total Capital Assets	<u>160</u>	<u>2,621</u>	<u>10,451</u>
Total Assets	<u>\$ 13,817</u>	<u>\$ 10,980</u>	<u>\$ 52,050</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts Payable and Accrued Liabilities	\$ 1,790	\$ 1,967	\$ 6,528
Due to Other Funds	469	78	203
Capital Lease Obligations	-	-	5,400
Claims, Judgments and Compensated Absences	48	50	262
Unearned Revenue	-	-	299
Total Current Liabilities	<u>2,307</u>	<u>2,095</u>	<u>12,692</u>
Noncurrent Liabilities:			
Capital Lease Obligations	-	-	8,140
Claims, Judgments and Compensated Absences	480	502	2,652
Total Noncurrent Liabilities	<u>480</u>	<u>502</u>	<u>10,792</u>
Total Liabilities	<u>\$ 2,787</u>	<u>\$ 2,597</u>	<u>\$ 23,484</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	160	2,621	(3,089)
Unrestricted	10,870	5,762	31,655
Total Net Position	<u>\$ 11,030</u>	<u>\$ 8,383</u>	<u>\$ 28,566</u>

TRANSPORTATION SERVICES	RISK MANAGEMENT	ACCOUNTING SERVICES	OTHER INTERNAL SERVICE	TOTALS
\$ 5,659	\$ 67,719	\$ 2,290	\$ 3,991	\$ 125,788
6	24	-	244	972
33	402	39	24	783
353	13,541	-	797	29,287
-	-	-	-	408
-	-	-	-	1,499
<u>6,051</u>	<u>81,686</u>	<u>2,329</u>	<u>5,056</u>	<u>158,737</u>
18,834	-	1,434	589	92,331
<u>(8,285)</u>	<u>-</u>	<u>(1,429)</u>	<u>(520)</u>	<u>(68,476)</u>
10,549	-	5	69	23,855
<u>\$ 16,600</u>	<u>\$ 81,686</u>	<u>\$ 2,334</u>	<u>\$ 5,125</u>	<u>\$ 182,592</u>
\$ 737	\$ 3,500	\$ 395	\$ 589	\$ 15,506
36	23	161	11	981
690	-	-	-	6,090
12	42,585	26	20	43,003
-	-	-	-	299
<u>1,475</u>	<u>46,108</u>	<u>582</u>	<u>620</u>	<u>65,879</u>
700	-	-	-	8,840
<u>117</u>	<u>35,565</u>	<u>261</u>	<u>199</u>	<u>39,776</u>
817	35,565	261	199	48,616
<u>\$ 2,292</u>	<u>\$ 81,673</u>	<u>\$ 843</u>	<u>\$ 819</u>	<u>\$ 114,495</u>
9,159	-	5	69	8,925
5,149	13	1,486	4,237	59,172
<u>\$ 14,308</u>	<u>\$ 13</u>	<u>\$ 1,491</u>	<u>\$ 4,306</u>	<u>\$ 68,097</u>

State of Nebraska

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

For the Year Ended June 30, 2015

(Dollars in Thousands)

	<b>BUILDINGS AND GROUNDS</b>	<b>GENERAL SERVICES</b>	<b>OFFICE OF THE CIO</b>
<b>OPERATING REVENUES</b>			
Charges for Services	\$ 34,463	\$ 16,900	\$ 96,251
Other	925	-	-
Total Operating Revenues	<u>35,388</u>	<u>16,900</u>	<u>96,251</u>
<b>OPERATING EXPENSES</b>			
Personal Services	4,727	3,554	17,564
Services and Supplies	28,931	13,200	63,437
Insurance Claims	-	-	-
Depreciation	27	964	6,204
Total Operating Expenses	<u>33,685</u>	<u>17,718</u>	<u>87,205</u>
Operating Income (Loss)	<u>1,703</u>	<u>(818)</u>	<u>9,046</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Investment Income	249	119	443
Gain (Loss) on Sale of Capital Assets	8	(81)	(1,017)
Other	-	-	(173)
Total Nonoperating Revenues (Expenses)	<u>257</u>	<u>38</u>	<u>(747)</u>
Change in Net Position	1,960	(780)	8,299
<b>NET POSITION, JULY 1</b>	<u>9,070</u>	<u>9,163</u>	<u>20,267</u>
<b>NET POSITION, JUNE 30</b>	<u>\$ 11,030</u>	<u>\$ 8,383</u>	<u>\$ 28,566</u>



TRANSPORTATION SERVICES	RISK MANAGEMENT	ACCOUNTING SERVICES	OTHER INTERNAL SERVICE	TOTALS
\$ 6,463	\$ 203,176	\$ 4,351	\$ 12,157	\$ 373,761
82	-	1	355	1,363
<u>6,545</u>	<u>203,176</u>	<u>4,352</u>	<u>12,512</u>	<u>375,124</u>
627	178	2,036	7,389	36,075
4,138	397	3,664	5,098	118,865
-	205,297	-	-	205,297
2,487	-	4	16	9,702
<u>7,252</u>	<u>205,872</u>	<u>5,704</u>	<u>12,503</u>	<u>369,939</u>
(707)	(2,696)	(1,352)	9	5,185
94	1,415	125	80	2,525
273	-	-	2	(815)
(20)	-	-	-	(193)
<u>347</u>	<u>1,415</u>	<u>125</u>	<u>82</u>	<u>1,517</u>
(360)	(1,281)	(1,227)	91	6,702
14,668	1,294	2,718	4,215	61,395
<u>\$ 14,308</u>	<u>\$ 13</u>	<u>\$ 1,491</u>	<u>\$ 4,306</u>	<u>\$ 68,097</u>

## State of Nebraska

# COMBINING STATEMENT OF CASH FLOWS

## INTERNAL SERVICE FUNDS

For the Year Ended June 30, 2015

(Dollars in Thousands)

	BUILDINGS AND GROUNDS	GENERAL SERVICES	OFFICE OF THE CIO
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash Received from Customers	\$ 226	\$ 528	\$ 3,615
Cash Received from Interfund Charges	35,164	16,343	89,563
Cash Paid to Employees	(4,713)	(3,523)	(17,652)
Cash Paid to Suppliers	(26,816)	(13,053)	(62,154)
Cash Paid for Insurance Claims	-	-	-
Cash Paid for Interfund Services	(1,719)	(320)	(4,219)
Net Cash Flows from Operating Activities	<u>2,142</u>	<u>(25)</u>	<u>9,153</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Acquisition and Construction of Capital Assets	(5)	(1,014)	(1,701)
Proceeds from Sale of Capital Assets	8	9	52
Principal Paid on Capital Leases	-	-	(4,990)
Interest Paid on Capital Leases	-	-	(173)
Net Cash Flows from Capital and Related Financing Activities	<u>3</u>	<u>(1,005)</u>	<u>(6,812)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Investment Income	<u>236</u>	<u>127</u>	<u>442</u>
Net Cash Flows from Investing Activities	<u>236</u>	<u>127</u>	<u>442</u>
Net Increase (Decrease) in Cash and Cash Equivalents	2,381	(903)	2,783
<b>CASH AND CASH EQUIVALENTS, JULY 1</b>	<u>9,897</u>	<u>6,420</u>	<u>25,551</u>
<b>CASH AND CASH EQUIVALENTS, JUNE 30</b>	<u><u>\$ 12,278</u></u>	<u><u>\$ 5,517</u></u>	<u><u>\$ 28,334</u></u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Operating Income (Loss)	\$ 1,703	\$ (818)	\$ 9,046
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:			
Depreciation	27	964	6,204
Change in Assets and Liabilities:			
(Increase) Decrease in Receivables	1	(26)	(12)
(Increase) Decrease in Due from Other Funds	1	(3)	(2,871)
(Increase) Decrease in Inventories	-	(18)	(11)
(Increase) Decrease in Prepaid Items	(21)	(220)	-
Increase (Decrease) in Accounts Payable and Accrued Liabilities	162	47	(3,162)
Increase (Decrease) in Due to Other Funds	269	49	149
Increase (Decrease) in Claims Payable	-	-	-
Increase (Decrease) in Unearned Revenue	-	-	(190)
Total Adjustments	<u>439</u>	<u>793</u>	<u>107</u>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<u><u>\$ 2,142</u></u>	<u><u>\$ (25)</u></u>	<u><u>\$ 9,153</u></u>
<b>NONCASH TRANSACTIONS:</b>			
Noncash transactions are investing and financing activities that affect assets and liabilities but do not result in cash receipts or payments.			
The following noncash transactions occurred during the year:			
Capital Assets acquired through Capital Leases	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,810</u></u>

