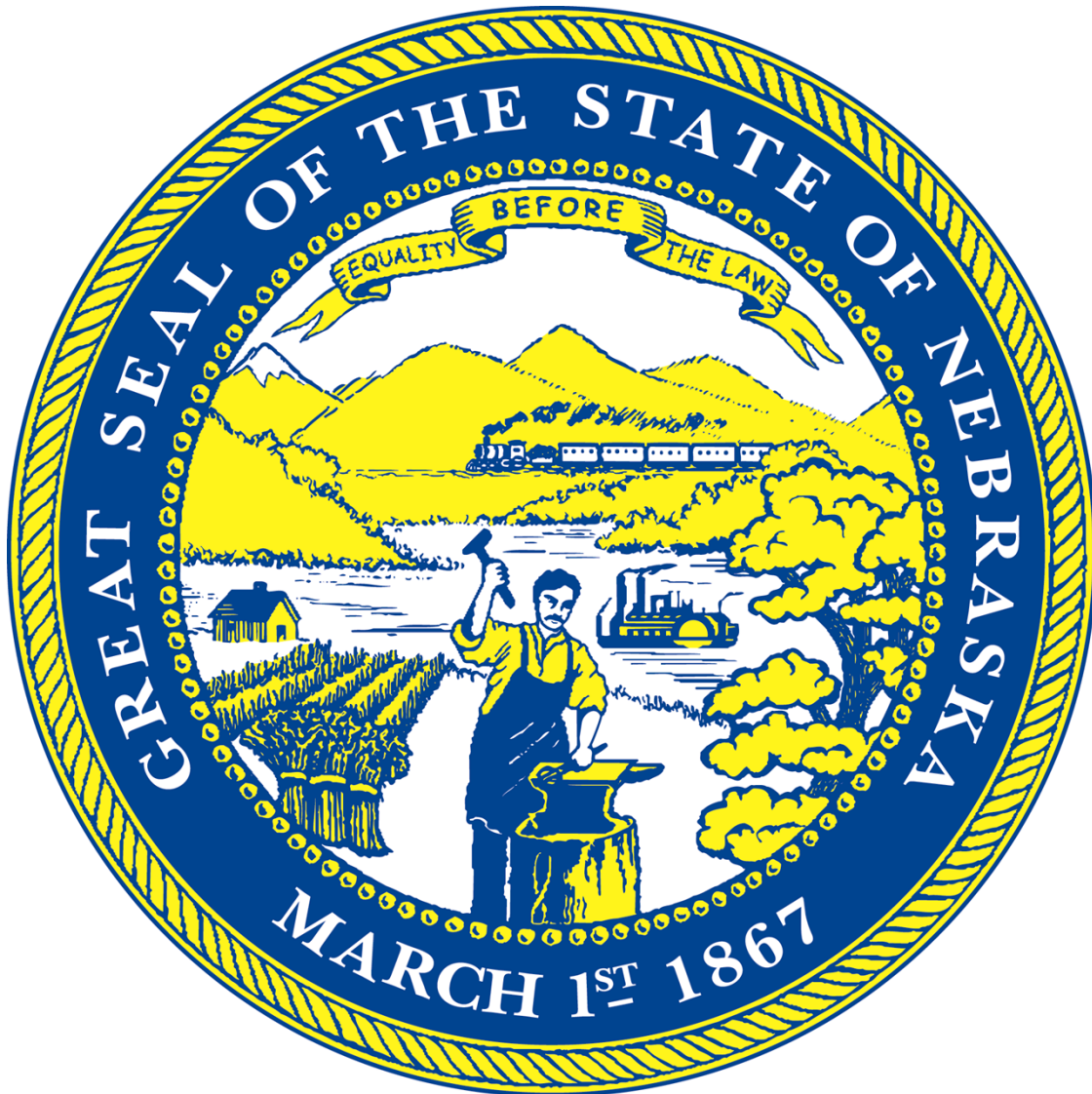


# State of Nebraska

## *Comprehensive Annual Financial Report*

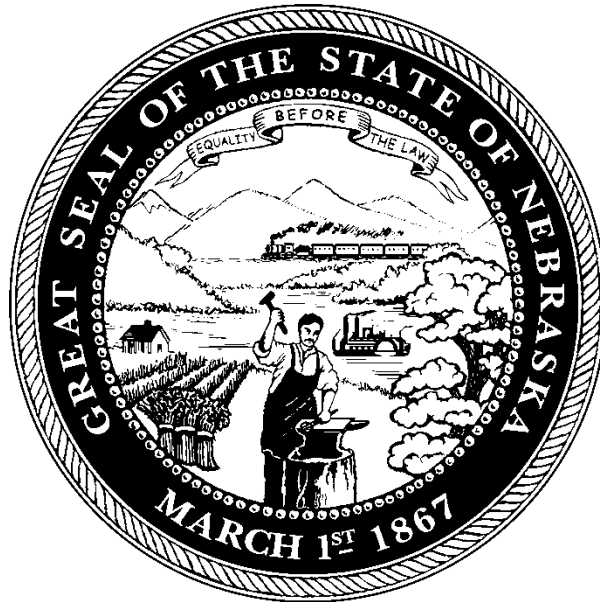
Fiscal Year Ended June 30, 2018



# State of Nebraska

## Comprehensive Annual Financial Report

Year Ended June 30, 2018



**Pete Ricketts**

*Governor*

**Administrative Services**

**Jason Jackson**

*Director*

**Jerry Broz**

*State Accounting Administrator*

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2018

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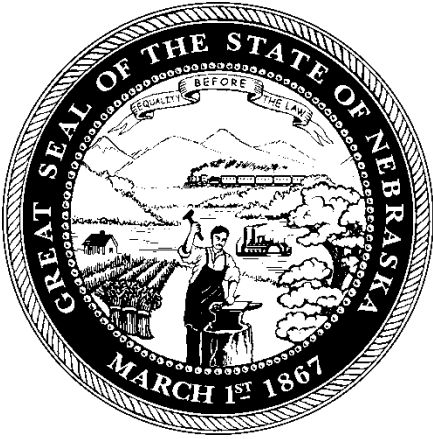
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# INTRODUCTORY SECTION

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# SELECTED STATE OFFICIALS

As of June 30, 2018

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## EXECUTIVE

**Pete Ricketts**

Governor

**Mike Foley**

Lieutenant Governor

**Doug Peterson**

Attorney General

**Charlie Janssen**

Auditor of Public Accounts

**John A. Gale**

Secretary of State

**Don Stenberg**

State Treasurer

## JUDICIAL

**Supreme Court of Nebraska**

Michael G. Heavican, Chief Justice

William B. Cassel, Justice

Jeffrey J. Funke, Justice

Jonathan J. Papik, Justice

Lindsey Miller-Lerman, Justice

Stephanie F. Stacy, Justice

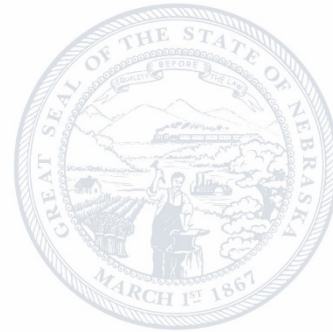
John R. Freudenberg, Justice

## LEGISLATIVE

**Jim Scheer**

Speaker of the Legislature

Nebraska Unicameral (49 Senators)



Pete Ricketts, Governor

January 4, 2019

The Honorable Pete Ricketts, Governor  
Members of the Legislature  
Citizens of the State of Nebraska

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the State of Nebraska (the “State”) for the fiscal year ended June 30, 2018. 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, 2018 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 unmodified opinion that the State’s financial statements for the fiscal year ended June 30, 2018 are fairly presented in conformity with Accounting Principles Generally Accepted in the United States of America (GAAP). The independent auditor’s report is presented as the first component of the financial section of this report.

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

The CAFR has been prepared in conformance with Governmental Accounting Standards Board (GASB) statements 34 and 35, and other related statements. This reporting model’s objective is to provide a clear picture of the government as a single, unified entity as well as providing traditional fund based financial statements.

