

**ATTESTATION REPORT
OF THE
NEBRASKA INVESTMENT COUNCIL
JULY 1, 2018, THROUGH DECEMBER 31, 2019**

**This document is an official public record of the State of Nebraska, issued by
the Auditor of Public Accounts.**

**Modification of this document may change the accuracy of the original
document and may be prohibited by law.**

Issued on June 24, 2020

The Nebraska Auditor of Public Accounts Office was created by the first territorial Legislature in 1855. The Auditor was the general accountant and revenue officer of the territory. Those duties have expanded and evolved over the decades, as modern accounting theory has been implemented. The office of the Auditor of Public Accounts is one of six offices making up the executive branch of Nebraska State Government. Charlie Janssen was elected in November 2014 and re-elected in November 2018, as the Nebraska Auditor of Public Accounts. He was sworn into office on January 8, 2015, as Nebraska's 25th State Auditor.

The mission of the Nebraska Auditor of Public Accounts' office is to provide independent, accurate, and timely audits, reviews, or investigations of the financial operations of Nebraska State and local governments.

We will provide this information, as required by statute, to all policymakers and taxpayers through written reports and our Internet-based Budget and Audit databases.

We will maintain a professionally prepared staff, utilizing up-to-date technology, and following current Government Auditing Standards.

Audit Staff Working On This Examination

Krista Davis – Audit Manager

Jeff Schreier, CPA – Auditor-In-Charge

Alex List – Auditor

Keira Wisniewski – Auditor

Our reports can be found electronically at: auditors.nebraska.gov

Additionally, you may request them by contacting us at:

Nebraska Auditor of Public Accounts

State Capitol, Suite 2303

P.O. Box 98917

Lincoln, Nebraska 68509

Phone: 402-471-2111

NEBRASKA INVESTMENT COUNCIL

TABLE OF CONTENTS

	<u>Page</u>
Background Information Section	
Background	1
Organizational Chart	2
Key Officials and Council Contact Information	3
Financial Section	
Independent Accountant's Report	4 - 5
Schedule of Revenues, Expenditures, and Changes in Fund Balances	6
Notes to the Schedule	7 - 10
Supplementary Information	11
Exhibit A – Revenues, Expenditures, and Changes in Fund Balances for the Period July 1, 2018, through June 30, 2019	12
Exhibit B – Revenues, Expenditures, and Changes in Fund Balances for the Period July 1, 2019, through December 31, 2019	13

NEBRASKA INVESTMENT COUNCIL

BACKGROUND

The Nebraska Investment Council (Council) was established under 1967 and 1969 laws as a central State investment agency. The Council provides investment management services for the State.

The Council is governed by an eight-member council. Five voting members are appointed by the Governor and confirmed by the Legislature. They serve five-year terms, with one expiring each year. The State Treasurer, Executive Director of the Nebraska Public Employees Retirement Systems, and the Executive Director of the Omaha School Employees Retirement System serve as nonvoting members.

The Council establishes necessary and proper policies for the investment of the funds for which it is responsible. Such policies include appropriate investment strategy decisions, selection of external managers, and allocation of funds among managers. The Council appoints a State Investment Officer, subject to the approval of the Governor and Legislature. The State Investment Officer, with the assistance of the agency staff, directs the investment of these funds in accordance with State statutes and the policies of the Council.