TRANSPORTATION SERVICES	RISK MANAGEMENT	ACCOUNTING SERVICES	OTHER INTERNAL SERVICE	TOTALS
\$ 56	\$ 8,302	\$ 2	\$ 10,158	\$ 22,887
6,657	181,456	4,352	2,056	335,591
(621)	(188)	(2,059)	(7,336)	(36,092)
(2,290)	(728)	(2,011)	(4,838)	(111,890)
-	(197,844)	-	-	(197,844)
(1,379)	(188)	(1,480)	(456)	(9,761)
2,423	(9,190)	(1,196)	(416)	2,891
(2,978)	-	(1)	(6)	(5,705)
1,040	-	-	2	1,111
(685)	-	-	-	(5,675)
(20)	-	-	-	(193)
(2,643)	-	(1)	(4)	(10,462)
97	1,471	132	84	2,589
97	1,471	132	84	2,589
(123)	(7,719)	(1,065)	(336)	(4,982)
5,782	75,438	3,355	4,327	130,770
\$ 5,659	\$ 67,719	\$ 2,290	\$ 3,991	\$ 125,788
\$ (707)	\$ (2,696)	\$ (1,352)	\$ 9	\$ 5,185
2,487	-	4	16	9,702
25	(8)	2	(134)	(152)
143	(13,410)	-	(164)	(16,304)
-	-	-	-	(29)
-	-	-	-	(241)
494	(523)	115	(145)	(3,012)
(19)	(6)	35	2	479
-	7,453	-	-	7,453
-	-	-	-	(190)
3,130	(6,494)	156	(425)	(2,294)
\$ 2,423	\$ (9,190)	\$ (1,196)	\$ (416)	\$ 2,891
\$ -	\$ -	\$ -	\$ -	\$ 2,810



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# FIDUCIARY FUNDS

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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

**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.** Library Services, 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 POSITION

## PENSION TRUST FUNDS

June 30, 2015

(Dollars in Thousands)

	STATE EMPLOYEES RETIREMENT		
	DEFERRED COMPENSATION	DEFINED CONTRIBUTION	CASH BALANCE
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 6	\$ 168	\$ 106
Investments:			
U.S. Treasury Notes and Bonds	-	-	41,070
Government Agency Securities	-	-	1,172
Corporate Bonds	-	-	75,600
International Bonds	-	-	26,261
Equity Securities	-	-	178,418
Private Equity	-	-	68,245
Options	-	-	4
Mortgages	-	-	44,828
Private Real Estate	-	-	33,321
Adr's, GDRs & Trust	-	-	267
Asset Backed Securities	-	-	10,652
Bank Loans	-	-	29,079
Municipal Bonds	-	-	4,496
Commingled Funds	191,552	586,759	769,090
Guaranteed Investment Contracts	18,278	42,470	-
Short Term Investments	4,188	8,678	29,895
Total Investments	214,018	637,907	1,312,398
Securities Lending Collateral	-	6,067	21,136
Receivables:			
Contributions	-	759	2,885
Interest and Dividends	-	4	1,842
Other	-	-	60,695
Total Receivables	-	763	65,422
Due from Other Funds	-	1	-
Capital Assets:			
Buildings and Equipment	132	527	461
Less Accumulated Depreciation	(132)	(527)	(461)
Total Capital Assets	-	-	-
Total Assets	\$ 214,024	\$ 644,906	\$ 1,399,062
<b>LIABILITIES</b>			
Accounts Payable and Accrued Liabilities	\$ 3	\$ 109	\$ 72,839
Due to Other Governments	-	-	-
Due to Other Funds	1	3	8
Obligations under Securities Lending	-	6,067	21,136
Accrued Compensated Absences	8	16	43
Total Liabilities	\$ 12	\$ 6,195	\$ 94,026
<b>NET POSITION</b>			
Net Position Restricted for Pensions	\$ 214,012	\$ 638,711	\$ 1,305,036

COUNTY EMPLOYEES RETIREMENT		SCHOOL RETIREMENT	JUDGES RETIREMENT	STATE PATROL RETIREMENT	TOTALS
DEFINED CONTRIBUTION	CASH BALANCE				
\$ 22	\$ 50	\$ 6,254	\$ 93	\$ 177	\$ 6,876
-	11,776	370,688	6,178	13,568	443,280
-	336	11,115	185	407	13,215
-	21,677	567,289	9,454	20,764	694,784
-	7,530	124,642	2,077	4,562	165,072
-	51,159	1,494,101	24,899	54,688	1,803,265
-	19,568	547,267	9,120	20,032	664,232
-	1	(87)	(1)	(3)	(86)
-	12,854	436,059	7,267	15,961	516,969
-	9,554	285,211	4,753	10,440	343,279
-	77	-	-	-	344
-	3,054	96,516	1,608	3,533	115,363
-	8,338	218,616	3,643	8,002	267,678
-	1,289	16,450	274	602	23,111
177,748	220,525	5,494,067	91,559	207,261	7,738,561
11,495	-	-	-	943	73,186
2,372	15,909	203,029	3,384	7,647	275,102
191,615	383,647	9,864,963	164,400	368,407	13,137,355
1,642	6,061	180,360	3,006	6,603	224,875
328	1,447	22,557	250	-	28,226
1	529	13,387	223	488	16,474
-	17,404	714,318	11,904	26,147	830,468
329	19,380	750,262	12,377	26,635	875,168
-	-	42,945	94	4,439	47,479
264	264	4,812	66	66	6,592
(264)	(264)	(4,808)	(66)	(66)	(6,588)
-	-	4	-	-	4
\$ 193,608	\$ 409,138	\$ 10,844,788	\$ 179,970	\$ 406,261	\$ 14,291,757
\$ 34	\$ 20,697	\$ 971,502	\$ 16,159	\$ 35,756	\$ 1,117,099
-	-	6,453	-	-	6,453
1	5	56	-	1	75
1,642	6,061	180,360	3,006	6,603	224,875
10	29	262	4	3	375
\$ 1,687	\$ 26,792	\$ 1,158,633	\$ 19,169	\$ 42,363	\$ 1,348,877
\$ 191,921	\$ 382,346	\$ 9,686,155	\$ 160,801	\$ 363,898	\$ 12,942,880

State of Nebraska

# **COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION PENSION TRUST FUNDS**

For the Year Ended June 30, 2015

(Dollars in Thousands)

	DEFERRED COMPENSATION	STATE EMPLOYEES RETIREMENT DEFINED CONTRIBUTION	CASH BALANCE
<b>ADDITIONS</b>			
Contributions:			
Participant Contributions	\$ 17,471	\$ 7,190	\$ 26,604
State Contributions	-	11,188	41,456
Political Subdivision Contributions	-	-	-
Court Fees	-	-	-
Total Contributions	17,471	18,378	68,060
Investment Income:			
Net Appreciation (Depreciation) in			
Fair Value of Investments	5,201	41,597	70,672
Interest and Dividend Income	-	3,504	15,544
Securities Lending Income	-	21	234
Total Investment Income	5,201	45,122	86,450
Investment Expenses	-	348	2,883
Securities Lending Expenses	-	4	44
Total Investment Expense	-	352	2,927
Net Investment Income	5,201	44,770	83,523
Other Additions	76	3	9
Total Additions	22,748	63,151	151,592
<b>DEDUCTIONS</b>			
Benefits	19,828	27,163	73,527
Refunds	-	-	-
Administrative Expenses	235	269	911
Other Deductions	-	-	9
Total Deductions	20,063	27,432	74,447
<b>TRANSFERS</b>			
Transfers In (Out)	-	(4,196)	4,196
Change in Net Position Restricted for Pensions	2,685	31,523	81,341
<b>NET POSITION-BEGINNING OF YEAR</b>	211,327	607,188	1,223,695
<b>NET POSITION-END OF YEAR</b>	\$ 214,012	\$ 638,711	\$ 1,305,036