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



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

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

## **PROFILE OF THE GOVERNMENT**

The State was admitted to the Union as the thirty-seventh state in 1867. Nebraska's government is divided into three branches: legislative, executive and judicial. Nebraska is the only state with a Unicameral Legislature, which has 49 members elected on a non-partisan ballot. The chief executive is the governor, who is elected for a four-year term. Within the executive branch are various departments and agencies that perform a variety of functions. Since Nebraska's Constitution generally allows no indebtedness, government expenses of such departments and agencies must be met on a pay-as-you-go basis. The State provides a full range of services including: the construction and maintenance of highways and infrastructure, education, social and health services, public safety, conservation of natural resources, economic development, and recreation facilities and development. An organizational chart of the State is shown on page 12.

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

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

Budget-to-actual comparisons are provided in this CAFR for various categories of General Fund revenues and appropriated annual budgets. This comparison is presented on page 90 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 Supplementary Information on pages 145 through 148.

## **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 96 percent of all General Fund revenues. Net revenue from income taxes and sales taxes from all funds for the fiscal year ended June 30, 2018 increased \$268 million from the prior year.

The current forecast for fiscal year 2019 anticipates net receipts in the General Fund to increase about \$233 million, a 5.1% increase over fiscal year 2018, indicating a strengthening Nebraska economy. No significant changes in revenue are anticipated in the other governmental funds.

For the fiscal year ending June 30, 2018 the State's General Fund ended the fiscal year with a cash and investments balance of \$845 million. The balance had exceeded \$800 million dollars for the prior ten years.

### ***Economy of the State***

The University of Nebraska-Lincoln Bureau of Business Research and the Nebraska Business Forecast Council are forecasting solid economic growth for Nebraska's future, but will lag growth for the national economy. The Council's June 2018 State forecast is shown on the following chart. The agriculture sector is a major segment of the Nebraska economy. Farm income (net) reached near record levels in 2013, dropped sharply from 2014 through 2016, along with commodity prices, then stabilized in 2017. Growth will be limited for 2018 through 2020 as reduced operating costs and increased productivity will be offset by level commodity prices and uncertainty about the direction of federal farm programs and the impact of looming international trade wars. While the large farming sector will not contribute much to overall economic growth, the services, finance, manufacturing and construction sectors will see strengthening earnings through stronger job growth. The retail sector continues to restructure given increased on-line competition. Annual nonfarm income is projected to show steady growth in the 3.6% to 3.8% range for 2018 through 2020 while employment continues to grow in the 1.0% range as population growth remains modest. This projected growth in annual income is sufficient to exceed inflation, implying growth in real per capita income.

	ACTUAL			PROJECTED		
	2015	2016	2017	2018	2019	2020
<b>Net Farm Income (USDA):</b>						
Annual Totals (in millions \$)	4,777	3,840	3,782	3,529	3,724	3,935
Growth Rates	-17.8%	-19.6%	-1.5%	-6.7%	5.5%	5.7%
<b>Nonfarm Personal Income:</b>						
Annual Totals (in millions \$)	88,674	90,874	93,112	96,684	100,186	103,858
Growth Rates	3.9%	2.5%	2.5%	3.8%	3.6%	3.7%
<b>Nonfarm Employment:</b>						
Annual Totals	1,006,500	1,015,100	1,017,600	1,025,500	1,035,500	1,046,300
Growth Rates	1.4%	0.9%	0.2%	0.8%	1.0%	1.0%

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

The State always is looking at least four years out in its analysis of the financial condition of the State in preparing the State's budgets. A working model of the biennium budget for fiscal years 2020 and 2021 is currently in development. In our analysis, we use forecasting models for revenues and then examine major expenditure categories, especially those that have a trend of outpacing revenues. Revenues for fiscal years 2019, 2020 and 2021 are projected to increase by 5.1%, 1.9% and 2.2%, respectively. The 5.1% projected growth for fiscal year 2019 is slightly lower than the revenue increase of 7.1% for fiscal year 2018 over 2017, following a 1% decline for 2017 from 2016. Note that revenue projections include receipts of one-time transfers which could influence growth rates.

Higher than projected tax receipts have historically boosted state revenue, with the exception of fiscal years 2017 and 2016. By operation of law, any revenue above the certified forecast is used to rebuild the cash reserve, which is intended to supplement weak revenue during recessionary periods. The potential for relatively large annual growth in expenditures for aid to education, health and human services aid programs and provider rates, Medicaid and Medicaid expansion presents a challenge in preparing a budget that keeps expenses within projected revenue. Additionally, growth in the prison population continues to present complex challenges to controlling operating costs and planning for possible capital asset improvements. To ensure a balanced budget, the State exerts considerable time and effort in reviewing the trends of future revenues and expenditures.

## *Major Initiatives*

Major initiatives focus on growing Nebraska by creating opportunity through more effective, more efficient, and customer focused state government. Priorities include efficient and effective customer service, sustainable growth, enhanced public safety and reduced regulatory burden that deliver value to the taxpayers of the State of Nebraska.

## **ACKNOWLEDGEMENTS**

The 2018 CAFR 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.

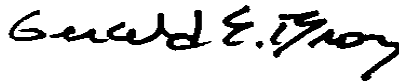
This report represents the continuous effort on our part to fulfill this commitment. We wish to express our appreciation to the accounting staff of the State Accounting Division of Administrative Services and the budget and accounting staff throughout State government for their assistance in the preparation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