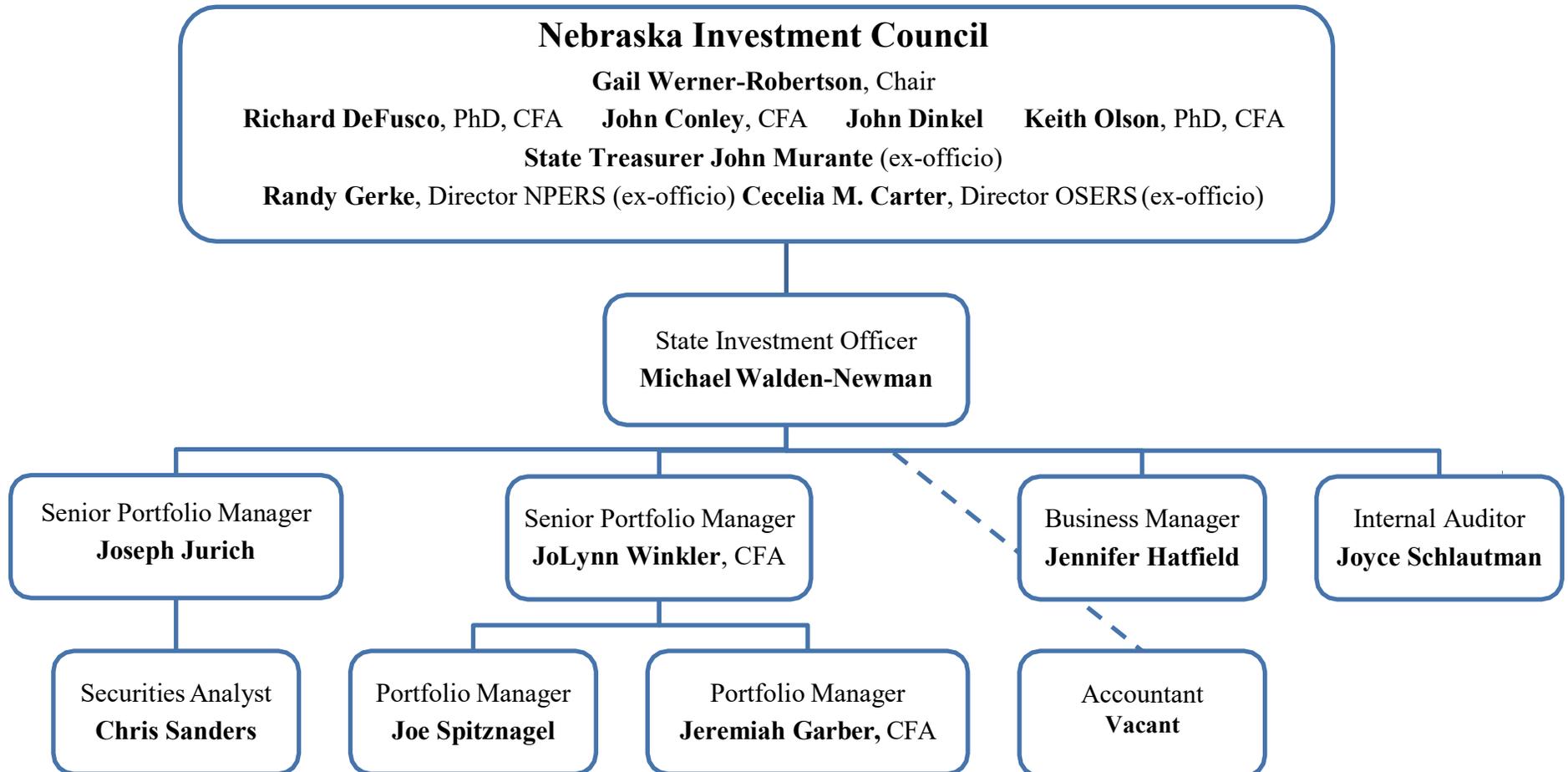
Funds managed include the State's general and cash funds; retirement plans for the State Patrol, Judges, School Employees, State Employees, County Employees, Omaha School Employees, and the Deferred Compensation Plan; and trust funds such as the Permanent School Fund, the Veterans' Aid Fund, and the Health Care Trust Fund. The Council is also responsible for investing funds of the Nebraska Educational Savings Plan Trust and the Nebraska Achieving a Better Life Experience Program Trust.