COUNTY EMPLOYEES RETIREMENT		SCHOOL RETIREMENT	JUDGES RETIREMENT	STATE PATROL RETIREMENT	TOTALS
DEFINED CONTRIBUTION	CASH BALANCE				
\$ 2,513	\$ 10,327	\$ 175,138	\$ 1,611	\$ 4,180	\$ 245,034
-	-	42,944	94	8,620	104,302
3,704	15,268	173,014	-	-	191,986
-	-	-	2,977	-	2,977
6,217	25,595	391,096	4,682	12,800	544,299
12,581	20,016	255,452	4,279	9,439	419,237
1,016	4,485	120,595	2,018	4,662	151,824
6	67	1,384	23	51	1,786
13,603	24,568	377,431	6,320	14,152	572,847
103	931	21,286	356	785	26,692
1	12	298	5	11	375
104	943	21,584	361	796	27,067
13,499	23,625	355,847	5,959	13,356	545,780
1	4	39	-	21	153
19,717	49,224	746,982	10,641	26,177	1,090,232
7,491	17,750	486,445	8,548	17,235	657,987
-	-	13,850	-	2,223	16,073
150	528	3,151	82	139	5,465
-	-	8,358	-	-	8,367
7,641	18,278	511,804	8,630	19,597	687,892
(835)	835	-	-	-	-
11,241	31,781	235,178	2,011	6,580	402,340
180,680	350,565	9,450,977	158,790	357,318	12,540,540
<u>\$ 191,921</u>	<u>\$ 382,346</u>	<u>\$ 9,686,155</u>	<u>\$ 160,801</u>	<u>\$ 363,898</u>	<u>\$ 12,942,880</u>

State of Nebraska

# **COMBINING STATEMENT OF FIDUCIARY NET POSITION** **PRIVATE PURPOSE TRUST FUNDS**

June 30, 2015

(Dollars in Thousands)

	ESCHEAT TRUST	COLLEGE SAVINGS PLAN	OTHER	TOTALS
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 8,770	\$ 7,042	\$ 11,522	\$ 27,334
Investments:				
Commingled Funds	-	3,756,552	-	3,756,552
Receivables:				
Interest and Dividends	57	623	73	753
Other Assets	11,957	-	1,091	13,048
Total Assets	<u>\$ 20,784</u>	<u>\$ 3,764,217</u>	<u>\$ 12,686</u>	<u>\$ 3,797,687</u>
<b>LIABILITIES</b>				
Accounts Payable and Accrued Liabilities	\$ 30	\$ 5,497	\$ 3	\$ 5,530
Deposits	-	-	1,091	1,091
Due to Other Funds	4	-	-	4
Total Liabilities	<u>\$ 34</u>	<u>\$ 5,497</u>	<u>\$ 1,094</u>	<u>\$ 6,625</u>
<b>NET POSITION</b>				
Restricted for:				
College Savings Plan	\$ -	\$ 3,758,720	\$ -	\$ 3,758,720
Other Purposes	20,750	-	11,592	32,342
Total Net Position	<u>\$ 20,750</u>	<u>\$ 3,758,720</u>	<u>\$ 11,592</u>	<u>\$ 3,791,062</u>

State of Nebraska

# COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

## PRIVATE PURPOSE TRUST FUNDS

For the Year Ended June 30, 2015

(Dollars in Thousands)

	ESCHEAT TRUST	COLLEGE SAVINGS PLAN	OTHER	TOTALS
<b>ADDITIONS</b>				
Contributions:				
Participant Contributions	\$ -	\$ 377,493	\$ -	\$ 377,493
Client Contributions	-	-	38	38
Investment Income:				
Net Appreciation (Depreciation) in				
Fair Value of Investments	-	228,913	-	228,913
Interest and Dividend Income	154	4,091	221	4,466
Total Investment Income	154	233,004	221	233,379
Investment Expenses	-	17,322	-	17,322
Net Investment Income	154	215,682	221	216,057
Escheat Revenue	9,630	-	-	9,630
Other Additions	-	176	2,820	2,996
Total Additions	9,784	593,351	3,079	606,214
<b>DEDUCTIONS</b>				
Benefits	-	246,930	-	246,930
Amounts Distributed to Outside Parties	8,664	-	610	9,274
Administrative Expenses	1,105	-	72	1,177
Total Deductions	9,769	246,930	682	257,381
Change in Net Position Restricted for:				
College Savings Plan	-	346,421	-	346,421
Other Purposes	15	-	2,397	2,412
<b>NET POSITION-BEGINNING OF YEAR</b>	20,735	3,412,299	9,195	3,442,229
<b>NET POSITION-END OF YEAR</b>	\$ 20,750	\$ 3,758,720	\$ 11,592	\$ 3,791,062

State of Nebraska

**COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
**AGENCY FUNDS**

June 30, 2015

(Dollars in Thousands)

	LOCAL GOVERNMENT FUND	OTHER	TOTALS
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 67,765	\$ 41,084	\$ 108,849
Receivables:			
Interest and Dividends Receivable	366	63	429
Other	-	550	550
Other Assets	-	1,179	1,179
Total Assets	<u>\$ 68,131</u>	<u>\$ 42,876</u>	<u>\$ 111,007</u>
<b>LIABILITIES</b>			
Accounts Payable and Accrued Liabilities	\$ 176	\$ 19,861	\$ 20,037
Due to Other Governments	67,955	-	67,955
Other Liabilities	-	23,015	23,015
Total Liabilities	<u>\$ 68,131</u>	<u>\$ 42,876</u>	<u>\$ 111,007</u>

## State of Nebraska

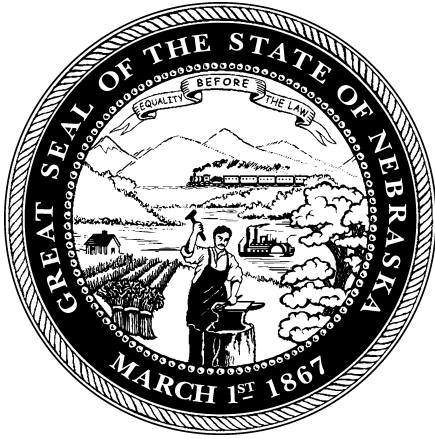
# COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES AGENCY FUNDS

For the Year Ended June 30, 2015

(Dollars in Thousands)

	BALANCE July 1, 2014	ADDITIONS	REDUCTIONS	BALANCE June 30, 2015
<b>LOCAL GOVERNMENT FUND</b>				
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 71,896	\$ 654,723	\$ 658,854	\$ 67,765
Receivables:				
Interest and Dividends Receivable	360	888	882	366
Total Assets	<u>\$ 72,256</u>	<u>\$ 655,611</u>	<u>\$ 659,736</u>	<u>\$ 68,131</u>
<b>LIABILITIES</b>				
Accounts Payable and Accrued Liabilities	\$ 198	\$ 303,818	\$ 303,840	\$ 176
Due to Other Governments	72,058	351,793	355,896	67,955
Total Liabilities	<u>\$ 72,256</u>	<u>\$ 655,611</u>	<u>\$ 659,736</u>	<u>\$ 68,131</u>
<b>OTHER</b>				
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 22,843	\$ 484,597	\$ 466,356	\$ 41,084
Receivables:				
Interest and Dividends Receivable	24	496	457	63
Other	717	13,675	13,842	550
Other Assets	-	1,179	-	1,179
Total Assets	<u>\$ 23,584</u>	<u>\$ 499,947</u>	<u>\$ 480,655</u>	<u>\$ 42,876</u>
<b>LIABILITIES</b>				
Accounts Payable and Accrued Liabilities	\$ 27	76,795	56,961	19,861
Other Liabilities	23,557	423,152	423,694	23,015
Total Liabilities	<u>\$ 23,584</u>	<u>\$ 499,947</u>	<u>\$ 480,655</u>	<u>\$ 42,876</u>
<b>TOTALS</b>				
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 94,739	\$ 1,139,320	\$ 1,125,210	\$ 108,849
Receivables:				
Interest and Dividends Receivable	384	1,384	1,339	429
Other	717	13,675	13,842	550
Other Assets	-	1,179	-	1,179
Total Assets	<u>\$ 95,840</u>	<u>\$ 1,155,558</u>	<u>\$ 1,140,391</u>	<u>\$ 111,007</u>
<b>LIABILITIES</b>				
Accounts Payable and Accrued Liabilities	\$ 225	\$ 380,613	\$ 360,801	\$ 20,037
Due to Other Governments	72,058	351,793	355,896	67,955
Other Liabilities	23,557	423,152	423,694	23,015
Total Liabilities	<u>\$ 95,840</u>	<u>\$ 1,155,558</u>	<u>\$ 1,140,391</u>	<u>\$ 111,007</u>