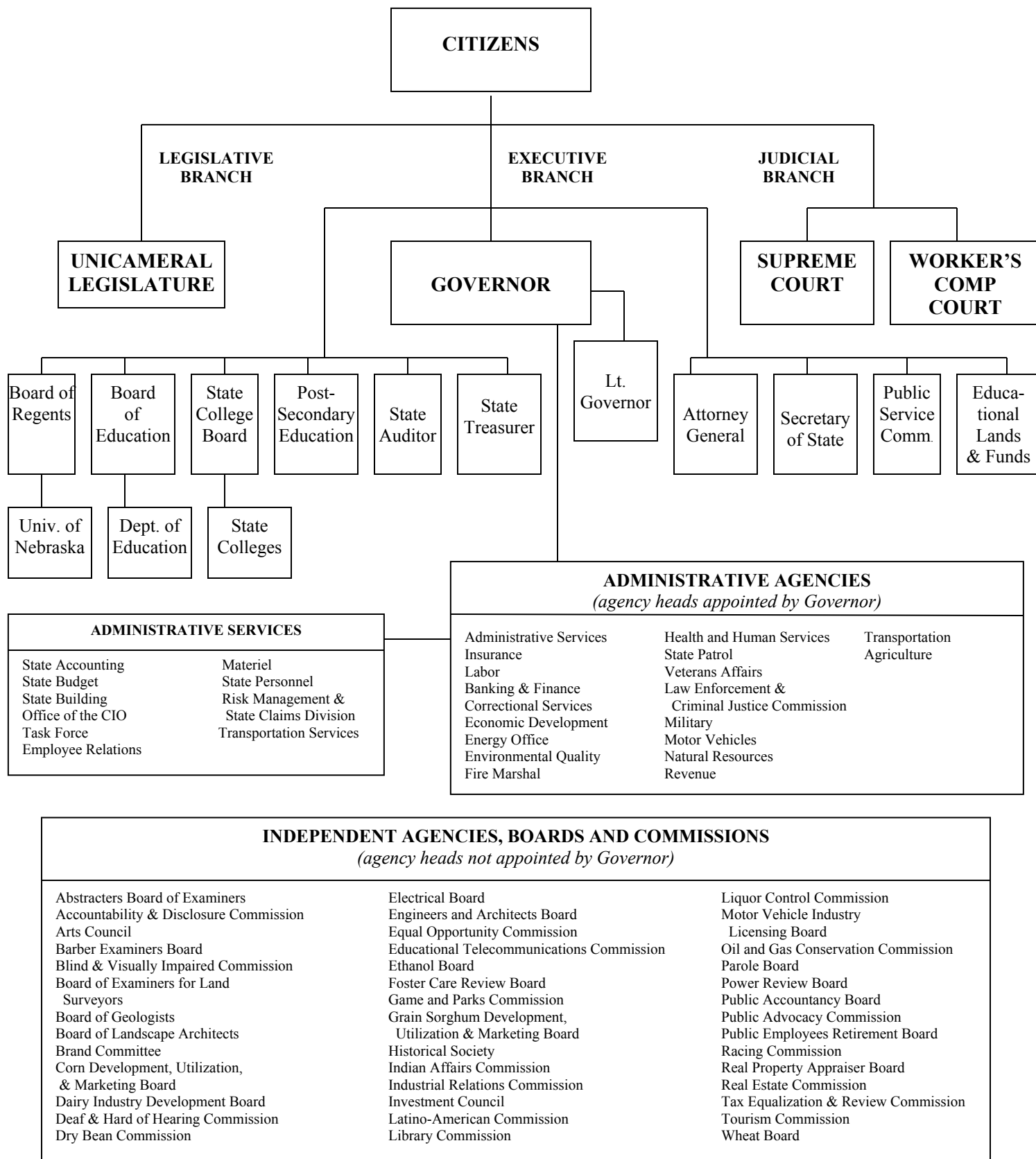


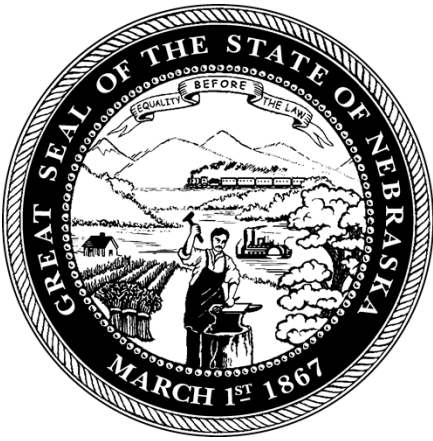
Jason Jackson  
Director, Administrative Services



Gerald E. Broz  
State Accounting Administrator

# Nebraska State Government Organization Chart





# FINANCIAL SECTION

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# NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

---

Charlie Janssen  
State Auditor

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

## Independent Auditor's Report

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Nebraska, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the State of Nebraska's basic financial statements as listed in the table of contents.

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

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

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

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the University of Nebraska Foundation, the University of Nebraska Facilities Corporation, the University Technology Development Corporation, the University Dental Associates, the UNeHealth, the UNMC Science Research Fund, the Nebraska Utility Corporation, the activity relating to the Members of the Obligated Group Under the Master Trust Indenture, the Nebraska State College System Foundations, the activity of the Nebraska State College System Revenue and Refunding Bond Program, and the Nebraska State Colleges Facilities Corporation, which represent 53%, 37%, and 20%, respectively, of the assets, net position or fund balances, and revenues of the aggregate discretely presented component units. We also did not audit the financial statements of the College Savings Plan and Enable Savings Plan which represent 19%, 22%, and 24% of the assets, net position or fund balances, and revenues of the aggregate remaining fund information. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aggregate discretely presented component units and the aggregate remaining fund information for the College Savings Plan and Enable Savings Plan is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are

free from material misstatement. The financial statements of the University of Nebraska Foundation, the University of Nebraska Facilities Corporation, the University Dental Associates, the UNeHealth, the UNMC Science Research Fund, the Nebraska Utility Corporation, the Nebraska State College System Foundations, the Nebraska State College System Revenue and Refunding Bond Program, and the Nebraska State Colleges Facilities Corporation were not audited in accordance with *Government Auditing Standards*.

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

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

#### ***Basis for Qualified Opinions***

We were unable to obtain a management representation letter from the Director of the Nebraska Department of Administrative Services. The Director declined to make the representations as required by generally accepted auditing standards.

#### ***Qualified Opinions***

In our opinion, except for the effects of such adjustment, if any, as might have been determined to be necessary had we been able to obtain the management representation letter from the Director, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Nebraska as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Emphasis of Matter***

As discussed in Note 17 to the financial statements, the beginning Governmental Activities Net Position and beginning Governmental Fund - Permanent School Fund balance have been restated to correct a misstatement in land held as investment at fair value. Our opinion is not modified with respect to this matter.

#### ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 17 through 30, the Budgetary Comparison Schedule on page 90, the Information About Infrastructure Assets Reported Using the Modified Approach on page 92, the Information About Pension Plans on pages 93 through 109, and the Information About Other Postemployment Benefit Plans on pages 110 through 111, be presented to supplement the basic financial

statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Nebraska's basic financial statements. The combining statements and budgetary comparison schedules included as supplementary information, and introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining statements and budgetary comparison schedules included as supplementary information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the combining statements and budgetary comparison schedules included as supplementary information are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 4, 2019, 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. That report will be issued under separate cover in the State's Single Audit Report. The purpose of that report is solely 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 the effectiveness of the State of Nebraska's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State of Nebraska's internal control over financial reporting and compliance.

Lincoln, Nebraska  
January 4, 2019



Philip J. Olsen, CPA, CISA  
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, 2018. Please read it in conjunction with the additional information furnished in the letter of transmittal at the front of this report, and with the State’s basic financial statements. Numerical years refer to fiscal years with a June 30 year-end, unless otherwise noted.

The State of Nebraska (State) implemented one new standard in 2018 required by the Governmental Accounting Standards Board (GASB) that had an impact on the June 30, 2018 financial statements. Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension* addresses accounting and financial reporting for Other Post Employment Benefits (OPEB) that are provided to the employees of state and local governmental employers. A liability was calculated and included in the Statement of Net Position. The State also developed note disclosures according to the standard and can be found under Note 14 OPEB. The State also implemented the following three new standards in 2018 that had no impact on the June 30, 2018 financial statements. Statement No. 81, *Irrevocable Split-Interest Agreements* establishes accounting and financial reporting standards for irrevocable split-interest agreements created through trusts. The State is not a party to any irrevocable split-interest agreements that meet the requirements of this statement. Statement No. 85, *Omnibus 2017* improves consistency in accounting and financial reporting by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement amends Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*, Statement No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*, Statement No. 38, *Certain Financial Statement Note Disclosures*, Statement No. 61, *The Financial Reporting Entity: Omnibus*, Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, Statement No. 68, *Accounting and Financial Reporting for Pensions*, Statement No. 72, *Fair Value Measurement and Application*, Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and *Amendments to Certain Provisions of GASB Statements 67 and 68*, Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Statement No. 86, *Certain Debt Extinguishment Issues* establishes standards of accounting and financial reporting for in-substance defeasance transactions. The State has no in-substance defeasance of debt to be reported under this statement.

A comparative analysis of government-wide data for the last two years is presented below. Additionally, an analysis of activity in the State’s funds for the fiscal year ended June 30, 2018 is presented, along with an analysis of the State’s capital assets and long-term debt related to capital assets. These analyses include the restatement of certain balances for fiscal year ended June 30, 2018 as more fully described in Note 17 to the financial statements. These analyses also take into account restatements of certain balances for fiscal year ended June 30, 2017, presented for MD&A purposes including explanations of changes in the State’s funds.

## FINANCIAL HIGHLIGHTS

### Government-wide

The assets and deferred outflows of the State exceeded its liabilities and deferred inflows at June 30, 2018 by \$14.2 billion (presented as “net position” in the CAFR). The majority of the net position is represented by the investment in the State’s infrastructure and other capital assets, which cannot be used to fund ongoing activities of the State. Of the net position, unrestricted net position was reported as \$0.6 billion, most of which is available to be used to fund future needs of the State. The primary government’s net general revenues, contributions and transfers exceeded net expenses for 2018 resulting in an increase in net position of \$50 million. This increase in net position follows a decrease in 2017 of \$221 million.

