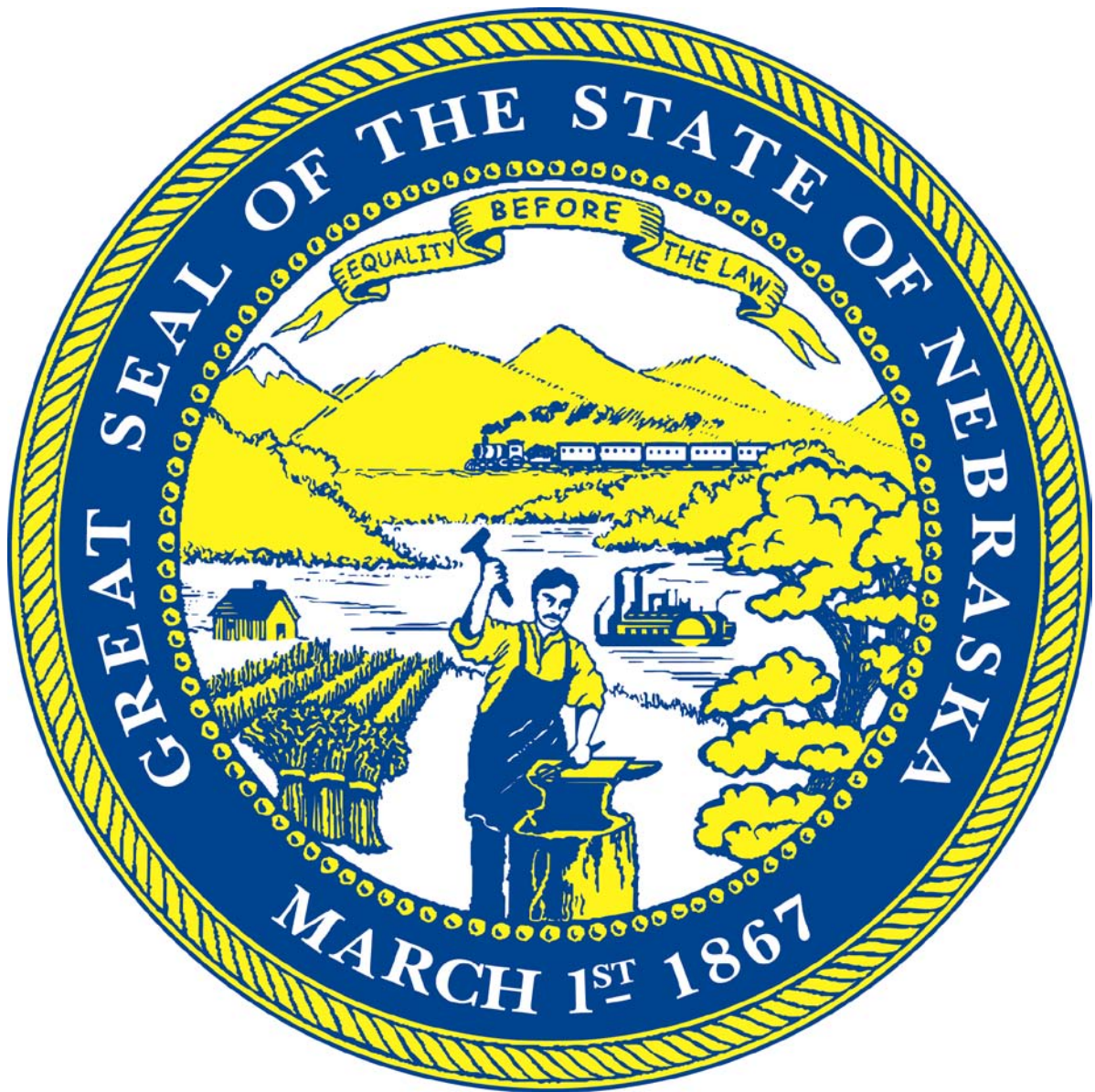


# State of Nebraska

## *Comprehensive Annual Financial Report*

Fiscal Year Ended June 30, 2010



# **State of Nebraska**

## **Comprehensive Annual Financial Report**

### **Year Ended June 30, 2010**



**Dave Heineman**  
*Governor*

**Administrative Services**

**Carlos Castillo, Jr.**  
*Director*

**Michael J. Keays**  
*State Accounting Administrator*

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2010

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# INTRODUCTORY SECTION

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# SELECTED STATE OFFICIALS

As of June 30, 2010

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## EXECUTIVE

**Dave Heineman**

Governor

**Rick Sheehy**

Lieutenant Governor

**Jon Bruning**

Attorney General

**Mike Foley**

Auditor of Public Accounts

**John A. Gale**

Secretary of State

**Shane Osborn**

State Treasurer

## JUDICIAL

**Supreme Court of Nebraska**

Michael G. Heavican, Chief Justice

William M. Connolly, Justice

John M. Gerrard, Justice

Michael McCormack, Justice

Lindsey Miller-Lerman, Justice

Kenneth C. Stephan, Justice

John F. Wright, Justice

## LEGISLATIVE

**Mike Flood**

Speaker of the Legislature

Nebraska Unicameral (49 Senators)

December 29, 2010

The Honorable Dave Heineman, Governor  
Members of the Legislature  
Citizens of the State of Nebraska

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the State of Nebraska (the "State") for the fiscal year ended June 30, 2010. 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, 2010 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, 2010 are fairly presented in conformity with Accounting Principles Generally Accepted in the United States of America (GAAP). The independent auditor's report is presented as the first component of the financial section of this report. The CAFR has been prepared in conformance with Governmental Accounting Standards Board (GASB) statements 34 and 35, and other related statements. This reporting model's objective is to provide a clear picture of the government as a single, unified entity as well as providing traditional fund based financial statements.

The independent audit of the financial statements of the State was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the State's separately issued Single Audit Report.

The CAFR is presented in three sections. (1) The Introductory Section contains this letter of transmittal and some information about the State and its operations. (2) The Financial Section contains Management's Discussion and Analysis, Government Wide Financial Statements, Fund Financial Statements for Governmental Funds, Proprietary Funds, Fiduciary Funds, and Combining Statements for Major Component Units. The Financial Section also includes the Notes to the Financial Statements, Required Supplementary Information and various combining statements. (3) The Statistical Section contains selected financial and demographic information, generally presented on a multi-year basis.

The CAFR consists of management's representations concerning the finances of the State of Nebraska. The State Accounting Division of Administrative Services assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the State has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the State's financial statements in conformity with GAAP for governments. Because the cost of internal controls should not outweigh their benefits, the State's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The State's MD&A can be found immediately following the report of the independent auditors.

## **PROFILE OF THE GOVERNMENT**

The State was admitted to the Union as the thirty-seventh state in 1867. Nebraska's government is divided into three branches: legislative, executive and judicial. Nebraska is the only state with a Unicameral Legislature, which has 49 non-partisan members. The chief executive is the governor, who is elected for a four-year term. Within the executive branch are various departments and agencies that perform a variety of functions. Since Nebraska's Constitution generally allows no indebtedness, government expenses of such departments and agencies must be met on a pay-as-you-go basis. The State provides a full range of services including: the construction and maintenance of highways and infrastructure, education, social and health services, public safety, conservation of natural resources, economic development, and recreation facilities and development. An organizational chart of the State is shown on page 10.

The State reporting entity reflected in this CAFR is described more fully in Note 1.B. to the financial statements. It should be noted that the reporting entity includes the familiar government activities plus two component units, the University of Nebraska and the State College System.

Budgetary control of state expenditures is maintained chiefly by three processes. First, a budget is required to be adopted through passage of appropriation bills by the Legislature. Second, the appropriated funds are allocated by program and fund type and are controlled by the executive branch through an allotment process. The Legislature may also enact a supplemental appropriation bill and other appropriation bills as it deems necessary. Finally, the State's accounting system checks each expenditure to ensure the appropriation is not exceeded.

Budget-to-actual comparisons are provided in this CAFR for various categories of General Fund revenues and appropriated annual budgets. This comparison is presented on page 66 as part of the Required Supplementary Information to the basic financial statements for the governmental funds. Budget-to-actual comparisons for Cash Funds, Construction Funds, Federal Funds, and Revolving Funds are also presented as Required Supplementary Information on pages 67 through 70.



## FACTORS AFFECTING FINANCIAL CONDITION

In order to better understand the information presented in the basic financial statements, such information should be considered from the broader perspective of the specific environment within which the State operates.

### *Current Revenue Outlook*

The General Fund operations of the State are almost entirely dependent upon the income and sales taxes the State receives each year. Such taxes represent over 93 percent of all General Fund revenues. Net revenue from income taxes and sales taxes from all funds for the fiscal year ended June 30, 2010 decreased \$137 million from the prior year, due to the national recession and weakened economy.

For the fiscal year ending June 30, 2010 the State's General Fund ended the fiscal year with a cash and investments balance of \$830 million. The balance had exceeded one billion dollars for the prior three years in a row.

The current forecast for fiscal year 2011 anticipates net receipts in the General Fund to increase about \$159 million, or approximately a 5.0% increase over fiscal year 2010. No significant changes in revenue are anticipated in the other funds, except to the extent the State receives federal funds as part of the American Recovery and Reinvestment Act; such funds must be spent for specific purposes.

### *Economy of the State*

The Bureau of Business Research of the University of Nebraska-Lincoln and the Nebraska Business Forecast Council are cautious on forecasting Nebraska's economic future. The Council is cautiously optimistic about the national economic outlook, and they conclude that the economic situation will also improve in Nebraska. Nebraska started to recover from a recession in 2010, and its economy is expected to improve in several areas in 2011. The Bureau published a forecast in July 2010 as shown on the following chart. The agriculture market is a major force in the Nebraska economy and farm income remained above its 10-year average in 2009 even with the recession. Job growth returned to Nebraska in 2010, and is projected to reach trend growth rates in 2011. Continued growth in manufacturing activity has begun to generate new manufacturing employment in Nebraska. Retail sales are slowly improving as Nebraska recovers from a recession, and sales are expected to grow modestly during the slow, steady economic recovery. Growth in the services area is expected to accelerate in 2011. Financial services are expected to lag due to rapid increases in productivity and continued weakness in the housing sector.

	ACTUAL			PROJECTED		
	2007	2008	2009	2010	2011	2012
<b>Nonfarm Employment:</b>						
Annual Totals	957,400	965,000	944,400	946,800	961,300	976,700
Growth Rates	1.7%	0.8%	-2.1%	0.3%	1.5%	1.6%
<b>Nonfarm Personal Income:</b>						
Annual Totals (in millions \$)	64,289	66,383	66,220	68,005	70,569	73,260
Growth Rates	5.2%	3.3%	-0.3%	2.7%	3.8%	3.8%
<b>Net Taxable Retail Sales</b>						
<b>Growth Rates:</b>						
Total	5.0%	1.6%	-3.6%	4.2%	4.1%	4.2%
Motor Vehicle Sales	9.1%	1.4%	-4.9%	6.0%	6.0%	5.3%
Non-motor Vehicles Sales	4.6%	1.7%	-3.4%	4.0%	3.9%	4.0%

### ***Long-term Financial Planning***

The State always is looking at least four years out in its analysis of the status of the financial condition of the State in preparing the State's budgets. Currently, we have a working model of the biennium budget for fiscal years 2012 and 2013. In our analysis, we use forecasting models to forecast revenue and then examine major expenditures, especially those that have a trend of outpacing revenues. However, future General Fund revenues for 2012 and 2013 have not yet been revised downward based upon the recent trends. We do anticipate a projection of low percentage income growth and it will not be enough to counter the future estimates of increasing school aid, Medicaid, and public assistance. Since these expenditures comprise about half of the General Fund expenditures, this puts tremendous pressure to keep all other costs of running the State to a flat or declining mode in order to provide a mandated balanced budget. To ensure we do have a balanced budget, the State exerts considerable time and effort in reviewing the trends of future revenues and expenditures.

### ***Major Initiatives***

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

## **AWARDS AND ACKNOWLEDGEMENTS**

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State for its CAFR for the fiscal year ended June 30, 2009. This was the nineteenth 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 2010 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,

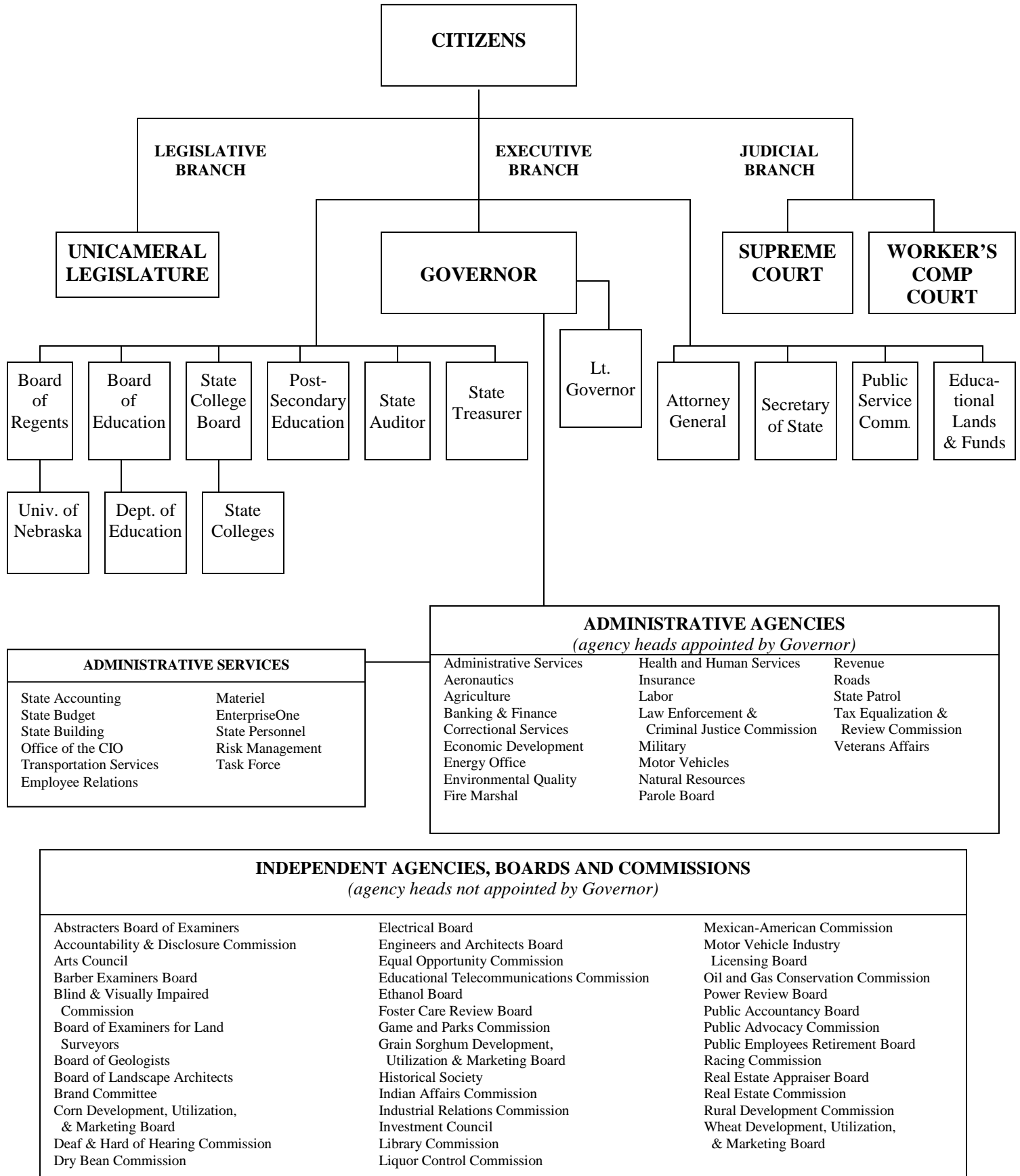
A handwritten signature in black ink, appearing to read 'Carlos Castillo, Jr.' with a stylized flourish at the end.

Carlos Castillo, Jr.  
Director, Administrative Services

A handwritten signature in black ink, appearing to read 'Michael J. Keays' in a cursive script.

Michael J. Keays  
State Accounting Administrator

# Nebraska State Government Organization Chart



# Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of Nebraska

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2009

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A stylized, handwritten signature in black ink.

President

A handwritten signature in black ink that reads "Jeffrey R. Emer".

Executive Director





## FINANCIAL SECTION

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# NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

---

Mike Foley  
State Auditor

Mike.Foley@nebraska.gov  
P.O. Box 98917  
State Capitol, Suite 2303  
Lincoln, Nebraska 68509  
402-471-2111, FAX 402-471-3301  
[www.auditors.state.ne.us](http://www.auditors.state.ne.us)

## Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Nebraska, as of and for the year ended June 30, 2010, which collectively comprise the State of Nebraska's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State of Nebraska's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the College Savings Plan and the NETC Leasing Corporation, which represent 17% and 35% of the assets and revenues, respectively of the aggregate remaining fund information. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the College Savings Plan and the NETC Leasing Corporation, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the College Savings Plan and the NETC Leasing Corporation were not audited in accordance with *Government Auditing Standards*. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness on the State of Nebraska's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinions.



In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Nebraska as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2010, on our consideration of the State of Nebraska's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 16 through 30, the Budgetary Comparison Schedules on pages 66 through 71; and the Information About Infrastructure Assets Reported Using the Modified Approach on page 72, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Nebraska's basic financial statements. The combining statements within the financial section as listed in the foregoing table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining statements have been subjected to the auditing procedures applied by us and other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory and statistical sections of this report have not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Lincoln, Nebraska  
December 28, 2010



Pat Reding, CPA, CFE  
Assistant Deputy Auditor

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Management of the State of Nebraska provides the following discussion and analysis of the State of Nebraska's financial performance, as reflected in the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2010. Please read it in conjunction with the additional information furnished in the letter of transmittal at the front of this report, and with the State's basic financial statements, which follow. Numerical years refer to fiscal years with a June 30 year-end, unless otherwise noted.

The State of Nebraska (State) implemented three new standards in 2010 required by the Governmental Accounting Standards Board (GASB): Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, which has no material effect on the State's financial statements; Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, which added some additional footnote disclosures; and Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies*, which has no material effect on the State's financial statements.

A comparative analysis of government-wide data for the last two years is presented in this analysis. Additionally, we are presenting an analysis of activity in the State's funds for the fiscal year ended June 30, 2010 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, 2010 by \$10.7 billion (presented as "net assets" in the CAFR). The majority of the net assets are represented by the investment in the State's infrastructure and other capital assets, which cannot be used to fund ongoing activities of the State. Of the net assets, unrestricted net assets were reported as \$0.9 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 2010 resulting in an increase in net assets of \$54 million. This increase in net assets was a reversal of the \$164 million decrease in 2009, due to three main areas: (1) a \$198 million increase in investment earnings (a result of unrealized market gains) (2) a decrease of expenses, net of program revenue, of \$143 million, and (3) a decrease in tax revenues of \$133 million.

#### Fund Level:

General Fund receipts for 2010 were \$181 million below the original budgeted amount and below the final budget by \$76 million. Expenditures were \$332 million less than the original budget. On a Generally Accepted Accounting Principles (GAAP) basis, the General Fund had \$85 million in excess expenditures prior to a legislatively mandated property tax relief transfer of \$112 million and \$57 million in other financing uses, causing a reduction in fund balances of \$140 million, and thereby reducing the fund balance on June 30, 2010 to \$716 million. Other governmental funds revenues exceeded expenditures by \$129 million, chiefly due to unrealized market gains. Offsetting these operating gains, such other funds paid \$21 million in net other financing uses. This \$108 million net increase resulted in raising such fund balances at June 30, 2010 to \$1,942 million.

The \$239 million of net assets of the Unemployment Insurance Fund represents seventy-five percent of the enterprise funds. Such fund had a \$30 million decrease in net assets for 2010 compared to a \$74 million decrease in 2009, a \$44 million difference. This was due to unemployment insurance claims exceeding the business assessment fees collected from employers by \$41 million, even though the State

collected \$241 million more in fees in 2010. This loss was only partially offset by \$11 million in investment income.

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

Long-term liabilities shown on the government-wide financial statements totaled \$492 million at June 30, 2010, which is a \$39 million decrease from the prior year. Most of these liabilities consist of claims payable for workers' compensation, medical excess liability, litigation, unemployment insurance, employee health insurance, and Medicaid, in addition to the calculated amount for accrued vacation and vested sick leave due to employees when they retire. After a retired employee reaches the age of 65, the State has no further obligation for other post employment benefits, except for a very small number of employees.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the State's financial statements. The State's basic financial statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This CAFR also contains other supplementary information (e.g., budgetary schedules and combining financial statements) in addition to the basic financial statements. These components are described below:

### **Government-wide Financial Statements**

These statements provide a broad view of the State's operations in a manner similar to the private sector, providing both a short-term and a long-term view of the State's financial position. The statements are prepared using the accrual basis of accounting. This means all revenues and expenses related to the fiscal year are recorded in the statements, even if cash has not been received or paid. If taxes are owed to the State but not yet received, such transaction is recorded as an asset (a receivable) and revenue to the State. Likewise, if the State owes for vacation time, but has not yet paid the worker for such vacation earned, then the liability and payroll expense is recorded. The government-wide financial statements include two statements, the Statement of Net Assets and the Statement of Activities.

The *Statement of Net Assets* (page 33) presents all the State's assets and liabilities with the difference between the two reported as "net assets." Changes in net assets over time may indicate the relative health of the State and this statement will assist users in assessing whether or not the State's financial position is improving or deteriorating.

The *Statement of Activities* (pages 34 and 35) presents information showing how the State's net assets changed during the reported year. All changes in net assets are reported as soon as the underlying events giving rise to the changes occur, regardless of the timing of related cash flows, using the accrual basis of accounting discussed earlier.

Both of these statements have separate sections for three different types of State programs or activities. These sections are Governmental Activities, Business-type Activities, and Discretely Presented Component Units. Governmental Activities and Business-type Activities are combined to report on what is termed Primary Government activities, which is separate and distinct from the activity of the component units. Fiduciary Funds, which include the Pension Funds, are not included in the government-wide financial statements.

### **Primary Government**

GOVERNMENTAL ACTIVITIES – Activities in this section are mostly supported by taxes and federal grants. All General Fund activity is included here. Governmental activities represent over 92% of all activity of

the primary government. It includes general government; education; health and human services; public safety; transportation; regulatory services; and economic development and assistance.

**BUSINESS-TYPE ACTIVITIES** – Functions reported in this section include those activities whereby the State charges fees and other charges to external users of the State’s services and purchasers of State’s goods in order to recover all or a significant portion of the State’s operating costs related to these activities, much like a private business. Such activities are unemployment insurance services, lottery tickets, premium surcharges for excess liability coverage, and the sales and services provided by Cornhusker State Industries.

### ***Component Units***

**DISCRETELY PRESENTED COMPONENT UNITS** – These are separate entities for which the State has financial accountability (in which the State provides over one-fourth of their funding) but such organizations have independent qualities as well. The University of Nebraska and the Nebraska State College System are the State’s only two discretely presented component units. While presented in this report, each of these two units has separate audited financial statements and such audited reports can be obtained from their respective administrative offices.

The government-wide financial statements can be found immediately following this discussion and analysis.

## **Fund Financial Statements**

This is the second set of financial statements presented in the CAFR. These statements are different from the government-wide statements in that some of these statements use a different accounting approach and focus on the near-term inflows and outflows of the State’s operations. As previously noted, these Statements are commonly referred to as GAAP Fund Statements, as they are prepared in accordance with generally accepted accounting principles. The Fund Financial Statements (which begin on page 36) provide detailed information about the State’s major funds. A fund is a method of accounting that uses a set of accounts to maintain accountability and control over specific sources of funding and spending for a particular activity or objective. The State’s funds are divided into three categories – Governmental Funds, Proprietary Funds and Fiduciary Funds. It is important to note that each of these three fund categories use different accounting approaches and should be analyzed differently.

***Governmental Funds Financial Statements*** – Most of the basic services provided by the State are reported in the governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, the governmental funds financial statements use modified accrual accounting, which limits assets to cash and all other financial assets that can readily be converted into cash. This is different from the governmental activities recorded in the government-wide financial statements that use full accrual accounting. These fund statements provide a detailed short-term view of the State’s finances that assist the reader in determining whether or not there will be adequate financial resources to meet the current needs of the State.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the reader can better understand the long-term impact of the State’s near-term financing decisions. To aid the reader in such analysis, reconciliations are provided between the government-wide financial statements and the governmental funds financial statements (see pages 37 and 39).

The State of Nebraska's governmental funds include five major funds: the General Fund, the Highway Fund, the Federal Fund, the Health and Social Services Fund and the Permanent School Fund. Non-major special revenue, capital project and other permanent funds are also included in the governmental funds.

***Proprietary Funds Financial Statements*** – These funds are used to show activities that operate more like those of commercial enterprises. Thus, when the State charges for the services it provides, these services are generally reported in proprietary funds. Proprietary funds consist of both Enterprise Funds (services provided to outside customers) and Internal Service Funds (services provided to other State agencies). Proprietary funds utilize accrual accounting, the same method used by private businesses. Therefore, the net assets reported in these statements as Enterprise Funds will be identical to the net assets reported in the net assets for business-type activities in the government-wide financial statements. However, because the Internal Service Funds predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

***Fiduciary Funds Financial Statements*** – Whenever the State receives funds on behalf of others, it is acting in a fiduciary capacity or trustee of those funds belonging to others. Thus, assets in these funds are restricted as to use and do not represent discretionary assets that the State could use to finance its operations. They are presented in these statements only for the purpose to indicate that the State has responsibility for these assets. For that reason, such assets are not included in the government-wide financial statements. Fiduciary funds are reported on the accrual basis of accounting.

The State's principal fiduciary fund is the Pension Fund, which contains retirement contributions held by the State for state employees, county employees and public school employees (see Note 12 to the financial statements). There are also Private-Purpose Trust Funds whereby the State has control of unclaimed property and funds held for inmates and clients or wards of the State. The State also has Agency Funds whereby the State holds funds earmarked as aid for other political subdivisions.

## **Component Units Financial Statements**

As mentioned in the discussion of the government-wide financial statements, the State has included the net assets and activities of the University of Nebraska and the Nebraska State College System in a single column of such statements, labeling them as discretely presented component units. We have provided separate component unit statements to allow the reader to analyze each of these two units separately.

## **Notes to the Financial Statements**

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in all of the basic financial statements. The notes can be found immediately following the component units' financial statements beginning on page 48.

## **Required Supplementary Information**

Following the basic financial statements and the accompanying notes thereto, is additional Required Supplementary Information that further explains and supports the information in such financial statements. The required supplementary information includes budgetary comparison schedules reconciling statutory fund balances used for budgetary purposes to the fund balances determined by GAAP used in the Fund Financial Statements for the General Fund, Cash Funds, Construction Funds, Federal Funds, and Revolving Funds. Other information included is the condition and maintenance data regarding certain aspects of the State's infrastructure.

## **Other Supplementary Information**

Other supplementary information includes the combining statements for non-major governmental, proprietary and fiduciary funds. These funds are summarized by fund type and presented in single columns in the basic financial statements, but are not reported individually, as with major funds, on the Governmental Fund Financial Statements. Also presented is a statistical section providing State data.

## **FINANCIAL ANALYSIS OF THE STATE AS A WHOLE**

### **Net Assets**

The State's assets totaled \$12,441 million at June 30, 2010 as compared to \$12,670 million at June 30, 2009. As total liabilities only totaled \$1,697 million, net assets amounted to \$10,744 million as of June 30, 2010. As of June 30, 2009, these amounts were \$1,980 million and \$10,690 million, respectively. By far the largest portion of the State of Nebraska's net assets (73 percent) reflects the State's investment in capital assets (e.g., land, buildings, equipment and infrastructure – highways, bridges, dams, etc.). The State uses these capital assets to provide services to citizens; thus, these assets are not available for future spending.

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

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

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

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

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
Current and Other						
Non-current Assets	\$ 4,176	\$ 4,491	\$ 416	\$ 427	\$ 4,592	\$ 4,918
Capital Assets	7,843	7,746	6	6	7,849	7,752
<b>Total Assets</b>	<b>12,019</b>	<b>12,237</b>	<b>422</b>	<b>433</b>	<b>12,441</b>	<b>12,670</b>
Non-current Liabilities	423	460	69	71	492	531
Other Liabilities	1,171	1,411	34	38	1,205	1,449
<b>Total Liabilities</b>	<b>1,594</b>	<b>1,871</b>	<b>103</b>	<b>109</b>	<b>1,697</b>	<b>1,980</b>
Net assets:						
Invested in Capital Assets,						
Net of Related Debt	7,820	7,719	6	6	7,826	7,725
Restricted	1,754	1,632	241	271	1,995	1,903
Unrestricted	851	1,015	72	47	923	1,062
<b>Total Net Assets</b>	<b>\$ 10,425</b>	<b>\$ 10,366</b>	<b>\$ 319</b>	<b>\$ 324</b>	<b>\$ 10,744</b>	<b>\$ 10,690</b>

Over 66% of the State's non-capital assets consist of cash and investments. It should be noted that \$356 million in 2010 and \$584 million in 2009 of such assets represent "Securities Lending Collateral," an amount created by a journal entry required by GASB in order to record a lending transaction. Since the asset is offset by a corresponding equal liability, the net asset is zero and thus the asset cannot be spent. (For more detail, see Note 2 to the financial statements.) Receivables, chiefly from taxes and the federal government, represent 19% of the non-capital assets.

Liabilities largely reflect three groupings which represent 95% of total State liabilities, not including the obligations under securities lending explained in the above paragraph. These are operational payables, which consist of accounts payables and accrued liabilities of \$457 million (\$489 million in 2009); tax refunds payable of \$319 million (\$315 million in 2009); and long-term payables explained next.