## STATISTICAL SECTION

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**STATISTICAL SECTION TABLE OF CONTENTS**For the Year Ended June 30, 2015

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

**FINANCIAL TRENDS INFORMATION**

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

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

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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 POSITION BY COMPONENT**

2006 - 2015

(Dollars in Thousands)

	2006	2007	2008	2009	2010
<b>Governmental activities</b>					
Net investment in capital assets	\$ 7,269,102	\$ 7,428,729	\$ 7,587,729	\$ 7,718,610	\$ 7,820,246
Restricted	1,566,634	1,762,849	1,789,943	1,631,962	1,754,186
Unrestricted	681,330	966,918	1,078,546	1,015,196	850,757
<b>Total governmental activities net position</b>	<b>\$ 9,517,066</b>	<b>\$ 10,158,496</b>	<b>\$ 10,456,218</b>	<b>\$ 10,365,768</b>	<b>\$ 10,425,189</b>
<b>Business-type activities</b>					
Net investment in capital assets	\$ 6,066	\$ 5,763	\$ 6,426	\$ 6,283	\$ 5,848
Restricted	274,537	321,396	344,186	270,394	240,878
Unrestricted	30,144	31,019	47,777	47,082	72,173
<b>Total business-type activities net position</b>	<b>\$ 310,747</b>	<b>\$ 358,178</b>	<b>\$ 398,389</b>	<b>\$ 323,759</b>	<b>\$ 318,899</b>
<b>Primary government</b>					
Net investment in capital assets	\$ 7,275,168	\$ 7,434,492	\$ 7,594,155	\$ 7,724,893	\$ 7,826,094
Restricted	1,841,171	2,084,245	2,134,129	1,902,356	1,995,064
Unrestricted	711,474	997,937	1,126,323	1,062,278	922,930
<b>Total primary government net position</b>	<b>\$ 9,827,813</b>	<b>\$ 10,516,674</b>	<b>\$ 10,854,607</b>	<b>\$ 10,689,527</b>	<b>\$ 10,744,088</b>

(Dollars in Thousands)

	2011	2012	2013	2014	2015
<b>Governmental activities</b>					
Net investment in capital assets	\$ 7,982,821	\$ 8,041,150	\$ 8,468,618	\$ 8,571,554	\$ 8,673,916
Restricted	2,006,750	2,083,822	2,217,372	2,431,057	2,495,373
Unrestricted	806,676	905,503	1,193,571	1,027,527	1,156,733
<b>Total governmental activities net position</b>	<b>\$ 10,796,247</b>	<b>\$ 11,030,475</b>	<b>\$ 11,879,561</b>	<b>\$ 12,030,138</b>	<b>\$ 12,326,022</b>
<b>Business-type activities</b>					
Net investment in capital assets	\$ 6,809	\$ 6,379	\$ 7,362	\$ 7,255	\$ 7,030
Restricted	345,731	405,135	440,849	462,064	466,735
Unrestricted	65,690	77,262	80,149	87,763	87,538
<b>Total business-type activities net position</b>	<b>\$ 418,230</b>	<b>\$ 488,776</b>	<b>\$ 528,360</b>	<b>\$ 557,082</b>	<b>\$ 561,303</b>
<b>Primary government</b>					
Net investment in capital assets	\$ 7,989,630	\$ 8,047,529	\$ 8,475,980	\$ 8,578,809	\$ 8,680,946
Restricted	2,352,481	2,488,957	2,658,221	2,893,121	2,962,108
Unrestricted	872,366	982,765	1,273,720	1,115,290	1,244,271
<b>Total primary government net position</b>	<b>\$ 11,214,477</b>	<b>\$ 11,519,251</b>	<b>\$ 12,407,921</b>	<b>\$ 12,587,220</b>	<b>\$ 12,887,325</b>

NOTE: Unrestricted net position was restated beginning with 2014 due to the implementation of GASB Statement No. 68.

State of Nebraska

# CHANGES IN NET POSITION

2006 - 2015

(Dollars in Thousands)

	2006	2007	2008	2009
<b>Governmental Activities:</b>				
Expenses				
General Government	\$ 308,567	\$ 354,737	\$ 437,830	\$ 468,433
Conservation of Natural Resources	100,476	119,286	112,936	127,677
Culture - Recreation	27,174	27,031	26,073	29,272
Economic Development and Assistance	87,299	89,310	84,852	88,520
Education	1,318,123	1,369,110	1,450,085	1,562,662
Higher Education - Colleges and University	482,229	528,861	558,282	571,268
Health and Social Services	2,593,692	2,649,535	2,744,217	2,912,708
Public Safety	288,659	359,755	372,677	351,673
Regulation of Business and Professions	151,853	155,692	130,603	123,579
Transportation	697,210	614,919	714,032	797,462
Interest on Long-term Debt	2,556	2,337	2,241	1,828
Net Pension Expense	-	-	-	-
Total expenses	6,057,838	6,270,573	6,633,828	7,035,082
Program Revenues				
Charges for Services:				
General Government	73,624	86,746	86,869	87,575
Conservation of Natural Resources	24,332	34,578	34,439	35,324
Culture - Recreation	15,977	16,823	17,072	18,153
Economic Development and Assistance	3,195	5,043	4,808	2,259
Education	23,346	26,180	25,807	30,402
Health and Social Services	120,526	115,036	126,075	148,971
Public Safety	26,183	24,348	25,118	25,363
Regulation of Business and Professions	113,418	118,119	122,667	132,771
Transportation	90,951	89,358	105,748	112,493
Operating grants and contributions	2,151,817	2,217,531	2,235,104	2,490,255
Capital grants and contributions	4,461	8,137	21,258	25,252
Total program revenues	2,647,830	2,741,899	2,804,965	3,108,818
Total Governmental Activities				
Net Program Expense	(3,410,008)	(3,528,674)	(3,828,863)	(3,926,264)
General Revenues and Other Changes in Net Position				
Taxes				
Income taxes	1,803,670	1,859,467	1,956,656	1,787,950
Sales and use taxes	1,410,980	1,441,743	1,481,067	1,476,995
Petroleum taxes	312,809	326,795	290,721	305,793
Excise taxes	134,406	137,525	141,012	134,877
Business and franchise taxes	79,723	68,771	80,925	70,270
Other taxes	35,369	36,832	15,269	10,863
Total taxes	3,776,957	3,871,133	3,965,650	3,786,748
Unrestricted investment earnings	92,892	250,175	114,252	14,582
Miscellaneous	39	730	3,374	401
Contributions to permanent fund principal	15,582	18,800	12,301	3,838
Transfers	27,602	29,266	31,008	30,245
Total general revenues and other changes in net position	3,913,072	4,170,104	4,126,585	3,835,814
Total Governmental Activities				
Change in Net Position	\$ 503,064	\$ 641,430	\$ 297,722	\$ (90,450)