Source: 2018-2019 Nebraska Blue Book

NEBRASKA INVESTMENT COUNCIL

ORGANIZATIONAL CHART

It is the mission of the Nebraska Investment Council to prudently manage the funds entrusted to us by the people of the State of Nebraska. We deliver investment management services to provide direct financial benefit exclusively to the owners of these funds. We are committed to thorough, sound, and informed analysis in order to achieve superior returns while maintaining prudent levels of risk.



NEBRASKA INVESTMENT COUNCIL

KEY OFFICIALS AND COUNCIL CONTACT INFORMATION

Nebraska Investment Council Members

Name	Title	Term Ending
Gail Werner-Robertson	Chairperson	2023
John H. Conley	Member	2022
Richard A. DeFusco	Member	2021
John M. Dinkel	Member	2024
Keith A. Olson	Member	2020
John Murante	Ex-Officio – State Treasurer	
Randy Gerke	Ex-Officio – NPERS Director	
Cecelia M. Carter	Ex-Officio – OSERS Director	

Nebraska Investment Council Executive Management

Name	Title
Michael Walden-Newman	State Investment Officer

Nebraska Investment Council
1526 K Street, Suite 420
Lincoln, NE 68508
nic.nebraska.gov



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

Charlie Janssen
State Auditor

Charlie.Janssen@nebraska.gov
PO Box 98917
State Capitol, Suite 2303
Lincoln, Nebraska 68509
402-471-2111, FAX 402-471-3301
auditors.nebraska.gov

NEBRASKA INVESTMENT COUNCIL

INDEPENDENT ACCOUNTANT'S REPORT

Nebraska Investment Council
Lincoln, Nebraska

We have examined the accompanying Schedule of Revenues, Expenditures, and Changes in Fund Balances of the Nebraska Investment Council for the period July 1, 2018, through December 31, 2019. The Council's management is responsible for the Schedule of Revenues, Expenditures, and Changes in Fund Balances based on the accounting system and procedures set forth in Note 1. Our responsibility is to express an opinion on the Schedule of Revenues, Expenditures, and Changes in Fund Balances based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, and the standards applicable to attestation engagements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Schedule of Revenues, Expenditures, and Changes in Fund Balances is based on the accounting system and procedures set forth in Note 1, in all material respects. An examination involves performing procedures to obtain evidence about the Schedule of Revenues, Expenditures, and Changes in Fund Balances. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of the Schedule of Revenues, Expenditures, and Changes in Fund Balances, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

In our opinion, the Schedule of Revenues, Expenditures, and Changes in Fund Balances for the period July 1, 2018, through December 31, 2019, is based on the accounting system and procedures prescribed by the State of Nebraska's Director of Administrative Services, as set forth in Note 1, in all material respects.

In accordance with *Government Auditing Standards*, we are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses in internal control; fraud and noncompliance with provisions of laws or regulations that have a material effect on the Schedule of Revenues, Expenditures, and Changes in Fund Balances; and any other instances that warrant the attention of those charged with governance; noncompliance with provisions of contracts or grant agreements, and abuse that has a material effect on the subject matter or an assertion about the subject matter of the examination engagement. We are also required to obtain and report the views of management concerning the findings, conclusions, and recommendations, as well as any planned corrective actions. We performed our examination to express an opinion on whether the Schedule of Revenues, Expenditures, and Changes in Fund Balances is presented in accordance with the criteria described above and not for the purpose of expressing an opinion on the internal control over the Schedule of Revenues, Expenditures, and Changes in Fund Balances or on compliance and other matters; accordingly, we express no such opinions. Our examination disclosed no findings that are required to be reported under *Government Auditing Standards*.

The purpose of this report is to express an opinion on the Schedule of Revenues, Expenditures, and Changes in Fund Balances, as described in paragraph one above. Accordingly, this report is not suitable for any other purpose. This report is a matter of public record, and its distribution is not limited.

A handwritten signature in black ink, appearing to read "C. J. Janssen", with a long horizontal flourish extending to the right.