Since the State's Constitution generally prohibits the State from incurring debt, the Statement of Net Assets presents few long-term liabilities (shown as noncurrent liabilities), which total only \$492 million (\$531 million in 2009). The majority of such liabilities are for claims payable for workers' compensation, medical excess liability, litigation, unemployment insurance, and employee health insurance totaling \$133 million for 2010 (\$138 million for 2009), Medicaid claims for \$192 million (\$223 million in 2009) and the calculated amount for vested sick leave due employees when they retire and accrued vacation of \$130 million in 2010 (\$127 million for 2009). Other minor amounts of long-term liabilities consist chiefly of capital lease obligations (See Note 8 to the Financial Statements), which totaled \$23 million at June 30, 2010. There was also \$14 million of obligations under other financing arrangements (See Note 9 to the Financial Statements).

The \$59 million increase in net assets of Governmental Activities, offset by a decrease of \$164 million in unrestricted net assets, was due to the \$101 million increase in the net investment in capital assets and the \$122 million increase in restricted net assets. The major causes of the increase were a \$201 million increase in investment earnings as a result of market gains and a \$133 million decrease in taxes collected.

At the end of June 30, 2010, the State is able to report positive balances in all of the three categories of net assets.

### **Changes in Net Assets**

The condensed financial information on the following page was derived from the government-wide Statement of Activities and reflects how the State's net assets changed during the year. Following that table is management's analysis of the changes in net assets for 2010, analyzing both the governmental activities and the business-type activities.



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

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
<b>REVENUES</b>						
Program Revenues						
Charges for Services	\$ 553	\$ 594	\$ 557	\$ 292	\$ 1,110	\$ 886
Operating Grants and Contributions	2,841	2,490	-	-	2,841	2,490
Capital Grants and Contributions	25	25	-	-	25	25
General Revenues						
Taxes	3,654	3,787	-	-	3,654	3,787
Unrestricted Investment Earnings	216	15	20	23	236	38
Miscellaneous	(2)	-	-	-	(2)	-
<b>Total Revenues</b>	<b>7,287</b>	<b>6,911</b>	<b>577</b>	<b>315</b>	<b>7,864</b>	<b>7,226</b>
<b>EXPENSES</b>						
General Government	472	468	-	-	472	468
Conservation of Natural Resources	148	128	-	-	148	128
Culture - Recreation	24	29	-	-	24	29
Economic Development and Assistance	95	88	-	-	95	88
Education	1,713	1,563	-	-	1,713	1,563
Higher Education - Colleges and Universities	571	571	-	-	571	571
Health and Social Services	3,010	2,913	-	-	3,010	2,913
Public Safety	373	352	-	-	373	352
Regulation of Business and Professions	132	124	-	-	132	124
Transportation	736	797	-	-	736	797
Interest on Long-term Debt	2	2	-	-	2	2
Unemployment Insurance	-	-	432	242	432	242
Lottery	-	-	99	95	99	95
Excess Liability	-	-	7	12	7	12
Cornhusker State Industries	-	-	12	10	12	10
<b>Total Expenses</b>	<b>7,276</b>	<b>7,035</b>	<b>550</b>	<b>359</b>	<b>7,826</b>	<b>7,394</b>
Excess (deficiency) Before Transfers and Contributions to Permanent Fund Principal	11	(124)	27	(44)	38	(168)
Transfers	32	30	(32)	(30)	-	-
Contributions to Permanent Fund Principal	16	4	-	-	16	4
<b>Increase (Decrease) in Net Assets</b>	<b>59</b>	<b>(90)</b>	<b>(5)</b>	<b>(74)</b>	<b>54</b>	<b>(164)</b>
<b>Net Assets - Beginning</b>	<b>10,366</b>	<b>10,456</b>	<b>324</b>	<b>398</b>	<b>10,690</b>	<b>10,854</b>
<b>Net Assets - Ending</b>	<b>\$ 10,425</b>	<b>\$ 10,366</b>	<b>\$ 319</b>	<b>\$ 324</b>	<b>\$ 10,744</b>	<b>\$ 10,690</b>

## Governmental Activities

Governmental activities increased the State's net assets by \$59 million in 2010 (\$90 million decrease in 2009). Governmental activities represent 93% of all the primary government's revenues. Program revenues of governmental activities were \$3,419 million and were used to partially offset program expenses of \$7,276 million, leaving net expenses of \$3,857 million. Only 7% of total expenses were spent on general government expenses. General taxes, investment earnings, miscellaneous, contributions to the permanent fund principal, and transfers all totaling \$3,916 million, were \$59 million more than the remaining costs of the governmental activities' programs as shown below.

Due to the recession, tax revenues were down \$133 million compared to a decrease of \$179 million in 2009. Offsetting this decline, program revenues increased 10% from 2009, chiefly due to income from grants being up \$351 million, some of which was due to the income received from the American Recovery and Reinvestment Act (ARRA). Most of the increase in grant income was, of course, spent on increased grant designated expenses. The increase in grant-related projects was more than the \$241 million increase in program expenses. The increase in investment earnings and the increase in program revenue, coupled with a small decrease in other program expenses, greatly exceeded the loss of tax revenue and were the chief reasons the change in net assets was \$149 million higher in 2010 than the \$388 million decrease recorded in 2009. The increase in investment earnings was the result of unrealized market valuation gains on investments which was accompanied by increased actual investment earnings received. While the General Fund has more investments than other programs, it maintains safer investments and actually showed a decrease in investment income in 2010 over 2009 of \$13 million, due to declining interest rates.

Program expenses, net of revenue, decreased by \$69 million in 2010, as shown below:

### GOVERNMENTAL ACTIVITIES (in millions of dollars)

<b>Program Expenses, Net of Revenue</b>	<b>2010</b>	<b>2009</b>
General Government	\$ (359)	\$ (371)
Conservation of Natural Resources	(17)	(41)
Culture - Recreation	(3)	(8)
Economic Development and Assistance	(34)	(38)
Education	(1,210)	(1,206)
Higher Education - Colleges and University	(571)	(571)
Health and Social Services	(1,109)	(1,086)
Public Safety	(225)	(222)
Regulation of Business and Professions	4	12
Transportation	(332)	(393)
Interest on Long-Term Debt	(1)	(2)
<b>Subtotal</b>	<b>(3,857)</b>	<b>(3,926)</b>
<b>General Revenues</b>		
Taxes	3,654	3,787
Unrestricted Investment Earnings	216	15
Miscellaneous	(2)	-
<b>Transfers</b>	<b>32</b>	<b>30</b>
<b>Contributions to Permanent Fund Principal</b>	<b>16</b>	<b>4</b>
<b>Increase (Decrease) in Net Assets</b>	<b>\$ 59</b>	<b>\$ (90)</b>

Four functional areas of the State comprise 83% of the expenses of all Governmental Activities: Education, Higher Education, Health and Social Services and Transportation. Transportation comprises 88% of the decrease in program expenses, net of revenue. Education expenses were up \$150 million chiefly due to planned budgetary increases providing more school aid to the K-12 school systems in Nebraska and increased aid from federal ARRA funds. Health and Social Services was up \$97 million mainly because increased aid from federal ARRA funds. Transportation expenses were down \$61 million chiefly due to decreased highway construction. All the other functional areas had small variances in net expenses.

## **Business-type Activities**

Due to losses, the business-type activities reduced the State's net assets by \$5 million for 2010, which was net of a \$32 million transfer to the governmental activities. Most of the \$557 million of business-type activities' program revenues were related to the business assessment fees in the Unemployment Insurance Fund and Lottery Fund revenues. The Unemployment Insurance Fund had an operating loss of \$41 million in 2010, due to the recession and the State paying out \$190 million in additional unemployment claims which greatly exceeded the additional \$241 million in increased business assessment fees. This loss, when combined with the \$11 million in investment income, produced \$30 million of net loss for the Unemployment Insurance Fund. Lottery revenues of \$131 million generated net revenue of \$32 million, which was offset by the \$32 million transfer to the Governmental Activities. The lottery transfer was used primarily for education and environmental studies.

## **FINANCIAL ANALYSIS OF THE STATE'S FUNDS**

As noted earlier, the State uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

### **Governmental Funds**

The focus of the State's Governmental Funds is to provide information on near-term inflows and outflows and the availability of spendable resources. In particular, the unreserved balance may provide some indication of the State's net resources available for spending at the end of the fiscal year. (Unreserved balances may be designated or undesignated. If unreserved balances are designated, they are unreserved only within the confines of the purposes of the fund involved. In the Governmental Funds, most of the unreserved balances reside in designated funds.) At June 30, 2010, the State's Governmental Funds reported combined ending fund balances of \$2,659 million. The total unreserved balances amounted to \$1,928 million.

#### ***General Fund***

The General Fund is the chief operating fund of the State. The major General Fund liability is the estimated tax refunds payable of \$311 million. However, such refunds payable are only \$3 million more than the expected taxes owed the State. Other assets of the General Fund available to pay non tax-refund liabilities exceed such liabilities by \$719 million.

On June 30, 2009, the General Fund had a positive fund balance of \$857 million. While expenditures decreased \$56 million, revenues decreased by \$151 million in 2010. This \$95 million downslide was less than the \$231 million decrease that occurred in 2009, resulting in an operating decrease of the fund balance of \$198 million in 2010. This operating decrease in 2010, when coupled with the \$57 million of

other financing sources, caused the General Fund balance to decrease by \$141 million, ending with a fund balance of \$716 million.

Revenues in 2010, significantly less than anticipated, were down \$151 million over 2009 chiefly due to a decrease in income tax revenue of \$112 million (a 6% decrease) over 2009 and a decrease in sales and use tax revenue of \$27 million (a 2% decrease) over 2009. Investment income was down \$13 million due to the declining interest rates. Expenditures were less than budgeted due to continued efforts by agency heads to be conservative in spending. Net decreases in expenditures were caused chiefly in three areas. General Government and Public Safety expenditures decreased \$24 million and \$34 million, respectively, which offset budgeted increases in Higher Education expenditures of \$11 million.

To compensate for any downturns in revenues, the State has maintained a budgetary basis Cash Reserve Fund. While this Cash Reserve Fund is commingled with General Fund cash in the General Fund financial statements, it is separate and distinct in that, by State Statute, it can only be used (1) when the cash balance of the General Fund is insufficient to meet General Fund current obligations and (2) for legislatively mandated transfers to other funds. Any money transferred in accordance with item one above must be repaid as soon as there is sufficient cash in the General Fund cash account to do so. Even though the General Fund balance declined, no such need existed in 2010.

The Cash Reserve Fund was at \$545 million at the beginning of 2009. Due to the fact that 2009 revenues exceeded the forecast, a statutory requirement caused a \$117 million transfer from the General Fund cash account to the Cash Reserve Fund in 2009. In 2009 there were also other net transfers out of the Fund of \$87 million, leaving a Cash Reserve Fund balance at June 30, 2009 of \$575 million. In 2010 there was a statutory transfer from the Fund to the General Fund of \$105 million. In 2010, there were also net transfers out of \$3 million, leaving a Fund balance of \$467 million at June 30, 2010.

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

Other governmental fund balances totaled \$1,942 million at June 30, 2010; \$729 million of such fund balances is reserved to indicate that such dollars are not available for new spending because such funds (1) are represented by endowment principal (\$438 million), (2) are represented by an asset that has not yet been received, e.g., loans receivable (\$274 million), (3) have been expended for other assets, chiefly inventories (\$5 million) and thus the funds are not available, or (4) have been committed for debt service (\$12 million).

Of the non-General Fund unreserved fund balances of \$1,212 million, \$1,062 million represents special revenue funds, which, while unreserved, normally must be spent within the confines of such special revenue funds (a majority of these same funds are considered “restricted” on the government-wide financial statements). Sixty-eight million dollars is represented by other permanent funds, which again normally must be spent within the confines of the fund. Eighty-two million dollars is in the Capital Projects Fund, which, while unreserved, must be spent on capital projects.

The three major funds presented as special revenue funds are the Highway Fund, the Federal Fund and the Health and Social Services Fund, with total fund balances of \$595 million. Of this balance, \$588 million is classified as unreserved. The non-major special revenue fund balances totaled \$760 million, of which \$475 is unreserved.

Governmental funds other than the General Fund saw an increase in fund balances of \$108 million. The fund balances of the following funds increased: the Highway Fund (\$41 million), the Federal Fund (\$7 million), the Health and Social Service Fund (\$7 million) and the Permanent School Fund (\$57 million). The other Nonmajor Funds decreased by \$4 million.

The Highway Fund had an \$11 million decrease in charges for services. However, \$85 million of decreases in operating expenses (namely highway construction) was the chief reason the Highway Fund had a \$41 million increase in its fund balance in 2010 as opposed to a \$38 million decrease in 2009.

The activity in the Federal Fund represents federal funds received, and each year's spending should generally approximate grant funds received. In 2010 the State received a large boost in federal grants and contracts of \$341 million, charges for services decreased \$19 million and other revenue only increased \$2 million. Expenditures increased by \$145 million for Education, \$88 million for Health and Social Services and \$18 million for Public Safety in 2010 due to increases in ARRA funding. Revenues exceeded expenditures by \$50 million before transfers. Transfers out increased \$35 million, which was related to increased ARRA funding for water treatment, so at the end of 2010 there was a net increase in the fund of \$7 million, compared to a \$2 million increase in 2009.

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 \$101 million increase in investment income in 2010 (chiefly unrealized gains in the market value of investments), which was the main reason there was a \$79 million increase in the net change in fund balance in 2010, as opposed to a \$72 million decrease in 2009.

The Permanent School Fund had a \$115 million increase in revenue, chiefly due to a \$99 million increase in investment income caused by unrealized gains in the market value of investments in 2010, as opposed to a \$37 million investment income decrease in 2009 (when compared to 2008). Since expenditures decreased \$3 million in 2010, there was a \$57 million increase in fund balance in 2010, as opposed to a \$61 million decrease in 2009, a change of \$118 million.

The Nonmajor Funds revenues and expenditures both remained about the same between 2009 and 2010 and revenues about equaled expenditures. However, there was only \$6 million in net transfers in for the Nonmajor Funds in 2010 versus \$32 million in 2009 (there were significant one-time transfers to the General Fund in 2010). As a result, the net change in fund balances decreased \$5 million in 2010 as opposed to a \$37 million increase in 2009.

## **Proprietary Funds**

The State's proprietary funds provide the same type of information discussed earlier in the government-wide financial statements under Business-type Activities, but in more detail. The State's one major proprietary fund, the Unemployment Insurance Fund, reported net assets of \$239 million at the end of 2010. This fund's net assets decreased \$30 million in 2010, because unemployment claims paid out exceeded business assessment fees by \$41 million, which was offset by investment earnings of \$11 million. Other proprietary or enterprise funds, the Lottery Fund, the Excess Liability Fund (the fund established to provide limited liability for physicians working in Nebraska) and Cornhusker State Industries (an operation that utilizes incarcerated persons to manufacture and sell items) had combined income of \$57 million prior to a \$32 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 operating income of \$14 million and earned \$9 million in investment earnings for a net asset increase of \$23 million. Net Assets of Cornhusker State Industries increased \$2 million.

## **Fiduciary Funds**

The Pension Trust Funds represent the majority of the fiduciary funds. Such Pension Trust Fund's net assets increased \$1,021 million to \$7,966 million in 2010 due primarily to a rising market in 2010, which increased the market value of investments by \$930 million. (In 2009 there was a \$1,862 million

depreciation of investments.) Interest and dividend income in 2010 was \$115 million versus \$134 million in 2009. Benefits, refunds and related administrative expenses exceeded the contributions to the plans by \$9 million. In another trust fund recorded in the Private Purpose Trust Funds, contributions from State participants received by the College Savings Plan totaled \$952 million. The total net assets in the College Savings Plan now total over two billion dollars.

## ANALYSIS OF GENERAL FUND BUDGET VARIATIONS

Even though there is a relatively stable economy in the Midwest, in 2010 the State continued to feel the effects of the national recession. Forecasted revenues, upon which the State's budgeted General Fund expenditures are based, were anticipated to be basically flat in 2010 and equal to 2009 net tax revenue of \$3,231 million. Because revenues showed a declining trend during 2010, the State's Forecasting Board made two new forecasts throughout the year. At the end, the forecasted net tax revenues were \$104 million below the original forecast. However, that reduced forecast still exceeded the actual tax revenues of \$3,070 million by \$76 million, leaving the State with actual tax revenues, net of refunds, of \$180 million less than the original budget on a budgetary basis. To offset this reduced revenue, agencies continued to watch their General Fund expenditures and spent \$208 million less than the final appropriated amount. This reduction, when coupled with the reduced tax revenues, caused the State to finish 2010 with General Fund revenues of \$177 million less than expenditures on a budgetary basis, prior to net transfers out. There was a net \$58 million transferred out for specific purposes, causing the fund balance on a budgetary basis to drop from \$997 million to \$762 million in 2010.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At the end of fiscal year 2010, the State had invested \$7.8 billion, net of accumulated depreciation, in capital assets as reported in the Statement of Net Assets and summarized in the table below. Depreciation expense for 2010 totaled \$45 million, compared to \$50 million for 2009.

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

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
Land	\$ 548	\$ 537	\$ -	\$ -	\$ 548	\$ 537
Buildings and Equipment	359	362	6	6	365	368
Infrastructure	6,852	6,747	-	-	6,852	6,747
<b>Subtotal</b>	<b>7,759</b>	<b>7,646</b>	<b>6</b>	<b>6</b>	<b>7,765</b>	<b>7,652</b>
Construction in Progress	84	100	-	-	84	100
<b>Total</b>	<b>\$ 7,843</b>	<b>\$ 7,746</b>	<b>\$ 6</b>	<b>\$ 6</b>	<b>\$ 7,849</b>	<b>\$ 7,752</b>

Infrastructure (roads, bridges, dams, etc.) is by far the largest group of assets owned by the State. GASB Statement No. 34 requires the State to select one of two methods to account for its infrastructure assets. One process is to record depreciation expense on selected infrastructure assets. The State has adopted an alternative process, referred to as the modified approach. Under this alternative method, the State expenses certain maintenance and preservation costs and does not record any depreciation expense.

Assets accounted for under the modified approach include approximately 10,000 miles of roads that the State is responsible to maintain.

In assessing the condition of State roads, the State's goal is to maintain at least an overall system rating of 72 or above using the Nebraska Serviceability Index. The most recent condition assessment, completed for calendar year 2009, indicated an overall system rating of 81, a rating that has been very consistent over the past six years.

For 2010, it was estimated that the State needed to spend \$211 million to preserve and maintain the roads at the abovementioned level. The State actually spent \$270 million on roads in 2010, compared to \$239 million in 2009. For 2011, it is estimated that the State needs to spend \$267 million, a slight decrease from actual 2010 and an increase from the average of the previous five years. However, past history (page 72) indicates the State typically spends more than estimated.

The State also spent \$115 million on capitalized infrastructure and land purchases relating to roads in 2010 (\$105 million in 2009), most notably reconstructing (a) Interstate 80 between the Missouri River and Lincoln, (b) I-80 westbound bridge over the Missouri River. Major land purchases included land purchased near five State highways. At June 30, 2010, the State had contractual commitments of \$479 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 \$462 million less than at June 30, 2009 as a result of completion of highway construction and repair work being financed by the federal government.

During 2010, the State added \$47 million of new depreciable capital assets, both buildings and equipment. A more detailed analysis of capital assets is shown in Note 4 to the financial statements.

## Long-Term Debt

Long-term debt related to capital assets is minimal for reasons previously stated. For further detail and analysis of long-term debt, see Notes 8 and 13 to the financial statements.

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

	GOVERNMENTAL ACTIVITIES	
	2010	2009
<b><u>Bonds Payable:</u></b>	<u>\$ -</u>	<u>\$ 5</u>
<b><u>Capitalized Leases:</u></b>	<u>\$ 23</u>	<u>\$ 22</u>

There were no new bonds issued in 2010 or 2009. Three new capitalized leases were added in 2010 (one lease was added in 2009). Bonds and Certificates of Participation for leases issued on behalf of the State maintain an Aa3 rating from Moody's. Standard and Poor's has issued an AA+ rating for the State as a whole.

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

Nebraska's economy has been affected by the current national economic decline and Nebraska's economy has and will likely continue to impact the future net revenues of the State. Tax revenues continue to fall short of projections, but have improved in recent months. If the stock market does not continue to improve, the State may also be required to provide additional State contributions to retirement plans. In addition, the State must continue to monitor the recent annual increases in State spending for Medicaid. This is critical to the future cash position of the State. The recent infusion of funds through ARRA has greatly helped the State in regards to Medicaid costs, but that is only a short-term solution. Another area of concern is the appropriated increase in aid to education for K-12 schools and special education. Net General Fund revenues for 2011 are currently projected to exceed actual 2010 revenues by \$159 million, which is an improvement from 2010, but falls short of expected expenditures. The Legislature will need to close this expected shortfall during the next legislative session.

The State passed legislation in 2006 that commits the State's General Fund to provide aid to education for maintenance, repair and renovation of buildings and facility replacement construction on the campuses of the University and State Colleges. The total amount of the aid from 2009 through 2020 will total \$153.25 million. To date the State has spent \$19.875 million in 2007 through 2009 and \$12.125 million in 2010, and will spend \$12.125 million annually from July 1, 2010 through June 30, 2020. As of June 30, 2010, the remaining commitment for the State through 2020 is \$121 million. Both the University and the State Colleges have secured debt financing for such repairs, renovation and construction, and these State funds will be used for debt service on the bonds which will be paid off in 2020.

To help offset any future economic downturns, as previously explained, the State maintains a Cash Reserve Fund. As of June 30, 2010, this Fund had a \$467 million balance, and this remained the balance at November 30, 2010. Future significant statutory disbursements from this fund in 2011 include \$154 million to be transferred to the General Fund.

## **CONTACTING THE STATE ACCOUNTING OFFICE**

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

The State's component units issue their own separately issued audited financial statements. These statements may be obtained by directly contacting the component units. For the University of Nebraska, contact the University of Nebraska, Director of University Accounting, 209 Varner Hall, 3835 Holdrege, Lincoln, NE 68583, (402) 472-2191. For the State College System, contact the Nebraska State College System, Fiscal and Facilities Management, 1115 K Street, Lincoln, NE 68509-4605, (402) 471-2505.



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## BASIC FINANCIAL STATEMENTS

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State of Nebraska  
**STATEMENT OF NET ASSETS**  
June 30, 2010

(Dollars in Thousands)

(Dollars in Thousands)

	PRIMARY GOVERNMENT			
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS	COMPONENT UNITS
ASSETS				
Cash and Cash Equivalents	\$ 141,438	\$ 219,983	\$ 361,421	\$ 337,375
Receivables, net of allowance				
Taxes	352,836	-	352,836	-
Due from Federal Government	328,163	-	328,163	-
Other	145,666	62,082	207,748	298,934
Internal Balances	(2,250)	2,250	-	-
Due from Primary Government	-	-	-	1,664
Investments	2,560,383	114,676	2,675,059	1,571,476
Loans Receivable	274,629	-	274,629	39,102
Investment in Joint Venture	-	-	-	253,410
Other Assets	14,201	3,114	17,315	36,817
Restricted Assets:				
Cash and Cash Equivalents	17,286	-	17,286	411,619
Other	-	1,890	1,890	65,209
Securities Lending Collateral	343,531	12,031	355,562	-
Capital assets:				
Land	548,156	315	548,471	73,771
Infrastructure	6,852,227	-	6,852,227	-
Construction in Progress	84,478	-	84,478	281,735
Land Improvements	-	-	-	157,149
Buildings and Equipment	892,105	11,589	903,694	2,158,394
Less Accumulated Depreciation	(533,539)	(6,056)	(539,595)	(785,261)
Total Capital Assets, net of depreciation	7,843,427	5,848	7,849,275	1,885,788
Total Assets	\$ 12,019,310	\$ 421,874	\$ 12,441,184	\$ 4,901,394
LIABILITIES				
Accounts Payable and Accrued Liabilities	\$ 441,481	\$ 16,002	\$ 457,483	\$ 189,618
Tax Refunds Payable	318,839	-	318,839	-
Due to Other Governments	14,956	-	14,956	-
Deposits	6,900	-	6,900	15,728
Due to Component Units	1,664	-	1,664	-
Unearned Revenue	44,287	5,715	50,002	92,471
Obligations under Securities Lending	343,531	12,031	355,562	-
Noncurrent Liabilities:				
Due within one year	228,462	55,892	284,354	112,666
Due in more than one year	194,001	13,335	207,336	717,837
Total Liabilities	\$ 1,594,121	\$ 102,975	\$ 1,697,096	\$ 1,128,320
NET ASSETS				
Invested in Capital Assets, net of related debt	\$ 7,820,246	\$ 5,848	\$ 7,826,094	\$ 1,060,132
Restricted for:				
Education	18,661	-	18,661	1,403,086
Health and Social Services	436,050	-	436,050	-
Conservation of Natural Resources	450,631	-	450,631	-
Transportation	127,454	-	127,454	-
Licensing and Regulation	59,572	-	59,572	-
Other Purposes	144,091	1,890	145,981	252,830
Unemployment Insurance Benefits	-	238,988	238,988	-
Debt Service and Construction	12,447	-	12,447	316,122
Permanent Trusts:				
Nonexpendable	437,526	-	437,526	-
Expendable	67,754	-	67,754	-
Unrestricted	850,757	72,173	922,930	740,904
Total Net Assets	\$ 10,425,189	\$ 318,899	\$ 10,744,088	\$ 3,773,074

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

State of Nebraska  
**STATEMENT OF ACTIVITIES**  
For the Year Ended June 30, 2010

(Dollars in Thousands)

	PROGRAM REVENUES			
		CHARGES FOR	OPERATING	CAPITAL
<u>FUNCTIONS/PROGRAMS</u>	<u>EXPENSES</u>	<u>SERVICES</u>	<u>GRANTS AND</u>	<u>GRANTS AND</u>
			<u>CONTRIBUTIONS</u>	<u>CONTRIBUTIONS</u>
<b>PRIMARY GOVERNMENT:</b>				
Governmental Activities:				
General Government	\$ 471,614	\$ 100,501	\$ 9,333	\$ 3,164
Conservation of Natural Resources	148,452	35,483	94,088	1,824
Culture – Recreation	24,228	18,550	2,836	121
Economic Development and Assistance	95,228	2,171	59,106	-
Education	1,712,705	34,166	468,344	260
Higher Education - Colleges and University	571,288	-	-	-
Health and Social Services	3,010,299	109,333	1,792,392	-
Public Safety	372,813	25,320	102,989	19,311
Regulation of Business and Professions	132,094	131,814	4,326	-
Transportation	736,449	95,950	308,143	-
Interest on Long-term Debt	1,400	-	-	-
Total governmental activities	7,276,570	553,288	2,841,557	24,680
Business-type activities:				
Unemployment Insurance	431,836	391,067	-	-
Lottery	98,948	130,580	-	-
Excess Liability	7,220	21,475	-	-
Cornhusker State Industries	11,847	13,549	-	-
Total business-type activities	549,851	556,671	-	-
Total Primary Government	<u>\$ 7,826,421</u>	<u>\$ 1,109,959</u>	<u>\$ 2,841,557</u>	<u>\$ 24,680</u>
<b>COMPONENT UNITS:</b>				
University of Nebraska	\$ 1,686,068	\$ 762,735	\$ 328,073	\$ 43,531
State Colleges	92,856	31,486	15,627	3,320
Total Component Units	<u>\$ 1,778,924</u>	<u>\$ 794,221</u>	<u>\$ 343,700</u>	<u>\$ 46,851</u>

General revenues:  
Income Taxes  
Sales and Use Taxes  
Petroleum Taxes  
Excise Taxes  
Business and Franchise Taxes  
Other Taxes  
Unrestricted Investment earnings  
Miscellaneous  
Payments from the State of Nebraska  
Contributions to Permanent Fund Principal  
Transfers  
Total General Revenues and Transfers  
Change in Net Assets  
Net Assets - Beginning - As Restated  
Net Assets - Ending

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

**NET (EXPENSE) REVENUE AND  
CHANGES IN NET ASSETS**

PRIMARY GOVERNMENT			COMPONENT UNITS
GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	
\$ (358,616)	\$ -	\$ (358,616)	\$ -
(17,057)	-	(17,057)	-
(2,721)	-	(2,721)	-
(33,951)	-	(33,951)	-
(1,209,935)	-	(1,209,935)	-
(571,288)	-	(571,288)	-
(1,108,574)	-	(1,108,574)	-
(225,193)	-	(225,193)	-
4,046	-	4,046	-
(332,356)	-	(332,356)	-
(1,400)	-	(1,400)	-
<u>(3,857,045)</u>	<u>-</u>	<u>(3,857,045)</u>	<u>-</u>
-	(40,769)	(40,769)	-
-	31,632	31,632	-
-	14,255	14,255	-
-	1,702	1,702	-
<u>-</u>	<u>6,820</u>	<u>6,820</u>	<u>-</u>
<u>(3,857,045)</u>	<u>6,820</u>	<u>(3,850,225)</u>	<u>-</u>
-	-	-	(551,729)
-	-	-	(42,423)
-	-	-	(594,152)
1,676,829	-	1,676,829	-
1,447,865	-	1,447,865	-
303,865	-	303,865	-
132,779	-	132,779	-
79,115	-	79,115	-
13,436	-	13,436	-
216,190	20,293	236,483	55,101
(1,927)	27	(1,900)	380,307
-	-	-	571,288
16,314	-	16,314	-
32,000	(32,000)	-	-
<u>3,916,466</u>	<u>(11,680)</u>	<u>3,904,786</u>	<u>1,006,696</u>
59,421	(4,860)	54,561	412,544
<u>10,365,768</u>	<u>323,759</u>	<u>10,689,527</u>	<u>3,360,530</u>
<u>\$ 10,425,189</u>	<u>\$ 318,899</u>	<u>\$ 10,744,088</u>	<u>\$ 3,773,074</u>

State of Nebraska  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
June 30, 2010

(Dollars in Thousands)

	GENERAL FUND	HIGHWAY FUND	FEDERAL FUND	HEALTH AND SOCIAL SERVICES	PERMANENT SCHOOL FUND	NONMAJOR FUNDS	TOTALS
<b>ASSETS:</b>							
Cash and Cash Equivalents	\$ 4,441	\$ 544	\$ 386	\$ 158	\$ 116	\$ 11,963	\$ 17,608
Cash on Deposit with Fiscal Agents	-	-	-	-	-	17,286	17,286
Investments	825,091	141,062	99,226	409,489	474,196	611,319	2,560,383
Securities Lending Collateral	141,037	24,112	17,451	31,076	30,819	99,036	343,531
Receivables, net of allowance							
Taxes	308,067	44,568	-	-	-	201	352,836
Due from Federal Government	14	34,402	292,511	-	-	1,236	328,163
Loans	137	-	1,694	316	-	272,482	274,629
Other	28,828	6,281	42,927	28,826	22,921	12,993	142,776
Due from Other Funds	99,476	258	734	3,908	-	3,708	108,084
Inventories	752	4,302	4,125	379	-	-	9,558
Prepaid Items	5	10	4	2	-	124	145
Other	443	-	-	-	-	2,600	3,043
<b>TOTAL ASSETS</b>	<b>\$ 1,408,291</b>	<b>\$ 255,539</b>	<b>\$ 459,058</b>	<b>\$ 474,154</b>	<b>\$ 528,052</b>	<b>\$ 1,032,948</b>	<b>\$ 4,158,042</b>
<b>LIABILITIES AND FUND BALANCE</b>							
<b>LIABILITIES:</b>							
Accounts Payable and Accrued Liabilities	\$ 89,879	\$ 52,971	\$ 177,150	\$ 6,513	\$ 31,273	\$ 34,362	\$ 392,148
Tax Refunds Payable	310,913	7,926	-	-	-	-	318,839
Due to Other Governments	9,205	4,708	-	-	-	1,043	14,956
Deposits	444	1,052	3,521	289	183	1,411	6,900
Due to Other Funds	36,240	3,286	101,904	225	8	9,100	150,763
Due to Component Units	1,664	-	-	-	-	-	1,664
Obligations under Securities Lending	141,037	24,112	17,451	31,076	30,819	99,036	343,531
Claims Payable	75,426	-	110,228	-	-	-	185,654
Deferred Revenue	27,059	-	33,606	18,094	6,223	-	84,982
<b>TOTAL LIABILITIES</b>	<b>691,867</b>	<b>94,055</b>	<b>443,860</b>	<b>56,197</b>	<b>68,506</b>	<b>144,952</b>	<b>1,499,437</b>
<b>FUND BALANCES:</b>							
Reserved for:							
Long-Term Receivables	137	-	1,694	316	-	272,482	274,629
Inventories and Prepaid Items	757	4,312	95	381	-	124	5,669
Debt Service	-	-	-	-	-	12,447	12,447
Endowment Principal	-	-	-	-	417,961	19,565	437,526
Unreserved, reported in:							
General Fund	715,530	-	-	-	-	-	715,530
Special Revenue Funds	-	157,172	13,409	417,260	-	474,838	1,062,679
Permanent Funds	-	-	-	-	41,585	26,169	67,754
Capital Projects Fund	-	-	-	-	-	82,371	82,371
<b>TOTAL FUND BALANCES</b>	<b>716,424</b>	<b>161,484</b>	<b>15,198</b>	<b>417,957</b>	<b>459,546</b>	<b>887,996</b>	<b>2,658,605</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,408,291</b>	<b>\$ 255,539</b>	<b>\$ 459,058</b>	<b>\$ 474,154</b>	<b>\$ 528,052</b>	<b>\$ 1,032,948</b>	<b>\$ 4,158,042</b>

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

State of Nebraska

# RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS

June 30, 2010

(Dollars in Thousands)

**Total fund balances for governmental funds**

\$ 2,658,605

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Land	548,156	
Infrastructure	6,852,227	
Construction in progress	84,478	
Other capital assets	825,789	
Accumulated depreciation	<u>(486,418)</u>	7,824,232

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

41,643

Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets.