2010	2011	2012	2013	2014	2015
\$ 471,614	\$ 476,622	\$ 460,612	\$ 458,483	\$ 507,065	\$ 548,000
148,452	155,692	151,318	143,437	143,324	149,492
24,228	28,837	24,752	31,114	30,532	31,410
95,228	111,096	102,839	96,433	89,109	109,318
1,712,705	1,807,170	1,570,235	1,645,097	1,712,015	1,723,893
571,288	561,090	557,162	572,341	618,033	651,138
3,010,299	3,069,195	3,139,786	3,195,733	3,241,947	3,350,345
372,813	361,921	366,084	384,081	376,449	408,096
132,094	121,616	122,211	134,172	123,879	125,207
736,449	696,727	905,498	859,289	919,679	981,999
1,400	1,153	1,204	784	627	1,289
-	-	-	-	-	29,409
7,276,570	7,391,119	7,401,701	7,520,964	7,762,659	8,109,596
100,501	88,550	95,899	82,247	90,336	90,319
35,483	36,263	32,804	37,019	34,550	33,624
18,550	18,657	22,984	20,513	20,225	22,752
2,171	1,007	4,126	1,245	2,529	1,758
34,166	36,545	36,831	47,751	46,522	49,350
109,333	112,145	120,745	128,012	125,285	130,645
25,320	26,973	26,322	33,012	33,265	34,918
131,814	135,820	131,312	140,910	131,969	139,275
95,950	98,151	110,842	107,008	112,175	109,427
2,841,557	2,939,166	2,646,825	2,704,464	2,622,119	2,648,173
24,680	29,234	15,789	20,040	18,657	3,320
3,419,525	3,522,511	3,244,479	3,322,221	3,237,632	3,263,561
(3,857,045)	(3,868,608)	(4,157,222)	(4,198,743)	(4,525,027)	(4,846,035)
1,676,829	1,889,796	2,064,233	2,362,511	2,387,039	2,578,226
1,447,865	1,545,494	1,638,610	1,661,208	1,792,176	1,829,956
303,865	321,919	322,284	323,519	344,335	345,357
132,779	135,250	136,825	130,725	128,281	129,390
79,115	65,630	73,849	78,204	104,366	85,959
13,436	9,243	9,818	7,849	7,579	7,117
3,653,889	3,967,332	4,245,619	4,564,016	4,763,776	4,976,005
216,190	214,054	92,037	96,522	223,246	88,736
(1,927)	2,590	-	1,518	3,322	1,548
16,314	23,635	17,719	26,453	21,241	19,331
32,000	32,055	36,075	40,014	38,274	56,299
3,916,466	4,239,666	4,391,450	4,728,523	5,049,859	5,141,919
\$ 59,421	\$ 371,058	\$ 234,228	\$ 529,780	\$ 524,832	\$ 295,884

(continued)

State of Nebraska

**CHANGES IN NET POSITION (Continued)**

2006 - 2015

(Dollars in Thousands)

	2006	2007	2008	2009
<b>Business-type Activities:</b>				
Expenses				
Unemployment Insurance	\$ 101,433	\$ 93,939	\$ 98,365	\$ 242,201
Lottery	83,440	85,895	91,653	94,676
Excess Liability	12,551	13,731	(2,707)	12,430
Cornhusker State Industries	10,552	11,690	10,435	10,221
Total expenses	<u>207,976</u>	<u>205,255</u>	<u>197,746</u>	<u>359,528</u>
Revenues				
Charges for services:				
Unemployment Insurance	154,413	127,340	102,881	149,937
Lottery	113,108	114,489	121,910	123,251
Excess Liability	12,903	12,474	10,947	9,267
Cornhusker State Industries	10,851	9,341	9,880	9,412
Total revenues	<u>291,275</u>	<u>263,644</u>	<u>245,618</u>	<u>291,867</u>
Total Business-type Activities				
Net Program Expense	<u>83,299</u>	<u>58,389</u>	<u>47,872</u>	<u>(67,661)</u>
Other Changes in Net Position				
Unrestricted investment earnings	10,110	18,308	23,347	23,276
Miscellaneous	(423)	-	-	-
Transfers	<u>(27,602)</u>	<u>(29,266)</u>	<u>(31,008)</u>	<u>(30,245)</u>
Total other changes in net position	<u>(17,915)</u>	<u>(10,958)</u>	<u>(7,661)</u>	<u>(6,969)</u>
Total Business-type Activities				
Change in Net Position	<u>\$ 65,384</u>	<u>\$ 47,431</u>	<u>\$ 40,211</u>	<u>\$ (74,630)</u>
<b>Total Primary Government</b>				
Change in Net Position	<u>\$ 568,448</u>	<u>\$ 688,861</u>	<u>\$ 337,933</u>	<u>\$ (165,080)</u>

**NOTE:** The increases in taxes and change in net position from 2006 to 2008 for governmental activities were primarily due to a strengthening economy.  
The decreases in taxes in 2009 and 2010 and change in net position in 2009 were primarily due to the economic recession.

2010	2011	2012	2013	2014	2015
\$ 431,836	\$ 329,576	\$ 261,750	\$ 167,957	\$ 122,351	\$ 93,612
98,948	101,625	113,935	120,515	121,046	123,278
7,220	19,623	672	3,850	1,174	5,755
11,847	13,451	11,621	9,271	11,582	13,066
<u>549,851</u>	<u>464,275</u>	<u>387,978</u>	<u>301,593</u>	<u>256,153</u>	<u>235,711</u>
391,067	422,977	310,188	194,996	133,665	107,613
130,580	131,919	150,612	160,753	157,896	159,968
21,475	8,943	5,509	4,946	5,478	4,519
13,549	15,568	12,053	10,299	11,336	12,099
<u>556,671</u>	<u>579,407</u>	<u>478,362</u>	<u>370,994</u>	<u>308,375</u>	<u>284,199</u>
<u>6,820</u>	<u>115,132</u>	<u>90,384</u>	<u>69,401</u>	<u>52,222</u>	<u>48,488</u>
20,293	16,254	16,237	10,197	14,772	12,018
27	-	-	-	2	14
<u>(32,000)</u>	<u>(32,055)</u>	<u>(36,075)</u>	<u>(40,014)</u>	<u>(38,274)</u>	<u>(56,299)</u>
<u>(11,680)</u>	<u>(15,801)</u>	<u>(19,838)</u>	<u>(29,817)</u>	<u>(23,500)</u>	<u>(44,267)</u>
<u>\$ (4,860)</u>	<u>\$ 99,331</u>	<u>\$ 70,546</u>	<u>\$ 39,584</u>	<u>\$ 28,722</u>	<u>\$ 4,221</u>
<u>\$ 54,561</u>	<u>\$ 470,389</u>	<u>\$ 304,774</u>	<u>\$ 569,364</u>	<u>\$ 553,554</u>	<u>\$ 300,105</u>



State of Nebraska  
**FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**2006 - 2015**

(Dollars in thousands)					
	2006	2007	2008	2009	2010
General Fund					
Reserved	\$ 482	\$ 438	\$ 1,368	\$ 1,062	\$ 894
Unreserved	691,757	971,205	972,307	855,542	715,530
Total general fund	<u>\$ 692,239</u>	<u>\$ 971,643</u>	<u>\$ 973,675</u>	<u>\$ 856,604</u>	<u>\$ 716,424</u>
All Other Governmental Funds					
Reserved	\$ 619,319	\$ 659,349	\$ 687,095	\$ 694,503	\$ 729,377
Unreserved					
Special revenue funds	893,536	1,014,579	1,065,392	997,377	1,062,679
Permanent funds	77,768	115,901	91,759	23,073	67,754
Other funds	47,071	51,784	121,686	118,933	82,371
Total all other governmental funds	<u>\$ 1,637,694</u>	<u>\$ 1,841,613</u>	<u>\$ 1,965,932</u>	<u>\$ 1,833,886</u>	<u>\$ 1,942,181</u>

(Dollars in thousands)					
	2011	2012	2013	2014	2015
General Fund					
Nonspendable	785	953	1,114	1,802	1,580
Committed	313,202	383,379	384,121	719,065	727,835
Unassigned	419,460	430,466	648,092	540,891	614,763
Total general fund	<u>\$ 733,447</u>	<u>\$ 814,798</u>	<u>\$ 1,033,327</u>	<u>\$ 1,261,758</u>	<u>\$ 1,344,178</u>
All Other Governmental Funds					
Nonspendable	468,363	490,928	514,985	536,087	550,082
Restricted	1,543,263	1,601,306	1,697,151	1,889,186	1,931,112
Committed	69,619	73,327	135,605	124,154	99,358
Assigned	32,439	37,032	45,708	46,813	50,094
Total all other governmental funds	<u>\$ 2,113,684</u>	<u>\$ 2,202,593</u>	<u>\$ 2,393,449</u>	<u>\$ 2,596,240</u>	<u>\$ 2,630,646</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**  
2006 - 2015

(Dollars in Thousands)