June 18, 2020

Charlie Janssen
Auditor of Public Accounts
Lincoln, Nebraska

NEBRASKA INVESTMENT COUNCIL
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

For the Period July 1, 2018, through December 31, 2019

	State Investment Officer's Cash Fund 27510	Operating Pool Distributive Fund 77500	Totals (Memorandum Only)
REVENUES:			
Sales & Charges	\$ 4,298,444	\$ -	\$ 4,298,444
Miscellaneous	34,741	-	34,741
TOTAL REVENUES	4,333,185	-	4,333,185
EXPENDITURES:			
Personal Services	2,113,319	-	2,113,319
Operating	1,777,877	-	1,777,877
Travel	35,649	-	35,649
TOTAL EXPENDITURES	3,926,845	-	3,926,845
Excess of Revenues Over Expenditures	406,340	-	406,340
OTHER FINANCING SOURCES:			
Sales of Assets	58	-	58
TOTAL OTHER FINANCING SOURCES	58	-	58
Net Change in Fund Balances	406,398	-	406,398
FUND BALANCES, JULY 1, 2018	951,225	-	951,225
FUND BALANCES, DECEMBER 31, 2019	<u>\$ 1,357,623</u>	<u>\$ -</u>	<u>\$ 1,357,623</u>
FUND BALANCES CONSIST OF:			
General Cash (Note 6)	\$ 1,432,158	\$ (17,934,880)	\$ (16,502,722)
Deposits with Vendors	504	-	504
Investment Pool Interest Receivable (Note 6)	-	17,934,880	17,934,880
Due to Vendors	(75,039)	-	(75,039)
TOTAL FUND BALANCES	<u>\$ 1,357,623</u>	<u>\$ -</u>	<u>\$ 1,357,623</u>

The accompanying notes are an integral part of the schedule.

NEBRASKA INVESTMENT COUNCIL

NOTES TO THE SCHEDULE

For the Period July 1, 2018, through December 31, 2019

1. Criteria

The accounting policies of the Nebraska Investment Council (Council) are on the basis of accounting, as prescribed by the Department of Administrative Services (DAS).

Per Neb. Rev. Stat. § 81-1107(2) (Reissue 2014), the duties of the State of Nebraska's Director of DAS include:

The keeping of general accounts and the adoption and promulgation of appropriate rules, regulations, and administrative orders designed to assure a uniform and effective system of accounts and accounting, the approval of all vouchers, and the preparation and issuance of warrants for all purposes[.]

In accordance with Neb. Rev. Stat. § 81-1111(1) (Reissue 2014), the State Accounting Administrator has prescribed the system of accounts and accounting to be maintained by the State and its departments and agencies and has developed necessary accounting policies and procedures. The prescribed accounting system currently utilizes EnterpriseOne, an accounting resource software, to maintain the general ledger and all detailed accounting records. Policies and procedures are detailed in the Nebraska State Accounting Manual published by DAS State Accounting Division (State Accounting) and are available to the public.

The financial information used to prepare the Schedule of Revenues, Expenditures, and Changes in Fund Balances was obtained directly from the general ledger and fund balance information maintained on EnterpriseOne. EnterpriseOne is not an accrual accounting system; instead, accounts are maintained on a modified cash basis. As revenue transactions occur, the agencies record the accounts receivable and related revenues in the general ledger. As such, certain revenues are recorded when earned, regardless of the timing of related cash flows. State Accounting does not require the Council to record all accounts receivable and related revenues in EnterpriseOne; as such, the Council's schedule does not include all accounts receivable and related revenues. In a like manner, expenditures and related accounts payable are recorded in the general ledger as transactions occur. As such, the schedule includes those expenditures and related accounts payable posted in the general ledger as of December 31, 2019, and not yet paid as of that date. The amount recorded as expenditures on the schedule, as of December 31, 2019, **does not** include amounts for goods and services received before December 31, 2019, which had not been posted to the general ledger as of December 31, 2019.