## **Fund Level**

General Fund revenues for 2018 were \$38 million below the original budgeted amount and above the final budget by \$37 million. Expenditures were \$262 million less than the original budgeted amount and below the final budget by \$253 million. On a Generally Accepted Accounting Principles (GAAP) basis, the General Fund had \$114 million excess in revenues prior to a legislatively mandated property tax relief transfer of \$221 million in addition to other financing sources causing a decrease in fund balances of \$123 million, and thereby decreasing the fund balance on June 30, 2018 to \$657 million. Other governmental funds expenditures exceeded revenues by \$55 million, chiefly due to market changes. In addition to these operating changes, other governmental funds received \$69 million in net other financing sources. This \$14 million net increase resulted in raising such fund balances at June 30, 2018 to \$4,224 million.

The \$514 million of net position of the Unemployment Insurance Fund represents 85% of the enterprise funds. Such fund had a \$14 million increase in net position for 2018 compared to a \$12 million increase in 2017, an increase in growth of \$2 million. Business assessment fees collected from employers exceeded the unemployment insurance claims in 2018. Business assessment fees from employers, net of unemployment insurance claims was up 37.7% from 2017.

## **Long-term Liabilities**

Long-term liabilities shown on the government-wide financial statements totaled \$924 million at June 30, 2018, which is a \$40 million decrease from the prior year, primarily due to a decrease in Medicaid claims offset by the recognition of a net Other Post Employment Benefit (OPEB) liability of \$14 million. The remaining liabilities consist of claims payable for workers' compensation, medical excess liability, capital lease obligations, unemployment insurance, and employee health insurance, in addition to the calculated amount for accrued vacation and vested sick leave due to employees when they retire. After a retired employee reaches the age of 65, the State has no further obligation for other post-employment benefits, except for a very small number of employees.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

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

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

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

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

### ***Primary Government***

GOVERNMENTAL ACTIVITIES – Activities in this section are mostly supported by taxes and federal grants. All General Fund activity is included here. Governmental activities represent 95% of all activity of the primary government. It includes general government, education, health and social services, public safety, transportation, regulatory services, and economic development and assistance.

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

### ***Component Units***

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

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

## **Fund Financial Statements**

This is the second set of financial statements presented in the CAFR. These statements are different from the government-wide statements in that some of these statements use a different accounting approach and focus on the near-term inflows and outflows of the State's operations. As previously noted, these Statements are commonly referred to as GAAP Fund Statements, as they are prepared in accordance with generally accepted accounting principles. The Fund Financial Statements (which begin on page 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 position reported in these statements as Enterprise Funds will be identical to the net position reported in the net position for business-type activities in the government-wide financial statements. However, because the Internal Service Funds predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

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

The State's principal fiduciary fund is the Pension Trust Fund, which contains retirement contributions held by the State for state employees, county employees and public school employees (see Note 13 to the financial statements). There are also Private-Purpose Trust Funds whereby the State has control of unclaimed property and contributions from State participants received by the College Savings Plan. The State also has Agency Funds whereby the State holds funds earmarked as aid for other political subdivisions and retirement contributions held by the State for Omaha School Employees Retirement Systems.

***Component Units Financial Statements*** – As mentioned in the discussion of the government-wide financial statements, the State has included the net position and activities of the University of Nebraska and the Nebraska State College System in a single column of such statements, labeling them as discretely presented component units. We have provided separate component unit statements to allow the reader to analyze each of these two units separately beginning on page 46.

## **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 a budgetary comparison schedule that reconciles the statutory fund balance used for budgetary purposes to the fund balance determined by GAAP used in the Fund Financial Statements. Other information included are the condition and maintenance data regarding certain aspects of the State's infrastructure, and certain pension and OPEB plan actuarial information.

## **Other Supplementary Information**

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

## FINANCIAL ANALYSIS OF THE STATE AS A WHOLE

### Net Position

The State's assets and deferred outflows of resources totaled \$16,897 million at June 30, 2018 as compared to \$16,693 million at June 30, 2017. As total liabilities and deferred inflows of resources only totaled \$2,679 million, net position amounted to \$14,218 million as of June 30, 2018. As of June 30, 2017, these amounts were \$2,525 million and \$14,168 million, respectively. By far the largest portion of the State of Nebraska's net position (64 percent) reflects the State's investment in capital assets (e.g., land, buildings, equipment and infrastructure – highways, bridges, dams, etc.). The State uses these capital assets to provide services to citizens; thus, these assets are not available for future spending.

Restricted net position is subject to external restrictions, constitutional provisions, or enabling legislation on how it can be used. It is also not available for future general government spending.

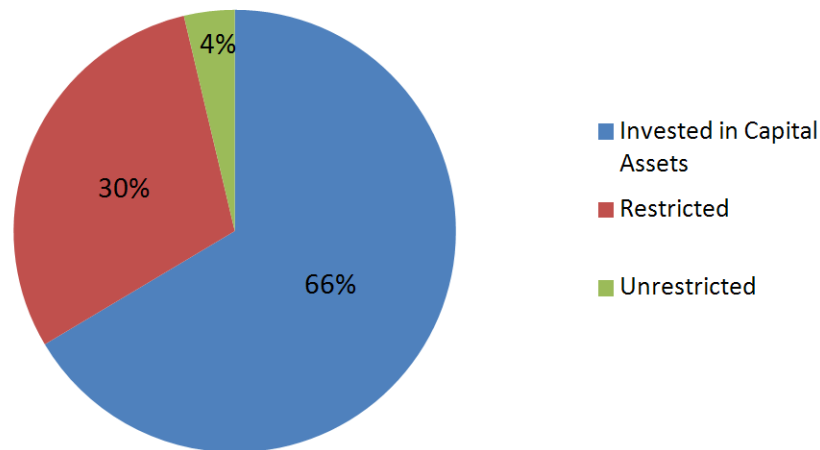
For Governmental Activities other than capital assets, the majority of the restricted net position consists of the Permanent School Trust, the Tobacco Settlement Trust, the Intergovernmental Trust, the Department of Transportation cash funds, and the loans to political subdivisions for drinking water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

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

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Current and Other						
Non-current Assets	\$ 6,712	\$ 6,761	\$ 671	\$ 679	\$ 7,383	\$ 7,440
Capital Assets	9,080	8,935	8	8	9,088	8,943
<b>Total Assets</b>	<u>15,792</u>	<u>15,696</u>	<u>679</u>	<u>687</u>	<u>16,471</u>	<u>16,383</u>
<b>Deferred Outflows of Resources</b>	426	310	-	-	426	310
Non-current Liabilities	892	925	32	39	924	964
Other Liabilities	1,342	1,336	43	59	1,385	1,395
<b>Total Liabilities</b>	<u>2,234</u>	<u>2,261</u>	<u>75</u>	<u>98</u>	<u>2,309</u>	<u>2,359</u>
<b>Deferred Inflows of Resources</b>	370	166	-	-	370	166
Net position:						
Net Investment in						
Capital Assets	9,046	8,906	8	8	9,054	8,914
Restricted	4,064	4,093	516	503	4,580	4,596
Unrestricted	504	580	80	78	584	658
<b>Total Net Position (as restated)</b>	<u>\$ 13,614</u>	<u>\$ 13,579</u>	<u>\$ 604</u>	<u>\$ 589</u>	<u>\$ 14,218</u>	<u>\$ 14,168</u>

## Governmental Activities Net Position - Total \$13,614 million



Approximately 77% of the State’s non-capital assets consist of cash and investments. It should be noted that \$139 million in 2018 and \$40 million in 2017 of such assets represent “Securities Lending Collateral,” an amount established in accordance with GASB guidelines to record a lending transaction. Since the asset is offset by a corresponding equal liability, the effect on net position is zero and thus the asset cannot be spent. (For more detail, see Note 2 to the financial statements.) Receivables, chiefly from taxes and the federal government, represent 15% of the non-capital assets.

Liabilities largely reflect three groupings which represent 96% of total State liabilities, not including the obligations under securities lending explained in the above paragraph. These are operational payables, which consist of accounts payable and accrued liabilities totaling \$733 million in 2018 (\$850 million in 2017); tax refunds payable of \$436 million (\$420 million in 2017); and long-term payables, discussed in the following paragraph.