	2006	2007	2008	2009
<b>REVENUES</b>				
Taxes:				
Income	\$ 1,802,161	\$ 1,860,712	\$ 1,950,363	\$ 1,790,025
Sales and Use	1,411,152	1,437,994	1,474,251	1,475,234
Petroleum	312,809	329,490	295,321	309,626
Excise	132,348	135,449	138,799	134,877
Business and Franchise	79,723	68,771	80,925	70,270
Other	35,369	36,832	15,269	10,863
Total Taxes	3,773,562	3,869,248	3,954,928	3,790,895
Federal Grants and Contracts	2,156,278	2,225,668	2,256,362	2,514,288
Licenses, Fees and Permits	196,966	211,167	259,000	268,817
Charges for Services	82,132	92,370	108,301	137,234
Investment Income	89,888	246,753	110,716	10,508
Rental Income	45,951	49,968	51,809	54,549
Other	172,545	173,948	129,861	123,953
Total Revenues	6,517,322	6,869,122	6,870,977	6,900,244
<b>EXPENDITURES</b>				
Current:				
General Government	296,209	311,324	430,310	439,614
Conservation of Natural Resources	104,118	119,533	112,333	127,562
Culture – Recreation	26,392	26,250	26,226	28,305
Economic Development and Assistance	87,462	89,440	85,807	88,824
Education	1,318,785	1,366,330	1,448,170	1,565,692
Higher Education - Colleges and University	482,229	528,861	558,282	571,268
Health and Social Services	2,605,402	2,659,210	2,715,383	2,920,472
Public Safety	287,735	359,514	383,156	370,605
Regulation of Business and Professions	151,850	155,195	130,330	123,476
Transportation	837,796	763,907	853,521	915,980
Capital Projects	25,101	27,494	27,289	25,333
Debt Service				
Principal	4,660	6,575	6,215	7,625
Interest	1,742	1,666	1,459	1,256
Total Expenditures	6,229,481	6,415,299	6,778,481	7,186,012
Excess (Deficiency) of Revenues Over (Under) Expenditures	287,841	453,823	92,496	(285,768)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	171,981	155,268	253,986	171,202
Transfers Out	(144,379)	(126,002)	(222,978)	(140,957)
Other	6,631	234	2,847	6,406
Net Change in Fund Balances	322,074	483,323	126,351	(249,117)
Restatements	-	-	-	-
<b>BEGINNING FUND BALANCE</b>	2,007,859	2,329,933	2,813,256	2,939,607
<b>ENDING FUND BALANCE</b>	\$ 2,329,933	\$ 2,813,256	\$ 2,939,607	\$ 2,690,490
<b>DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES</b>	<1%	<1%	<1%	<1%

**NOTE:** The increases in taxes and fund balances from 2006 to 2008 were primarily due to a strengthening economy.  
The decreases in taxes and fund balances in 2009 and 2010 were primarily due to the economic recession.



2010	2011	2012	2013	2014	2015
\$ 1,675,922	\$ 1,889,223	\$ 2,063,322	\$ 2,362,392	\$ 2,387,255	\$ 2,576,621
1,452,362	1,544,303	1,634,346	1,659,029	1,784,367	1,833,701
307,005	326,016	327,295	328,253	350,648	349,721
132,779	135,250	136,825	130,725	128,281	129,390
79,115	65,630	73,849	78,204	104,366	85,959
13,436	9,243	9,818	7,849	7,579	7,117
3,660,619	3,969,665	4,245,455	4,566,452	4,762,496	4,982,509
2,865,989	2,967,939	2,662,605	2,724,454	2,639,975	2,651,355
266,899	282,078	295,286	333,431	312,889	318,198
96,165	96,779	102,633	85,517	94,454	109,207
212,353	209,509	87,948	93,086	220,595	86,211
49,286	55,158	57,838	67,487	65,471	70,910
146,216	123,754	124,973	122,788	110,879	116,072
7,297,527	7,704,882	7,576,738	7,993,215	8,206,759	8,334,462
439,330	450,474	420,143	422,689	465,818	551,297
149,556	156,268	150,970	144,284	144,628	151,308
30,183	30,290	28,434	30,550	31,014	38,653
96,584	113,506	102,902	96,759	89,382	109,976
1,710,935	1,810,806	1,581,956	1,641,158	1,708,712	1,774,095
571,288	561,090	557,162	572,341	618,033	651,138
3,004,678	3,079,889	3,139,042	3,194,565	3,217,372	3,355,065
351,084	375,334	378,982	395,095	377,086	414,235
131,884	122,852	122,025	134,223	123,349	125,099
842,583	832,394	932,445	974,324	1,025,623	1,076,805
30,584	16,676	28,123	21,070	12,164	19,824
6,105	3,380	2,865	4,755	2,110	6,995
976	647	684	344	260	1,090
7,365,770	7,553,606	7,445,733	7,632,157	7,815,551	8,275,580
(68,243)	151,276	131,005	361,058	391,208	58,882
226,156	175,684	170,673	204,413	127,212	249,057
(194,156)	(143,629)	(134,598)	(164,399)	(88,938)	(192,758)
4,358	5,195	1,505	1,440	1,740	1,645
(31,885)	188,526	168,585	402,512	431,222	116,826
-	-	-	6,873	1,675	-
2,690,490	2,658,605	2,847,131	3,015,716	3,425,101	3,857,998
\$ 2,658,605	\$ 2,847,131	\$ 3,015,716	\$ 3,425,101	\$ 3,857,998	\$ 3,974,824
<1%	<1%	<1%	<1%	<1%	<1%

State of Nebraska

# INDIVIDUAL INCOME TAX RATES

2006 - 2015

	Tax Brackets			
	Bracket 1	Bracket 2	Bracket 3	Bracket 4
<b>Single</b>				
2006 - 2013 Income Range	\$0-2,400	\$2,400-17,500	\$17,500-27,000	Over \$27,000
2014 Income Range	\$0-3,000	\$3,000-18,000	\$18,000-29,000	Over \$29,000
2015 Income Range	\$0-3,050	\$3,050-18,280	\$18,280-29,460	Over \$29,460
2006 - 2012 Rates	2.56%	3.57%	5.12%	6.84%
2013 - 2015 Rates	2.46%	3.51%	5.01%	6.84%
<b>Heads of Household</b>				
2006 Income Range	\$0-3,800	\$3,800-25,000	\$25,000-35,000	Over \$35,000
2007 - 2013 Income Range	\$0-4,500	\$4,500-28,000	\$28,000-40,000	Over \$40,000
2014 Income Range	\$0-5,600	\$5,600-28,800	\$28,800-43,000	Over \$43,000
2015 Income Range	\$0-5,690	\$5,690-29,260	\$29,260-43,680	Over \$43,680
2006 - 2012 Rates	2.56%	3.57%	5.12%	6.84%
2013 - 2015 Rates	2.46%	3.51%	5.01%	6.84%
<b>Married Filing Joint</b>				
2006 Income Range	\$0-4,000	\$4,000-31,000	\$31,000-50,000	Over \$50,000
2007 - 2013 Income Range	\$0-4,800	\$4,800-35,000	\$35,000-54,000	Over \$54,000
2014 Income Range	\$0-6,000	\$6,000-36,000	\$36,000-58,000	Over \$58,000
2015 Income Range	\$0-6,090	\$6,090-36,570	\$36,570-58,920	Over \$58,920
2006 - 2012 Rates	2.56%	3.57%	5.12%	6.84%
2013 - 2015 Rates	2.46%	3.51%	5.01%	6.84%
<b>Married Filing Separate</b>				
2006 - 2013 Income Range	\$0-2,400	\$2,400-17,500	\$17,500-27,000	Over \$27,000
2014 Income Range	\$0-3,000	\$3,000-18,000	\$18,000-29,000	Over \$29,000
2015 Income Range	\$0-3,050	\$3,050-18,280	\$18,280-29,460	Over \$29,460
2006 - 2012 Rates	2.56%	3.57%	5.12%	6.84%
2013 - 2015 Rates	2.46%	3.51%	5.01%	6.84%

SOURCE: Nebraska Department of Revenue

State of Nebraska

# INDIVIDUAL INCOME TAX LIABILITY BY INCOME LEVEL

Tax Years 2003 and 2012

2003				
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	118,805	\$ 4,076,389	50,010	0.35%
\$10,000 - 24,999	193,268	\$ 43,690,621	168,689	3.71%
\$25,000 - 49,999	219,831	\$ 181,137,046	216,729	15.40%
\$50,000 - 99,999	184,951	\$ 414,874,592	183,557	35.27%
\$100,000 and Over	63,121	\$ 532,550,569	61,308	45.27%
State Total	779,976	\$ 1,176,329,217	680,293	100.00%

2012				
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	141,982	\$ 5,170,344	47,390	0.25%
\$10,000 - 24,999	193,651	\$ 29,730,277	179,725	1.45%
\$25,000 - 49,999	227,315	\$ 168,657,782	222,503	8.21%
\$50,000 - 99,999	229,589	\$ 492,798,988	226,406	23.98%
\$100,000 and Over	149,252	\$ 1,359,066,048	144,597	66.11%
State Total	941,789	\$ 2,055,423,439	820,621	100.00%

SOURCE: Department of Revenue 2003 and 2012 Annual Reports; [www.revenue.nebraska.gov](http://www.revenue.nebraska.gov)

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 2012 is the most recent year for which data is available.