54,380

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	(8,415)	
Obligations under other financing arrangements	(14,405)	
Compensated absences	(124,144)	
Claims and judgments	<u>(6,707)</u>	<u>(153,671)</u>

**Net assets of governmental activities**

\$ 10,425,189

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

## State of Nebraska

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

For the Year Ended June 30, 2010

(Dollars in Thousands)

	GENERAL FUND	HIGHWAY FUND	FEDERAL FUND	HEALTH AND SOCIAL SERVICES	PERMANENT SCHOOL FUND	NONMAJOR FUNDS	TOTALS
<b>REVENUES:</b>							
Income Taxes	\$ 1,674,867	\$ -	\$ -	\$ 1,055	\$ -	\$ -	\$ 1,675,922
Sales and Use Taxes	1,295,627	153,133	-	-	-	3,602	1,452,362
Petroleum Taxes	-	290,595	-	-	3,140	13,270	307,005
Excise Taxes	72,397	-	-	6,743	-	53,639	132,779
Business and Franchise Taxes	62,696	-	-	-	-	16,419	79,115
Other Taxes	1,734	2,869	-	-	-	8,833	13,436
Federal Grants and Contracts	40	284,946	2,543,805	17	-	37,181	2,865,989
Licenses, Fees and Permits	19,227	76,346	583	46,202	1,288	123,253	266,899
Charges for Services	2,784	16,721	21,832	22,354	-	32,474	96,165
Investment Income	59,878	8,147	6,472	36,714	57,182	43,960	212,353
Rents and Royalties	-	406	22	413	32,347	16,098	49,286
Surcharge	-	-	-	-	-	54,937	54,937
Other	3,605	2,776	5,421	13,518	12,292	53,667	91,279
<b>TOTAL REVENUES</b>	<b>3,192,855</b>	<b>835,939</b>	<b>2,578,135</b>	<b>127,016</b>	<b>106,249</b>	<b>457,333</b>	<b>7,297,527</b>
<b>EXPENDITURES:</b>							
Current:							
General Government	341,543	-	6,797	-	-	90,990	439,330
Conservation of Natural Resources	38,566	-	43,938	-	-	67,052	149,556
Culture – Recreation	5,996	-	2,644	-	-	21,543	30,183
Economic Development and Assistance	7,182	-	60,652	-	-	28,750	96,584
Education	1,171,903	-	466,940	-	49,075	23,017	1,710,935
Higher Education - Colleges and University	557,786	-	-	-	-	13,502	571,288
Health and Social Services	1,069,751	-	1,817,846	114,884	-	2,197	3,004,678
Public Safety	193,832	-	120,852	-	-	36,400	351,084
Regulation of Business and Professions	3,853	-	4,231	-	-	123,800	131,884
Transportation	-	815,545	4,135	-	-	22,903	842,583
Capital Projects	-	-	-	-	-	30,584	30,584
Debt Service:							
Principal	-	-	-	-	-	6,105	6,105
Interest	-	-	-	-	-	976	976
<b>TOTAL EXPENDITURES</b>	<b>3,390,412</b>	<b>815,545</b>	<b>2,528,035</b>	<b>114,884</b>	<b>49,075</b>	<b>467,819</b>	<b>7,365,770</b>
Excess of Revenues Over (Under) Expenditures	(197,557)	20,394	50,100	12,132	57,174	(10,486)	(68,243)
<b>OTHER FINANCING SOURCES (USES):</b>							
Transfers In	80,104	31,339	-	865	-	113,848	226,156
Transfers Out	(27,050)	(10,360)	(42,740)	(6,108)	-	(107,898)	(194,156)
Proceeds from Capital Leases	4,323	-	-	-	-	35	4,358
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>57,377</b>	<b>20,979</b>	<b>(42,740)</b>	<b>(5,243)</b>	<b>-</b>	<b>5,985</b>	<b>36,358</b>
Net Change in Fund Balances	(140,180)	41,373	7,360	6,889	57,174	(4,501)	(31,885)
<b>FUND BALANCES, JULY 1</b>	<b>856,604</b>	<b>120,111</b>	<b>7,838</b>	<b>411,068</b>	<b>402,372</b>	<b>892,497</b>	<b>2,690,490</b>
<b>FUND BALANCES, JUNE 30</b>	<b>\$ 716,424</b>	<b>\$ 161,484</b>	<b>\$ 15,198</b>	<b>\$ 417,957</b>	<b>\$ 459,546</b>	<b>\$ 887,996</b>	<b>\$ 2,658,605</b>

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



State of Nebraska

# RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2010

(Dollars in Thousands)

<b>Net change in fund balances—total governmental funds</b>	<b>\$</b>	<b>(31,885)</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, net of gains or losses	133,103	
Depreciation expense	<u>(36,425)</u>	96,678

Some capital additions were financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the Statement of Net Assets, the lease obligation is reported as a liability.	(4,358)
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Repayment of long-term debt and other financing arrangements is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. In the current year these amounts consisted of:

Bond principal retirement	4,850	
Other financing arrangement payments	1,255	
Capital lease payments	<u>5,517</u>	11,622

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.	(6,253)
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Because some revenues will not be collected in the next year, they are not considered available revenues and are deferred in the governmental funds. Unearned revenues decreased by this amount this year.	(5,984)
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Some items reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Decrease in accrued interest	133	
Increase in compensated absences	(2,145)	
Decrease in claims and judgments	<u>1,613</u>	<u>(399)</u>

<b>Change in net assets of governmental activities</b>	<b>\$</b>	<b><u>59,421</u></b>
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*The accompanying notes are an integral part of the financial statements.*

State of Nebraska  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
June 30, 2010

(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>ASSETS</b>				
CURRENT ASSETS:				
Cash and Cash Equivalents	\$ 189,911	\$ 30,072	\$ 219,983	\$ 124,499
Receivables, net of allowance	50,259	11,823	62,082	2,698
Due from Other Funds	-	2,370	2,370	18,737
Inventories	-	2,690	2,690	309
Prepaid Items	-	424	424	1,146
TOTAL CURRENT ASSETS	<u>240,170</u>	<u>47,379</u>	<u>287,549</u>	<u>147,389</u>
NONCURRENT ASSETS:				
Restricted Long-Term Deposits	-	1,890	1,890	-
Long-Term Investments	49,060	65,616	114,676	-
Securities Lending Collateral	8,386	3,645	12,031	-
Capital Assets:				
Land	-	315	315	-
Buildings and Equipment	870	10,719	11,589	66,316
Less Accumulated Depreciation	(862)	(5,194)	(6,056)	(47,121)
Total Capital Assets, net	<u>8</u>	<u>5,840</u>	<u>5,848</u>	<u>19,195</u>
TOTAL NONCURRENT ASSETS	<u>57,454</u>	<u>76,991</u>	<u>134,445</u>	<u>19,195</u>
TOTAL ASSETS	<u>\$ 297,624</u>	<u>\$ 124,370</u>	<u>\$ 421,994</u>	<u>\$ 166,584</u>
<b>LIABILITIES AND NET ASSETS</b>				
CURRENT LIABILITIES:				
Accounts Payable and Accrued Liabilities	\$ 67	\$ 15,935	\$ 16,002	\$ 22,394
Due to Other Funds	2	118	120	5,724
Capital Lease Obligations	-	-	-	4,098
Claims, Judgments and Compensated Absences	48,973	6,919	55,892	26,139
Unearned Revenue	1,182	4,533	5,715	948
TOTAL CURRENT LIABILITIES	<u>50,224</u>	<u>27,505</u>	<u>77,729</u>	<u>59,303</u>
NONCURRENT LIABILITIES:				
Capital Lease Obligations	-	-	-	10,668
Claims, Judgments and Compensated Absences	18	13,317	13,335	42,233
Obligations under Securities Lending	8,386	3,645	12,031	-
TOTAL NONCURRENT LIABILITIES	<u>8,404</u>	<u>16,962</u>	<u>25,366</u>	<u>52,901</u>
TOTAL LIABILITIES	<u>58,628</u>	<u>44,467</u>	<u>103,095</u>	<u>112,204</u>
NET ASSETS:				
Invested in Capital Assets, net of related debt	8	5,840	5,848	4,429
Restricted for:				
Lottery Prizes, Noncurrent	-	1,890	1,890	-
Unemployment Insurance Benefits	238,988	-	238,988	-
Unrestricted	-	72,173	72,173	49,951
TOTAL NET ASSETS	<u>238,996</u>	<u>79,903</u>	<u>318,899</u>	<u>54,380</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 297,624</u>	<u>\$ 124,370</u>	<u>\$ 421,994</u>	<u>\$ 166,584</u>

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

State of Nebraska

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

For the Year Ended June 30, 2010

(Dollars in Thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
	UNEMPLOYMENT INSURANCE	NONMAJOR ENTERPRISE FUNDS	TOTALS	
<b>OPERATING REVENUES:</b>				
Charges for Services	\$ 391,067	\$ 165,450	\$ 556,517	\$ 318,312
Other	-	154	154	1,497
TOTAL OPERATING REVENUES	391,067	165,604	556,671	319,809
<b>OPERATING EXPENSES:</b>				
Personal Services	72	5,875	5,947	35,354
Services and Supplies	7	29,862	29,869	104,521
Lottery Prizes	-	75,034	75,034	-
Unemployment Claims	431,732	-	431,732	-
Insurance Claims	-	6,755	6,755	180,800
Depreciation	25	489	514	8,726
TOTAL OPERATING EXPENSES	431,836	118,015	549,851	329,401
Operating Income (Loss)	(40,769)	47,589	6,820	(9,592)
<b>NONOPERATING REVENUES (EXPENSES):</b>				
Investment Income	11,234	9,059	20,293	3,837
Gain (Loss) on Sale of Capital Assets	-	27	27	(196)
Other	-	-	-	(302)
TOTAL NONOPERATING REVENUES (EXPENSES)	11,234	9,086	20,320	3,339
Income (Loss) Before Transfers	(29,535)	56,675	27,140	(6,253)
Transfers Out	-	(32,000)	(32,000)	-
Change in Net Assets	(29,535)	24,675	(4,860)	(6,253)
<b>NET ASSETS, JULY 1</b>	268,531	55,228	323,759	60,633
<b>NET ASSETS, JUNE 30</b>	<u>\$ 238,996</u>	<u>\$ 79,903</u>	<u>\$ 318,899</u>	<u>\$ 54,380</u>

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, 2010

(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	\$ 365,774	\$ 156,107	\$ 521,881	\$ 19,266
Cash Received from Interfund Charges	-	9,318	9,318	331,789
Cash Paid to Employees	(71)	(6,051)	(6,122)	(36,406)
Cash Paid to Suppliers	(232)	(28,626)	(28,858)	(99,782)
Cash Paid for Lottery Prizes	-	(76,452)	(76,452)	-
Cash Paid for Insurance Claims	(421,465)	(18,977)	(440,442)	(182,881)
Cash Paid for Interfund Services	(7)	(1,028)	(1,035)	(8,545)
NET CASH FLOWS FROM OPERATING ACTIVITIES	(56,001)	34,291	(21,710)	23,441
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Transfers Out	-	(32,000)	(32,000)	-
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Acquisition and Construction of Capital Assets	-	(75)	(75)	(2,807)
Proceeds from Sale of Capital Assets	-	23	23	625
Principal Paid on Capital Leases	-	-	-	(5,689)
Interest Paid on Capital Leases	-	-	-	(302)
NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	-	(52)	(52)	(8,173)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Purchase of Investment Securities	(14,841)	(170,016)	(184,857)	-
Proceeds from Sale of Investment Securities	-	169,270	169,270	-
Interest and Dividend Income	11,172	4,951	16,123	3,590
NET CASH FLOWS FROM INVESTING ACTIVITIES	(3,669)	4,205	536	3,590
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(59,670)	6,444	(53,226)	18,858
<b>CASH AND CASH EQUIVALENTS, JULY 1</b>	<u>249,581</u>	<u>23,628</u>	<u>273,209</u>	<u>105,641</u>
<b>CASH AND CASH EQUIVALENTS, JUNE 30</b>	<u>\$ 189,911</u>	<u>\$ 30,072</u>	<u>\$ 219,983</u>	<u>\$ 124,499</u>

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

State of Nebraska  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS (Continued)**  
For the Year Ended June 30, 2010

(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>RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Operating Income (Loss)	<u>\$ (40,769)</u>	<u>\$ 47,589</u>	<u>\$ 6,820</u>	<u>\$ (9,592)</u>
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:				
Depreciation	25	489	514	8,726
Change in Assets and Liabilities:				
(Increase) Decrease in Receivables	(26,475)	1,776	(24,699)	291
(Increase) Decrease in Due from Other Funds	-	(1,929)	(1,929)	30,630
(Increase) Decrease in Inventories	-	(533)	(533)	(120)
(Increase) Decrease in Prepaid Items	-	(68)	(68)	59
(Increase) Decrease in Long-Term Deposits	-	6	6	-
Increase (Decrease) in Accounts Payable and Accrued Liabilities	(233)	(826)	(1,059)	(4,436)
Increase (Decrease) in Due to Other Funds	2	35	37	(361)
Increase (Decrease) in Claims Payable	10,267	(12,222)	(1,955)	(2,081)
Increase (Decrease) in Unearned Revenue	<u>1,182</u>	<u>(26)</u>	<u>1,156</u>	<u>325</u>
Total Adjustments	<u>(15,232)</u>	<u>(13,298)</u>	<u>(28,530)</u>	<u>33,033</u>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<u><u>\$ (56,001)</u></u>	<u><u>\$ 34,291</u></u>	<u><u>\$ (21,710)</u></u>	<u><u>\$ 23,441</u></u>

**NONCASH TRANSACTIONS** (dollars in thousands):

Noncash transactions are investing and financing activities that affect assets and liabilities but do not result in cash receipts or payments.

The following noncash transactions occurred during the year:

Capital Assets acquired through Capital Leases	\$ -	\$ -	\$ -	\$ 7,847
Change in Fair Value of Investments	-	4,135	4,135	-
Total Noncash Transactions	<u>\$ -</u>	<u>\$ 4,135</u>	<u>\$ 4,135</u>	<u>\$ 7,847</u>

State of Nebraska  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
June 30, 2010

(Dollars in Thousands)	PENSION TRUST	PRIVATE PURPOSE TRUST	AGENCY
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 7,069	\$ 23,989	\$ 85,100
Investments:			
U.S. Treasury Notes and Bonds	199,345	-	-
U.S. Treasury Bills	6,395	-	-
Government Agency Securities	44,007	-	-
Corporate Bonds	588,496	-	-
International Bonds	81,649	-	-
Equity Securities	1,550,946	-	-
Private Equity	154,435	-	-
Options	(884)	-	-
Mortgages	510,263	-	-
Private Real Estate	104,200	-	-
Asset Backed Securities	100,302	-	-
Municipal Bonds	36,377	-	-
Commingled Funds	4,344,703	2,033,778	-
Guaranteed Investment Contracts	107,628	-	-
Short Term Investments	125,407	2,658	-
Total Investments	7,953,269	2,036,436	-
Securities Lending Collateral	457,185	-	-
Receivables:			
Contributions	24,374	-	-
Interest and Dividends	14,139	2,218	582
Other	214,926	-	595
Total Receivables	253,439	2,218	1,177
Due from Other Funds	27,608	-	-
Capital Assets:			
Buildings and Equipment	22,571	-	-
Less Accumulated Depreciation	(18,599)	-	-
Total Capital Assets, net	3,972	-	-
Other Assets	-	10,475	-
<b>TOTAL ASSETS</b>	<b>\$ 8,702,542</b>	<b>\$ 2,073,118</b>	<b>\$ 86,277</b>
<b>LIABILITIES</b>			
Accounts Payable and Accrued Liabilities	\$ 278,063	\$ 2,678	\$ 17,395
Due to Other Governments	-	-	46,895
Deposits	-	835	-
Due to Other Funds	187	5	-
Obligations under Securities Lending	457,185	-	-
Capital Lease Obligations	757	-	-
Accrued Compensated Absences	274	-	-
Other Liabilities	-	-	21,987
<b>TOTAL LIABILITIES</b>	<b>\$ 736,466</b>	<b>\$ 3,518</b>	<b>\$ 86,277</b>
<b>NET ASSETS</b>			
Held in Trust for:			
Pension Benefits	\$ 7,966,076	\$ -	\$ -
College Savings Plan	-	2,032,290	-
Other Purposes	-	37,310	-
<b>TOTAL NET ASSETS</b>	<b>\$ 7,966,076</b>	<b>\$ 2,069,600</b>	<b>\$ -</b>

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

## State of Nebraska

# STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

## FIDUCIARY FUNDS

For the Year Ended June 30, 2010

(Dollars in Thousands)

	PENSION TRUST	PRIVATE PURPOSE TRUST
<b>ADDITIONS:</b>		
Contributions:		
Participant Contributions	\$ 187,183	\$ 951,911
Client Contributions	-	198
State Contributions	96,463	-
Political Subdivision Contributions	128,850	-
Court Fees	3,543	-
Total Contributions	416,039	952,109
Investment Income:		
Net Appreciation (Depreciation) in		
Fair Value of Investments	930,439	301,843
Interest and Dividend Income	114,831	44,211
Securities Lending Income	3,458	-
Total Investment Income	1,048,728	346,054
Investment Expenses	17,429	12,806
Securities Lending Expenses	1,308	-
Total Investment Expense	18,737	12,806
Net Investment Income	1,029,991	333,248
Escheat Revenue	-	8,850
Other Additions	135	5,495
TOTAL ADDITIONS	1,446,165	1,299,702
<b>DEDUCTIONS:</b>		
Benefits	400,584	725,500
Refunds	10,790	-
Amounts Distributed to Outside Parties	-	16,245
Administrative Expenses	8,698	1,917
Other Deductions	5,023	-
TOTAL DEDUCTIONS	425,095	743,662
Change in Net Assets Held in Trust for:		
Pension Benefits	1,021,070	-
College Savings Plan	-	558,891
Other Purposes	-	(2,851)
<b>NET ASSETS-BEGINNING OF YEAR</b>	6,945,006	1,513,560
<b>NET ASSETS-END OF YEAR</b>	<u>\$ 7,966,076</u>	<u>\$ 2,069,600</u>

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

State of Nebraska  
**STATEMENT OF NET ASSETS**  
**COMPONENT UNITS**  
June 30, 2010

(Dollars in Thousands)

	UNIVERSITY OF NEBRASKA	STATE COLLEGES	TOTALS
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 310,411	\$ 26,964	\$ 337,375
Receivables, net of allowance			
Loans	36,587	2,515	39,102
Other	295,394	3,540	298,934
Due from Primary Government	-	1,664	1,664
Investments	1,540,069	31,407	1,571,476
Investment in Joint Venture	253,410	-	253,410
Other Assets	32,942	3,875	36,817
Restricted Assets:			
Cash and Cash Equivalents	389,167	22,452	411,619
Investments Held by Trustee	64,936	273	65,209
Capital assets:			
Land	72,803	968	73,771
Land Improvements	135,018	22,131	157,149
Construction in Progress	250,162	31,573	281,735
Buildings and Equipment	1,998,146	160,248	2,158,394
Less Accumulated Depreciation	(712,135)	(73,126)	(785,261)
Total Capital Assets, net of depreciation	<u>1,743,994</u>	<u>141,794</u>	<u>1,885,788</u>
Total Assets	<u>\$ 4,666,910</u>	<u>\$ 234,484</u>	<u>\$ 4,901,394</u>
<b>LIABILITIES</b>			
Accounts Payable and Accrued Liabilities	\$ 179,396	\$ 10,222	\$ 189,618
Deposits	15,245	483	15,728
Deferred Revenue	92,112	359	92,471
Noncurrent Liabilities:			
Due within one year	109,772	2,894	112,666
Due in more than one year	679,791	38,046	717,837
Total Liabilities	<u>\$ 1,076,316</u>	<u>\$ 52,004</u>	<u>\$ 1,128,320</u>
<b>NET ASSETS</b>			
Invested in Capital Assets, net of related debt	\$ 955,142	\$ 104,990	\$ 1,060,132
Restricted for:			
Education	1,403,086	-	1,403,086
Other Purposes	213,657	39,173	252,830
Construction and Debt Service	301,230	14,892	316,122
Unrestricted	717,479	23,425	740,904
Total Net Assets	<u>\$ 3,590,594</u>	<u>\$ 182,480</u>	<u>\$ 3,773,074</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, 2010

(Dollars in Thousands)

	UNIVERSITY OF NEBRASKA	STATE COLLEGES	TOTALS
Operating Expenses:			
Compensation and benefits	\$ 1,056,707	\$ 58,867	\$ 1,115,574
Supplies and materials	232,366	9,063	241,429
Contractual services	113,271	3,145	116,416
Repairs and maintenance	76,367	1,723	78,090
Utilities	37,157	3,833	40,990
Communications	13,655	889	14,544
Depreciation	83,554	5,112	88,666
Scholarships and fellowships	58,702	1,365	60,067
Other	14,289	8,859	23,148
Total Operating Expenses	1,686,068	92,856	1,778,924
Program Revenues:			
Charges for Services	762,735	31,486	794,221
Operating Grants and Contributions	328,073	15,627	343,700
Capital Grants and Contributions	43,531	3,320	46,851
Total Program Revenues	1,134,339	50,433	1,184,772
Net (Expense) Revenue	(551,729)	(42,423)	(594,152)
General Revenue:			
Interest and investment earnings	53,334	1,767	55,101
Miscellaneous	376,518	3,789	380,307
Payments from the State of Nebraska	515,375	55,913	571,288
Total General Revenues	945,227	61,469	1,006,696
Change in Net Assets	393,498	19,046	412,544
Net Assets - Beginning - As Restated	3,197,096	163,434	3,360,530
Net Assets - Ending	\$ 3,590,594	\$ 182,480	\$ 3,773,074

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

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended June 30, 2010

(dollars expressed in thousands)

**1. Summary of Significant Accounting Policies**

**A. Basis of Presentation.** The accompanying financial statements of the State of Nebraska (the "State") and its component units have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The financial statements have been prepared primarily from accounts maintained by the State Accounting Administrator of Administrative Services. Additional data has been derived from audited financial statements of certain entities and from reports prescribed by the State Accounting Administrator and prepared by various State agencies and departments based on independent or subsidiary accounting systems maintained by them.

**B. Reporting Entity.** In determining its financial reporting entity, the State has considered all potential component units for which it is financially accountable, and other organizations which are fiscally dependent on the State, or the significance of their relationship with the State are such that exclusion would be misleading or incomplete. The GASB has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the State to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the State.

As required by GAAP, these financial statements present the State and its component units. The component units are included in the State's reporting entity because of the significance of their operational or financial relationships with the State. Complete financial statements of the individual component units that issue separate financial statements, as noted below, can be obtained from their respective administrative offices.

**Blended Component Unit.** The following component unit is an entity that is legally separate from the State, but is so intertwined with the State that it is, in substance, the same as the State. It is reported as part of the State and blended into the appropriate fund.

**NETC Leasing Corporation.** The NETC Leasing Corporation is a nonprofit corporation formed by the State in 1999 to acquire property to be leased

to and purchased by the Nebraska Educational Telecommunications Commission (NETC), a State agency. The Governor appoints the members of the Board of Commissioners of the NETC and they in turn appoint and elect the five members of the Board of Directors of the NETC Leasing Corporation. Even though it is legally separate, the NETC Leasing Corporation is reported as if it were part of the State because it provides services entirely to the State.

**Discretely Presented Component Units.** The following component units are entities that are legally separate from the State, but are financially accountable to the State, or their relationships with the State are such that their exclusion would cause the State's financial statements to be misleading or incomplete. The component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the State and governed by separate boards.

**Nebraska State College System.** The Board of Trustees of the Nebraska State Colleges governs Chadron State College, Peru State College and Wayne State College. The Board of Trustees is also the Board of Directors of the Nebraska State Colleges Facilities Corporation, a nonprofit corporation incorporated in 1983 to finance the repair or construction of buildings or the acquisition of equipment for use by the State Colleges. The Board of Trustees consists of the Commissioner of Education and six members appointed by the Governor. Chadron State, Peru State and Wayne State Foundations are tax-exempt nonprofit corporations whose purpose is to provide financial support for the Nebraska State College System. Audit reports have been issued under separate cover.

**University of Nebraska.** The University of Nebraska consists of the following campuses: University of Nebraska – Lincoln, University of Nebraska at Omaha, University of Nebraska at Kearney, and University of Nebraska Medical Center. The University of Nebraska is governed by an elected eight-member Board of Regents. The University's financial reporting entity also consists of the following units: the University of Nebraska Facilities Corporation, a nonprofit corporation organized to finance the construction and repair of buildings and hold them in trust for the University of Nebraska; the UNMC Physicians, organized for the purpose of billing medical service fees generated by university clinicians; UNeMed, organized to develop and market biomedical technologies for the University; the University

Dental Associates, organized for the purpose of billing dental service fees generated by university dentists; the Nebraska Utility Corporation, formed to purchase, lease, construct and finance activities relating to energy requirements of the University of Nebraska-Lincoln; the Peter Kiewit Institute Technology Development Corporation, a nonprofit corporation formed for the purpose of teaching and developing information science technology through students and faculty by conducting applied research; and the University of Nebraska Foundation, a tax-exempt nonprofit corporation whose purpose is to provide financial support for the University of Nebraska. The University of Nebraska is included as a component unit because it is fiscally dependant on the State, since the Nebraska Legislature controls the budget of the University. Audit reports have been issued under separate cover.

The university and colleges are funded chiefly through State appropriations, tuition, federal grants, private donations and grants, and auxiliary operations.

**Related Organizations.** The State's officials are responsible for appointing members of boards of other organizations, but the State's accountability for these organizations does not extend beyond making these appointments. The Governor appoints the boards of the following organizations: Nebraska Educational Finance Authority, Nebraska Investment Finance Authority, and Wyuka Cemetery.