Since the State’s Constitution generally prohibits the State from incurring debt, the Statement of Net Position presents few long-term liabilities (shown as noncurrent liabilities), which total \$924 million in 2018 (\$964 million in 2017). Such liabilities include claims payable for workers’ compensation, medical excess liability, capital lease obligations, unemployment insurance, and employee health insurance totaling \$113 million in 2018 (\$111 million in 2017), Medicaid claims for \$179 million in 2018 (\$227 million in 2017), the State’s liability for pension funds of \$455 million in 2018 (\$450 million in 2017), the State’s liability for OPEB of \$14 million in 2018 (\$15 million in 2017), and the calculated amount for vested sick leave due to employees when they retire and accrued vacation of \$128 million in 2018 (\$132 million for 2017). Another minor amount of long-term liabilities consists of capital lease obligations (See Note 8 to the Financial Statements), which totaled \$33 million at June 30, 2018, compared to \$29 million at June 30, 2017.

The \$35 million increase in net position of Governmental Activities for 2018, was due to a \$140 million increase in the net investment in capital assets, a \$29 million decrease in restricted net position, and a \$76 million decrease in unrestricted net position. Additionally, there was a \$272 million increase in taxes collected.

At the end of June 30, 2018, the State reported a positive balance in all of the three categories of net position.

### Changes in Net Position

The condensed financial information on the following page was derived from the Government-Wide Statement of Activities and reflects how the State’s net position changed during the year. Following that table is management’s analysis of the changes in net position for 2018, analyzing both the governmental activities and the business-type activities.

**STATE OF NEBRASKA**  
**CHANGES IN NET POSITION FOR THE YEAR ENDED JUNE 30**

(in millions of dollars)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
<b>REVENUES</b>						
Program Revenues						
Charges for Services	654	\$ 639	\$ 283	\$ 282	\$ 937	\$ 921
Operating Grants and Contributions	2,756	2,766	-	-	2,756	2,766
Capital Grants and Contributions	2	1	-	-	2	1
General Revenues						
Taxes	5,251	4,979	-	-	5,251	4,979
Unrestricted Investment Earnings	(3)	(20)	11	11	8	(9)
Miscellaneous	5	4	-	-	5	4
<b>Total Revenues</b>	<u>8,665</u>	<u>8,369</u>	<u>294</u>	<u>293</u>	<u>8,959</u>	<u>8,662</u>
<b>EXPENSES</b>						
General Government	656	642	-	-	656	642
Conservation of Natural Resources	144	146	-	-	144	146
Culture - Recreation	43	38	-	-	43	38
Economic Development and Assistance	103	102	-	-	103	102
Education	1,846	1,811	-	-	1,846	1,811
Higher Education - Colleges and Universities	652	664	-	-	652	664
Health and Social Services	3,634	3,597	-	-	3,634	3,597
Public Safety	390	396	-	-	390	396
Regulation of Business and Professions	108	116	-	-	108	116
Transportation	1,012	1,041	-	-	1,012	1,041
Interest on Long-term Debt	1	1	-	-	1	1
Net Pension Expense	98	82	-	-	98	82
OPEB Expense	1	1	-	-	1	1
Unemployment Insurance	-	-	74	76	74	76
Lottery	-	-	138	132	138	132
Excess Liability	-	-	6	21	6	21
Cornhusker State Industries	-	-	13	17	13	17
<b>Total Expenses</b>	<u>8,688</u>	<u>8,637</u>	<u>231</u>	<u>246</u>	<u>8,919</u>	<u>8,883</u>
Excess/(Deficiency) Before Transfers and Contributions: Permanent Fund Principal	(23)	(268)	63	47	40	(221)
Net Transfers In (Out)	48	44	(48)	(43)	-	1
Contributions: Permanent Fund Principal	10	(1)	-	-	10	(1)
<b>Increase/(Decrease) in Net Position</b>	35	(225)	15	4	50	(221)
<b>Net Position - Beginning (as restated)</b>	<u>13,579</u>	<u>13,804</u>	<u>589</u>	<u>585</u>	<u>14,168</u>	<u>14,389</u>
<b>Net Position - Ending</b>	<u>\$ 13,614</u>	<u>\$ 13,579</u>	<u>\$ 604</u>	<u>\$ 589</u>	<u>\$ 14,218</u>	<u>\$ 14,168</u>

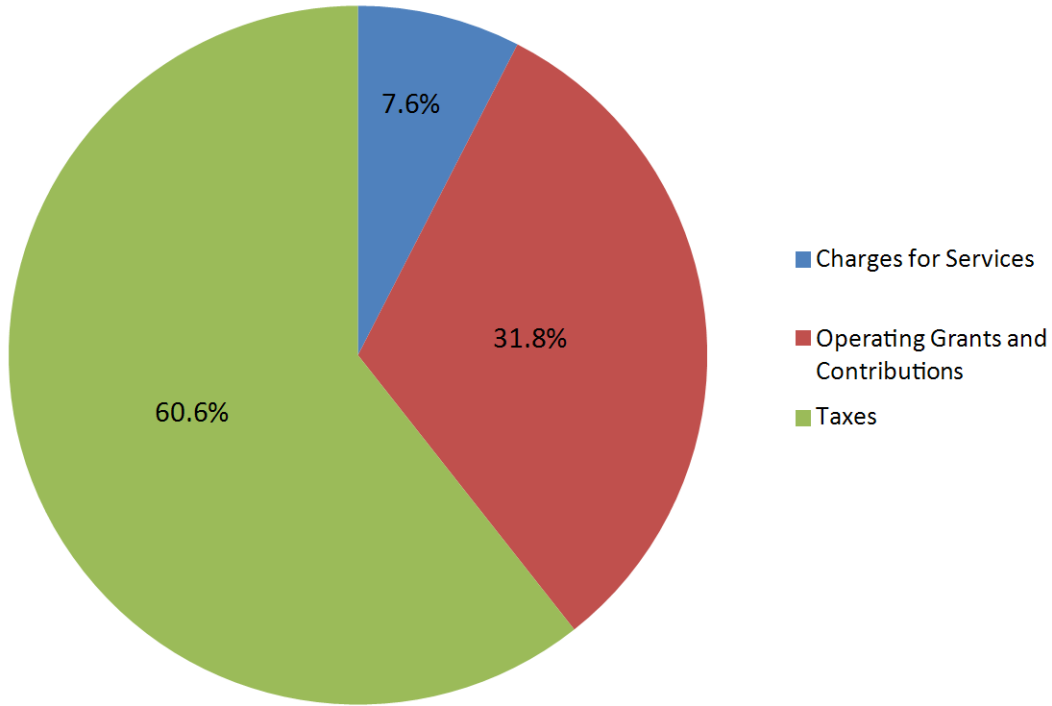
### Governmental Activities

Governmental activities increased the State's net position by \$35 million in 2018 (\$225 million decrease in 2017) and represent 97% of all primary government revenues. Program revenues from governmental activities were \$3,412 million and were used to partially offset program expenses of \$8,688 million, leaving net expenses of \$5,278 million. Only 8% of total expenses were incurred for general government services. General revenues from taxes, investment earnings, and miscellaneous sources, plus contributions to the permanent fund principal, and transfers, totaling \$5,313 million, were \$35 million more than the remaining costs of the governmental activities' programs as shown below.