State of Nebraska

# **TAXABLE SALES BY INDUSTRY**

Calendar Years 2005 and 2014

	2005	2014
Agriculture, Forestry, Fishing & Hunting	\$ 141,059,319	\$ 87,130,794
Mining	44,328,694	48,671,576
Utilities	1,744,317,928	2,440,872,368
Construction	934,402,214	656,223,262
Manufacturing	572,185,675	548,602,897
Wholesale Trade	1,165,449,269	1,737,472,427
Retail Trade	8,742,194,505	10,532,256,573
Transportation	92,360,959	88,199,710
Warehousing Services	4,142,358	43,340,592
Information	801,390,714	799,177,424
Finance & Insurance	53,772,695	24,018,924
Real Estate, Rental & Leasing Services	119,978,398	259,149,469
Professional, Scientific & Technical Services	281,435,497	352,904,473
Management of Companies & Enterprises Services	2,896,179	3,952,631
Administration, Support, Waste Management, Remedial Services	515,887,718	527,977,921
Educational Services	62,582,827	24,836,821
Health Care & Social Assistance Services	35,209,604	40,484,715
Arts, Entertainment & Recreation Services	282,874,360	356,483,288
Accommodation & Food Services	2,201,265,354	3,280,192,594
Other Services	889,382,735	957,143,088
Public Administration	110,779,156	258,313,608
Unclassified	27,343,850	1,487,941
Nebraska Total	18,825,240,008	23,068,893,096
Non-Nebraska (1)	2,865,964,477	5,104,908,976
Nebraska - Total Sales	\$ 21,691,204,485	\$ 28,173,802,072
Direct sales tax rate	Jan. 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

2006 - 2015

(Dollars in thousands)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Governmental Activities</b>										
Lease rental bonds (blended component units)	\$ 19,435	\$ 15,240	\$ 10,835	\$ 4,850	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Capital leases under certificates of participation	22,965	22,072	19,509	22,182	23,181	27,308	25,358	22,716	18,175	15,475
Obligations under other financing arrangements	16,185	13,805	14,785	15,660	14,405	16,220	14,860	6,315	5,565	-
<b>Total Primary Government</b>	<b>\$ 58,585</b>	<b>\$ 51,117</b>	<b>\$ 45,129</b>	<b>\$ 42,692</b>	<b>\$ 37,586</b>	<b>\$ 43,528</b>	<b>\$ 40,218</b>	<b>\$ 29,031</b>	<b>\$ 23,740</b>	<b>\$ 15,475</b>
<b>Debt as a Percentage of Personal Income</b>	0.10%	0.08%	0.07%	0.06%	0.05%	0.06%	0.05%	0.03%	0.03%	0.02%
<b>Amount of Debt per Capita</b>	<b>\$ 33</b>	<b>\$ 29</b>	<b>\$ 25</b>	<b>\$ 24</b>	<b>\$ 21</b>	<b>\$ 24</b>	<b>\$ 22</b>	<b>\$ 16</b>	<b>\$ 13</b>	<b>\$ 8</b>

**NOTE:** Details regarding Lease Commitments, Obligations Under Other Financing Arrangements, and Bonds Payable can be found in CAFR Notes 8, 9 & 14 of the financial statements.  
Population figures from the Population, Personal and Per Capita Income schedule.

State of Nebraska

# COMPARATIVE UNEMPLOYMENT NEBRASKA AND UNITED STATES

2005 - 2014

YEAR	NEBRASKA			NEBRASKA	UNITED STATES
	TOTAL LABOR FORCE	TOTAL EMPLOYMENT	UNEMPLOYMENT	UNEMPLOYMENT AS PERCENT OF LABOR FORCE	UNEMPLOYMENT AS PERCENT OF LABOR FORCE
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
2012	1,020,913	980,668	40,245	3.9	8.1
2013	1,030,977	991,039	39,938	3.9	7.4
2014	1,022,152	988,249	33,903	3.3	6.2

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

State of Nebraska

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

Calendar Years 2005 – 2014

YEAR	NEBRASKA			UNITED STATES		
	POPULATION	PERSONAL INCOME (IN MILLIONS)	PER CAPITA INCOME	POPULATION	PERSONAL INCOME (IN MILLIONS)	PER CAPITA INCOME
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
2012	1,855,525	83,521	45,012	313,914,040	13,729,063	43,735
2013	1,868,516	86,013	46,033	316,128,839	14,081,242	44,543
2014	1,881,503	88,569	47,073	318,857,056	14,708,582	46,129

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

State of Nebraska

## TEN LARGEST EMPLOYERS

2012 and 2003

	December 2012			December 2003		
	Total	Employment	980,668	Total	Employment	936,664
NAME OF COMPANY	RANK	NUMBER OF EMPLOYEES	% OF TOTAL EMPLOYMENT	RANK	NUMBER OF EMPLOYEES	% OF TOTAL EMPLOYMENT
State of Nebraska (excluding University)	1	15,902	1.622	1	16,506	1.762
University of Nebraska *	2	15,868	1.618	3	14,095	1.505
Offutt Air Force Base	3	12,000	1.224	4	11,137	1.189
Walmart	4	8,724	0.890	7	7,400	0.790
Alegent Health	5	8,600	0.877	10	6,099	0.651
Omaha Public Schools	6	7,202	0.734	6	8,073	0.862
Union Pacific Corporation	7	6,130	0.625	9	6,749	0.721
Lincoln Public Schools	8	5,933	0.605	11	5,036	0.538
Tyson Foods, Inc.	9	5,130	0.523	5	11,012	1.176
First Data Corp.	10	4,424	0.451	8	7,050	0.753
US Government (excluding Department of Defense) **				2	16,297	1.740

**SOURCE:** The Nebraska Department of Economic Development,  
Hoovers, a Dun and Bradstreet data base, and Employers

**NOTES:**

\* University of Nebraska - Medical Center, University of Nebraska - Lincoln, University of Nebraska at Omaha, University of Nebraska at Kearney

\*\* Sources did not track US Government employment in Nebraska  
Calendar year 2012 is the most recent year for which data is available.

State of Nebraska

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

2005/06 – 2014/15

ACADEMIC YEAR	PRE KDG. AND KDG.	GRADES 1 – 3	GRADES 4 – 6	GRADES 7 – 9	GRADES 10 – 12	TOTAL ALL GRADES
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
2012 – 2013	35,926	69,224	66,951	65,127	66,277	303,505
2013 – 2014	38,482	68,140	68,182	66,369	66,504	307,677
2014 - 2015	39,204	69,398	68,988	67,843	67,202	312,635

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

State of Nebraska

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

2005 - 2014

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>COLLEGES AND UNIVERSITIES:</b>										
Chadron State College	2,472	2,577	2,660	2,649	2,712	2,759	2,851	2,994	3,056	3,033
Peru State College	1,959	2,124	2,307	2,328	2,492	2,518	2,358	2,390	2,422	2,499
Wayne State College	3,322	3,407	3,527	3,566	3,631	3,569	3,517	3,555	3,506	3,470
University of Nebraska										
Lincoln (1)	21,937	22,378	22,877	23,862	24,525	24,993	24,926	24,538	24,745	25,390
Omaha	14,093	13,906	14,156	14,213	14,620	14,665	14,712	14,786	15,227	15,227
Kearney	6,445	6,468	6,478	6,543	6,650	6,753	7,100	7,199	7,052	6,902
Medical Center	2,995	3,067	2,206	3,194	3,237	3,494	3,625	3,655	3,681	3,696
TOTAL COLLEGES AND UNIVERSITIES	53,223	53,927	54,211	56,355	57,867	58,751	59,089	59,117	59,689	60,217
<b>COMMUNITY COLLEGES</b>										
Central CC	6,564	6,543	6,531	6,885	7,320	7,527	7,521	7,283	6,906	6,377
Metropolitan CC	13,237	14,098	14,804	15,055	17,003	18,523	18,518	17,376	15,752	14,675
Mid-Plains CC	2,607	3,030	2,715	2,708	2,765	2,988	2,623	2,591	2,491	2,143
Northeast CC	5,101	5,261	5,149	5,140	5,205	5,377	5,161	5,251	5,145	5,061
Southeast CC	10,059	9,594	9,603	10,419	11,556	12,242	11,479	10,168	9,751	9,392
Western CC	2,283	1,918	2,233	2,939	2,304	2,395	2,240	2,230	1,960	1,836
TOTAL COMMUNITY COLLEGES	39,851	40,444	41,035	43,146	46,153	49,052	47,542	44,899	42,005	39,484
TOTAL ALL INSTITUTIONS	93,074	94,371	95,246	99,501	104,020	107,803	106,631	104,016	101,694	99,701

**NOTE:** (1) University of Nebraska-Lincoln count includes Nebraska College of Technical Agriculture - Curtis for all years.