**C. Government-wide and Fund Financial Statements.** The basic financial statements include both government-wide and fund financial statements. The reporting model based on the GASB Statement No. 34 *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* focuses on the State as a whole in the government-wide financial statements and major individual funds in the fund financial statements. The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The Statement of Net Assets presents the reporting entity's non-fiduciary assets and liabilities, with the

difference reported as net assets. Net assets are reported in three categories:

**Investment in Capital Assets, net of related debt.** This category reflects the portion of net assets associated with capital assets, net of accumulated depreciation and reduced by outstanding bonds and other debt that are attributed to the acquisition, construction or improvement of those assets.

**Restricted Net Assets.** This category results when constraints are externally imposed on net asset use by creditors, grantors or contributors, or imposed by law through constitutional provisions or enabling legislation.

It is the policy of the State to spend restricted net assets only when unrestricted net assets are insufficient or unavailable.

The Statement of Net Assets reports \$1,995,064 of restricted net assets, of which \$1,217,578 is restricted by enabling legislation.

**Unrestricted Net Assets.** This category represents net assets that do not meet the definition of the preceding two categories. Unrestricted net assets often have constraints on resources that are imposed by management, but those constraints can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Indirect expenses are reflected in the general government function. Administrative overhead charges of internal service funds are included in direct expenses. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment; and 3) investment earnings of permanent funds that are legally restricted for a specific program. Taxes and other items not meeting the definition of program revenues are instead reported as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements, with nonmajor funds being combined into a single column.

**D. Basis of Accounting.** The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of

accounting, as are the proprietary fund and fiduciary fund financial statements, except agency funds. With the economic resources measurement focus, all assets and all liabilities associated with the operations are included on the statement of net assets. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues and related receivables are recognized as they become susceptible to accrual; generally when they become both measurable and available, i.e., earned and collected within the next 60 days, except for federal reimbursement grants which use a one year availability period. Revenues are generally considered to be susceptible to accrual when the underlying transaction takes place or when eligibility requirements are met. Major revenues that are determined to be susceptible to accrual include sales taxes, income taxes, other taxpayer-assessed tax revenues, unemployment insurance taxes, federal grants and contracts, charges for services, and investment income. All other revenue items, including estate taxes, are considered to be measurable and available when cash is received by the State. Receivables not expected to be collected in the next 60 days (or 12 months in the case of federal reimbursement grants) are offset by deferred revenue.

Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, expenditures related to debt service, compensated absences, and claims and judgments are recorded only when payment is due and payable.

The State reports the following major governmental funds:

**General Fund.** This is the State's primary operating fund. It reflects transactions related to resources received and used for those services traditionally provided by a state government, which are not accounted for in any other fund.

**Highway Fund.** This fund accounts for the maintenance and preservation of State highways financed with sales tax on motor vehicles, gas taxes, federal aid and other highway user fees.

**Federal Fund.** This fund accounts for substantially all federal monies received by the State, except those received by the Highway Fund.

**Health and Social Services Fund.** This fund accounts for activities of agencies, boards, and commissions providing health care and social

services financed primarily by user fees and tobacco settlement proceeds.

**Permanent School Fund.** This fund receives proceeds from any sale of the school lands held in trust for public education; payments for easements and rights-of-way over these lands; royalties and severance taxes paid on oil, gas and minerals produced from these lands; escheats; unclaimed property and other items provided by law. Net appreciation on investments is not available for expenditure. Income is distributed to public schools.

The State reports the following major enterprise fund:

**Unemployment Insurance Fund.** This fund accounts for the State's unemployment insurance benefits. Revenues consist of taxes assessed on employers to pay benefits to qualified unemployed persons.

Additionally, the State reports the following fund types:

#### **Governmental Fund Types:**

**Special Revenue Funds.** Reflect transactions related to resources received and used for restricted or specific purposes.

**Capital Projects Fund.** Reflects transactions related to resources received and used for the acquisition, construction, or improvement of capital facilities.

**Permanent Funds.** Reflect transactions related to resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that benefit the government or its citizens, such as veterans, state airports and others.

#### **Proprietary Fund Types:**

**Enterprise Funds.** Reflect transactions used to account for those operations that are financed and operated in a manner similar to private business or where the governing body has decided that the determination of revenues earned, expenses incurred and/or net income is necessary for management accountability.

**Internal Service Funds.** These funds account for fleet management, facilities management, accounting, risk management, communication, information technology, printing, purchasing, and postal services provided to other funds on a cost reimbursement basis.

#### **Fiduciary Fund Types:**

**Pension Trust Funds.** These funds account for State Employee Retirement System, County Employee Retirement System, School Retirement System, Judges Retirement System,

State Patrol Retirement System and Deferred Compensation pension benefits.

**Private Purpose Trust Funds.** These funds account for property escheated to the State held for private individuals, Nebraska College Savings Plan activity held for private individuals, and assets held for clients and inmates.

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

In reporting the financial activity of its proprietary funds, the State applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989 but not after, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise and internal service funds are charges to customers for sales and services. Operating expenses for enterprise and internal service funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**E. Cash and Cash Equivalents.** In addition to bank accounts and petty cash, this classification includes all short-term investments such as certificates of deposit, repurchase agreements, and U.S. treasury bills having original maturities (remaining time to maturity at acquisition) of three months or less. These investments are stated at cost, which at June 30, 2010, approximates market. Banks pledge collateral, as required by law, to guarantee State funds held in time and demand deposits.

Cash and cash equivalents are under the control of the State Treasurer or other administrative bodies as determined by law. All cash deposited with the State Treasurer is initially maintained in a pooled cash account. On a daily basis, the State Treasurer invests cash not needed for current operations with the State's Investment Council that maintains an operating investment pool for such investments. Interest earned on these investments is allocated to funds based on their percentage of the investment pool.

**F. Investments.** Investments as reported in the basic financial statements include long-term investments. Law or legal instruments may restrict these investments. All investments of the State and its component units are stated at fair value based on quoted market prices. For investments where no readily ascertainable fair value exists, management has received an estimate of fair value from the investment fund manager based, in part, on real estate appraisals. The State Treasurer is the custodian of all funds for the State; however, investments are under the responsibility of the Nebraska Investment Council or other administrative bodies as determined by law.

**G. Receivables.** Receivables are stated net of estimated allowances for uncollectible amounts, which are determined based upon past collection experience and current economic conditions.

**H. Inventories.** Inventories of materials and supplies are determined by both physical counts and through perpetual inventory systems. Significant inventories of governmental funds are valued using weighted average cost. Proprietary Funds' valuation method is primarily at the lower of cost (first-in, first-out) or market. Expenditures (governmental funds) and expenses (proprietary funds) are recognized using the consumption method (i.e., when used or sold).

Commodities on hand at fiscal year end are reflected as inventories, offset by a like amount of deferred revenue, in the Federal Fund. Commodities are reported at fair values established by the federal government at the date received.

**I. Restricted Assets.** Assets held by the trustees for the NETC Leasing Corporation, the State Revolving Fund, and the Master Lease Purchase Program are classified as restricted assets on the Statement of Net Assets because they are maintained in separate bank accounts and their use is limited by applicable bond and lease covenants. These assets are reflected as cash on deposit with fiscal agents in the fund financial statements. The nonmajor enterprise funds reflect long-term deposits with the Multi-State Lottery as restricted assets.

**J. Capital Assets.** Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the applicable governmental or business-type activities columns in the Statement of Net Assets. All capital assets are valued at cost where historical records are available and at estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The State possesses certain assets that have not been capitalized and depreciated, because the assets cannot be reasonably valued and/or the assets have

inexhaustible useful lives. These collections are not capitalized by the State because they are (1) held for public exhibition, education or research in furtherance of public service, rather than financial gain, (2) protected, kept unencumbered, cared for and preserved, and (3) subject to an agency policy that requires the proceeds from sales of collection items to be used to acquire other items for collections. These assets include works of art and historical treasures, such as statues; historical documents; paintings; rare library books; and miscellaneous capitol-related artifacts and furnishings.

Generally, equipment that has a cost in excess of \$5 at the date of acquisition and has an expected useful life of two or more years is capitalized. Substantially all initial building costs, land, land improvements, and software costing in excess of \$100 are capitalized. Building improvements and renovations in excess of \$100 are capitalized if a substantial portion of the life of the asset has expired and if the useful life of the asset has been extended as a result of the renovation or improvement. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

Buildings	40 years
Equipment	3-20 years

The State has elected to use the “modified approach” to account for certain infrastructure assets, as provided in GASB Statement No. 34. Under this process, the State does not record depreciation expense nor are amounts capitalized in connection with improvements to these assets, unless the improvements expand the capacity or efficiency of an asset. Utilization of this approach requires the State to: commit to maintaining and preserving affected assets at or above a condition level established by the State; maintain an inventory of the assets and perform periodic condition assessments to ensure that the condition level is being maintained; and make annual estimates of the amounts that must be expended to maintain and preserve assets at the predetermined condition levels. Roads and bridges maintained by the Department of Roads are accounted for using the modified approach. Infrastructure acquired prior to June 30, 1980, is reported.

**K. Compensated Employee Absences.** All permanent employees earn sick and vacation leave. Temporary and intermittent employees and Board and Commission members are not eligible for paid leave. The liability has been calculated using the vesting method in which leave amounts, for both employees who are

currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination, are included.

State employees accrue vested vacation leave at a variable rate based on years of service. Generally, accrued vacation leave cannot exceed 35 days at the end of a calendar year. Employees accrue sick leave at a variable rate based on years of service. In general, accrued sick leave cannot exceed 240 days (or 180 days for non-union employees). Sick leave is not vested except upon death or upon reaching the age of 55, at which time, the State is liable for 25 percent of the employee’s accumulated sick leave. In addition, some State agencies permit employees to accumulate compensatory leave rather than paying overtime.

The government-wide, proprietary, and fiduciary fund financial statements recognize the expense and accrued liability when vacation and compensatory leave is earned or when sick leave is expected to be paid as termination payments.

**L. Reservations.** Reservations of fund balance are established to identify the existence of assets that are not available for subsequent year appropriations (i.e., prepaid items and inventories) or have been legally segregated for specific purposes. Assets of legally restricted budgetary funds are an example of this type of reservation. Reservations of fund balance are also established for assets that are not current in nature, such as long-term loans receivable.

**M. Interfund Transactions.** Interfund services provided and used are accounted for as revenues, expenditures or expenses in the funds involved. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions are reported as transfers.

The effect of interfund activity has been eliminated from the government-wide financial statements.

**N. Use of Estimates.** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at fiscal year-end and revenues and expenses during the reporting period. Actual results could differ from those estimates.

**2. Deposits and Investments Portfolio**

Listed below is a summary of the deposit and investment portfolio that comprises the Cash and Cash Equivalents and Investments on the June 30, 2010 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, 2010, the carrying amounts of the State's deposits were \$62,768 and the bank balances were \$106,193. 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 \$31,627 at June 30, 2010.

**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, 2009. The investment risk disclosures presented below for fiduciary funds represent risks as of June 30, 2010.

The primary government's investments at June 30, 2010 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, 2010**

	<b>GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES</b>		<b>FIDUCIARY FUNDS</b>	
	<b>FAIR VALUE</b>	<b>EFFECTIVE DURATION</b>	<b>FAIR VALUE</b>	<b>EFFECTIVE DURATION</b>
Debt Securities				
U.S. Treasury Notes and Bonds	\$ 1,066,919	2.78	\$ 199,345	6.74
U.S. Treasury Bills	18,745	0.15	6,395	0.44
Government Agency Securities	441,274	1.69	44,007	4.29
Corporate Bonds	987,834	3.75	588,496	4.84
International Bonds	7,546	4.98	81,649	5.14
Mortgages	46,038	3.17	510,263	3.96
Asset Backed Securities	6,285	4.45	100,302	3.34
Commingled Funds	125,619	4.10	817,777	4.12
Municipal Bonds	4,194	7.59	36,377	11.19
Guaranteed Investment Contracts	5,608	3.12	107,628	3.12
Short Term Investments	230,056	0.07	128,065	0.07
	<u>2,940,118</u>		<u>2,620,304</u>	
Other Investments				
Equity Securities	63,527		1,550,946	
Private Equity	9,637		154,435	
Commingled Funds	393,889		5,560,704	
Options	(181)		(884)	
Private Real Estate	500		104,200	
U.S. Treasury Investment Pool	186,014		-	
Less: Component Unit Investment in State Investment Pool	<u>(486,348)</u>		<u>-</u>	
Total Investments	3,107,156		9,989,705	
Securities Lending Short-term Collateral Investment Pool	<u>355,562</u>		<u>457,185</u>	
Total	<u><u>\$ 3,462,718</u></u>		<u><u>\$ 10,446,890</u></u>	

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

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

not fulfill its obligations. The State has contracts with investment managers that set minimum average quality ratings for its core fixed income accounts at an A and BB- for its high yield fixed income account. The primary government's rated debt investments as of June 30, 2010 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, 2010

	FAIR VALUE	QUALITY RATINGS						
		AAA	AA	A	BBB	BB	B	UNRATED
Govt Agency Securities	\$ 441,274	\$ 441,274	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Corporate Bonds	987,834	153,769	283,650	483,415	42,169	12,369	4,838	7,624
International Bonds	7,546	4,509	728	372	1,353	-	-	584
Mortgages	46,038	29,977	633	2,773	573	921	537	10,624
Asset Backed Securities	6,285	4,807	53	676	105	-	75	569
Commingled Funds	125,619	-	-	-	-	-	-	125,619
Short Term Investments	230,057	4,000	-	-	-	-	-	226,057
Municipal Bonds	4,194	-	417	2,533	143	-	-	1,101

#### FIDUCIARY FUND INVESTMENTS AT JUNE 30, 2010

	FAIR VALUE	QUALITY RATINGS						
		AAA	AA	A	BBB	BB	B	UNRATED
Govt Agency Securities	\$ 34,536	\$ 33,237	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,299
Corporate Bonds	599,043	90,204	73,084	154,785	128,547	67,387	52,921	32,115
International Bonds	82,201	29,698	12,629	3,166	22,672	7,954	1,549	4,533
Mortgages	527,277	230,338	3,272	13,195	5,183	5,557	15,257	254,475
Asset Backed Securities	102,390	83,727	2,640	5,811	1,747	-	960	7,505
Commingled Funds	853,505	-	-	-	-	-	-	853,505
Short Term Investments	138,556	-	-	-	-	-	-	138,556
Municipal Bonds	37,793	4,885	12,917	18,453	447	-	-	1,091

**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, 2010, the primary government, except fiduciary funds, had debt securities investments with more than 5 percent of total investments in Federal Farm Credit Bank (5 percent) and Federal Home Loan Bank (5 percent). At June 30, 2010, 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 of 25 and 30 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, 2010**

<b>Currency</b>	<b>SHORT TERM INVESTMENTS</b>	<b>EQUITY SECURITIES</b>	<b>DEBT SECURITIES</b>
Australian Dollar	\$ 125	\$ 994	\$ 276
Brazilian Real	203	82	157
Canadian Dollar	-	540	4,767
Danish Krone	-	17	-
Euro Currency	29	8,097	603
Hong Kong Dollar	4	653	-
Hungarian Forint	-	65	-
Iceland Krona	-	-	18
Indian Rupee	-	-	219
Indonesian Rupiah	-	30	319
Japanese Yen	30	4,384	-
Mexican Peso	91	284	447
New Zealand Dollar	2	-	93
Norwegian Krone	3	98	-
Philippine Peso	3	75	-
Polish Zloty	-	29	-
Pound Sterling	3	3,428	-
Singapore Dollar	3	462	288
South African Rand	-	15	-
South Korean Won	4	790	354
Swedish Krona	4	468	-
Swiss Franc	-	2,929	-
Thailand Baht	8	136	-
<b>Total</b>	<b>\$ 512</b>	<b>\$ 23,576</b>	<b>\$ 7,541</b>

**FIDUCIARY FUND FOREIGN CURRENCY AT JUNE 30, 2010**

<b>Currency</b>	<b>SHORT TERM INVESTMENTS</b>	<b>EQUITY SECURITIES</b>	<b>DEBT SECURITIES</b>
Argentine Peso	\$ 12	\$ -	\$ -
Australian Dollar	459	24,664	1,837
Brazilian Real	1,170	2,489	884
Canadian Dollar	26	21,066	24,150
Czech Koruna	34	786	-
Danish Krone	-	4,605	-
Euro Currency	599	224,862	13,890
Hong Kong Dollar	96	18,500	-
Hungarian Forint	-	1,590	-
Iceland Krona	-	-	110
Indian Rupee	-	-	1,461
Indonesian Rupiah	-	1,953	1,410
Israeli Shekel	126	1,973	-
Japanese Yen	613	124,953	-
Mexican Peso	420	2,683	2,706
New Zealand Dollar	-	-	618
Norwegian Krone	2	2,434	-
Philippine Peso	21	261	-
Polish Zloty	-	1,567	-
Pound Sterling	29	122,679	1,579
Singapore Dollar	4	10,861	2,159
South African Rand	-	163	-
South Korean Won	-	27,576	2,223
Swedish Krona	12	14,764	-
Swiss Franc	78	78,620	-
Thailand Baht	111	7,611	-
<b>Total</b>	<b>\$ 3,812</b>	<b>\$ 696,660</b>	<b>\$ 53,027</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. Over 75% of all such instruments are pension trust investments; the remaining are endowment investments. These instruments are used primarily to enhance performance and reduce the volatility of the portfolio, in accordance with the Investment Council-approved Derivatives Policy. The State invests in futures contracts, options and swaps. Futures represent commitments to purchase or sell securities or money market instruments at a future date and at a specific price. Options represent the right, but not the obligation, to purchase or sell securities at a future date and at a specific price. The State invests in these contracts related to securities of the U.S. Government or Government Agency obligations based on reference notes, which are traded on organized exchanges, thereby minimizing the State's credit risk. The net change in the contract value is settled daily in cash with the exchanges. Swaps represent an exchange of streams of payments over time according to specified terms. All changes in fair value of derivatives are reflected in Investment Income and the fair value of derivatives at June 30, 2010 is reflected in Investments. The fair value balances and notional amounts of

investment derivative instruments outstanding at June 30, 2010, 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, 2010**

<b>Derivative</b>	<b>Fair Value</b>	<b>Change in Fair Value</b>	<b>Notional</b>
Credit Default Swap	\$ 412	\$ 2,476	\$ -
Interest Rate Swap	5,037	5,307	-
Option-Fixed Income	(1,037)	(14,754)	(246,300)

Derivative instruments have unrated credit quality ratings, and derivative instruments have no duration for interest rate risk. Foreign currency risk for derivative instruments at June 30, 2010 are as follows:

**DERIVATIVES  
FOREIGN CURRENCY AT JUNE 30, 2010**

<b>Currency</b>	<b>Credit Default Swap</b>	<b>Interest Rate Swap</b>	<b>Op-Fixed Income</b>
Australian Dollar	\$ -	\$ 495	\$ -
Brazilian Real	-	412	-
Euro Currency	(2)	-	(280)
Mexican Peso	-	276	-
Total	<u>\$ (2)</u>	<u>\$ 1,183</u>	<u>\$ (280)</u>

A reconciliation of deposits and investments for the State to the basic financial statements at June 30, 2010 is as follows:

**Disclosure Regarding Deposits and Investments:**

Total Investments	\$ 13,909,608
Carrying amount of Deposits	62,768
Total	<u>\$ 13,972,376</u>

**Statement of Net Assets:**

Cash and Cash Equivalents	\$ 361,421
Investments	2,675,059
Restricted Cash and Cash Equivalents	17,286
Securities Lending Collateral	355,562

**Statement of Fiduciary Net Assets:**

Cash and Cash Equivalents	116,158
Investments	9,989,705
Securities Lending Collateral	457,185
Total	<u>\$ 13,972,376</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, 2010:

**Governmental Activities:**

General Fund	\$ 99,269
Federal Fund	20,133
Health and Social Services Fund	3,544
Total Governmental Activities	<u>\$ 122,946</u>

**Business-type Activities:**

Unemployment Insurance	\$ 10,373
Total Business-type Activities	<u>\$ 10,373</u>

Of the taxes and other receivables, \$23,555 and \$18,088, respectively, is not expected to be collected within 60 days of the fiscal year end. These amounts have been offset by deferred revenue in the General Fund and the Health and Social Services Fund. The majority of the loans receivable balance is not expected to be collected in the next year.

**4. Capital Assets**

Capital asset activity for the year ended June 30, 2010  
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	\$ 536,561	\$ 11,595	\$ -	\$ 548,156
Infrastructure	6,747,123	105,104	-	6,852,227
Construction in progress	99,525	34,662	49,709	84,478
Total capital assets, not being depreciated	7,383,209	151,361	49,709	7,484,861
Capital assets, being depreciated:				
Buildings and improvements	501,974	20,096	28,840	493,230
Equipment	387,191	26,854	15,170	398,875
Total capital assets, being depreciated	889,165	46,950	44,010	892,105
Less accumulated depreciation for:				
Buildings and improvements	245,396	11,517	24,344	232,569
Equipment	281,336	33,634	14,000	300,970
Total accumulated depreciation	526,732	45,151	38,344	533,539
Total capital assets, being depreciated, net	362,433	1,799	5,666	358,566
Governmental activities capital assets, net	<u>\$ 7,745,642</u>	<u>\$ 153,160</u>	<u>\$ 55,375</u>	<u>\$ 7,843,427</u>
<b>Business-type activities:</b>				
<b>Unemployment Insurance</b>				
Equipment, being depreciated	\$ 870	\$ -	\$ -	\$ 870
Less accumulated depreciation	837	25	-	862
Total Unemployment Insurance, net	33	(25)	-	8
<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	5,751	-	-	5,751
Equipment	5,043	76	151	4,968
Total capital assets, being depreciated	10,794	76	151	10,719
Less accumulated depreciation for:				
Buildings and improvements	1,530	145	-	1,675
Equipment	3,329	341	151	3,519
Total accumulated depreciation	4,859	486	151	5,194
Total capital assets, being depreciated, net	5,935	(410)	-	5,525
Total Nonmajor Enterprise, net	6,250	(410)	-	5,840
Business-type activities capital assets, net	<u>\$ 6,283</u>	<u>\$ (435)</u>	<u>\$ -</u>	<u>\$ 5,848</u>

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

<b>Governmental activities:</b>	
General Government	\$ 13,355
Conservation of Natural Resources	1,437
Culture – Recreation	1,558
Economic Development and Assistance	349
Education	1,030
Health and Social Services	952
Public Safety	9,145
Regulation of Business and Professions	252
Transportation	17,073
Total depreciation expense -	
Governmental activities	<u>\$ 45,151</u>

**Construction Commitments.** At June 30, 2010, the State had contractual commitments of approximately \$478,522 for various highway and building projects. Funding of these future expenditures is expected to be provided as follows:

Federal funds	\$ 243,849
State funds	226,208
Local funds	8,465
	<u>\$ 478,522</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, 2010 consists of the following:

<b>DUE FROM</b>	<b>DUE TO</b>								<b>TOTALS</b>
	General Fund	Highway Fund	Federal Fund	Health and Social Services	Nonmajor Governmental Funds	Nonmajor Enterprise Funds	Internal Service Funds	Pension Trust	
General Fund	\$ -	\$ 50	\$ 32	\$ 282	\$ 1,548	\$ 109	\$ 6,787	\$ 27,432	\$ 36,240
Highway Fund	-	-	665	2	62	2,218	339	-	3,286
Federal Fund	91,683	4	-	3,604	1,951	26	4,636	-	101,904
Health and Social Services	-	6	-	-	1	-	218	-	225
Permanent School Fund	1	-	-	-	-	-	7	-	8
Nonmajor Governmental Funds	3,151	14	33	7	24	16	5,679	176	9,100
Unemployment Fund	-	-	-	-	-	-	2	-	2
Nonmajor Enterprise Funds	-	11	-	-	1	-	106	-	118
Internal Service Funds	4,641	173	4	13	121	1	771	-	5,724
Pension Trust	-	-	-	-	-	-	187	-	187
Private Purpose Trust	-	-	-	-	-	-	5	-	5
<b>TOTALS</b>	<b>\$ 99,476</b>	<b>\$ 258</b>	<b>\$ 734</b>	<b>\$ 3,908</b>	<b>\$ 3,708</b>	<b>\$ 2,370</b>	<b>\$ 18,737</b>	<b>\$ 27,608</b>	<b>\$ 156,799</b>

Interfund receivables and payables are recorded for: (1) short term borrowings, (2) billing for services provided between agencies, (3) pension liabilities, and (4) risk management liabilities. All interfund receivables and payables are considered short term in nature, except for \$2,400 due from the General Fund to internal service funds for workers compensation liability.

Interfund transfers at June 30, 2010 consist of the following:

	<b>TRANSFERRED TO:</b>				<b>TOTALS</b>
	General Fund	Highway Fund	Health and Social Services	Nonmajor Governmental Funds	
<b>TRANSFERRED FROM:</b>					
General Fund	\$ -	\$ 5,000	\$ -	\$ 22,050	\$ 27,050
Highway Fund	378	-	-	9,982	10,360
Federal Fund	-	-	-	42,740	42,740
Health & Social Services Fund	5,160	-	-	948	6,108
Nonmajor Governmental Funds	74,566	26,339	50	6,943	107,898
Nonmajor Enterprise Funds	-	-	815	31,185	32,000
<b>TOTALS</b>	<b>\$ 80,104</b>	<b>\$ 31,339</b>	<b>\$ 865</b>	<b>\$ 113,848</b>	<b>\$ 226,156</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, 2010 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	\$ 10,693	\$ 4,114	\$ 5,969	\$ 626	\$ -	\$ 2,807	\$ 1,065	\$ -	\$ 169	\$ 25,443
Payables and Accruals	79,186	40,900	171,181	5,887	31,273	31,551	20,657	31	15,766	396,432
Due to Fiduciary Funds *	-	-	-	-	-	-	27,608	-	-	27,608
Miscellaneous	-	7,957	-	-	-	4	3	36	-	8,000
<b>TOTALS</b>	<b>\$ 89,879</b>	<b>\$ 52,971</b>	<b>\$ 177,150</b>	<b>\$ 6,513</b>	<b>\$ 31,273</b>	<b>\$ 34,362</b>	<b>\$ 49,333</b>	<b>\$ 67</b>	<b>\$ 15,935</b>	<b>\$ 457,483</b>

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

**7. Noncurrent Liabilities**

Changes in noncurrent liabilities for the year ended June 30, 2010 are summarized as follows:

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE	AMOUNTS DUE WITHIN ONE YEAR
<b>Governmental Activities:</b>					
Claims Payable	\$ 290,854	\$ 1,679,926	\$ 1,714,689	\$ 256,091	\$ 211,468
Bonds Payable	4,850	-	4,850	-	-
Capital Lease Obligations	22,182	12,205	11,206	23,181	6,684
Obligations Under Other Financing Arrangements	15,660	-	1,255	14,405	1,295
Compensated Absences	126,540	14,478	12,232	128,786	9,015
<b>Totals</b>	<b>\$ 460,086</b>	<b>\$ 1,706,609</b>	<b>\$ 1,744,232</b>	<b>\$ 422,463</b>	<b>\$ 228,462</b>
<b>Business-type Activities:</b>					
<b>Unemployment Insurance:</b>					
Claims Payable	\$ 38,404	\$ 432,033	\$ 421,465	\$ 48,972	\$ 48,972
Compensated Absences	17	5	3	19	1
<b>Totals for Unemployment Insurance</b>	<b>38,421</b>	<b>432,038</b>	<b>421,468</b>	<b>48,991</b>	<b>48,973</b>
<b>Nonmajor Enterprise Funds:</b>					
Claims Payable	31,700	6,755	18,977	19,478	6,866
Compensated Absences	735	74	51	758	53
<b>Totals for Nonmajor Enterprise Funds</b>	<b>32,435</b>	<b>6,829</b>	<b>19,028</b>	<b>20,236</b>	<b>6,919</b>
<b>Totals for Business-type Activities</b>	<b>\$ 70,856</b>	<b>\$ 438,867</b>	<b>\$ 440,496</b>	<b>\$ 69,227</b>	<b>\$ 55,892</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. Bonds payable and obligations under other financing arrangements have been liquidated in the special revenue funds.

may vary, all leases are subject to annual appropriation by the Legislature.

**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

The minimum annual lease payments (principle and interest) and the present value of future minimum payments for capital leases as of June 30, 2010 are as follows:

YEAR	GOVERNMENTAL ACTIVITIES
2011	\$ 7,139
2012	5,747
2013	4,985
2014	3,277
2015	1,648
2016-2020	1,710
Total Minimum Payments	24,506
Less: Interest and executory costs	1,325
Present value of net minimum payments	<u>\$ 23,181</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, 2010:

	GOVERNMENTAL ACTIVITIES
Equipment	\$ 31,245
Less: accumulated depreciation	(11,586)
Carrying value	<u>\$ 19,659</u>

The minimum annual lease payments for operating leases as of June 30, 2010 are as follows:

YEAR	GOVERNMENTAL ACTIVITIES
2011	\$ 7,692
2012	2,694
2013	2,268
2014	2,147
2015	1,421
2016-2020	4,734
2021-2025	2,685
2026-2030	1,592
2031-2035	1,231
Total	<u>\$ 26,464</u>

Primary Government operating lease payments for the year ended June 30, 2010 totaled \$14,752.

**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, 2010, 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

\$36,904 were received under these and other lease agreements for the year ended June 30, 2010.

## 9. Obligations Under Other Financing Arrangements

The State has entered into special financing arrangements with certain public benefit corporations to fund certain grant programs. Under these arrangements, the State enters into an agreement with a public benefit corporation, the Nebraska Investment Finance Authority (NIFA), whereby NIFA issues bonds, the proceeds of which, along with federal capitalization grants, are used to provide loans to various municipalities and local units of government in Nebraska that qualify for such loans. Such loans are used for improvements to wastewater and drinking water treatment facilities. Funds to repay NIFA come from the municipalities and units of government to which the loans are given.