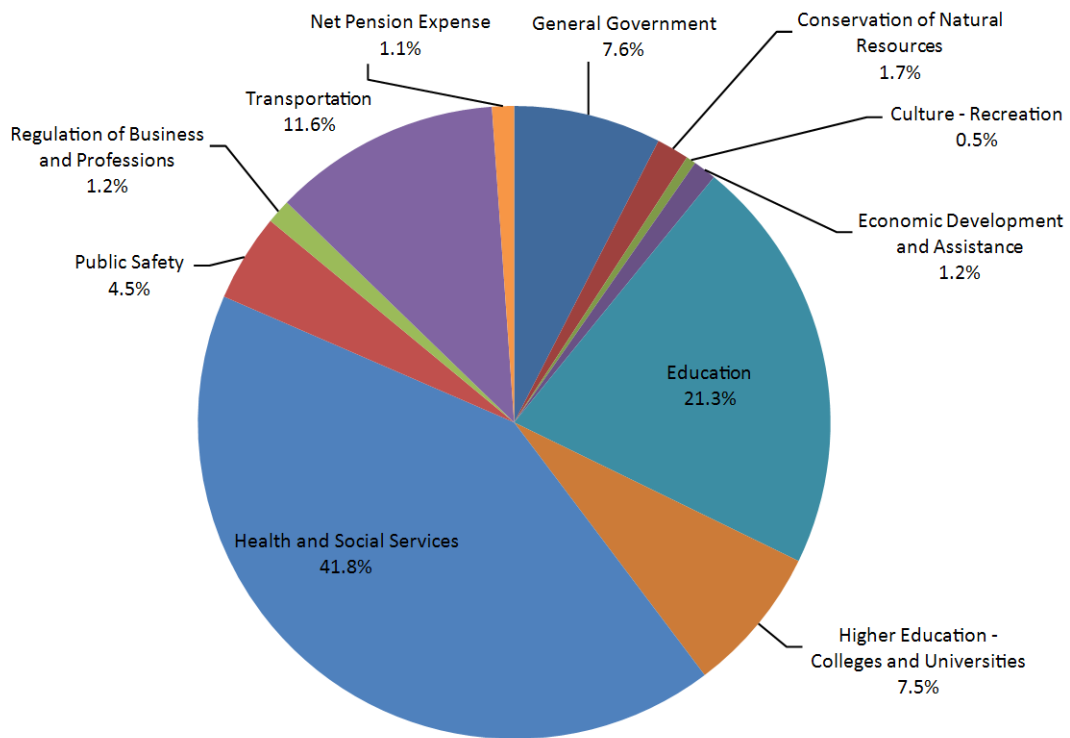
Tax revenues were up \$272 million, from 2017, compared to an increase of \$18 million in 2017 over 2016. Program revenues increased 0.18% from 2017. Increases in general government, education and health and social services expenses contributed to the \$51 million increase in program expenses. The change in Net Position increased \$260 million from 2017 to 2018 compared to the \$188 million decrease from 2016 to 2017. Although the General Fund holds more investments than other programs and maintains more conservative investments, it showed an increase in investment income in 2018 from 2017 of \$13 million due to the changes in the market value of the underlying investments.

**STATE OF NEBRASKA**  
**Governmental Activities**  
 As of June 30, 2018

**Revenues - Total \$8,665 million**



**Expenses - Total \$8,688 million**





Four functional areas of the State comprise 82% of the expenses of all Governmental Activities: Education, Higher Education, Health and Social Services and Transportation. Education expenses were up \$35 million, Health and Social Services was up \$37 million, Higher Education was down \$12 million, and Transportation expenses were down \$29 million. All the other functional areas had small variances in net expenses.

Program expenses, net of revenue, increased by \$47 million in 2018, over 2017, as shown below:

<b>GOVERNMENTAL ACTIVITIES</b>		
<i>(in millions of dollars)</i>		
	<b>2018</b>	<b>2017</b>
<b>Program Expenses, Net of Revenue</b>		
General Government	\$ (545)	\$ (539)
Conservation of Natural Resources	(47)	(47)
Culture - Recreation	(3)	(6)
Economic Development and Assistance	(52)	(50)
Education	(1,429)	(1,400)
Higher Education - Colleges and University	(653)	(664)
Health and Social Services	(1,612)	(1,578)
Public Safety	(285)	(299)
Regulation of Business and Professions	17	14
Transportation	(569)	(578)
Interest on Long-Term Debt	(1)	(1)
OPEB Expense	(1)	(1)
Net Pension Expense	(98)	(82)
<b>Subtotal</b>	<b>(5,278)</b>	<b>(5,231)</b>
<b>General Revenues</b>		
Taxes	5,253	4,979
Unrestricted Investment Earnings	(3)	(20)
Miscellaneous	5	4
<b>Transfers</b>	48	44
<b>Contributions: Permanent Fund Principal</b>	10	(1)
<b>Increase(Decrease) in Net Position (as restated)</b>	<b>\$ 35</b>	<b>\$ (225)</b>

## **Business-type Activities**

The business-type activities increased the State's net position by \$15 million for 2018, which was net of a \$48 million transfer to governmental activities. Most of the \$283 million of business-type activities' program revenues were related to the business assessment fees in the Unemployment Insurance Fund and Lottery Fund revenues. The Unemployment Insurance Fund had operating income of \$8 million in 2018. This gain, when combined with transfers and \$9 million in investment income, produced a \$14 million increase in net position for the Unemployment Insurance Fund. Lottery revenues of \$183 million generated operating income of \$45 million, which was offset by a \$45 million transfer to Governmental Activities. The lottery transfer was used primarily for education and environmental studies.

## FINANCIAL ANALYSIS OF THE STATE'S FUNDS

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

### **Governmental Funds**

The focus of the State's Governmental Funds is to provide information on near-term inflows and outflows and the availability of spendable resources. At June 30, 2018, the State's Governmental Funds reported combined ending fund balances of \$4,880 million. Of this amount, \$589 million is non-spendable, either due to its form or legal constraints, and \$3,465 million is restricted for specific programs by external constraints, constitutional provisions, or contractual obligations. Revenue restricted by enabling legislation, and public school land lease revenues are included in restricted fund balance. An additional \$475 million of total fund balance has been committed to specific purposes. Committed amounts cannot be used for any other purpose unless approved by the Legislature. An additional \$38 million of total fund balance has been assigned to specific purposes, as expressed by legislative intent. The remaining \$315 million is unassigned and available for appropriations.

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

The General Fund is the chief operating fund of the State. The major General Fund liability is the estimated tax refunds payable of \$422 million. However, such refunds payable are \$38 million less than the expected taxes owed the State. Other assets of the General Fund available to pay non tax-refund liabilities exceed such liabilities by \$661 million.

On June 30, 2017, the General Fund had a positive fund balance of \$779 million. For 2018, expenditures increased \$36 million from 2017 and revenues increased by \$260 million. The revenues were \$107 million less than expenditures for 2018 while revenues were \$331 million less than expenditures in 2017. The General Fund balance in 2018 decreased by \$123 million, after adjusting for transfers in and out of the General Fund, ending with a fund balance of \$657 million on June 30, 2018.

Revenues increased during 2018 finishing \$260 million up from 2017. This increase was primarily due to an increase in income tax revenue of \$177 million (a 7.08% increase) from 2017, an increase in sales and use tax revenue of \$80 million (a 5.23% increase) over 2017, a decrease in business and franchise taxes of \$9 million (a 9% decrease) and an increase in investment income of \$13 million (a 109% increase) from 2017. Expenditures increased during 2018 by \$36 million over 2017 due to increases in General Government spending of \$35 million and increased aid to Education of \$21 million. These increases were offset by spending decreases from 2017 for Higher Education – Colleges and University of \$13 million, and Health and Social Services of \$7 million due to decreased aid. Overall expenditures were less than budgeted due to continued efforts by agency heads to be conservative in spending.

To compensate for any downturns in revenues, the State has maintained a budgetary basis Cash Reserve Fund. While this Cash Reserve Fund is commingled with General Fund cash in the General Fund financial statements, it is separate and distinct in that, by State Statute, it can only be used (1) when the cash balance of the General Fund is insufficient to meet General Fund current obligations and (2) for legislatively mandated transfers to other funds. Any money transferred in accordance with item one above must be repaid as soon as there is sufficient cash in the General Fund cash account to do so. No such need existed in 2018.

The Cash Reserve Fund balance was \$731 million at the beginning of 2017. In 2017, there were transfers out of \$50 million leaving a Cash Reserve Fund balance at June 30, 2017 of \$681 million. In 2018, there were net statutory transfers to the General Fund of \$225 million and other net statutory transfers out of \$116 million leaving a Fund balance of \$340 million at June 30, 2018. The Cash Reserve Fund is reflected as committed to economic stabilization on the governmental funds balance sheet.