**SOURCE:** Nebraska Coordinating Commission for Postsecondary Education



State of Nebraska

**FULL TIME EQUIVALENT PERMANENT  
EMPLOYEES BY FUNCTION  
2005 - 2014**

<b>FUNCTION</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
Conservation	313	313	318	309	318	329	323	328	321	316
Regulation	358	372	362	364	358	357	350	355	358	353
Economic Development	526	532	525	452	478	441	459	430	426	439
Culture and Recreation	579	579	564	556	542	519	495	503	512	510
Education	597	601	590	593	606	598	586	578	579	603
Transportation	2,175	2,163	2,137	2,153	2,175	2,147	2,118	2,102	2,118	2,103
General Government	2,718	2,769	2,765	2,723	2,777	2,692	2,706	2,687	2,840	2,919
Public Safety	3,303	3,349	3,380	3,414	3,457	3,409	3,369	3,333	3,381	3,436
Health & Social Services	6,115	6,044	5,802	5,665	5,738	5,524	5,433	5,586	5,748	5,700
	<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>	<u>15,902</u>	<u>16,283</u>	<u>16,379</u>

**SOURCE: Nebraska State Government - State Personnel Division - 2015 Almanac**

State of Nebraska

# OPERATING INDICATORS BY FUNCTION

2006 - 2015

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>General Government</b>										
<b>Department of Revenue</b>										
Percentage of returns filed electronically	57.6%	62.5%	66.0%	70.0%	78.0%	85.0%	88.0%	88.5%	89.9%	90.8%
Percentage of direct deposit refunds	43.9%	54.5%	75.0%	77.0%	72.0%	71.0%	80.5%	77.3%	78.9%	77.8%
<b>Department of Roads</b>										
Percentage of Roads in very good or good condition (1)	80%	79%	81%	79%	75%	74%	74%	74%	75%	N/A
<b>Conservation of Natural Resources</b>										
<b>Department of Environmental Quality</b>										
Inspections by field office staff										
Air Quality	82	186	129	129	133	148	139	90	82	216
Water Quality	543	999	1,158	1,147	1,384	1,502	1,591	1,801	1,113	1,396
Waste Management	110	179	137	140	141	146	153	172	145	135
<b>Culture - Recreation</b>										
<b>Game and Parks Commission</b>										
Park visitors (1,2)	9,997,632	10,193,030	9,910,097	8,780,619	10,441,504	9,703,332	10,597,549	11,684,965	12,426,891	N/A
Hatchery fish raised (in millions) (1)	15.6	25.6	22.8	35.6	46.4	35.5	40.4	39.4	48.6	N/A
<b>Education</b>										
<b>Department of Education</b>										
Fall Enrollment										
Pre-K to 12th grade	287,135	291,111	292,497	295,352	298,550	301,317	303,505	307,677	312,635	N/A
State Colleges and Universities	53,927	54,211	56,355	57,867	58,751	59,089	59,117	59,689	60,217	N/A
Public Community Colleges	40,444	41,035	43,146	46,153	49,052	47,542	44,899	42,005	39,484	N/A
<b>Health and Social Services</b>										
<b>Health and Human Services</b>										
Child Support Payments										
Number of Payments Received	1,344,778	1,383,619	1,444,202	1,471,974	1,483,868	1,486,397	1,517,767	1,505,288	1,381,831	1,513,974
Number of Payments Disbursed	1,153,771	1,202,635	1,156,102	1,312,748	1,332,638	1,362,598	1,387,684	1,379,810	1,400,860	1,414,213
Medicaid (average monthly)										
Medicaid recipients	200,670	201,009	203,513	208,696	224,459	235,353	237,543	240,639	235,496	235,355
Percentage of Nebraska population	11.3%	11.3%	11.4%	11.6%	12.3%	12.8%	12.8%	12.9%	12.5%	N/A
Food Stamps (average monthly)										
Number of households	51,146	51,915	52,162	55,178	68,098	75,460	76,776	78,743	78,051	76,989
Percentage of Nebraska households	7.3%	7.3%	7.3%	7.7%	9.3%	10.2%	9.6%	9.8%	9.6%	N/A
<b>Public Safety</b>										
<b>Department of Correctional Services</b>										
Inmate population (average monthly) (1)	5,145	5,222	5,289	5,395	5,469	5,602	5,975	6,224	6,544	N/A
Percentage of Nebraska population	0.29%	0.29%	0.30%	0.30%	0.30%	0.30%	0.32%	0.33%	0.35%	N/A
Total Admissions (1)	3,039	2,902	2,801	2,709	2,648	2,956	3,258	3,351	3,242	N/A
Total Releases (1)	2,969	3,092	2,789	2,598	2,544	2,861	3,251	3,113	2,985	N/A
<b>State Patrol</b>										
Miles Patrolled (1)	10,130,500	10,348,580	10,489,515	10,161,183	10,119,800	9,360,000	10,116,896	10,166,005	9,862,217	N/A
Accidents Investigated (1)	2,315	2,392	1,963	2,331	2,430	2,293	1,978	2,117	1,931	N/A
<b>Transportation</b>										
<b>Department of Motor Vehicles</b>										
Motor Vehicle Registrations (1)										
Automobiles	1,112,320	1,122,877	1,140,386	1,147,354	1,148,305	1,158,374	1,161,629	1,174,669	1,188,368	N/A
Trucks										
Farm	147,509	157,282	160,264	162,778	165,760	171,458	173,649	176,910	177,796	N/A
Commercial / Other	392,589	388,098	389,686	392,120	396,004	400,746	403,846	411,037	417,049	N/A
Motorcycles	40,065	43,387	49,191	50,322	51,359	53,773	55,461	55,833	55,475	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

2006 - 2015

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>General Government</b>										
<b>Department of Administrative Services</b>										
Buildings	285	283	291	288	283	278	277	271	266	267
Vehicles	1,034	1,371	1,093	1,134	1,075	1,077	1,083	1,007	1,050	1,058
<b>Conservation of Natural Resources</b>										
<b>Game and Parks Commission</b>										
Acres of state park and wildlife land (in thousands)	148	149	149	149	150	150	151	152	152	152
<b>Culture - Recreation</b>										
<b>Game and Parks Commission</b>										
State Parks	8	8	8	8	8	8	8	8	8	8
Historical Parks	10	10	10	10	10	10	10	9	9	9
Recreation and wildlife areas	322	322	325	327	328	323	321	322	322	347
Fish hatcheries	5	5	5	5	5	5	5	5	5	5
<b>Education</b>										
<b>NETV Commission</b>										
Towers, antennas and transmitters	56	60	60	42	42	42	42	42	42	42
<b>Public Safety</b>										
<b>State Patrol</b>										
Pursuit Vehicles	364	351	474	474	432	384	436	486	486	526
<b>Department of Corrections</b>										
Buildings	129	126	143	135	131	134	135	134	130	150
<b>Transportation</b>										
<b>Department of Roads</b>										
Highway miles (calendar year)	9,950	9,949	9,949	9,949	9,950	9,945	9,946	9,946	9,945	N/A
Heavy trucks, plows and graders	1,068	1,072	1,053	1,120	1,095	1,109	1,063	1,054	1,052	1,022

**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, 2015

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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, 2014-2015.

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