A summary of the future minimum contractual obligations including interest at rates from 3.00 percent to 5.70 percent is as follows:

YEAR	PRINCIPAL	INTEREST	TOTAL
2011	\$ 1,295	\$ 635	\$ 1,930
2012	1,360	580	1,940
2013	1,410	521	1,931
2014	1,465	458	1,923
2015	1,515	391	1,906
2016-2020	6,145	892	7,037
2021-2025	1,215	87	1,302
Total	<u>\$ 14,405</u>	<u>\$ 3,564</u>	<u>\$ 17,969</u>

## 10. Contingencies and Commitments

**Grants and Contracts.** The State participates in various federally assisted grant programs that are subject to review and audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a federal audit may become a liability of the State.

All State agencies including institutions of higher education are required to comply with various federal regulations issued by the U.S. Office of Management and Budget if such agency or institution is a recipient of federal grants, contracts, or other sponsored agreements. Certain agencies or institutions may not be in total compliance with these regulations. Failure to comply may result in questions concerning the allowability of related direct and indirect charges pursuant to such agreements. Management believes that the ultimate disallowance pertaining to these regulations, if any, will not be material to the overall financial condition of the State.

**Litigation.** The State is named as a party in legal proceedings that occur in the normal course of governmental operations. Such litigation includes, but is not

limited to, claims asserted against the State arising from alleged torts, alleged breaches of contract, condemnation proceedings and other alleged violations of State and Federal laws. It is not possible at the present time to estimate ultimate outcome or liability, if any, of the State for these proceedings. It is the State's opinion that the ultimate liability for these and other proceedings is not expected to have a material adverse effect on the State's financial position.

The State also has been named as a party in legal proceedings that occur outside of the normal course of governmental operations. It is not possible at the present time to estimate the ultimate outcome or liability, if any, of the State for all of these proceedings. The effects of this litigation, if any, will be reflected in future years, as the uncertainties regarding the litigation are determined.

The State is in non-binding arbitration with Kansas and Colorado relating to water usage in the Republican River Basin. It is alleged that Nebraska is consuming more water than is allowed under the Republican River Compact of 1942. It is not possible at the present time to determine the outcome of this water dispute.

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

## 11. Risk Management

Through Administrative Services, the State maintains insurance and self-insurance programs. Workers' compensation, employee health care, general liability and employee indemnification are generally self-insured. However, the State does carry surety bonds for constitutional officers and limited general liability on one building. Motor vehicle liability is insured with a \$5,000 limit and a \$300 retention per occurrence (the self-insured retention for vehicular pursuit is \$1,000) and employee dishonesty is insured with a \$1,000 limit with a \$25 retention per incident. The State insures against property damage, maintaining a policy with a \$250,000 limit and a \$200 retention per occurrence. The State also carries some insurance for personal property damage. Settled claims have not exceeded this commercial insurance coverage in any of the past three years. Administrative Services provides life insurance for eligible State employees. These activities are reported in the Risk Management Internal Service Fund.

Claims liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. The balance of claims liabilities is determined by an analysis of past, current, and future estimated loss experience. Because actual claims liabilities depend on such factors as inflation, changes in legal doctrines and damage awards, the process used in computing claims liability

may not result in an exact amount. Claims liabilities are evaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors, but do not include non-incremental claims adjustment expenses.

The liability for workers' compensation is recorded as a claims payable of \$48,954 at a discounted rate of 3.5 percent (\$9,309).

Changes in the balances of claims liabilities of the Risk Management Internal Service Fund during the years ended June 30, 2010, and 2009, were as follows:

	Fiscal Year	
	2010	2009
Beginning Balance	\$ 64,311	\$ 64,020
Current Year Claims and Changes in Estimates	182,300	184,491
Claim Payments	(182,881)	(184,200)
Ending Balance	<u>\$ 63,730</u>	<u>\$ 64,311</u>

## 12. Pension Plans

### Plans Administered by the Public Employees Retirement Board

The Public Employees Retirement Board (the Board), which consists of eight members, was created in 1971 to administer the Nebraska retirement plans then in existence. Those plans were the School, State Employees', Judges' and State Patrol plans. In October of 1973, the Board assumed the administration of the Nebraska Counties Retirement System. The plans have been created in accordance with Internal Revenue Code, Sections 401(a) and 414(h). Contribution and benefit provisions are established by State law and may only be amended by the State Legislature.

The Board prepares separate reports for the defined contribution plans and for the defined benefit plans. Copies of these reports that include financial statements and required supplementary information for the plans may be obtained by writing to Public Employees Retirement Systems, P.O. Box 94816, Lincoln, NE 68509-4816, or by calling 402-471-2053.

**Basis of Accounting.** The financial statements of the plans are prepared using the accrual basis of accounting, and are included as pension trust funds in the accompanying financial statements. Plan member and employer contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

**Plan Description and Funding Policy.** By State law, there is to be an equitable allocation of expenses among the retirement systems administered by the Board, and all expenses shall be provided from the investment

income earned by the various retirement funds. Following is a summary of each of these plans:

**State Employees' Retirement.** The single-employer plan became effective by statute on January 1, 1964. Prior to January 1, 2003, the plan consisted of a defined contribution plan that covered employees of the State. Effective January 1, 2003, a cash balance benefit was added to the State Employees Retirement Act. The cash balance benefit is a type of defined benefit plan. Each member employed and participating in the retirement system prior to January 1, 2003, elected to either continue participation in the defined contribution option or begin participation in the cash balance benefit. All new members of the plan on and after January 1, 2003, become members of the cash balance benefit. Under the cash balance benefit, a member upon attainment of age 55, regardless of service, receives a retirement allowance equal to the accumulated employee and employer cash balance accounts, including interest credits, annuitized for payment. Members have options on how to receive the payment. The amounts presented in the accompanying financial statements for the State Employees' Retirement System are for the fiscal year ended December 31, 2009.

Participation in the plan is required for all permanent full-time employees upon employment. Each member contributes 4.8 percent of their compensation. The State matches a member's contribution at a rate of 156 percent.

As of December 31, 2009, there were 17,337 active members and 3,724 inactive members. Members contributed \$31,510 and the State contributed \$49,092 during the year ended December 31, 2009, which was equal to required contributions.

**County Employees' Retirement.** In 1973, the State Legislature brought the County Employees' Retirement System under the administration of the Board. This cost-sharing multiple-employer plan covers employees of 91 of the 93 counties and several county health districts. Douglas and Lancaster counties have separate retirement plans for their employees by State law. Prior to January 1, 2003, the plan consisted of a defined contribution plan. Effective January 1, 2003, a cash balance benefit was added to the County Employees Retirement Act. The cash balance benefit is a type of defined benefit plan. Each member employed and participating in the retirement system prior to January 1, 2003 elected to either continue participation in the defined contribution option or begin participation in the cash balance benefit. All new members of the Plan on and after January 1, 2003 become members of the cash balance benefit. Under the cash balance benefit, a member upon attainment of age 55, regardless of service, receives a

retirement allowance equal to the accumulated employee and employer cash balance accounts, including interest credits, annuitized for payment. Members have options on how to receive the payment. The amounts presented in the accompanying financial statements for the County Employees' Retirement System are for the fiscal year ended December 31, 2009.

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

As of December 31, 2009, there were 7,777 active members and 1,543 inactive members. Members contributed \$10,692 and counties contributed \$15,807 during the year ended December 31, 2009, which was equal to required contributions.

**School Retirement.** The School Retirement System is a cost-sharing multiple-employer defined benefit pension plan with 277 participating school districts.

All regular public school employees in Nebraska, other than those who have their own retirement plan, are members of the system. The benefits are based on both service and contributions or salary.

The State's contribution is based on an annual actuarial valuation. The employees' contribution was 7.28% of their compensation through August 31, 2009 and was 8.28% after August 31, 2009. The school district's contribution is 101 percent of the employees' contribution.

**Judges' Retirement.** The Judges' Retirement System is a single-employer defined benefit pension system. The membership includes judges and associate judges employed by the State for the Supreme Court, Court of Appeals, District Courts, Workers' Compensation Court, County Courts, and Juvenile Courts. Benefits are based on both service and final average salary. Benefits vest when the judge takes office.

Members' contributions, a portion of court fees collected, and the State's contribution, which is



based on an annual actuarial valuation, fund the plan. The judges contribute between four and eight percent of their salary.

**State Patrol Retirement.** The State Patrol Retirement System is a single-employer defined benefit pension system for officers of the patrol. The benefits are based on a percentage of the final average salary multiplied by years of service, not to exceed 75 percent of the average salary. Participation is mandated upon employment.

Members are required to contribute fifteen percent of their monthly salary, and State Patrol contributes

fifteen percent. The State's contribution is based on an annual actuarial valuation.

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

SCHEDULES OF FUNDING PROGRESS						
	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (Excess of Assets over AAL)	Funded Ratio	Covered Payroll	UAAL (Excess of Assets over AAL) as a Percentage of Covered Payroll
<b>State Cash Balance</b>						
12/31/2009	\$ 670,592	\$ 714,409	\$ 43,817	93.9 %	\$ 454,776	9.6 %
12/31/2008	637,539	658,249	20,710	96.9	433,397	4.8
12/31/2007	606,552	586,830	(19,722)	103.4	384,709	(5.1)
<b>County Cash Balance</b>						
12/31/2009	\$ 187,110	\$ 196,773	\$ 9,663	95.1 %	\$ 177,732	5.4 %
12/31/2008	175,766	175,294	(472)	100.3	165,276	(0.3)
12/31/2007	163,783	151,557	(12,226)	108.1	141,110	(8.7)
<b>School</b>						
6/30/2010	\$ 7,040,909	\$ 8,542,119	\$ 1,501,210	82.4 %	\$ 1,543,931	97.2 %
6/30/2009	7,007,582	8,092,339	1,084,757	86.6	1,481,568	73.2
6/30/2008	6,932,919	7,654,536	721,617	90.6	1,389,125	51.9
<b>Judges'</b>						
6/30/2010	\$ 121,406	\$ 121,309	\$ (97)	100.1 %	\$ 18,773	(0.5)%
6/30/2009	120,993	118,558	(2,435)	102.1	18,373	(13.3)
6/30/2008	119,962	114,251	(5,711)	105.0	17,990	(31.7)
<b>State Patrol</b>						
6/30/2010	\$ 273,307	\$ 321,901	\$ 48,594	84.9 %	\$ 26,766	181.6 %
6/30/2009	274,120	305,291	31,171	89.8	25,922	120.2
6/30/2008	273,394	291,997	18,603	93.6	26,980	69.0

	STATE CASH BALANCE	COUNTY CASH BALANCE	SCHOOL RETIREMENT	JUDGES' RETIREMENT	STATE PATROL RETIREMENT
Actuarial Valuation Date	12/31/2009	12/31/2009	6/30/2010	6/30/2010	6/30/2010
Actuarial Cost Method	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age
Amortization Method	Level dollar amount, closed	Level dollar amount, closed	Level dollar amount, closed	Level dollar amount, closed	Level dollar amount, closed
Amortization Period	25 years	25 years	28 years	30 years	28 years
Asset Valuation Method	5 year smoothed market	5 year smoothed market	5 year smoothed market	5 year smoothed market	5 year smoothed market
Actuarial Assumptions:					
Investment Rate of Return **	7.75%	7.75%	8.0%	8.0%	8.0%
Projected Salary Increases **	4.5% to 5.9%	5.5% to 15.0%	4.5% to 7.5%	4.5%	4.5% to 9.0%

\*\* Includes assumed inflation of 3.5% per year.

**THREE - YEAR TREND INFORMATION**

<b>YEAR ENDED</b>	<b>ANNUAL PENSION COST (APC)</b>	<b>PERCENTAGE OF APC CONTRIBUTED</b>	<b>NET PENSION OBLIGATION</b>
<b>State Cash Balance</b>			
12/31/2009	\$30,327	100%	\$ -
12/31/2008	29,204	100%	-
12/31/2007	22,921	100%	-
<b>County Cash Balance</b>			
12/31/2009	\$10,559	100%	\$ -
12/31/2008	9,840	100%	-
12/31/2007	8,195	100%	-
<b>School</b>			
6/30/2010	\$21,380	100%	\$ -
6/30/2009	20,621	100%	-
6/30/2008	15,833	100%	-
<b>Judges'</b>			
6/30/2010	\$ 3,615	100%	\$ -
6/30/2009	3,491	100%	-
6/30/2008	3,353	100%	-
<b>State Patrol</b>			
6/30/2010	\$ 6,260	100%	\$ -
6/30/2009	5,385	100%	-
6/30/2008	4,856	100%	-

**13. Bonds Payable**

Article XIII of the State's Constitution prohibits the State from incurring debt in excess of one hundred thousand dollars. However, there is a provision in the State's Constitution that permits the issuance of revenue bonds for: (1) construction of highways; and (2) construction of water conservation and management structures. At June 30, 2010, there was no outstanding debt for either of these purposes.

The State created the NETC Leasing Corporation for the purpose of acquiring property to be leased to and purchased by the State. In February 2000, the NETC Leasing Corporation issued \$22,515 of lease rental revenue bonds to construct and acquire digital television facilities and equipment and related facilities. The NETC Leasing Corporation is not subject to State constitutional restrictions on the incurrence of debt, which may apply to the State itself. There were no obligations outstanding at June 30, 2010.

The component units issue bonds for various purposes including student housing, parking facilities and special

event centers. Net revenues from student housing and dining facilities, special student fees and parking facilities fees are pledged to secure the appropriate issues.

All outstanding bond issues of the University of Nebraska Facilities Corporation and the Nebraska State College Facilities Corporation are general obligations of these corporations. They are separate legal entities that are not subject to State constitutional restrictions on the incurrence of debt, which may apply to the State itself.

<b>BONDS PAYABLE</b>	<b>INTEREST RATES</b>	<b>BALANCE JUNE 30, 2010</b>
<b>COMPONENT UNITS</b>		
University of Nebraska	0.55%-6.00%	\$ 700,705
Nebraska State Colleges	1.60%-5.05%	36,410
Component Units Total		<u>\$ 737,115</u>

<b>COMPONENT UNITS DEBT SERVICE REQUIREMENTS TO MATURITY</b>			
<b>YEAR</b>	<b>PRINCIPAL</b>	<b>INTEREST</b>	<b>TOTAL</b>
2011	\$ 44,885	\$ 32,732	\$ 77,617
2012	46,300	30,981	77,281
2013	38,150	29,211	67,361
2014	55,890	27,405	83,295
2015	59,880	25,546	85,426
2016 - 2020	202,180	95,093	297,273
2021 - 2025	114,725	57,405	172,130
2026 - 2030	76,185	35,791	111,976
2031 - 2035	55,150	18,842	73,992
2036 - 2040	43,770	5,332	49,102
Total	<u>\$ 737,115</u>	<u>\$ 358,338</u>	<u>\$ 1,095,453</u>

**14. Restatement**

The State Colleges component unit increased Net Assets – Beginning on the Statement of Activities – Component Units by \$439 to reflect construction in progress that had been expensed rather than capitalized in a prior period.

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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, 2010

(Dollars in Thousands)				
	GENERAL FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
<b>REVENUES:</b>				
Taxes	\$ 3,250,390	\$ 3,146,290	\$ 3,069,870	\$ (76,420)
Federal Grants and Contracts	66	66	66	-
Sales and Charges	21,910	21,910	21,910	-
Other	44,601	44,601	44,601	-
<b>TOTAL REVENUES</b>	<b>3,316,967</b>	<b>3,212,867</b>	<b>3,136,447</b>	<b>(76,420)</b>
<b>EXPENDITURES:</b>				
Current:				
General Government	265,207	262,560	250,657	11,903
Conservation of Natural Resources	55,363	49,269	37,263	12,006
Culture – Recreation	7,191	6,824	6,079	745
Economic Development and Assistance	11,113	9,188	7,252	1,936
Education	1,762,817	1,739,836	1,712,067	27,769
Health and Social Services	1,306,880	1,224,622	1,096,930	127,692
Public Safety	224,836	218,739	198,966	19,773
Regulation of Business and Professions	4,684	4,368	3,780	588
Transportation	5	4	-	4
Capital Projects	6,458	5,458	-	5,458
<b>TOTAL EXPENDITURES</b>	<b>3,644,554</b>	<b>3,520,868</b>	<b>3,312,994</b>	<b>207,874</b>
Excess of Revenues Over (Under) Expenditures	(327,587)	(308,001)	(176,547)	131,454
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In	184,051	184,051	184,051	-
Transfers Out	(242,394)	(242,394)	(242,394)	-
Other	123	123	123	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(58,220)</b>	<b>(58,220)</b>	<b>(58,220)</b>	<b>-</b>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(385,807)	(366,221)	(234,767)	131,454
<b>FUND BALANCES, JULY 1</b>	<b>997,101</b>	<b>997,101</b>	<b>997,101</b>	<b>-</b>
<b>FUND BALANCES, JUNE 30</b>	<b>\$ 611,294</b>	<b>\$ 630,880</b>	<b>\$ 762,334</b>	<b>\$ 131,454</b>

A reconciliation of the budgetary basis versus GAAP fund balance for the  
General Fund as of June 30, 2010, follows (dollars in thousands):

Actual Fund Balances, budgetary basis, June 30, 2010	
General	\$ 295,132
Cash Reserve	467,202
Budgetary fund balances	762,334
<b>DIFFERENCES DUE TO BASIS OF ACCOUNTING:</b>	
Record taxes receivable	308,067
Record tax refund liability	(310,913)
Record State contributions due pension funds	(27,432)
Record claims payable	(75,426)
Record other net accrued receivables and liabilities	59,794
GAAP fund balance, June 30, 2010	<b>\$ 716,424</b>

See independent auditors' report

State of Nebraska

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

For the Year Ended June 30, 2010

(Dollars in Thousands)

	CASH FUNDS			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
<b>REVENUES:</b>				
Taxes	\$ 107,012	\$ 107,012	\$ 107,012	\$ -
Federal Grants and Contracts	370,204	370,204	370,204	-
Sales and Charges	441,569	441,569	441,569	-
Other	267,482	267,482	267,482	-
<b>TOTAL REVENUES</b>	<b>1,186,267</b>	<b>1,186,267</b>	<b>1,186,267</b>	<b>-</b>
<b>EXPENDITURES:</b>				
Current:				
General Government	231,786	228,422	194,929	33,493
Conservation of Natural Resources	123,570	105,505	53,502	52,003
Culture – Recreation	35,535	34,802	22,533	12,269
Economic Development and Assistance	75,769	58,499	23,815	34,684
Education	529,291	539,862	355,044	184,818
Health and Social Services	184,168	176,755	117,881	58,874
Public Safety	62,460	57,486	35,753	21,733
Regulation of Business and Professions	217,700	204,821	119,510	85,311
Transportation	770,349	768,563	688,282	80,281
Capital Projects	82,186	82,285	27,099	55,186
<b>TOTAL EXPENDITURES</b>	<b>2,312,814</b>	<b>2,257,000</b>	<b>1,638,348</b>	<b>618,652</b>
Excess of Revenues Over (Under) Expenditures	(1,126,547)	(1,070,733)	(452,081)	618,652
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In	1,070,622	1,070,622	1,070,622	-
Transfers Out	(577,032)	(577,032)	(577,032)	-
Other	3,422	3,422	3,422	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>497,012</b>	<b>497,012</b>	<b>497,012</b>	<b>-</b>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(629,535)	(573,721)	44,931	618,652
<b>FUND BALANCES, JULY 1</b>	<b>783,459</b>	<b>783,459</b>	<b>783,459</b>	<b>-</b>
<b>FUND BALANCES, JUNE 30</b>	<b>\$ 153,924</b>	<b>\$ 209,738</b>	<b>\$ 828,390</b>	<b>\$ 618,652</b>

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

Major Funds as of June 30, 2010, follows (dollars in thousands):

Actual Fund Balances, budgetary basis, June 30, 2010

Cash	\$ 828,390
Construction	28,956
Federal	94,072
Revolving	246,356
Budgetary fund balances	1,197,774
Unbudgeted fund balances	1,324,168
Non-major fund balances	(1,154,435)
Differences due to basis of accounting	(313,322)
GAAP fund balance, June 30, 2010	<u>\$ 1,054,185</u>
Actual Fund Balances of Major Funds, June 30, 2010	
Highway	\$ 161,484
Federal	15,198
Health and Social Services	417,957
Permanent School	459,546
GAAP fund balance, June 30, 2010	<u>\$ 1,054,185</u>

See independent auditors' report

State of Nebraska

# REQUIRED SUPPLEMENTARY INFORMATION

## BUDGETARY COMPARISON SCHEDULE

### CONSTRUCTION FUNDS

For the Year Ended June 30, 2010

(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	1,553	1,553	1,553	-
<b>TOTAL REVENUES</b>	<u>1,553</u>	<u>1,553</u>	<u>1,553</u>	<u>-</u>
<b>EXPENDITURES:</b>				
Current:				
General Government	-	-	-	-
Conservation of Natural Resources	-	-	-	-
Culture – Recreation	-	-	-	-
Economic Development and Assistance	-	-	-	-
Education	4,164	4,164	1,931	2,233
Health and Social Services	-	-	-	-
Public Safety	-	-	-	-
Regulation of Business and Professions	-	-	-	-
Transportation	-	-	-	-
Capital Projects	29,958	28,958	17,977	10,981
<b>TOTAL EXPENDITURES</b>	<u>34,122</u>	<u>33,122</u>	<u>19,908</u>	<u>13,214</u>
Excess of Revenues Over (Under) Expenditures	<u>(32,569)</u>	<u>(31,569)</u>	<u>(18,355)</u>	<u>13,214</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In	21	21	21	-
Transfers Out	(8,745)	(8,745)	(8,745)	-
Other	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(8,724)</u>	<u>(8,724)</u>	<u>(8,724)</u>	<u>-</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>(41,293)</u>	<u>(40,293)</u>	<u>(27,079)</u>	<u>13,214</u>
<b>FUND BALANCES, JULY 1</b>	<u>56,035</u>	<u>56,035</u>	<u>56,035</u>	<u>-</u>
<b>FUND BALANCES, JUNE 30</b>	<u>\$ 14,742</u>	<u>\$ 15,742</u>	<u>\$ 28,956</u>	<u>\$ 13,214</u>

See independent auditors' report

State of Nebraska

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

For the Year Ended June 30, 2010

(Dollars in Thousands)

	FEDERAL FUNDS			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
<b>REVENUES:</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Federal Grants and Contracts	2,687,674	2,687,674	2,687,674	-
Sales and Charges	16,674	16,674	16,674	-
Other	(3,567)	(3,567)	(3,567)	-
<b>TOTAL REVENUES</b>	<u>2,700,781</u>	<u>2,700,781</u>	<u>2,700,781</u>	<u>-</u>
<b>EXPENDITURES:</b>				
Current:				
General Government	18,909	59,816	8,134	51,682
Conservation of Natural Resources	67,164	93,750	88,345	5,405
Culture – Recreation	5,599	5,917	2,681	3,236
Economic Development and Assistance	147,922	133,642	66,091	67,551
Education	887,863	1,081,372	785,745	295,627
Health and Social Services	1,915,876	1,748,509	1,614,250	134,259
Public Safety	148,784	273,402	119,329	154,073
Regulation of Business and Professions	3,107	6,207	3,774	2,433
Transportation	2,784	5,284	4,135	1,149
Capital Projects	615	615	208	407
<b>TOTAL EXPENDITURES</b>	<u>3,198,623</u>	<u>3,408,514</u>	<u>2,692,692</u>	<u>715,822</u>
Excess of Revenues Over (Under) Expenditures	<u>(497,842)</u>	<u>(707,733)</u>	<u>8,089</u>	<u>715,822</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In	19,007	19,007	19,007	-
Transfers Out	(14,526)	(14,526)	(14,526)	-
Other	398	398	398	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>4,879</u>	<u>4,879</u>	<u>4,879</u>	<u>-</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>(492,963)</u>	<u>(702,854)</u>	<u>12,968</u>	<u>715,822</u>
<b>FUND BALANCES, JULY 1</b>	<u>81,104</u>	<u>81,104</u>	<u>81,104</u>	<u>-</u>
<b>FUND BALANCES, JUNE 30</b>	<u>\$ (411,859)</u>	<u>\$ (621,750)</u>	<u>\$ 94,072</u>	<u>\$ 715,822</u>

See independent auditors' report

State of Nebraska

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

For the Year Ended June 30, 2010

(Dollars in Thousands)

	REVOLVING FUNDS			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
<b>REVENUES:</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Federal Grants and Contracts	1,406	1,406	1,406	-
Sales and Charges	479,422	479,422	479,422	-
Other	142,054	142,054	142,054	-
<b>TOTAL REVENUES</b>	<b>622,882</b>	<b>622,882</b>	<b>622,882</b>	<b>-</b>
<b>EXPENDITURES:</b>				
Current:				
General Government	282,713	245,291	162,362	82,929
Conservation of Natural Resources	-	-	-	-
Culture – Recreation	-	-	-	-
Economic Development and Assistance	4,269	4,237	1,203	3,034
Education	668,852	668,720	455,308	213,412
Health and Social Services	-	-	-	-
Public Safety	29,776	25,891	13,857	12,034
Regulation of Business and Professions	-	-	-	-
Transportation	-	-	-	-
Capital Projects	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>985,610</b>	<b>944,139</b>	<b>632,730</b>	<b>311,409</b>
Excess of Revenues Over (Under) Expenditures	(362,728)	(321,257)	(9,848)	311,409
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In	42,148	42,148	42,148	-
Transfers Out	(39,329)	(39,329)	(39,329)	-
Other	897	897	897	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>3,716</b>	<b>3,716</b>	<b>3,716</b>	<b>-</b>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(359,012)	(317,541)	(6,132)	311,409
<b>FUND BALANCES, JULY 1</b>	<b>252,488</b>	<b>252,488</b>	<b>252,488</b>	<b>-</b>
<b>FUND BALANCES, JUNE 30</b>	<b>\$ (106,524)</b>	<b>\$ (65,053)</b>	<b>\$ 246,356</b>	<b>\$ 311,409</b>

See independent auditors' report



## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2010

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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 2010, the Legislature passed deficit appropriation bills that increased the allowable expenditure level in several of the programs.

For the year ended June 30, 2010, 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, 2010

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).

<b><u>Calendar Year</u></b>	<b><u>2009</u></b>	<b><u>2008</u></b>	<b><u>2007</u></b>	<b><u>2006</u></b>	<b><u>2005</u></b>	<b><u>2004</u></b>
Very Good	32%	32%	33%	42%	39%	39%
Good	47%	47%	49%	38%	46%	46%
Fair	19%	19%	17%	19%	12%	12%
Poor	2%	2%	1%	1%	3%	3%
Overall System Rating	81	82	82	83	84	83

## **Estimated and Actual Costs to Maintain**

The following table presents the State’s estimate of spending necessary to preserve and maintain the roads at, or above, the established condition level cited above, and the actual amount spent during the past fiscal years (amounts in millions). Beginning in Fiscal Year 2005, a newly developed Pavement Optimization Program was used to calculate the annual amount required to maintain the highway system at a NSI of 72 by performing a cost-benefit analysis of various improvement strategies by pavement section. This has resulted in a lower estimated annual cost. However, the actual cost of system preservation is greater than estimated as a result of maintaining the system at a NSI level higher than the base level established for GASB-34 purposes (72 base versus 81 actual).

<b><u>Fiscal Year</u></b>	<b><u>2011</u></b>	<b><u>2010</u></b>	<b><u>2009</u></b>	<b><u>2008</u></b>	<b><u>2007</u></b>	<b><u>2006</u></b>
Estimated	\$ 267	\$ 211	\$ 206	\$ 155	\$ 148	\$ 125
Actual		270	239	208	167	214
Difference		59	33	53	19	89

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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, distributing funds for the school weatherization program, and administering and distributing federal funds provided to the State in the area of energy efficiency.

**NETC Leasing Corporation.** This fund accounts for the activities of a blended component unit.

**Other Special Revenue.** This fund accounts for various other revenues that must be used for specific purposes.

## CAPITAL PROJECTS FUND

The Capital Projects Fund is used to account for construction of buildings financed with tax dollars.

## PERMANENT FUNDS

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

**Aeronautics Trust Fund.** This fund receives proceeds from the sale of state-owned airfields. Investment income is used to pay for expenses of the Department of Aeronautics.

**Nebraska Veterans' Aid Fund.** This fund accounts for the investment activity of a General Fund contribution made in a prior year. Earnings on the investment are used to provide emergency financial assistance to eligible veterans and dependents.

**Permanent Endowment Fund.** This fund receives the proceeds of sales of land and investments endowed to the University by the Federal Government. This fund is under the control of the Board of Educational Lands and Funds, which is a part of the primary government. Income on these funds is used for support and maintenance of the University.

**Agriculture Endowment Fund.** This fund receives the proceeds of sales of land and investments endowed to the University's Agriculture College by the Federal Government. This fund is under the control of the Board of Educational Lands and Funds, which is a part of the primary government. Income from this fund is used for support and maintenance of the College of Agriculture and Natural Resources.