The Council had no accounts receivable at December 31, 2019. Liabilities for accrued payroll and compensated absences are not recorded in the general ledger.

The following fund types are established by the State and used by the Council:

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

70000 – Distributive Funds – account for assets held by the State as an agent for individuals, private organizations, other governments, and/or other funds.

The following major revenue account classifications are established by State Accounting and used by the Council:

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

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

NEBRASKA INVESTMENT COUNCIL

NOTES TO THE SCHEDULE

(Continued)

1. **Criteria** (Concluded)

The following major expenditure account classifications are established by State Accounting and used by the Council:

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

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

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

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

Assets – Resources owned or held by a government that have monetary value. For the State Investment Officer’s Cash Fund 27510, assets include cash accounts and deposits with vendors. Cash accounts and deposits with vendors are included in the fund balance and are reported as recorded in the general ledger. For significant accounting procedures related to the Operating Pool Distributive Fund 77500, see Note 6.

Liabilities – Legal obligations arising out of transactions in the past that must be liquidated, renewed, or refunded at some future date. For the State Investment Officer’s Cash Fund 27510, accounts payable transactions are recorded as expenditures, resulting in a decrease to the fund balance. For significant accounting procedures related to the Operating Pool Distributive Fund 77500, see Note 6.

Other Financing Sources – Proceeds of capital asset dispositions.

2. **Reporting Entity**

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

The Council is part of the primary government for the State of Nebraska.

3. **Totals**

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

4. **General Cash**

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

NEBRASKA INVESTMENT COUNCIL

NOTES TO THE SCHEDULE

(Continued)

5. Capital Assets

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

However, State Accounting does adjust such expenditures and reports the capital assets as assets for the State of Nebraska in the Comprehensive Annual Financial Report (CAFR). In addition, the Council takes an annual inventory, recording in the State Accounting System all equipment that has a cost of \$5,000 or more at the date of acquisition, and all computers.

For the CAFR, the State requires the Council to value all capital assets at cost where historical records are available and at estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received. Generally, equipment that has a cost of \$5,000 or more at the date of acquisition and has an expected useful life of more than one year is capitalized. Depreciation expenses are reported in the CAFR in the funds used to acquire or construct them for the State of Nebraska. The cost of normal maintenance and repairs that does not add to the value of the asset or extend the asset's life is not capitalized.

Equipment is depreciated in the CAFR using the straight-line method with estimated useful lives of 3-10 years.

Capital asset activity of the Council recorded in the State Accounting System for the period ending December 31, 2019, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets				
Equipment	\$ 27,291	\$ -	\$ 27,291	\$ -
Less accumulated depreciation for:				
Equipment				-
Total capital assets, net of depreciation				\$ -

6. Operating Pool Distributive Fund 77500

The Operating Pool Distributive Fund 77500 (Fund) is used to record the receipting and distribution of investment income related to the State's Operating Investment Pool (OIP) and Time Deposit Open Account (TDOA). OIP and TDOA investment income transactions are recorded directly to the Fund's accounts receivable and liability accounts, rather than through a revenue or expenditure account.

DAS State Accounting records all interest and dividend income received decreasing the OIP Interest Receivable and increasing the General Cash in the State's general ledger. All other income, realized gains and losses, and management fees are recorded in the State's accounting system using a liability account. Earned income that has not yet been received increases both the receivable and the liability accounts. Earned income is distributed to funds participating in the OIP by decreasing the liability and cash accounts. At the end of each month, the liability, receivable, and cash accounts should reconcile to a zero balance.

NEBRASKA INVESTMENT COUNCIL

NOTES TO THE SCHEDULE

(Concluded)

6. Operating Pool Distributive Fund 77500 (Concluded)

The following table shows the activity in the Fund.