## ***Other Governmental Funds***

Other governmental fund balances totaled \$4,224 million at June 30, 2018. Of this amount, \$587 million is nonspendable, either due to its form or legal constraints, and \$3,465 million is restricted for specific programs by external constraints, constitutional provisions, or contractual obligations. An additional \$135 million of total fund balance has been committed to specific purposes. The remaining \$38 million of total fund balance has been assigned to specific purposes, as expressed by legislative intent.

The three major funds presented as special revenue funds are the Highway Fund, the Federal Fund and the Health and Social Services Fund, with total fund balances of \$813 million. The non-major special revenue fund balances totaled \$1,037 million.

Governmental funds other than the General Fund saw an increase in fund balances of \$14 million. The fund balances of the following funds decreased: the Permanent School Fund (\$53 million), the Health and Social Service Fund (\$3 million), and Highway Fund (\$16 million). The fund balance of the following funds increased: Federal Fund (\$16 million) and other Nonmajor Funds (\$71 million).

The Highway Fund had a \$16 million increase in Petroleum Taxes, a \$10 million increase in Sales and Use Tax, \$23 million decrease in federal grants revenue, a \$3 million increase in operating expenses and a Transfer Out of \$17 million. These changes are mainly why the Highway Fund had a \$16 million decrease in its fund balance in 2018 as opposed to a \$43 million increase in 2017.

The activity in the Federal Fund represents federal funds received, and each year's spending should generally approximate grant funds received. In 2018, there was an increase in federal grants and contracts revenue of \$14 million. Expenditures in 2018 increased by \$7 million for Education, increased \$4 million for Conservation of Natural Resources, decreased \$2 million for Economic Development and Assistance, decreased \$7 million for Health and Social Services, and increased \$2 million for Public Safety. Revenues exceeded expenditures by \$26 million before transfers. Transfers out decreased \$6 million in 2018 compared to an increase of \$4 million in 2017. At the end of 2018 there was a \$16 million increase in the fund.

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 \$12 million decrease in investment income in 2018 (chiefly due to changes in the market value of investments) compared to a \$41 million increase in 2017. There was a \$3 million decrease in fund balance in 2018, as opposed to an \$32 million increase in 2017.

The Permanent School Fund had a \$30 million increase in revenue, mainly due to a \$18 million increase in investment income caused by changes in the market value of investments in 2018, compared to a \$84 million investment income decrease in 2017 (when compared to 2016). There was a \$53 million decrease in fund balance in 2018, compared to a \$82 million decrease in 2017, a change of \$29 million.

The Nonmajor Funds revenues increased \$1 million compared to 2017. Expenditures decreased \$4 million in Conservation of Natural Resources, \$6 million in Education, \$1 million in Transportation and \$9 million in Regulation of Business and Professions. Expenditures increased \$9 million in Culture-Recreation and \$7 million in Economic Development and Assistance. There were \$113 million in net transfers in for the Nonmajor Funds in 2018 versus \$26 million in net transfers in for 2017. As a result, the fund balances increased \$71 million in 2018 as opposed to a \$12 million decrease in 2017.

## **Proprietary Funds**

The State's proprietary funds provide the same type of information discussed earlier in the government-wide financial statements under Business-type Activities, but in more detail. The State's one major proprietary fund, the Unemployment Insurance Fund, reported net position of \$514 million at the end of 2018. This fund's net position increased \$14 million in 2018, because business assessment fees exceeded unemployment claims paid out by \$6 million, investment earnings of \$9

million and other changes. Other proprietary or enterprise funds, the Lottery Fund, the Excess Liability Fund (the fund established to provide limited liability for physicians working in Nebraska) and Cornhusker State Industries (an operation that utilizes incarcerated persons to manufacture and sell items) had combined income of \$47 million prior to a \$45 million transfer from the Lottery's net income to governmental funds. Such transfer was used primarily for education and environmental studies. The Excess Liability Fund had an operating income of \$1 million and earned \$1 million in investment earnings for a net position increase of \$2 million.

## Fiduciary Funds

The Pension Trust Funds represent the majority of the fiduciary funds. Such Pension Trust Fund's net position increased \$1,195 million to \$15,561 million in 2018 mainly due to an increase in the fair value of investments in 2018. Interest and dividend income in 2018 was \$207 million versus \$171 million in 2017. Benefits, refunds and related administrative expenses exceeded the contributions to the plans by \$225 million. In another trust fund recorded in the Private Purpose Trust Funds, contributions from State participants received by the College Savings Plan totaled \$428 million. The total net position in the College Savings Plan now totals over four billion dollars.

## ANALYSIS OF GENERAL FUND BUDGET VARIATIONS

During 2018, the State's economy continued to show improvement from the effects of recent economic pressures, especially in the agricultural sector. Forecasted revenues, upon which the State's budgeted General Fund expenditures are based, were anticipated to increase in 2018 by \$293 million over 2017 net tax revenue of \$4,147 million. As revenues continued to moderate during 2018, the State's Forecasting Board made two new forecasts during the year. At the end, the forecasted net tax revenues were \$75 million below the original forecast. However, actual tax revenues, net of refunds for 2018 of \$4,401 million exceeded the revised forecast by \$37 million, leaving the State with actual tax revenues, net of refunds, of \$38 million below the original budget on a budgetary basis. Agencies continued to watch their General Fund expenditures and spent \$253 million less than the final appropriated amount. This reduction, when coupled with the increase in tax revenues, caused the State to finish 2018 with General Fund revenues of \$99 million more than expenditures on a budgetary basis, prior to net transfers out. There was a net \$234 million transferred out for specific purposes. The fund balance on a budgetary basis decreased from \$927 million at the beginning of the fiscal year to \$792 million at June 30, 2018.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At the end of fiscal year 2018, the State had invested \$9.1 billion, net of accumulated depreciation, in capital assets as reported in the Statement of Net Position and summarized in the table below. Depreciation expense for 2018 totaled \$57 million, compared to \$54 million for 2017.

#### CAPITAL ASSETS AS OF JUNE 30

(net of depreciation in millions of dollars)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Land (as restated)	\$ 610	\$ 595	\$ -	\$ -	\$ 610	\$ 595
Buildings and Equipment (as restated)	490	506	8	8	498	514
Infrastructure	7,594	7,561	-	-	7,594	7,561
<b>Subtotal</b>	<b>8,694</b>	<b>8,662</b>	<b>8</b>	<b>8</b>	<b>8,702</b>	<b>8,670</b>
Construction in Progress (as restated)	386	273	-	-	386	273
<b>Total</b>	<b>\$ 9,080</b>	<b>\$ 8,935</b>	<b>\$ 8</b>	<b>\$ 8</b>	<b>\$ 9,088</b>	<b>\$ 8,943</b>

Infrastructure (roads, bridges, dams, etc.) is by far the largest group of assets owned by the State. GASB Statement No. 34 requires the State to select one of two methods to account for its infrastructure assets. One process is to record depreciation expense on selected infrastructure assets. The State has adopted an alternative method, referred to as the

modified approach. Under this method, the State expenses certain maintenance and preservation costs and does not record any depreciation expense. Assets accounted for under the modified approach include approximately 10,000 miles of roads that the State is responsible to maintain.

In assessing the condition of State roads, the State’s goal is to maintain at least an overall system rating of 72 or above using the Nebraska Serviceability Index. The most recent condition assessment, completed for calendar year 2017, indicated an overall system rating of 84, a rating that has been very consistent over the past eight years.

For 2018, it was estimated that the State needed to spend \$325 million to preserve and maintain the roads at the above-mentioned level. The State actually spent \$391 million on roads in 2018, compared to \$413 million in 2017. For 2019, it is estimated that the State needs to spend \$324 million, a decrease from actual 2018 and a decrease from the average of the previous five years.

The State also spent \$47 million on capitalized infrastructure and land purchases relating to roads in 2018 (\$107 million in 2017), most notably reconstructing Highway 133, Blair south. Major land purchases included land purchased near five State highways. At June 30, 2018, the State had contractual commitments of \$685 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.)

During 2018, the State added \$43 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 15 to the financial statements.