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

State of Nebraska  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
June 30, 2010

(Dollars in Thousands)

	SPECIAL REVENUE	CAPITAL PROJECTS	PERMANENT FUNDS	TOTALS
<b>ASSETS:</b>				
Cash and Cash Equivalents	\$ 7,789	\$ 167	\$ 4,007	\$ 11,963
Cash on Deposit with Fiscal Agents	17,286	-	-	17,286
Investments	483,842	85,525	41,952	611,319
Securities Lending Collateral	81,892	14,619	2,525	99,036
Receivables, net of allowance				
Taxes	201	-	-	201
Due from Federal Government	1,236	-	-	1,236
Loans	272,482	-	-	272,482
Other	10,147	955	1,891	12,993
Due from Other Funds	3,708	-	-	3,708
Prepaid Items	124	-	-	124
Other	1,380	1,220	-	2,600
TOTAL ASSETS	<u>\$ 880,087</u>	<u>\$ 102,486</u>	<u>\$ 50,375</u>	<u>\$ 1,032,948</u>
<b>LIABILITIES AND FUND BALANCES:</b>				
LIABILITIES:				
Accounts Payable and Accrued Liabilities	\$ 26,752	\$ 5,494	\$ 2,116	\$ 34,362
Due to Other Governments	1,043	-	-	1,043
Deposits	1,411	-	-	1,411
Due to Other Funds	9,098	2	-	9,100
Obligations under Securities Lending	81,892	14,619	2,525	99,036
TOTAL LIABILITIES	<u>120,196</u>	<u>20,115</u>	<u>4,641</u>	<u>144,952</u>
FUND BALANCES:				
Reserved for:				
Long-Term Receivables	272,482	-	-	272,482
Inventories and Prepaid Items	124	-	-	124
Debt Service	12,447	-	-	12,447
Endowment Principal	-	-	19,565	19,565
Unreserved	474,838	82,371	26,169	583,378
TOTAL FUND BALANCES	<u>759,891</u>	<u>82,371</u>	<u>45,734</u>	<u>887,996</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 880,087</u>	<u>\$ 102,486</u>	<u>\$ 50,375</u>	<u>\$ 1,032,948</u>

## State of Nebraska

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

For the Year Ended June 30, 2010

(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	\$ 3,602	\$ -	\$ -	\$ 3,602
Petroleum Taxes	13,270	-	-	13,270
Excise Taxes	44,476	9,163	-	53,639
Business and Franchise Taxes	16,419	-	-	16,419
Other Taxes	8,833	-	-	8,833
Federal Grants and Contracts	37,107	74	-	37,181
Licenses, Fees and Permits	123,253	-	-	123,253
Charges for Services	32,474	-	-	32,474
Investment Income	32,953	5,995	5,012	43,960
Rents and Royalties	12,181	3,917	-	16,098
Surcharge	54,937	-	-	54,937
Other	53,521	144	2	53,667
<b>TOTAL REVENUES</b>	<b>433,026</b>	<b>19,293</b>	<b>5,014</b>	<b>457,333</b>
<b>EXPENDITURES:</b>				
Current:				
General Government	90,973	-	17	90,990
Conservation of Natural Resources	67,052	-	-	67,052
Culture – Recreation	21,543	-	-	21,543
Economic Development and Assistance	28,750	-	-	28,750
Education	22,917	-	100	23,017
Higher Education - Colleges and University	-	13,502	-	13,502
Health and Social Services	1,424	-	773	2,197
Public Safety	36,400	-	-	36,400
Regulation of Business and Professions	123,800	-	-	123,800
Transportation	22,896	-	7	22,903
Capital Projects	-	30,584	-	30,584
Debt Service:				
Principal	6,105	-	-	6,105
Interest	976	-	-	976
<b>TOTAL EXPENDITURES</b>	<b>422,836</b>	<b>44,086</b>	<b>897</b>	<b>467,819</b>
Excess of Revenues Over (Under) Expenditures	10,190	(24,793)	4,117	(10,486)
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In	113,827	21	-	113,848
Transfers Out	(95,811)	(11,790)	(297)	(107,898)
Proceeds from Capital Leases	35	-	-	35
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>18,051</b>	<b>(11,769)</b>	<b>(297)</b>	<b>5,985</b>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	28,241	(36,562)	3,820	(4,501)
<b>FUND BALANCES, JULY 1</b>	<b>731,650</b>	<b>118,933</b>	<b>41,914</b>	<b>892,497</b>
<b>FUND BALANCES, JUNE 30</b>	<b>\$ 759,891</b>	<b>\$ 82,371</b>	<b>\$ 45,734</b>	<b>\$ 887,996</b>

State of Nebraska  
**COMBINING BALANCE SHEET**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
June 30, 2010

(Dollars in Thousands)

	LICENSING AND REGULATION	ECONOMIC DEVELOPMENT	AIRPORT DEVELOPMENT
<b>ASSETS:</b>			
Cash and Cash Equivalents	\$ 324	\$ 163	\$ 6,038
Cash on Deposit with Fiscal Agents	-	-	-
Investments	110,912	46,481	-
Securities Lending Collateral	18,959	7,945	-
Receivables, net of allowance:			
Taxes	61	-	134
Due from Federal Government	-	-	-
Loans	-	144	2,365
Other	3,231	1,685	128
Due from Other Funds	23	-	35
Prepaid Items	2	-	3
Other	-	1,110	-
TOTAL ASSETS	<u>\$ 133,512</u>	<u>\$ 57,528</u>	<u>\$ 8,703</u>
<b>LIABILITIES AND FUND BALANCES</b>			
LIABILITIES:			
Accounts Payable and Accrued Liabilities	\$ 10,109	\$ 1,376	\$ 694
Due to Other Governments	9	-	-
Deposits	294	1,110	-
Due to Other Funds	222	24	8
Obligations under Securities Lending	18,959	7,945	-
TOTAL LIABILITIES	<u>29,593</u>	<u>10,455</u>	<u>702</u>
FUND BALANCES:			
Reserved for:			
Long-Term Receivables	-	144	2,365
Inventories and Prepaid Items	2	-	3
Debt Service	-	-	-
Unreserved	103,917	46,929	5,633
TOTAL FUND BALANCES	<u>103,919</u>	<u>47,073</u>	<u>8,001</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 133,512</u>	<u>\$ 57,528</u>	<u>\$ 8,703</u>



GAME AND PARKS	ENVIRONMENTAL QUALITY	ENERGY CONSERVATION	NETC LEASING CORPORATION	OTHER SPECIAL REVENUE	TOTALS
\$ 630	\$ 230	\$ 52	\$ -	\$ 352	\$ 7,789
-	12,447	-	4	4,835	17,286
82,199	87,329	21,922	-	134,999	483,842
13,948	14,928	3,747	-	22,365	81,892
-	6	-	-	-	201
1,152	-	-	-	84	1,236
-	248,079	13,308	-	8,586	272,482
1,333	890	236	-	2,644	10,147
727	3	-	-	2,920	3,708
48	-	-	36	35	124
-	-	-	-	270	1,380
<u>\$ 100,037</u>	<u>\$ 363,912</u>	<u>\$ 39,265</u>	<u>\$ 40</u>	<u>\$ 177,090</u>	<u>\$ 880,087</u>
\$ 6,652	\$ 188	\$ 8	\$ -	\$ 7,725	\$ 26,752
6	-	1,000	-	28	1,043
-	-	-	-	7	1,411
523	4	5	-	8,312	9,098
13,948	14,928	3,747	-	22,365	81,892
<u>21,129</u>	<u>15,120</u>	<u>4,760</u>	<u>-</u>	<u>38,437</u>	<u>120,196</u>
-	248,079	13,308	-	8,586	272,482
48	-	-	36	35	124
-	12,447	-	-	-	12,447
78,860	88,266	21,197	4	130,032	474,838
<u>78,908</u>	<u>348,792</u>	<u>34,505</u>	<u>40</u>	<u>138,653</u>	<u>759,891</u>
<u>\$ 100,037</u>	<u>\$ 363,912</u>	<u>\$ 39,265</u>	<u>\$ 40</u>	<u>\$ 177,090</u>	<u>\$ 880,087</u>

State of Nebraska

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

For the Year Ended June 30, 2010

(Dollars in Thousands)

	LICENSING AND REGULATION	ECONOMIC DEVELOPMENT	AIRPORT DEVELOPMENT
<b>REVENUES:</b>			
Sales and Use Taxes	\$ -	\$ 3,602	\$ -
Petroleum Taxes	10,724	799	1,414
Excise Taxes	9,756	26,054	-
Business and Franchise Taxes	4,705	131	-
Other Taxes	-	-	-
Federal Grants and Contracts	110	-	19,062
Licenses, Fees and Permits	61,817	137	12
Charges for Services	2,321	254	649
Investment Income	7,854	3,111	190
Rents and Royalties	-	-	810
Surcharge	54,937	-	-
Other	11,383	276	5
<b>TOTAL REVENUES</b>	<b>163,607</b>	<b>34,364</b>	<b>22,142</b>
<b>EXPENDITURES:</b>			
Current:			
General Government	-	-	-
Conservation of Natural Resources	-	-	-
Culture – Recreation	-	-	-
Economic Development and Assistance	-	24,708	-
Education	-	-	-
Health and Social Services	-	-	-
Public Safety	-	-	-
Regulation of Business and Professions	122,543	-	-
Transportation	-	-	22,896
Debt Service			
Principal	-	-	-
Interest	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>122,543</b>	<b>24,708</b>	<b>22,896</b>
Excess of Revenues Over (Under) Expenditures	41,064	9,656	(754)
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers In	2,744	14,753	296
Transfers Out	(51,004)	(31,377)	(87)
Proceeds from Capital Leases	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(48,260)</b>	<b>(16,624)</b>	<b>209</b>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(7,196)	(6,968)	(545)
<b>FUND BALANCES, JULY 1</b>	<b>111,115</b>	<b>54,041</b>	<b>8,546</b>
<b>FUND BALANCES, JUNE 30</b>	<b>\$ 103,919</b>	<b>\$ 47,073</b>	<b>\$ 8,001</b>

GAME AND PARKS	ENVIRONMENTAL QUALITY	ENERGY CONSERVATION	NETC LEASING CORPORATION	OTHER SPECIAL REVENUE	TOTALS
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,602
-	-	300	-	33	13,270
1,309	2,298	-	-	5,059	44,476
-	1,787	-	-	9,796	16,419
-	-	-	-	8,833	8,833
9,245	12	-	-	8,678	37,107
23,885	6,029	-	-	31,373	123,253
3,286	-	34	-	25,930	32,474
5,391	5,222	1,448	-	9,737	32,953
10,015	-	-	-	1,356	12,181
-	-	-	-	-	54,937
945	7,337	83	-	33,492	53,521
<u>54,076</u>	<u>22,685</u>	<u>1,865</u>	<u>-</u>	<u>134,287</u>	<u>433,026</u>
-	-	-	-	90,973	90,973
39,249	25,205	457	-	2,141	67,052
20,138	-	-	-	1,405	21,543
-	-	-	-	4,042	28,750
-	-	-	295	22,622	22,917
-	-	-	-	1,424	1,424
-	-	-	-	36,400	36,400
-	-	-	-	1,257	123,800
-	-	-	-	-	22,896
-	1,255	-	4,850	-	6,105
-	685	-	291	-	976
<u>59,387</u>	<u>27,145</u>	<u>457</u>	<u>5,436</u>	<u>160,264</u>	<u>422,836</u>
<u>(5,311)</u>	<u>(4,460)</u>	<u>1,408</u>	<u>(5,436)</u>	<u>(25,977)</u>	<u>10,190</u>
14,018	42,740	-	3,033	36,243	113,827
(744)	(1,649)	(163)	-	(10,787)	(95,811)
-	-	-	-	35	35
<u>13,274</u>	<u>41,091</u>	<u>(163)</u>	<u>3,033</u>	<u>25,491</u>	<u>18,051</u>
7,963	36,631	1,245	(2,403)	(486)	28,241
<u>70,945</u>	<u>312,161</u>	<u>33,260</u>	<u>2,443</u>	<u>139,139</u>	<u>731,650</u>
<u>\$ 78,908</u>	<u>\$ 348,792</u>	<u>\$ 34,505</u>	<u>\$ 40</u>	<u>\$ 138,653</u>	<u>\$ 759,891</u>

State of Nebraska

# **COMBINING BALANCE SHEET** **NONMAJOR PERMANENT FUNDS**

June 30, 2010

(Dollars in Thousands)

	AERONAUTICS TRUST	NEBRASKA VETERANS AID	PERMANENT ENDOWMENT	AGRICULTURE ENDOWMENT	OTHER	TOTALS
<b>ASSETS:</b>						
Cash and Cash Equivalents	\$ -	\$ 3,559	\$ 338	\$ 99	\$ 11	\$ 4,007
Investments	6,648	31,944	875	1,925	560	41,952
Securities Lending Collateral	531	1,791	49	108	46	2,525
Other Receivables, net of allowance	73	1,655	48	98	17	1,891
<b>TOTAL ASSETS</b>	<u>\$ 7,252</u>	<u>\$ 38,949</u>	<u>\$ 1,310</u>	<u>\$ 2,230</u>	<u>\$ 634</u>	<u>\$ 50,375</u>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>LIABILITIES:</b>						
Accounts Payable and Accrued Liabilities	\$ -	\$ 1,912	\$ 59	\$ 130	\$ 15	\$ 2,116
Obligations under Securities Lending	531	1,791	49	108	46	2,525
<b>TOTAL LIABILITIES</b>	<u>531</u>	<u>3,703</u>	<u>108</u>	<u>238</u>	<u>61</u>	<u>4,641</u>
<b>FUND BALANCES:</b>						
Reserved for Endowment Principal	6,195	12,000	503	722	145	19,565
Unreserved	526	23,246	699	1,270	428	26,169
<b>TOTAL FUND BALANCES</b>	<u>6,721</u>	<u>35,246</u>	<u>1,202</u>	<u>1,992</u>	<u>573</u>	<u>45,734</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 7,252</u>	<u>\$ 38,949</u>	<u>\$ 1,310</u>	<u>\$ 2,230</u>	<u>\$ 634</u>	<u>\$ 50,375</u>

State of Nebraska

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

For the Year Ended June 30, 2010

(Dollars in Thousands)

	AERONAUTICS TRUST	NEBRASKA VETERANS AID	PERMANENT ENDOWMENT	AGRICULTURE ENDOWMENT	OTHER	TOTALS
<b>REVENUES:</b>						
Investment Income	\$ 436	\$ 4,129	\$ 121	\$ 246	\$ 80	\$ 5,012
Other	-	2	-	-	-	2
<b>TOTAL REVENUES</b>	<u>436</u>	<u>4,131</u>	<u>121</u>	<u>246</u>	<u>80</u>	<u>5,014</u>
<b>EXPENDITURES:</b>						
General Government	-	-	-	-	17	17
Education	-	-	29	64	7	100
Health and Social Services	-	773	-	-	-	773
Transportation	7	-	-	-	-	7
<b>TOTAL EXPENDITURES</b>	<u>7</u>	<u>773</u>	<u>29</u>	<u>64</u>	<u>24</u>	<u>897</u>
Excess of Revenues Over (Under) Expenditures	429	3,358	92	182	56	4,117
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfers Out	(297)	-	-	-	-	(297)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	132	3,358	92	182	56	3,820
<b>FUND BALANCES, JULY 1</b>	<u>6,589</u>	<u>31,888</u>	<u>1,110</u>	<u>1,810</u>	<u>517</u>	<u>41,914</u>
<b>FUND BALANCES, JUNE 30</b>	<u>\$ 6,721</u>	<u>\$ 35,246</u>	<u>\$ 1,202</u>	<u>\$ 1,992</u>	<u>\$ 573</u>	<u>\$ 45,734</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.

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

State of Nebraska

# COMBINING STATEMENT OF NET ASSETS NONMAJOR ENTERPRISE FUNDS

June 30, 2010

(Dollars in Thousands)

	LOTTERY	EXCESS LIABILITY	CORNHUSKER STATE INDUSTRIES	TOTALS
<b>ASSETS</b>				
CURRENT ASSETS:				
Cash and Cash Equivalents	\$ 7,350	\$ 16,782	\$ 5,940	\$ 30,072
Receivables, net of allowance	4,389	6,933	501	11,823
Due from Other Funds	-	-	2,370	2,370
Inventories	-	-	2,690	2,690
Prepaid Items	424	-	-	424
TOTAL CURRENT ASSETS	<u>12,163</u>	<u>23,715</u>	<u>11,501</u>	<u>47,379</u>
NONCURRENT ASSETS:				
Restricted Long-Term Deposits	1,890	-	-	1,890
Long-Term Investments	-	65,616	-	65,616
Securities Lending Collateral	-	3,645	-	3,645
Capital Assets:				
Land	-	-	315	315
Buildings and Equipment	332	-	10,387	10,719
Less Accumulated Depreciation	(311)	-	(4,883)	(5,194)
Total Capital Assets, net	<u>21</u>	<u>-</u>	<u>5,819</u>	<u>5,840</u>
TOTAL NONCURRENT ASSETS	<u>1,911</u>	<u>69,261</u>	<u>5,819</u>	<u>76,991</u>
TOTAL ASSETS	<u>\$ 14,074</u>	<u>\$ 92,976</u>	<u>\$ 17,320</u>	<u>\$ 124,370</u>
<b>LIABILITIES AND NET ASSETS</b>				
CURRENT LIABILITIES:				
Accounts Payable and Accrued Liabilities	\$ 7,108	\$ 7,990	\$ 837	\$ 15,935
Due to Other Funds	55	-	63	118
Claims, Judgments and Compensated Absences	17	6,866	36	6,919
Unearned Revenue	-	4,533	-	4,533
TOTAL CURRENT LIABILITIES	<u>7,180</u>	<u>19,389</u>	<u>936</u>	<u>27,505</u>
NONCURRENT LIABILITIES:				
Claims, Judgments and Compensated Absences	229	12,612	476	13,317
Obligations under Securities Lending	-	3,645	-	3,645
TOTAL NONCURRENT LIABILITIES	<u>229</u>	<u>16,257</u>	<u>476</u>	<u>16,962</u>
TOTAL LIABILITIES	<u>7,409</u>	<u>35,646</u>	<u>1,412</u>	<u>44,467</u>
NET ASSETS:				
Invested in Capital Assets, net of related debt	21	-	5,819	5,840
Restricted for:				
Lottery Prizes, Noncurrent	1,890	-	-	1,890
Unrestricted	4,754	57,330	10,089	72,173
TOTAL NET ASSETS	<u>6,665</u>	<u>57,330</u>	<u>15,908</u>	<u>79,903</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 14,074</u>	<u>\$ 92,976</u>	<u>\$ 17,320</u>	<u>\$ 124,370</u>



State of Nebraska

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

For the Year Ended June 30, 2010

(Dollars in Thousands)

	LOTTERY	EXCESS LIABILITY	CORNHUSKER STATE INDUSTRIES	TOTALS
<b>OPERATING REVENUES:</b>				
Charges for Services	\$ 130,580	\$ 21,475	\$ 13,395	\$ 165,450
Other	-	-	154	154
TOTAL OPERATING REVENUES	<u>130,580</u>	<u>21,475</u>	<u>13,549</u>	<u>165,604</u>
<b>OPERATING EXPENSES:</b>				
Personal Services	1,364	-	4,511	5,875
Services and Supplies	22,536	465	6,861	29,862
Lottery Prizes	75,034	-	-	75,034
Insurance Claims	-	6,755	-	6,755
Depreciation	14	-	475	489
TOTAL OPERATING EXPENSES	<u>98,948</u>	<u>7,220</u>	<u>11,847</u>	<u>118,015</u>
Operating Income (Loss)	<u>31,632</u>	<u>14,255</u>	<u>1,702</u>	<u>47,589</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>				
Investment Income	397	8,486	176	9,059
Gain (Loss) on Sale of Fixed Assets	-	-	27	27
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>397</u>	<u>8,486</u>	<u>203</u>	<u>9,086</u>
Income (Loss) Before Transfers	32,029	22,741	1,905	56,675
Transfers Out	<u>(32,000)</u>	<u>-</u>	<u>-</u>	<u>(32,000)</u>
Change in Net Assets	29	22,741	1,905	24,675
<b>NET ASSETS, JULY 1</b>	<u>6,636</u>	<u>34,589</u>	<u>14,003</u>	<u>55,228</u>
<b>NET ASSETS, JUNE 30</b>	<u>\$ 6,665</u>	<u>\$ 57,330</u>	<u>\$ 15,908</u>	<u>\$ 79,903</u>

State of Nebraska  
**COMBINING STATEMENT OF CASH FLOWS**  
**NONMAJOR ENTERPRISE FUNDS**  
For the Year Ended June 30, 2010

(Dollars in Thousands)

	LOTTERY	EXCESS LIABILITY	CORNHUSKER STATE INDUSTRIES	TOTALS
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash Received from Customers	\$ 132,260	\$ 21,449	\$ 2,398	\$156,107
Cash Received from Interfund Charges	-	-	9,318	9,318
Cash Paid to Employees	(1,411)	-	(4,640)	(6,051)
Cash Paid to Suppliers	(21,679)	(276)	(6,671)	(28,626)
Cash Paid for Lottery Prizes	(76,452)	-	-	(76,452)
Cash Paid for Insurance Claims	-	(18,977)	-	(18,977)
Cash Paid for Interfund Services	(348)	(180)	(500)	(1,028)
NET CASH FLOWS FROM OPERATING ACTIVITIES	32,370	2,016	(95)	34,291
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Transfers Out	(32,000)	-	-	(32,000)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING:</b>				
Acquisition and Construction of Capital Assets	-	-	(75)	(75)
Proceeds from Sale of Fixed Assets	-	-	23	23
NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	-	-	(52)	(52)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Purchase of Investment Securities	-	(170,016)	-	(170,016)
Proceeds from Sale of Investment Securities	-	169,270	-	169,270
Interest and Dividend Income	493	4,275	183	4,951
NET CASH FLOWS FROM INVESTING ACTIVITIES	493	3,529	183	4,205
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	863	5,545	36	6,444
<b>CASH AND CASH EQUIVALENTS, JULY 1</b>	6,487	11,237	5,904	23,628
<b>CASH AND CASH EQUIVALENTS, JUNE 30</b>	<u>\$ 7,350</u>	<u>\$ 16,782</u>	<u>\$ 5,940</u>	<u>\$ 30,072</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Operating Income (Loss)	\$ 31,632	\$ 14,255	\$ 1,702	\$ 47,589
Adjustments to reconcile operating income to net cash flows from operating activities:				
Depreciation	14	-	475	489
Change in Assets and Liabilities:				
(Increase) Decrease in Receivables	1,680	-	96	1,776
(Increase) Decrease in Due from Other Funds	-	-	(1,929)	(1,929)
(Increase) Decrease in Inventories	-	-	(533)	(533)
(Increase) Decrease in Prepaid Items	(68)	-	-	(68)
(Increase) Decrease in Long-Term Deposits	6	-	-	6
Increase (Decrease) in Accounts Payable and Accrued Liabilities	(918)	9	83	(826)
Increase (Decrease) in Due to Other Funds	24	-	11	35
Increase (Decrease) in Claims Payable	-	(12,222)	-	(12,222)
Increase (Decrease) in Unearned Revenue	-	(26)	-	(26)
Total adjustments	738	(12,239)	(1,797)	(13,298)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<u>\$ 32,370</u>	<u>\$ 2,016</u>	<u>\$ (95)</u>	<u>\$ 34,291</u>
<b>NONCASH TRANSACTIONS (dollars in thousands):</b>				
Noncash transactions are investing and financing activities that affect assets and liabilities but do not result in cash receipts or payments.				
The following noncash transactions occurred during the year:				
Change in Fair Value of Investments	<u>\$ -</u>	<u>\$ 4,135</u>	<u>\$ -</u>	<u>\$ 4,135</u>

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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 ASSETS** **INTERNAL SERVICE FUNDS**

June 30, 2010

(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	\$ 13,068	\$ 5,721	\$ 14,949
Receivables, net of allowance			
Accounts	59	81	568
Accrued Interest	167	64	156
Due from Other Funds	146	2,203	11,740
Inventories	-	242	67
Prepaid Items	1,053	93	-
TOTAL CURRENT ASSETS	<u>14,493</u>	<u>8,404</u>	<u>27,480</u>
NONCURRENT ASSETS:			
Capital Assets:			
Buildings and Equipment	2,443	9,744	34,279
Less Accumulated Depreciation	<u>(2,251)</u>	<u>(6,695)</u>	<u>(27,110)</u>
Total Capital Assets, net	<u>192</u>	<u>3,049</u>	<u>7,169</u>
TOTAL ASSETS	<u>\$ 14,685</u>	<u>\$ 11,453</u>	<u>\$ 34,649</u>
<b>LIABILITIES AND NET ASSETS</b>			
CURRENT LIABILITIES:			
Accounts Payable and Accrued Liabilities	\$ 1,688	\$ 1,878	\$ 4,849
Due to Other Funds	67	683	267
Capital Lease Obligations	-	-	3,390
Claims, Judgments and Compensated Absences	42	35	211
Unearned Revenue	<u>-</u>	<u>-</u>	<u>948</u>
TOTAL CURRENT LIABILITIES	<u>1,797</u>	<u>2,596</u>	<u>9,665</u>
NONCURRENT LIABILITIES:			
Capital Lease Obligations	-	-	9,952
Claims, Judgments and Compensated Absences	<u>556</u>	<u>460</u>	<u>2,814</u>
TOTAL NONCURRENT LIABILITIES	<u>556</u>	<u>460</u>	<u>12,766</u>
TOTAL LIABILITIES	<u>2,353</u>	<u>3,056</u>	<u>22,431</u>
NET ASSETS:			
Invested in Capital Assets, net of related debt	192	3,049	(6,173)
Unrestricted	<u>12,140</u>	<u>5,348</u>	<u>18,391</u>
TOTAL NET ASSETS	<u>12,332</u>	<u>8,397</u>	<u>12,218</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 14,685</u>	<u>\$ 11,453</u>	<u>\$ 34,649</u>

TRANSPORTATION SERVICES	RISK MANAGEMENT	ACCOUNTING SERVICES	OTHER INTERNAL SERVICE	TOTALS
\$ 6,456	\$ 78,627	\$ 1,924	\$ 3,754	\$ 124,499
37	383	-	122	1,250
70	865	86	40	1,448
1,114	2,694	-	840	18,737
-	-	-	-	309
-	-	-	-	1,146
<u>7,677</u>	<u>82,569</u>	<u>2,010</u>	<u>4,756</u>	<u>147,389</u>
17,653	-	1,471	726	66,316
<u>(8,990)</u>	<u>-</u>	<u>(1,419)</u>	<u>(656)</u>	<u>(47,121)</u>
8,663	-	52	70	19,195
<u>\$ 16,340</u>	<u>\$ 82,569</u>	<u>\$ 2,062</u>	<u>\$ 4,826</u>	<u>\$ 166,584</u>
\$ 263	\$ 13,008	\$ 203	\$ 505	\$ 22,394
38	4,582	78	9	5,724
708	-	-	-	4,098
8	25,818	14	11	26,139
-	-	-	-	948
<u>1,017</u>	<u>43,408</u>	<u>295</u>	<u>525</u>	<u>59,303</u>
716	-	-	-	10,668
<u>101</u>	<u>37,962</u>	<u>189</u>	<u>151</u>	<u>42,233</u>
817	37,962	189	151	52,901
<u>1,834</u>	<u>81,370</u>	<u>484</u>	<u>676</u>	<u>112,204</u>
7,239	-	52	70	4,429
<u>7,267</u>	<u>1,199</u>	<u>1,526</u>	<u>4,080</u>	<u>49,951</u>
14,506	1,199	1,578	4,150	54,380
<u>\$ 16,340</u>	<u>\$ 82,569</u>	<u>\$ 2,062</u>	<u>\$ 4,826</u>	<u>\$ 166,584</u>

State of Nebraska

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

For the Year Ended June 30, 2010

(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	\$ 31,250	\$ 17,635	\$ 72,672
Other	888	-	-
<b>TOTAL OPERATING REVENUES</b>	<u>32,138</u>	<u>17,635</u>	<u>72,672</u>
<b>OPERATING EXPENSES:</b>			
Personal Services	4,339	3,119	18,501
Services and Supplies	32,764	13,327	47,963
Insurance Claims	-	-	-
Depreciation	55	1,173	5,027
<b>TOTAL OPERATING EXPENSES</b>	<u>37,158</u>	<u>17,619</u>	<u>71,491</u>
 Operating Income (Loss)	 <u>(5,020)</u>	 <u>16</u>	 <u>1,181</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>			
Investment Income	549	182	380
Gain (Loss) on Sale of Capital Assets	(209)	9	9
Other	-	-	(254)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u>340</u>	<u>191</u>	<u>135</u>
 Change in Net Assets	 <u>(4,680)</u>	 <u>207</u>	 <u>1,316</u>
<b>NET ASSETS, JULY 1</b>	<u>17,012</u>	<u>8,190</u>	<u>10,902</u>
<b>NET ASSETS, JUNE 30</b>	<u><u>\$ 12,332</u></u>	<u><u>\$ 8,397</u></u>	<u><u>\$ 12,218</u></u>

TRANSPORTATION SERVICES	RISK MANAGEMENT	ACCOUNTING SERVICES	OTHER INTERNAL SERVICE	TOTALS
\$ 6,967	\$ 174,307	\$ 4,077	\$ 11,404	\$ 318,312
-	-	6	603	1,497
<u>6,967</u>	<u>174,307</u>	<u>4,083</u>	<u>12,007</u>	<u>319,809</u>
537	186	2,035	6,637	35,354
2,482	599	2,750	4,636	104,521
-	180,800	-	-	180,800
<u>2,383</u>	<u>-</u>	<u>72</u>	<u>16</u>	<u>8,726</u>
<u>5,402</u>	<u>181,585</u>	<u>4,857</u>	<u>11,289</u>	<u>329,401</u>
<u>1,565</u>	<u>(7,278)</u>	<u>(774)</u>	<u>718</u>	<u>(9,592)</u>
191	2,207	214	114	3,837
11	-	(16)	-	(196)
<u>(48)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(302)</u>
<u>154</u>	<u>2,207</u>	<u>198</u>	<u>114</u>	<u>3,339</u>
1,719	(5,071)	(576)	832	(6,253)
<u>12,787</u>	<u>6,270</u>	<u>2,154</u>	<u>3,318</u>	<u>60,633</u>
<u>\$ 14,506</u>	<u>\$ 1,199</u>	<u>\$ 1,578</u>	<u>\$ 4,150</u>	<u>\$ 54,380</u>

State of Nebraska  
**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
For the Year Ended June 30, 2010

(Dollars in Thousands)