	Balance July 1, 2018	Increase	Decrease	Balance December 31, 2019
General Cash	\$ (16,175,772)	\$ 144,839,091	\$ 146,598,199	\$ (17,934,880)
Investment Pool Interest Receivable	16,175,772	136,047,761	134,288,653	17,934,880
Operating Pool Distributions	-	149,276,409	149,276,409	-
TOTAL	\$ -	\$ 430,163,261	\$ 430,163,261	\$ -

NEBRASKA INVESTMENT COUNCIL

SUPPLEMENTARY INFORMATION

Our examination was conducted for the purpose of forming an opinion on the Schedule of Revenues, Expenditures, and Changes in Fund Balances. Supplementary information is presented for purposes of additional analysis. Such information has not been subjected to the procedures applied in the examination of the Schedule of Revenues, Expenditures, and Changes in Fund Balances, and, accordingly, we express no opinion on it.

NEBRASKA INVESTMENT COUNCIL
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Exhibit A

For the Period July 1, 2018, through June 30, 2019

	State Investment Officer's Cash Fund 27510	Operating Pool Distributive Fund 77500	Totals (Memorandum Only)
REVENUES:			
Sales & Charges	\$ 2,908,193	\$ -	\$ 2,908,193
Miscellaneous	21,377	-	21,377
TOTAL REVENUES	2,929,570	-	2,929,570
EXPENDITURES:			
Personal Services	1,351,547	-	1,351,547
Operating	1,114,171	-	1,114,171
Travel	28,455	-	28,455
TOTAL EXPENDITURES	2,494,173	-	2,494,173
Excess of Revenues Over Expenditures	435,397	-	435,397
OTHER FINANCING SOURCES:			
Sales of Assets	58	-	58
TOTAL OTHER FINANCING SOURCES	58	-	58
Net Change in Fund Balances	435,455	-	435,455
FUND BALANCES, JULY 1, 2018	951,225	-	951,225
FUND BALANCES, JUNE 30, 2019	\$ 1,386,680	\$ -	\$ 1,386,680
FUND BALANCES CONSIST OF:			
General Cash	\$ 1,386,200	\$ (17,987,149)	\$ (16,600,949)
Deposits with Vendors	504	-	504
Investment Pool Interest Receivable	-	17,987,149	17,987,149
Due to Vendors	(24)	-	(24)
TOTAL FUND BALANCES	\$ 1,386,680	\$ -	\$ 1,386,680

NEBRASKA INVESTMENT COUNCIL
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Exhibit B

For the Period July 1, 2019, through December 31, 2019

	State Investment Officer's Cash Fund 27510	Operating Pool Distributive Fund 77500	Totals (Memorandum Only)
REVENUES:			
Sales & Charges	\$ 1,390,251	\$ -	\$ 1,390,251
Miscellaneous	13,364	-	13,364
TOTAL REVENUES	<u>1,403,615</u>	<u>-</u>	<u>1,403,615</u>
EXPENDITURES:			
Personal Services	761,772	-	761,772
Operating	663,706	-	663,706
Travel	7,194	-	7,194
TOTAL EXPENDITURES	<u>1,432,672</u>	<u>-</u>	<u>1,432,672</u>
Excess of Revenues Over Expenditures	<u>(29,057)</u>	<u>-</u>	<u>(29,057)</u>
 FUND BALANCES, JULY 1, 2019	 <u>1,386,680</u>	 <u>-</u>	 <u>1,386,680</u>
FUND BALANCES, DECEMBER 31, 2019	<u>\$ 1,357,623</u>	<u>\$ -</u>	<u>\$ 1,357,623</u>
FUND BALANCES CONSIST OF:			
General Cash	\$ 1,432,158	\$ (17,934,880)	\$ (16,502,722)
Deposits with Vendors	504	-	504
Investment Pool Interest Receivable	-	17,934,880	17,934,880
Due to Vendors	(75,039)	-	(75,039)
TOTAL FUND BALANCES	<u>\$ 1,357,623</u>	<u>\$ -</u>	<u>\$ 1,357,623</u>