	BUILDINGS AND GROUNDS	GENERAL SERVICES	OFFICE OF THE CIO
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash Received from Customers	\$ 279	\$ 201	\$ 3,204
Cash Received from Interfund Charges	31,787	18,065	70,948
Cash Paid to Employees	(4,432)	(3,220)	(19,046)
Cash Paid to Suppliers	(31,164)	(14,141)	(45,711)
Cash Paid for Insurance Claims	-	-	-
Cash Paid for Interfund Services	(1,816)	(183)	(3,982)
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>(5,346)</u>	<u>722</u>	<u>5,413</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Acquisition and Construction of Capital Assets	(108)	(1,293)	(404)
Proceeds from Sale of Capital Assets	6	20	9
Principal Paid on Capital Leases	(35)	-	(3,200)
Interest Paid on Capital Leases	-	-	(254)
NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(137)</u>	<u>(1,273)</u>	<u>(3,849)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Investment Income	<u>583</u>	<u>185</u>	<u>362</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(4,900)	(366)	1,926
<b>CASH AND CASH EQUIVALENTS, JULY 1</b>	<u>17,968</u>	<u>6,087</u>	<u>13,023</u>
<b>CASH AND CASH EQUIVALENTS, JUNE 30</b>	<u><u>\$13,068</u></u>	<u><u>\$ 5,721</u></u>	<u><u>\$14,949</u></u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Operating Income (Loss)	<u>\$ (5,020)</u>	<u>\$ 16</u>	<u>\$ 1,181</u>
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:			
Depreciation	55	1,173	5,027
Change in Assets and Liabilities:			
(Increase) Decrease in Receivables	6	262	235
(Increase) Decrease in Due from Other Funds	(78)	369	920
(Increase) Decrease in Inventories	-	(114)	(6)
(Increase) Decrease in Prepaid Items	52	7	-
Increase (Decrease) in Accounts Payable and Accrued Liabilities	(327)	(715)	(2,221)
Increase (Decrease) in Due to Other Funds	(34)	(276)	(48)
Increase (Decrease) in Claims Payable	-	-	-
Increase (Decrease) in Unearned Revenue	-	-	325
Total Adjustments	<u>(326)</u>	<u>706</u>	<u>4,232</u>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<u><u>\$ (5,346)</u></u>	<u><u>\$ 722</u></u>	<u><u>\$ 5,413</u></u>
<b>NONCASH TRANSACTIONS</b> (dollars in thousands):			
Noncash transactions are investing and financing activities that affect assets and liabilities but do not result in cash receipts or payments.			
The following noncash transactions occurred during the year:			
Capital Assets acquired through Capital Leases	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 6,064</u></u>



TRANSPORTATION SERVICES	RISK MANAGEMENT	ACCOUNTING SERVICES	OTHER INTERNAL SERVICE	TOTALS
\$ 22	\$ 7,093	\$ 7	\$ 8,460	\$ 19,266
6,814	196,574	4,076	3,525	331,789
(558)	(182)	(2,117)	(6,851)	(36,406)
(1,924)	(413)	(1,968)	(4,461)	(99,782)
-	(182,881)	-	-	(182,881)
<u>(1,279)</u>	<u>(136)</u>	<u>(927)</u>	<u>(222)</u>	<u>(8,545)</u>
<u>3,075</u>	<u>20,055</u>	<u>(929)</u>	<u>451</u>	<u>23,441</u>
(973)	-	(29)	-	(2,807)
590	-	-	-	625
(2,454)	-	-	-	(5,689)
<u>(48)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(302)</u>
<u>(2,885)</u>	<u>-</u>	<u>(29)</u>	<u>-</u>	<u>(8,173)</u>
<u>188</u>	<u>1,981</u>	<u>184</u>	<u>107</u>	<u>3,590</u>
378	22,036	(774)	558	18,858
<u>6,078</u>	<u>56,591</u>	<u>2,698</u>	<u>3,196</u>	<u>105,641</u>
<u>\$ 6,456</u>	<u>\$ 78,627</u>	<u>\$ 1,924</u>	<u>\$ 3,754</u>	<u>\$ 124,499</u>
<u>\$ 1,565</u>	<u>\$ (7,278)</u>	<u>\$ (774)</u>	<u>\$ 718</u>	<u>\$ (9,592)</u>
2,383	-	72	16	8,726
-	(356)	-	144	291
(131)	29,716	-	(166)	30,630
-	-	-	-	(120)
-	-	-	-	59
(712)	46	(246)	(261)	(4,436)
(30)	8	19	-	(361)
-	(2,081)	-	-	(2,081)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>325</u>
<u>1,510</u>	<u>27,333</u>	<u>(155)</u>	<u>(267)</u>	<u>33,033</u>
<u>\$ 3,075</u>	<u>\$ 20,055</u>	<u>\$ (929)</u>	<u>\$ 451</u>	<u>\$ 23,441</u>
<u>\$ 1,783</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,847</u>



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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

**Vocational Rehabilitation Fund.** This fund provides rehabilitation services to outside persons to restore the person to gainful employment. Funding comes from assessments to insurance companies and self-insurers. This is not a State program.

**Canteen and Welfare Fund.** This fund provides entertainment activities and equipment at correctional facilities for youth and adult offenders. Such expenditures are not in the context of the State's responsibility for prisoner care and welfare. Revenues are from vending sales, canteen sales and interest earned. Such sales are 100% from inmate purchases. This is not a State program and uses no State funds.

**Escheat Trust Fund.** This fund makes payments to rightful owners for financial assets turned over to the State Treasurer because the assets were left unclaimed at corporations, business associations, banking and financial organizations, insurance companies, utilities and public authorities. If the rightful owners cannot be located, excess funds are transferred to the Permanent School Fund. However, the only funds shown in this trust are those funds determined to be paid at a future date to rightful owners of those funds.

**College Savings Plan.** This fund accounts for the Nebraska savings plan qualified under section 529 of the Internal Revenue Code.

**Other Private Purpose Trust Funds.** Amos Trust, Agriculture and University Land Lease, Public Service Commission Trust Account, and Miscellaneous Private Purpose Trust.

## AGENCY FUNDS

**Local Government Fund.** This fund receives money for redistribution to counties and other political subdivisions.

**Other Agency Funds.** Ohio College Library Service, Severance Tax Fund, Court Ordered Settlement, County Court Trust Funds, Comprehensive Health Insurance Pool, the Department of Correctional Services Inmate Trust Funds, and the Health and Human Services System Trust Funds.

## State of Nebraska

# COMBINING STATEMENT OF FIDUCIARY NET ASSETS

## PENSION TRUST FUNDS

June 30, 2010

(Dollars in Thousands)

	DEFERRED COMPENSATION	STATE EMPLOYEES RETIREMENT DEFINED CONTRIBUTION	CASH BALANCE
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 138	\$ 212	\$ 1,481
Investments:			
U.S. Treasury Notes and Bonds	-	-	14,573
U.S. Treasury Bills	-	-	112
Government Agency Securities	-	-	10,276
Corporate Bonds	-	-	41,545
International Bonds	-	-	6,401
Equity Securities	-	-	128,007
Private Equity	-	-	10,693
Options	-	-	(94)
Mortgages	-	-	30,496
Private Real Estate	-	-	16,733
Asset Backed Securities	-	-	6,878
Municipal Bonds	-	-	2,035
Commingled Funds	138,511	525,803	312,453
Guaranteed Investment Contracts	-	86,944	-
Short Term Investments	-	21,640	16,646
Total Investments	138,511	634,387	596,754
Securities Lending Collateral	-	19,218	45,548
Receivables:			
Contributions	-	852	1,454
Interest and Dividends	2	9	1,107
Other	-	-	12,008
Total Receivables	2	861	14,569
Due from Other Funds	-	-	-
Capital Assets:			
Buildings and Equipment	125	1,600	2,541
Less Accumulated Depreciation	(63)	(1,203)	(2,100)
Total Capital Assets, net	62	397	441
TOTAL ASSETS	\$ 138,713	\$ 655,075	\$ 658,793
<b>LIABILITIES</b>			
Accounts Payable and Accrued Liabilities	\$ 2	\$ 552	\$ 18,707
Due to Other Funds	4	30	-
Obligations under Securities Lending	-	19,218	45,548
Capital Lease Obligations	-	77	168
Accrued Compensated Absences	4	25	24
TOTAL LIABILITIES	10	19,902	64,447
<b>NET ASSETS</b>			
Held in Trust for Pension Benefits	\$ 138,703	\$ 635,173	\$ 594,346

COUNTY EMPLOYEES RETIREMENT		SCHOOL RETIREMENT	JUDGES RETIREMENT	STATE PATROL RETIREMENT	TOTALS
DEFINED CONTRIBUTION	CASH BALANCE				
\$ 258	\$ 63	\$ 4,728	\$ 73	\$ 116	\$ 7,069
-	4,063	171,210	2,949	6,550	199,345
-	32	5,922	102	227	6,395
-	2,865	29,243	504	1,119	44,007
-	11,581	507,227	8,737	19,406	588,496
-	1,784	69,602	1,199	2,663	81,649
-	35,684	1,314,333	22,638	50,284	1,550,946
-	2,981	133,362	2,297	5,102	154,435
-	(26)	(724)	(12)	(28)	(884)
-	8,501	446,494	7,690	17,082	510,263
-	4,665	78,450	1,351	3,001	104,200
-	1,917	86,697	1,493	3,317	100,302
-	567	32,000	551	1,224	36,377
132,669	87,102	2,980,861	51,342	115,962	4,344,703
20,684	-	-	-	-	107,628
5,648	5,161	72,301	1,245	2,766	125,407
159,001	166,877	5,926,978	102,086	228,675	7,953,269
4,572	12,697	355,430	6,122	13,598	457,185
269	613	20,859	327	-	24,374
2	308	12,048	207	456	14,139
-	3,347	189,080	3,257	7,234	214,926
271	4,268	221,987	3,791	7,690	253,439
-	-	25,371	104	2,133	27,608
752	1,357	12,042	2,099	2,055	22,571
(560)	(1,112)	(9,538)	(2,033)	(1,990)	(18,599)
192	245	2,504	66	65	3,972
\$ 164,294	\$ 184,150	\$ 6,536,998	\$ 112,242	\$ 252,277	\$ 8,702,542
\$ 123	\$ 5,162	\$ 240,450	\$ 4,057	\$ 9,010	\$ 278,063
15	-	134	2	2	187
4,572	12,697	355,430	6,122	13,598	457,185
32	88	257	68	67	757
12	13	190	3	3	274
4,754	\$ 17,960	\$ 596,461	\$ 10,252	\$ 22,680	\$ 736,466
\$ 159,540	\$ 166,190	\$ 5,940,537	\$ 101,990	\$ 229,597	\$ 7,966,076

State of Nebraska

# COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS PENSION TRUST FUNDS

For the Year Ended June 30, 2010

(Dollars in Thousands)

	DEFERRED COMPENSATION	STATE EMPLOYEES RETIREMENT DEFINED CONTRIBUTION	CASH BALANCE
<b>ADDITIONS:</b>			
Contributions:			
Participant Contributions	\$ 9,387	\$ 12,062	\$ 19,448
State Contributions	-	18,765	30,327
Political Subdivision Contributions	-	-	-
Court Fees	-	-	-
Total Contributions	<u>9,387</u>	<u>30,827</u>	<u>49,775</u>
Investment Income:			
Net Appreciation (Depreciation) in			
Fair Value of Investments	14,018	98,908	102,365
Interest and Dividend Income	5	-	-
Securities Lending Income	-	123	372
Total Investment Income	<u>14,023</u>	<u>99,031</u>	<u>102,737</u>
Investment Expenses	-	-	-
Securities Lending Expenses	-	48	131
Total Investment Expense	<u>-</u>	<u>48</u>	<u>131</u>
Net Investment Income	<u>14,023</u>	<u>98,983</u>	<u>102,606</u>
Other Additions	<u>54</u>	<u>6</u>	<u>8</u>
TOTAL ADDITIONS	<u>23,464</u>	<u>129,816</u>	<u>152,389</u>
<b>DEDUCTIONS:</b>			
Benefits	7,661	20,598	29,840
Refunds	-	-	-
Administrative Expenses	189	647	693
Other Deductions	-	27	16
TOTAL DEDUCTIONS	<u>7,850</u>	<u>21,272</u>	<u>30,549</u>
<b>TRANSFERS:</b>			
Transfers In (Out)	<u>-</u>	<u>(2,671)</u>	<u>2,671</u>
Change in Net Assets	<u>15,614</u>	<u>105,873</u>	<u>124,511</u>
<b>NET ASSETS-BEGINNING OF YEAR</b>	<u>123,089</u>	<u>529,300</u>	<u>469,835</u>
<b>NET ASSETS-END OF YEAR</b>	<u>\$ 138,703</u>	<u>\$ 635,173</u>	<u>\$ 594,346</u>

<b>COUNTY EMPLOYEES RETIREMENT</b>		<b>SCHOOL RETIREMENT</b>	<b>JUDGES RETIREMENT</b>	<b>STATE PATROL RETIREMENT</b>	<b>TOTALS</b>
<b>DEFINED CONTRIBUTION</b>	<b>CASH BALANCE</b>				
\$ 3,561	\$ 7,131	\$ 130,059	\$ 1,391	\$ 4,144	\$ 187,183
5,248	10,559	25,232	72	6,260	96,463
-	-	128,850	-	-	128,850
-	-	-	3,543	-	3,543
<u>8,809</u>	<u>17,690</u>	<u>284,141</u>	<u>5,006</u>	<u>10,404</u>	<u>416,039</u>
24,434	28,424	626,980	10,769	24,541	930,439
-	-	108,746	1,872	4,208	114,831
<u>29</u>	<u>104</u>	<u>2,681</u>	<u>46</u>	<u>103</u>	<u>3,458</u>
24,463	28,528	738,407	12,687	28,852	1,048,728
-	-	16,501	284	644	17,429
<u>10</u>	<u>37</u>	<u>1,025</u>	<u>18</u>	<u>39</u>	<u>1,308</u>
<u>10</u>	<u>37</u>	<u>17,526</u>	<u>302</u>	<u>683</u>	<u>18,737</u>
24,453	28,491	720,881	12,385	28,169	1,029,991
-	2	61	-	4	135
<u>33,262</u>	<u>46,183</u>	<u>1,005,083</u>	<u>17,391</u>	<u>38,577</u>	<u>1,446,165</u>
4,785	9,730	308,747	5,577	13,646	400,584
-	-	10,679	-	111	10,790
259	342	6,110	230	228	8,698
<u>4</u>	<u>5</u>	<u>4,971</u>	<u>-</u>	<u>-</u>	<u>5,023</u>
5,048	10,077	330,507	5,807	13,985	425,095
(348)	348	-	-	-	-
27,866	36,454	674,576	11,584	24,592	1,021,070
<u>131,674</u>	<u>129,736</u>	<u>5,265,961</u>	<u>90,406</u>	<u>205,005</u>	<u>6,945,006</u>
<u>\$ 159,540</u>	<u>\$ 166,190</u>	<u>\$ 5,940,537</u>	<u>\$ 101,990</u>	<u>\$ 229,597</u>	<u>\$ 7,966,076</u>

State of Nebraska

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

June 30, 2010

(Dollars in Thousands)

	VOCATIONAL REHABILITATION	CANTEEN AND WELFARE	ESCHEAT TRUST	COLLEGE SAVINGS PLAN	OTHER	TOTALS
<b>ASSETS</b>						
Cash and Cash Equivalents	\$ 4,975	\$ 3,881	\$ 8,099	\$ -	\$ 7,034	\$ 23,989
Investments:						
Commingled Funds	-	-	3,966	2,029,812	-	2,033,778
Short Term Investments	-	-	-	2,658	-	2,658
Receivables:						
Interest and Dividends	57	45	88	1,951	77	2,218
Other Assets	-	5	9,635	-	835	10,475
TOTAL ASSETS	<u>\$ 5,032</u>	<u>\$ 3,931</u>	<u>\$ 21,788</u>	<u>\$ 2,034,421</u>	<u>\$ 7,946</u>	<u>\$ 2,073,118</u>
<b>LIABILITIES</b>						
Accounts Payable and Accrued Liabilities	\$ 37	\$ 373	\$ 118	\$ 2,131	\$ 19	\$ 2,678
Deposits	-	-	-	-	835	835
Due to Other Funds	-	2	3	-	-	5
TOTAL LIABILITIES	<u>\$ 37</u>	<u>\$ 375</u>	<u>\$ 121</u>	<u>\$ 2,131</u>	<u>\$ 854</u>	<u>\$ 3,518</u>
<b>NET ASSETS</b>						
Held in Trust for:						
College Savings Plan	\$ -	\$ -	\$ -	\$ 2,032,290	\$ -	\$ 2,032,290
Other Purposes	4,995	3,556	21,667	-	7,092	37,310
TOTAL NET ASSETS	<u>\$ 4,995</u>	<u>\$ 3,556</u>	<u>\$ 21,667</u>	<u>\$ 2,032,290</u>	<u>\$ 7,092</u>	<u>\$ 2,069,600</u>



State of Nebraska

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

For the Year Ended June 30, 2010

(Dollars in Thousands)

	VOCATIONAL REHABILITATION	CANTEEN AND WELFARE	ESCHEAT TRUST	COLLEGE SAVINGS PLAN	OTHER	TOTALS
<b>ADDITIONS:</b>						
Contributions:						
Participant Contributions	\$ -	\$ -	\$ -	\$ 951,911	\$ -	\$ 951,911
Client Contributions	-	198	-	-	-	198
Investment Income:						
Net Appreciation (Depreciation) in						
Fair Value of Investments	-	-	-	301,843	-	301,843
Interest and Dividend Income	183	133	198	43,443	254	44,211
Investment Expenses	-	-	-	12,806	-	12,806
Total Investment Income	183	133	198	332,480	254	333,248
Escheat Revenue	-	-	8,850	-	-	8,850
Other Additions	-	4,988	-	-	507	5,495
<b>TOTAL ADDITIONS</b>	<b>183</b>	<b>5,319</b>	<b>9,048</b>	<b>1,284,391</b>	<b>761</b>	<b>1,299,702</b>
<b>DEDUCTIONS:</b>						
Benefits	-	-	-	725,500	-	725,500
Amounts Distributed to Outside Parties	1,196	4,486	7,487	-	3,076	16,245
Administrative Expenses	-	937	833	-	147	1,917
<b>TOTAL DEDUCTIONS</b>	<b>1,196</b>	<b>5,423</b>	<b>8,320</b>	<b>725,500</b>	<b>3,223</b>	<b>743,662</b>
Change in Net Assets Held in Trust for:						
College Savings Plan	-	-	-	558,891	-	558,891
Other Purposes	(1,013)	(104)	728	-	(2,462)	(2,851)
<b>NET ASSETS-BEGINNING OF YEAR</b>	<b>6,008</b>	<b>3,660</b>	<b>20,939</b>	<b>1,473,399</b>	<b>9,554</b>	<b>1,513,560</b>
<b>NET ASSETS-END OF YEAR</b>	<b>\$ 4,995</b>	<b>\$ 3,556</b>	<b>\$ 21,667</b>	<b>\$ 2,032,290</b>	<b>\$ 7,092</b>	<b>\$ 2,069,600</b>

State of Nebraska

# COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES AGENCY FUNDS

June 30, 2010

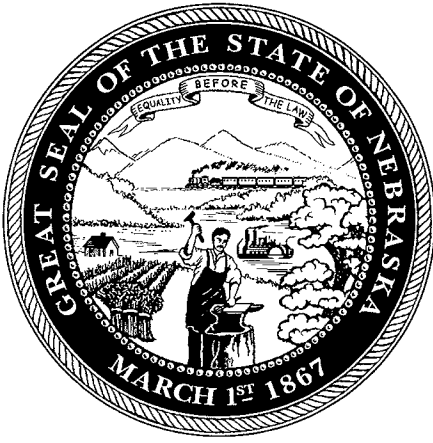
(Dollars in Thousands)

	LOCAL GOVERNMENT FUND	OTHER	TOTALS
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 46,532	\$ 38,568	\$ 85,100
Receivables:			
Interest and Dividends Receivable	422	160	582
Other	-	595	595
TOTAL ASSETS	<u>\$ 46,954</u>	<u>\$ 39,323</u>	<u>\$ 86,277</u>
<b>LIABILITIES</b>			
Accounts Payable and Accrued Liabilities	\$ 59	\$ 17,336	\$ 17,395
Due to Other Governments	46,895	-	46,895
Other Liabilities	-	21,987	21,987
TOTAL LIABILITIES	<u>\$ 46,954</u>	<u>\$ 39,323</u>	<u>\$ 86,277</u>

State of Nebraska  
**COMBINING STATEMENT OF CHANGES**  
**IN ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
For the Year Ended June 30, 2010

(Dollars in Thousands)	BALANCE JULY 1, 2009	ADDITIONS	REDUCTIONS	BALANCE JUNE 30, 2010
<b>LOCAL GOVERNMENT FUND</b>				
ASSETS				
Cash and Cash Equivalents	\$ 52,328	\$ 507,316	\$ 513,112	\$ 46,532
Receivables:				
Interest and Dividends Receivable	458	985	1,021	422
Other	-	585	585	-
TOTAL ASSETS	<u>\$ 52,786</u>	<u>\$ 508,886</u>	<u>\$ 514,718</u>	<u>\$ 46,954</u>
LIABILITIES				
Accounts Payable and Accrued Liabilities	\$ 122	\$ 227,898	\$ 227,961	\$ 59
Due to Other Governments	52,664	280,988	286,757	46,895
TOTAL LIABILITIES	<u>\$ 52,786</u>	<u>\$ 508,886</u>	<u>\$ 514,718</u>	<u>\$ 46,954</u>
<b>OTHER</b>				
ASSETS				
Cash and Cash Equivalents	\$ 37,280	\$ 450,200	\$ 448,912	\$ 38,568
Receivables:				
Interest and Dividends Receivable	97	452	389	160
Other	606	13,773	13,784	595
TOTAL ASSETS	<u>\$ 37,983</u>	<u>\$ 464,425</u>	<u>\$ 463,085</u>	<u>\$ 39,323</u>
LIABILITIES				
Accounts Payable and Accrued Liabilities	\$ 11,344	\$ 69,442	\$ 63,450	\$ 17,336
Other Liabilities	26,639	394,983	399,635	21,987
TOTAL LIABILITIES	<u>\$ 37,983</u>	<u>\$ 464,425</u>	<u>\$ 463,085</u>	<u>\$ 39,323</u>
<b>TOTALS</b>				
ASSETS				
Cash and Cash Equivalents	\$ 89,608	\$ 957,516	\$ 962,024	\$ 85,100
Receivables:				
Interest and Dividends Receivable	555	1,437	1,410	582
Other	606	14,358	14,369	595
TOTAL ASSETS	<u>\$ 90,769</u>	<u>\$ 973,311</u>	<u>\$ 977,803</u>	<u>\$ 86,277</u>
LIABILITIES				
Accounts Payable and Accrued Liabilities	\$ 11,466	\$ 297,340	\$ 291,411	\$ 17,395
Due to Other Governments	52,664	280,988	286,757	46,895
Other Liabilities	26,639	394,983	399,635	21,987
TOTAL LIABILITIES	<u>\$ 90,769</u>	<u>\$ 973,311</u>	<u>\$ 977,803</u>	<u>\$ 86,277</u>





## STATISTICAL SECTION

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**STATISTICAL SECTION TABLE OF CONTENTS**For the Year Ended June 30, 2010

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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.

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State of Nebraska  
**NET ASSETS BY COMPONENT**  
2003 – 2010

(Dollars in Thousands)

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

(Dollars in Thousands)

	2008	2009	2010
<b>Governmental activities</b>			
Invested in capital assets, net of related debt	\$ 7,587,729	\$ 7,718,610	\$ 7,820,246
Restricted	1,789,943	1,631,962	1,754,186
Unrestricted	1,078,546	1,015,196	850,757
<b>Total governmental activities net assets</b>	<b>\$ 10,456,218</b>	<b>\$ 10,365,768</b>	<b>\$ 10,425,189</b>
<b>Business-type activities</b>			
Invested in capital assets, net of related debt	\$ 6,426	\$ 6,283	\$ 5,848
Restricted	344,186	270,394	240,878
Unrestricted	47,777	47,082	72,173
<b>Total business-type activities net assets</b>	<b>\$ 398,389</b>	<b>\$ 323,759</b>	<b>\$ 318,899</b>
<b>Primary government</b>			
Invested in capital assets, net of related debt	\$ 7,594,155	\$ 7,724,893	\$ 7,826,094
Restricted	2,134,129	1,902,356	1,995,064
Unrestricted	1,126,323	1,062,278	922,930
<b>Total primary government net assets</b>	<b>\$ 10,854,607</b>	<b>\$ 10,689,527</b>	<b>\$ 10,744,088</b>

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

State of Nebraska  
**CHANGES IN NET ASSETS**  
2003 – 2010

(Dollars in Thousands)

	2003	2004	2005	2006	2007	2008	2009	2010
<b>Governmental Activities:</b>								
Expenses								
General Government	\$ 404,682	\$ 293,586	\$ 320,608	\$ 308,567	\$ 354,737	\$ 437,830	\$ 468,433	\$ 471,614
Conservation of Natural Resources	87,746	91,996	95,589	100,476	119,286	112,936	127,677	148,452
Culture - Recreation	28,083	20,352	28,524	27,174	27,031	26,073	29,272	24,228
Economic Development and Assistance	83,974	80,417	79,618	87,299	89,310	84,852	88,520	95,228
Education	1,215,793	1,201,349	1,224,973	1,318,123	1,369,110	1,450,085	1,562,662	1,712,705
Higher Education - Colleges and University	461,325	438,225	451,404	482,229	528,861	558,282	571,268	571,288
Health and Social Services	2,219,649	2,329,940	2,494,782	2,593,692	2,649,535	2,744,217	2,912,708	3,010,299
Public Safety	237,538	254,085	282,474	288,659	359,755	372,677	351,673	372,813
Regulation of Business and Professions	117,235	126,978	139,248	151,853	155,692	130,603	123,579	132,094
Transportation	626,550	715,553	716,259	697,210	614,919	714,032	797,462	736,449
Interest on Long-term Debt	3,808	3,018	2,800	2,556	2,337	2,241	1,828	1,400
Total expenses	<u>5,486,383</u>	<u>5,555,499</u>	<u>5,836,279</u>	<u>6,057,838</u>	<u>6,270,573</u>	<u>6,633,828</u>	<u>7,035,082</u>	<u>7,276,570</u>
Program Revenues								
Charges for Services:								
General Government	57,497	63,919	64,746	73,624	86,746	86,869	87,575	100,501
Conservation of Natural Resources	27,644	31,909	22,049	24,332	34,578	34,439	35,324	35,483
Culture - Recreation	16,441	15,544	16,700	15,977	16,823	17,072	18,153	18,550
Economic Development and Assistance	2,221	3,551	3,600	3,195	5,043	4,808	2,259	2,171
Education	34,810	35,140	27,470	23,346	26,180	25,807	30,402	34,166
Health and Social Services	130,487	152,240	147,720	120,526	115,036	126,075	148,971	109,333
Public Safety	23,275	26,077	27,614	26,183	24,348	25,118	25,363	25,320
Regulation of Business and Professions	112,754	116,772	122,536	113,418	118,119	122,667	132,771	131,814
Transportation	82,414	77,630	95,322	90,951	89,358	105,748	112,493	95,950
Operating grants and contributions	1,801,023	2,146,719	2,121,384	2,151,817	2,217,531	2,235,104	2,490,255	2,841,557
Capital grants and contributions	5,354	6,422	12,245	4,461	8,137	21,258	25,252	24,680
Total program revenues	<u>2,293,920</u>	<u>2,675,923</u>	<u>2,661,386</u>	<u>2,647,830</u>	<u>2,741,899</u>	<u>2,804,965</u>	<u>3,108,818</u>	<u>3,419,525</u>
Total Governmental Activities								
Net Program Expense	<u>(3,192,463)</u>	<u>(2,879,576)</u>	<u>(3,174,893)</u>	<u>(3,410,008)</u>	<u>(3,528,674)</u>	<u>(3,828,863)</u>	<u>(3,926,264)</u>	<u>(3,857,045)</u>
General Revenues and Other Changes in Net Assets								
Taxes								
Income taxes	1,236,845	1,400,161	1,612,683	1,803,670	1,859,467	1,956,656	1,787,950	1,676,829
Sales and use taxes	1,218,045	1,284,260	1,376,100	1,410,980	1,441,743	1,481,067	1,476,995	1,447,865
Petroleum taxes	311,198	313,539	311,231	312,809	326,795	290,721	305,793	303,865
Excise taxes	108,788	122,462	126,593	134,406	137,525	141,012	134,877	132,779
Business and franchise taxes	59,490	67,322	70,344	79,723	68,771	80,925	70,270	79,115
Other taxes	25,187	33,089	68,885	35,369	36,832	15,269	10,863	13,436
Total taxes	<u>2,959,553</u>	<u>3,220,833</u>	<u>3,565,836</u>	<u>3,776,957</u>	<u>3,871,133</u>	<u>3,965,650</u>	<u>3,786,748</u>	<u>3,653,889</u>
Unrestricted investment earnings	73,888	86,502	117,977	92,892	250,175	114,252	14,582	216,190
Miscellaneous	-	1,055	5,106	39	730	3,374	401	(1,927)
Contributions to permanent fund principal	12,395	11,715	16,581	15,582	18,800	12,301	3,838	16,314
Transfers	20,230	20,591	26,372	27,602	29,266	31,008	30,245	32,000
Total general revenues and other changes in net assets	<u>3,066,066</u>	<u>3,340,696</u>	<u>3,731,872</u>	<u>3,913,072</u>	<u>4,170,104</u>	<u>4,126,585</u>	<u>3,835,814</u>	<u>3,916,466</u>
Total Governmental Activities								
Change in Net Assets	<u>\$ (126,397)</u>	<u>\$ 461,120</u>	<u>\$ 556,979</u>	<u>\$ 503,064</u>	<u>\$ 641,430</u>	<u>\$ 297,722</u>	<u>\$ (90,450)</u>	<u>\$ 59,421</u>



State of Nebraska  
**CHANGES IN NET ASSETS (Continued)**  
2003 – 2010

(Dollars in Thousands)

	2003	2004	2005	2006	2007	2008	2009	2010
<b><u>Business-type Activities:</u></b>								
Expenses								
Unemployment Insurance	\$ 160,664	\$ 156,172	\$ 114,496	\$ 101,433	\$ 93,939	\$ 98,365	\$ 242,201	\$ 431,836
Lottery	61,455	73,264	77,128	83,440	85,895	91,653	94,676	98,948
Excess Liability	13,796	14,595	1,984	12,551	13,731	(2,707)	12,430	7,220
Cornhusker State Industries	6,103	7,868	10,509	10,552	11,690	10,435	10,221	11,847
Total expenses	<u>242,018</u>	<u>251,899</u>	<u>204,117</u>	<u>207,976</u>	<u>205,255</u>	<u>197,746</u>	<u>359,528</u>	<u>549,851</u>
Revenues								
Charges for services:								
Unemployment Insurance	123,393	132,379	133,840	154,413	127,340	102,881	149,937	391,067
Lottery	80,919	92,608	100,658	113,108	114,489	121,910	123,251	130,580
Excess Liability	6,686	9,683	10,949	12,903	12,474	10,947	9,267	21,475
Cornhusker State Industries	5,196	9,598	13,022	10,851	9,341	9,880	9,412	13,549
Operating grants and contributions	-	-	-	-	-	-	-	-
Capital grants and contributions	-	-	-	-	-	-	-	-
Total revenues	<u>216,194</u>	<u>244,268</u>	<u>258,469</u>	<u>291,275</u>	<u>263,644</u>	<u>245,618</u>	<u>291,867</u>	<u>556,671</u>
Total Business-type Activities								
Net Program Expense	<u>(25,824)</u>	<u>(7,631)</u>	<u>54,352</u>	<u>83,299</u>	<u>58,389</u>	<u>47,872</u>	<u>(67,661)</u>	<u>6,820</u>
Other Changes in Net Assets								
Unrestricted investment earnings	16,679	15,183	13,705	10,110	18,308	23,347	23,276	20,293
Miscellaneous	-	(3)	(3)	(423)	-	-	-	27
Transfers	(20,230)	(20,591)	(26,372)	(27,602)	(29,266)	(31,008)	(30,245)	(32,000)
Total other changes in net assets	<u>(3,551)</u>	<u>(5,411)</u>	<u>(12,670)</u>	<u>(17,915)</u>	<u>(10,958)</u>	<u>(7,661)</u>	<u>(6,969)</u>	<u>(11,680)</u>
Total Business-type Activities								
Change in Net Assets	<u>\$ (29,375)</u>	<u>\$ (13,042)</u>	<u>\$ 41,682</u>	<u>\$ 65,384</u>	<u>\$ 47,431</u>	<u>\$ 40,211</u>	<u>\$ (74,630)</u>	<u>\$ (4,860)</u>
<b>Total Primary Government</b>								
<b>Change in Net Assets</b>	<u><u>\$ (155,772)</u></u>	<u><u>\$ 448,078</u></u>	<u><u>\$ 598,661</u></u>	<u><u>\$ 568,448</u></u>	<u><u>\$ 688,861</u></u>	<u><u>\$ 337,933</u></u>	<u><u>\$ (165,080)</u></u>	<u><u>\$ 54,561</u></u>

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



State of Nebraska  
**FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
2003 – 2010

(Dollars in thousands)

	2003	2004	2005	2006	2007
General Fund					
Reserved	\$ 274	\$ 525	\$ 532	\$ 482	\$ 438
Unreserved	<u>(17,319)</u>	<u>207,282</u>	<u>408,771</u>	<u>691,757</u>	<u>971,205</u>
Total general fund	<u>\$ (17,045)</u>	<u>\$ 207,807</u>	<u>\$ 409,303</u>	<u>\$ 692,239</u>	<u>\$ 971,643</u>
All Other Governmental Funds					
Reserved	\$ 333,228	\$ 347,660	\$ 377,818	\$ 619,319	\$ 659,349
Unreserved					
Special revenue funds	765,310	879,041	936,316	893,536	1,014,579
Permanent funds	197,586	224,869	250,127	77,768	115,901
Other funds	<u>30,030</u>	<u>32,206</u>	<u>34,295</u>	<u>47,071</u>	<u>51,784</u>
Total all other governmental funds	<u>\$ 1,326,154</u>	<u>\$ 1,483,776</u>	<u>\$ 1,598,556</u>	<u>\$ 1,637,694</u>	<u>\$ 1,841,613</u>

(Dollars in thousands)

	2008	2009	2010
General Fund			
Reserved	\$ 1,368	\$ 1,062	\$ 894
Unreserved	<u>972,307</u>	<u>855,542</u>	<u>715,530</u>
Total general fund	<u>\$ 973,675</u>	<u>\$ 856,604</u>	<u>\$ 716,424</u>
All Other Governmental Funds			
Reserved	\$ 687,095	\$ 694,503	\$ 729,377
Unreserved			
Special revenue funds	1,065,392	997,377	1,062,679
Permanent funds	91,759	23,073	67,754
Other funds	<u>121,686</u>	<u>118,933</u>	<u>82,371</u>
Total all other governmental funds	<u>\$ 1,965,932</u>	<u>\$ 1,833,886</u>	<u>\$ 1,942,181</u>

State of Nebraska  
**CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
2001 – 2010

(Dollars in Thousands)

	2001	2002	2003	2004
<b>REVENUES:</b>				
Taxes:				
Income	\$ 1,374,256	\$ 1,252,950	\$ 1,237,075	\$ 1,402,371
Sales and Use	1,068,832	1,135,014	1,215,621	1,283,592
Petroleum	291,545	309,245	311,198	313,539
Excise	86,518	83,567	107,227	122,320
Business and Franchise	56,420	57,321	59,490	67,322
Other	35,621	24,912	25,187	33,089
Total Taxes	<u>2,913,192</u>	<u>2,863,009</u>	<u>2,955,798</u>	<u>3,222,233</u>
Federal Grants and Contracts	1,591,531	1,789,617	1,806,377	2,153,141
Licenses, Fees and Permits	159,338	169,748	177,317	183,314
Charges for Services	81,691	82,058	74,470	82,320
Investment Income	114,774	57,660	71,225	83,702
Rents and Royalties	33,711	33,586	44,561	39,845
Other	146,874	148,168	196,148	222,577
TOTAL REVENUES	<u>5,041,111</u>	<u>5,143,846</u>	<u>5,325,896</u>	<u>5,987,132</u>
<b>EXPENDITURES:</b>				
Current:				
General Government	268,235	225,446	252,230	240,354
Conservation of Natural Resources	94,481	102,401	88,716	92,682
Culture – Recreation	24,059	29,002	26,844	26,081
Economic Development and Assistance	81,045	86,401	83,378	80,531
Education	1,089,059	1,172,525	1,208,046	1,203,430
Higher Education - Colleges and University	442,176	466,397	461,325	438,225
Health and Social Services	1,960,469	2,159,887	2,219,154	2,337,338
Public Safety	197,363	238,874	236,277	262,344
Regulation of Business and Professions	81,855	104,364	116,560	127,079
Transportation	670,896	750,704	752,810	794,342
Capital Projects	45,321	25,961	27,773	19,162
Debt Service				
Principal	3,125	8,805	3,830	4,145
Interest	1,699	1,886	1,934	1,971
TOTAL EXPENDITURES	<u>4,959,783</u>	<u>5,372,653</u>	<u>5,478,877</u>	<u>5,627,684</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	81,328	(228,807)	(152,981)	359,448
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	151,673	151,187	147,825	126,343
Transfers Out	(129,619)	(130,025)	(126,721)	(104,664)
Other	2,947	37,719	5,013	1,347
<b>NET CHANGE IN FUND BALANCE</b>	106,329	(169,926)	(126,864)	382,474
Restatements	-	11,354	-	-
<b>BEGINNING FUND BALANCE</b>	<u>1,488,216</u>	<u>1,594,545</u>	<u>1,435,973</u>	<u>1,309,109</u>
<b>ENDING FUND BALANCE</b>	<u>\$ 1,594,545</u>	<u>\$ 1,435,973</u>	<u>\$ 1,309,109</u>	<u>\$ 1,691,583</u>
<b>DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES</b>	<1%	<1%	<1%	<1%

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

2005	2006	2007	2008	2009	2010
\$ 1,610,008	\$ 1,802,161	\$ 1,860,712	\$ 1,950,363	\$ 1,790,025	\$ 1,675,922
1,376,675	1,411,152	1,437,994	1,474,251	1,475,234	1,452,362
311,231	312,809	329,490	295,321	309,626	307,005
124,525	132,348	135,449	138,799	134,877	132,779
70,344	79,723	68,771	80,925	70,270	79,115
68,885	35,369	36,832	15,269	10,863	13,436
<u>3,561,668</u>	<u>3,773,562</u>	<u>3,869,248</u>	<u>3,954,928</u>	<u>3,790,895</u>	<u>3,660,619</u>
2,133,629	2,156,278	2,225,668	2,256,362	2,514,288	2,865,989
198,970	196,966	211,167	259,000	268,817	266,899
93,654	82,132	92,370	108,301	137,234	96,165
115,540	89,888	246,753	110,716	10,508	212,353
41,437	45,951	49,968	51,809	54,549	49,286
201,814	172,545	173,948	129,861	123,953	146,216
<u>6,346,712</u>	<u>6,517,322</u>	<u>6,869,122</u>	<u>6,870,977</u>	<u>6,900,244</u>	<u>7,297,527</u>
405,798	296,209	311,324	430,310	439,614	439,330
98,067	104,118	119,533	112,333	127,562	149,556
28,313	26,392	26,250	26,226	28,305	30,183
81,172	87,462	89,440	85,807	88,824	96,584
1,223,461	1,318,785	1,366,330	1,448,170	1,565,692	1,710,935
451,404	482,229	528,861	558,282	571,268	571,288
2,475,952	2,605,402	2,659,210	2,715,383	2,920,472	3,004,678
285,732	287,735	359,514	383,156	370,605	351,084
139,086	151,850	155,195	130,330	123,476	131,884
844,709	837,796	763,907	853,521	915,980	842,583
19,048	25,101	27,494	27,289	25,333	30,584
5,525	4,660	6,575	6,215	7,625	6,105
1,852	1,742	1,666	1,459	1,256	976
<u>6,060,119</u>	<u>6,229,481</u>	<u>6,415,299</u>	<u>6,778,481</u>	<u>7,186,012</u>	<u>7,365,770</u>
286,593	287,841	453,823	92,496	(285,768)	(68,243)
152,721	171,981	155,268	253,986	171,202	226,156
(126,349)	(144,379)	(126,002)	(222,978)	(140,957)	(194,156)
3,311	6,631	234	2,847	6,406	4,358
316,276	322,074	483,323	126,351	(249,117)	(31,885)
-	-	-	-	-	-
<u>1,691,583</u>	<u>2,007,859</u>	<u>2,329,933</u>	<u>2,813,256</u>	<u>2,939,607</u>	<u>2,690,490</u>
<u>\$ 2,007,859</u>	<u>\$ 2,329,933</u>	<u>\$ 2,813,256</u>	<u>\$ 2,939,607</u>	<u>\$ 2,690,490</u>	<u>\$ 2,658,605</u>
<1%	<1%	<1%	<1%	<1%	<1%

State of Nebraska  
**INDIVIDUAL INCOME TAX RATES**  
 2001 – 2010

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	Tax Brackets			
	Bracket 1	Bracket 2	Bracket 3	Bracket 4
<b>Single</b>				
2001 - 2005 Income Range	\$0-2,400	\$2,400-17,000	\$17,000-26,500	Over \$26,500
2006 - 2010 Income Range	\$0-2,400	\$2,400-17,500	\$17,500-27,000	Over \$27,000
2001 - 2002 Rates	2.51%	3.49%	5.01%	6.68%
2003 - 2010 Rates	2.56%	3.57%	5.12%	6.84%
<b>Heads of Household</b>				
2001 - 2005 Income Range	\$0-3,800	\$3,800-24,000	\$24,000-35,000	Over \$35,000
2006 Income Range	\$0-3,800	\$3,800-25,000	\$25,000-35,000	Over \$35,000
2007 - 2010 Income Range	\$0-4,500	\$4,500-28,000	\$28,000-40,000	Over \$40,000
2001 - 2002 Rates	2.51%	3.49%	5.01%	6.68%
2003 - 2010 Rates	2.56%	3.57%	5.12%	6.84%
<b>Married Filing Joint</b>				
2001 - 2005 Income Range	\$0-4,000	\$4,000-30,000	\$30,000-46,750	Over \$46,750
2006 Income Range	\$0-4,000	\$4,000-31,000	\$31,000-50,000	Over \$50,000
2007 - 2010 Income Range	\$0-4,800	\$4,800-35,000	\$35,000-54,000	Over \$54,000
2001 - 2002 Rates	2.51%	3.49%	5.01%	6.68%
2003 - 2010 Rates	2.56%	3.57%	5.12%	6.84%
<b>Married Filing Separate</b>				
2001 - 2005 Income Range	\$0-2,000	\$2,000-15,000	\$15,000-23,375	Over \$23,375
2006 Income Range	\$0-2,000	\$2,000-15,500	\$15,500-25,000	Over \$25,000
2007 - 2010 Income Range	\$0-2,400	\$2,400-17,500	\$17,500-27,000	Over \$27,000
2001 - 2002 Rates	2.51%	3.49%	5.01%	6.68%
2003 - 2010 Rates	2.56%	3.57%	5.12%	6.84%

**SOURCE:** Nebraska Department of Revenue

State of Nebraska

# INDIVIDUAL INCOME TAX LIABILITY BY INCOME LEVEL

Tax Years 1999 and 2008

1999				
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	204,406	\$4,927,203	66,466	0.45%
\$10,000 - 24,999	202,193	\$51,057,940	188,923	4.65%
\$25,000 - 49,999	220,075	\$181,653,848	216,537	16.53%
\$50,000 - 99,999	169,397	\$370,121,650	167,959	33.67%
\$100,000 and Over	53,565	\$491,407,914	52,149	44.71%
<b>State Total</b>	<b>849,636</b>	<b>\$1,099,168,555</b>	<b>692,034</b>	<b>100.00%</b>

2008				
Federal Adjusted Gross Income Level	Number of Returns	Net Liability After Nonrefundable Credits	Number of Returns With Liability	Net Liability Percent
Less Than \$10,001	157,756	\$3,655,522	28,786	0.23%
\$10,001 - 25,000	194,871	\$33,629,788	137,569	2.11%
\$25,001 - 50,000	229,509	\$172,465,330	215,395	10.81%
\$50,001 - 100,000	225,258	\$466,540,915	219,828	29.23%
\$100,001 and Over	113,860	\$919,713,613	109,375	57.63%
<b>State Total</b>	<b>921,254</b>	<b>\$1,596,005,168</b>	<b>710,953</b>	<b>100.00%</b>

**SOURCE:** Department of Revenue 2000 and 2009 Annual Reports

**NOTE:** Due to confidentiality issues, the names of the ten largest revenue payers are not available. The categories presented are intended to provide alternative information regarding the sources of the state's revenue. Tax year 2008 is the most recent year for which data is available.

State of Nebraska  
**TAXABLE SALES BY INDUSTRY**  
 Calendar Years 2000 and 2009

	2000	2009
Agriculture, Forestry, Fishing & Hunting	\$53,589,811	\$68,655,209
Mining	24,927,861	38,630,408
Utilities	1,345,453,611	2,052,385,370
Construction	236,216,671	499,452,186
Manufacturing	594,780,509	432,261,987
Wholesale Trade	1,127,541,963	1,382,824,757
Retail Trade	7,456,519,045	8,885,685,141
Transportation	62,683,642	85,450,704
Warehousing Services	1,153,627	37,153,757
Information	928,980,579	948,184,785
Finance & Insurance	218,085,491	35,304,807
Real Estate, Rental & Leasing Services	213,863,509	240,328,716
Professional, Scientific & Technical Services	294,998,027	280,378,519
Management of Companies & Enterprises Services	76,634	4,913,251
Administration, Support, Waste Management, Remedial Services	268,585,632	459,073,199
Educational Services	50,066,800	74,588,416
Health Care & Social Assistance Services	32,912,021	42,732,551
Arts, Entertainment & Recreation Services	207,852,868	318,893,265
Accommodation & Food Services	1,798,432,072	2,576,139,524
Other Services	524,305,576	790,172,679
Public Administration	101,043,074	134,444,279
Unclassified	35,309,267	2,734,477
Nebraska Total	15,577,378,290	19,390,387,987
Non-Nebraska (1)	2,354,666,702	3,520,737,627
Nebraska - Total Sales	<u>\$17,932,044,992</u>	<u>\$22,911,125,614</u>
Direct sales tax rate	Jan. 1 - Dec. 31 5.0%	Jan. 1 - Dec. 31 5.5%

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

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



State of Nebraska

# **RATIOS OF OUTSTANDING DEBT**

2003 – 2010

(Dollars in thousands)

	2003	2004	2005	2006	2007	2008	2009	2010
<b>Governmental Activities</b>								
Lease rental bonds (blended component units)	\$ 30,960	\$ 27,265	\$ 23,430	\$ 19,435	\$ 15,240	\$ 10,835	\$ 4,850	\$ -
Capital leases under certificates of participation	29,836	27,235	24,927	22,965	22,072	19,509	22,182	23,181
Obligations under other financing arrangements	10,555	11,230	11,430	16,185	13,805	14,785	15,660	14,405
<b>Total Primary Government</b>	<b>\$ 71,351</b>	<b>\$ 65,730</b>	<b>\$ 59,787</b>	<b>\$ 58,585</b>	<b>\$ 51,117</b>	<b>\$ 45,129</b>	<b>\$ 42,692</b>	<b>\$ 37,586</b>
<b>Debt as a Percentage of Personal Income</b>	0.13%	0.12%	0.10%	0.10%	0.08%	0.07%	0.06%	0.05% *
<b>Amount of Debt per Capita</b>	\$ 41	\$ 38	\$ 34	\$ 33	\$ 29	\$ 25	\$ 24	\$ 21

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

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

\* 2010 figures were computed using 2009 census information as 2010 census data is not available.

State of Nebraska

# COMPARATIVE UNEMPLOYMENT NEBRASKA AND UNITED STATES

2000 – 2009

YEAR	NEBRASKA			NEBRASKA UNEMPLOYMENT AS PERCENT OF LABOR FORCE	UNITED STATES UNEMPLOYMENT AS PERCENT OF LABOR FORCE
	TOTAL LABOR FORCE	TOTAL EMPLOYMENT	UNEMPLOYMENT		
2000	924,298	896,761	27,537	3.0%	4.0%
2001	928,297	899,429	28,868	3.1	4.7
2002	954,013	920,662	33,351	3.5	5.8
2003	976,034	936,664	39,370	4.0	6.0
2004	985,340	947,882	37,458	3.8	5.5
2005	986,296	949,070	37,226	3.8	5.1
2006	974,476	945,270	29,206	3.0	4.6
2007	983,438	953,769	29,669	3.0	4.6
2008	995,635	962,418	33,217	3.3	5.8
2009	983,517	938,080	45,437	4.6	9.3

**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 2000 – 2009

YEAR	NEBRASKA			UNITED STATES		
	POPULATION	PERSONAL INCOME (IN MILLIONS)	PER CAPITA INCOME	POPULATION	PERSONAL INCOME (IN MILLIONS)	PER CAPITA INCOME
2000	1,713,261	47,329	27,625	282,193,477	8,422,074	29,845
2001	1,718,965	49,303	28,682	285,107,923	8,716,992	30,574
2002	1,726,753	50,390	29,182	287,984,799	8,872,521	30,809
2003	1,738,013	53,388	30,718	290,850,005	9,150,108	31,460
2004	1,747,704	55,858	31,961	293,656,842	9,717,173	33,090
2005	1,758,787	58,019	32,988	296,410,404	10,224,761	34,495
2006	1,768,331	60,826	34,397	299,398,484	10,860,917	36,276
2007	1,774,571	64,220	36,189	301,621,157	11,631,571	38,564
2008	1,783,432	69,820	39,150	304,059,724	12,225,589	40,208
2009	1,796,619	70,565	39,277	307,006,550	12,165,474	39,626

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

State of Nebraska

## TEN LARGEST EMPLOYERS

2005 and 1995

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

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

**NOTES:**

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

\*\* Alegent was formed from the 1995 employers Bergan Mercy Hospital and Immanuel Medical Center

Calendar year 2005 is the most recent year for which data is available.

State of Nebraska

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

2000/01 – 2009/10

<b>ACADEMIC YEAR</b>	<b>PRE KDG. AND KDG.</b>	<b>GRADES 1 – 3</b>	<b>GRADES 4 – 6</b>	<b>GRADES 7 – 9</b>	<b>GRADES 10 – 12</b>	<b>TOTAL ALL GRADES</b>
2000 – 2001	25,216	60,896	64,942	67,392	66,576	285,022
2001 – 2002	25,931	60,645	64,003	68,566	66,251	285,396
2002 – 2003	25,931	60,645	64,003	68,546	66,257	285,382
2003 – 2004	26,639	60,673	63,120	69,359	65,751	285,542
2004 – 2005	26,848	61,011	62,210	69,253	65,237	284,559
2005 – 2006	28,028	61,593	61,478	68,325	66,124	285,548
2006 – 2007	29,013	62,781	61,358	67,008	66,975	287,135
2007 – 2008	32,666	63,964	61,471	65,729	67,281	291,111
2008 – 2009	33,835	65,227	62,079	64,839	66,517	292,497
2009 – 2010	35,525	66,401	63,340	64,349	65,737	295,352

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

State of Nebraska

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

2000 – 2009

	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
<b>COLLEGES AND UNIVERSITIES:</b>										
Chadron State College	2,686	2,804	2,712	2,667	2,569	2,472	2,577	2,660	2,649	2,712
Peru State College	1,698	1,629	1,687	1,618	1,683	1,959	2,124	2,307	2,328	2,492
Wayne State College	3,518	3,311	3,220	3,305	3,398	3,322	3,407	3,527	3,566	3,631
University of Nebraska										
Lincoln (1)	22,502	22,998	23,241	22,734	22,012	21,937	22,378	22,877	23,862	24,525
Omaha	13,479	14,143	14,451	13,931	13,824	14,093	13,906	14,156	14,213	14,620
Kearney	6,506	6,426	6,395	6,311	6,382	6,445	6,468	6,478	6,543	6,650
Medical Center	2,696	2,724	2,819	2,865	2,904	2,995	3,067	2,206	3,194	3,237
TOTAL COLLEGES AND UNIVERSITIES	<u>53,085</u>	<u>54,035</u>	<u>54,525</u>	<u>53,431</u>	<u>52,772</u>	<u>53,223</u>	<u>53,927</u>	<u>54,211</u>	<u>56,355</u>	<u>57,867</u>
<b>COMMUNITY COLLEGES</b>										
Central CC (2)	7,126	6,399	6,417	6,364	6,524	6,564	6,543	6,531	6,885	7,320
Metropolitan CC	11,534	11,704	12,253	12,177	12,961	13,237	14,098	14,804	15,055	17,003
Mid-Plains CC	2,607	2,816	3,020	3,001	2,957	2,607	3,030	2,715	2,708	2,765
Northeast CC	4,520	4,600	4,832	4,805	5,053	5,101	5,261	5,149	5,140	5,205
Southeast CC	7,396	7,935	8,912	8,451	10,079	10,059	9,594	9,603	10,419	11,556
Western CC	2,264	2,150	2,152	2,420	2,659	2,283	1,918	2,233	2,939	2,304
TOTAL COMMUNITY COLLEGES	<u>35,447</u>	<u>35,604</u>	<u>37,586</u>	<u>37,218</u>	<u>40,233</u>	<u>39,851</u>	<u>40,444</u>	<u>41,035</u>	<u>43,146</u>	<u>46,153</u>
TOTAL ALL INSTITUTIONS	<u>88,532</u>	<u>89,639</u>	<u>92,111</u>	<u>90,649</u>	<u>93,005</u>	<u>93,074</u>	<u>94,371</u>	<u>95,246</u>	<u>99,501</u>	<u>104,020</u>

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

(2) Central CC reporting under continuous enrollment practice abandoned in 1996. Enrollment numbers have been retroactively changed to the reporting practice consistent with that of the other Community Colleges.

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

State of Nebraska

**FULL TIME EQUIVALENT PERMANENT  
EMPLOYEES BY FUNCTION**

2000 - 2009

<b>FUNCTION</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
Conservation	340	307	305	308	316	313	313	318	289	296
Regulation	358	348	351	345	355	358	372	364	351	342
Economic Development	529	525	537	528	542	526	532	525	430	454
Culture and Recreation	560	565	584	580	569	579	579	564	557	544
Education	572	591	575	578	587	597	601	590	581	594
Transportation	2,256	2,239	2,201	2,182	2,193	2,175	2,163	2,137	2,094	2,119
General Government	2,783	2,891	2,853	2,612	2,687	2,718	2,769	2,756	2,666	2,696
Public Safety	2,765	2,939	3,199	3,285	3,260	3,303	3,349	3,380	3,299	3,308
Health & Social Services	5,907	5,898	5,834	6,076	6,056	6,115	6,044	5,799	5,656	5,674
	<u>16,069</u>	<u>16,303</u>	<u>16,438</u>	<u>16,493</u>	<u>16,565</u>	<u>16,683</u>	<u>16,721</u>	<u>16,434</u>	<u>15,923</u>	<u>16,027</u>

**SOURCE:** Nebraska State Government - State Personnel Division - 2010 Almanac

State of Nebraska  
**OPERATING INDICATORS BY FUNCTION**  
 2003-2010

	2003	2004	2005	2006	2007	2008	2009	2010
<b>General Government</b>								
<b>Department of Revenue</b>								
Percentage of returns filed electronically	N/A	N/A	53.6%	57.6%	62.5%	66.0%	70.0%	78.0%
Percentage of direct deposit refunds	N/A	N/A	39.7%	43.9%	54.5%	75.0%	77.0%	72.0%
<b>Department of Roads</b>								
Percentage of Roads in very good or good condition (1)	84%	85%	85%	80%	79%	81%	79%	N/A
<b>Conservation of Natural Resources</b>								
<b>Department of Environmental Quality</b>								
Inspections by field office staff								
Air Quality	N/A	N/A	N/A	82	186	129	129	133
Water Quality	N/A	N/A	N/A	543	999	1,158	1,147	1,384
Waste Management	N/A	N/A	N/A	110	179	137	140	141
<b>Culture - Recreation</b>								
<b>Game and Parks Commission</b>								
Park visitors (1,2)	9,885,628	10,085,789	10,293,381	9,997,632	10,193,030	9,910,097	8,780,619	N/A
Hatchery fish raised (in millions) (1)	5.2	14.2	6.8	15.6	25.6	22.8	35.6	N/A
<b>Education</b>								
<b>Department of Education</b>								
Fall Enrollment								
Pre-K to 12th grade	285,542	284,559	285,548	287,135	291,111	292,497	295,352	N/A
State Colleges and Universities	53,431	52,772	53,223	53,927	54,211	56,355	57,867	N/A
Public Community Colleges	37,218	40,233	39,851	40,444	41,035	43,146	46,153	N/A
<b>Health and Social Services</b>								
<b>Health and Human Services</b>								
Child Support Payments								
Number of Payments Received	N/A	1,266,853	1,316,154	1,344,778	1,383,619	1,444,202	1,471,974	1,483,868
Number of Payments Disbursed	N/A	1,111,672	1,127,651	1,153,771	1,202,635	1,156,102	1,312,748	1,332,638
Medicaid (average monthly)								
Medicaid recipients	201,534	197,152	198,757	200,670	201,009	203,513	208,696	224,459
Percentage of Nebraska population	11.6%	11.3%	11.3%	11.3%	11.3%	11.4%	11.6%	N/A
Food Stamps (average monthly)								
Number of households	41,620	47,292	49,726	51,146	51,915	52,162	55,178	68,098
Percentage of Nebraska households	6.2%	6.9%	7.1%	7.3%	7.3%	7.3%	7.7%	N/A
<b>Public Safety</b>								
<b>Department of Correctional Services</b>								
Inmate population (average monthly) (1)	4,871	4,938	5,010	5,145	5,222	5,289	5,395	N/A
Percentage of Nebraska population	0.28%	0.28%	0.29%	0.29%	0.29%	0.30%	0.30%	N/A
Total Admissions (1)	2,753	2,662	2,924	3,039	2,902	2,801	2,709	N/A
Total Releases (1)	2,643	2,902	2,800	2,969	3,092	2,789	2,598	N/A
<b>State Patrol</b>								
Miles Patrolled (1)	10,198,444	10,395,505	10,087,966	10,130,500	10,348,580	10,489,515	10,161,183	N/A
Accidents Investigated (1)	2,557	2,228	2,960	2,315	2,392	1,963	2,331	N/A
<b>Transportation</b>								
<b>Department of Motor Vehicles</b>								
Motor Vehicle Registrations (1)								
Automobiles	1,081,868	1,088,620	1,106,684	1,112,320	1,122,877	1,140,386	1,147,354	N/A
Trucks								
Farm	147,571	148,278	148,625	147,509	157,282	160,264	162,778	N/A
Commercial / Other	378,615	383,024	389,947	392,589	388,098	389,686	392,120	N/A
Motorcycles	29,794	32,916	36,622	40,065	43,387	49,191	50,322	N/A

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

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

State of Nebraska

# CAPITAL ASSET STATISTICS BY FUNCTION

2003 – 2010

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

**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, 2010

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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, 2008-2009.



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