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

	GOVERNMENTAL ACTIVITIES	
	2018	2017
<b>Capitalized Leases:</b>	<u>\$ 33</u>	<u>\$ 29</u>

There were new bonds issued in 2018 and 2017 with none outstanding at the end of each fiscal year. Two new capitalized leases were added in 2018 (one lease was added in 2017). Bonds and Certificates of Participation for leases issued on behalf of the State maintain an Aa2 rating from Moody’s. Standard and Poor’s has issued an AAA rating for the State as a whole.

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

The State's economy continues to show improvement from recent performance, although it is projected to lag growth expected at the national level. However, fiscal year 2018 General Fund tax revenues increased 6.5% from 2017 and exceeded projections. Improvement is forecasted for fiscal year 2019, with tax revenues projected to exceed actual 2018 revenues by \$233 million, or 5.1%, on a nominal basis. The State has a low unemployment rate and its debt and pension burdens are among the lowest of all states.

The State faces a number of challenges in the coming years. Shifts in the national healthcare policy, ongoing increases in healthcare costs, and expansion of the Medicaid program present challenges to the State, as well as potential for continued growth from demand for existing health and human services aid programs and provider rates. In addition, the growth in recent years in the prison inmate population presents an additional challenge to address increased operating costs and possible capital asset improvements. There is also a need for continuous monitoring of the school finance formula to ensure sustainable growth in aid to education for K-12 schools, easily the largest annual General Fund financial commitment. On a more positive note, the Supreme Court of the United States ruled that states can tax sales by out-of-state businesses providing a source for future revenues which has been projected in current forecasts.

As previously explained, the State maintains a Cash Reserve Fund to help offset any future economic downturns. As of June 30, 2018, this Fund had a \$340 million balance. By operation of law, any General Fund revenue at the end of a fiscal year which is in excess of the official certified forecast is used to build the Cash Reserve Fund. A transfer of \$62 million was made in July 2018 from the General Fund to the Cash Reserve Fund in compliance with this statutory requirement. This and other transfers out of the fund since the end of the last fiscal year have resulted in a Cash Reserve Fund balance of \$397 million at November 30, 2018. No other significant statutory disbursements from this fund have been scheduled at this time.

## **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, 1526 K Street, Suite 240, Lincoln, NE 68508, (402) 471-2581.

The State's component units issue their own separately issued audited financial statements. These statements may be obtained by directly contacting the component units or by going online to their websites. For the University of Nebraska, contact the University of Nebraska, Director of University Accounting, 3835 Holdrege, Lincoln, NE 68583, (402) 472-2111 or online at <http://www.nebraska.edu/administration/business-and-finance/accounting-and-finance.html>. For the State College System, contact the Nebraska State College System, Fiscal and Facilities Management, Box 94605, Lincoln, NE 68509-4605, (402) 471-2505 or online at <http://www.nscs.edu/>.

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# BASIC FINANCIAL STATEMENTS

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State of Nebraska  
**STATEMENT OF NET POSITION**  
June 30, 2018

(Dollars in Thousands)

	PRIMARY GOVERNMENT			COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS	
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 294,337	\$ 487,530	\$ 781,867	\$ 706,032
Receivables, net of allowance:				
Taxes	523,377	-	523,377	-
Due from Federal Government	308,629	-	308,629	-
Other	256,209	39,649	295,858	392,229
Internal Balances	(598)	598	-	-
Investments	4,663,909	132,720	4,796,629	2,404,049
Loans Receivable	363,660	-	363,660	34,284
Investment in Joint Venture	-	-	-	443,182
Net Pension Asset	134,012	-	134,012	-
Other Assets	33,380	3,589	36,969	24,215
Restricted Assets:				
Cash and Cash Equivalents	1,222	-	1,222	697,284
Other	-	2,466	2,466	12,871
Securities Lending Collateral	134,429	4,223	138,652	-
Capital assets:				
Land	610,478	315	610,793	141,528
Infrastructure	7,594,147	-	7,594,147	-
Construction in Progress	385,675	-	385,675	142,889
Land Improvements	-	-	-	337,096
Buildings and Equipment	1,256,883	15,626	1,272,509	3,819,843
Less Accumulated Depreciation	(767,317)	(8,172)	(775,489)	(1,358,302)
Total Capital Assets	9,079,866	7,769	9,087,635	3,083,054
Total Assets	\$ 15,792,432	\$ 678,544	\$ 16,470,976	\$ 7,797,200
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred Outflow related to pensions	\$ 425,639	\$ -	\$ 425,639	\$ -
Deferred loss on bond refunding	-	-	-	19,846
Total Deferred Outflows of Resources	\$ 425,639	\$ -	\$ 425,639	\$ 19,846
<b>LIABILITIES</b>				
Accounts Payable and Accrued Liabilities	\$ 698,308	\$ 34,739	\$ 733,047	\$ 209,849
Tax Refunds Payable	435,632	-	435,632	-
Deposits	10,266	-	10,266	(2,892)
Unearned Revenue	63,602	3,559	67,161	156,316
Obligations under Securities Lending	134,429	4,223	138,652	-
Noncurrent Liabilities:				
Due within one year	222,927	15,194	238,121	156,384
Due in more than one year	199,104	16,785	215,889	990,827
Net Pension Liability	455,422	-	455,422	-
Net OPEB Liability	14,486	-	14,486	-
Total Liabilities	\$ 2,234,176	\$ 74,500	\$ 2,308,676	\$ 1,510,484
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred Inflow related to pensions	\$ 369,592	\$ -	\$ 369,592	\$ -
Deferred Inflow related to OPEB	596	-	596	-
Deferred service concession arrangement receipts	-	-	-	19,808
Total Deferred Inflows of Resources	\$ 370,188	\$ -	\$ 370,188	\$ 19,808
<b>NET POSITION</b>				
Net Investment in Capital Assets	\$ 9,046,411	\$ 7,769	\$ 9,054,180	\$ 2,404,394
Restricted for:				
Education	25,498	-	25,498	2,398,020
Health and Social Services	572,787	-	572,787	-
Conservation of Natural Resources	671,629	-	671,629	-
Transportation	240,599	-	240,599	-
Licensing and Regulation	109,090	-	109,090	-
Other Purposes	207,148	2,466	209,614	351,205
Unemployment Insurance Benefits	-	513,866	513,866	-
Debt Service and Construction	-	-	-	393,487
Permanent Trusts:				
Nonexpendable	580,998	-	580,998	-
Expendable	1,655,825	-	1,655,825	-
Unrestricted	503,722	79,943	583,665	739,648
Total Net Position	\$ 13,613,707	\$ 604,044	\$ 14,217,751	\$ 6,286,754

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

State of Nebraska

**STATEMENT OF ACTIVITIES**

For the Year Ended June 30, 2018

(Dollars in Thousands)

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
<b>PRIMARY GOVERNMENT:</b>				
Governmental Activities:				
General Government	\$ 656,287	\$ 107,412	\$ 3,969	\$ -
Conservation of Natural Resources	143,915	38,672	57,810	458
Culture – Recreation	43,410	36,163	3,175	675
Economic Development and Assistance	103,259	1,479	49,322	-
Education	1,845,719	50,671	365,654	-
Higher Education - Colleges and University	651,636	-	-	-
Health and Social Services	3,634,539	123,593	1,899,088	-
Public Safety	389,694	42,021	62,556	-
Regulation of Business and Professions	107,763	122,817	2,064	-
Transportation	1,012,181	130,688	312,316	-
Interest on Long-term Debt	645	-	-	-
Net OPEB Expense	1,381	-	-	-
Net Pension Expense	97,889	-	-	-
Total governmental activities	<u>8,688,318</u>	<u>653,516</u>	<u>2,755,954</u>	<u>1,133</u>
Business-type activities:				
Unemployment Insurance	73,003	80,507	-	-
Lottery	138,483	183,368	-	-
Excess Liability	5,564	6,238	-	-
Cornhusker State Industries	12,666	12,578	-	-
Total business-type activities	<u>229,716</u>	<u>282,691</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>\$ 8,918,034</u>	<u>\$ 936,207</u>	<u>\$ 2,755,954</u>	<u>\$ 1,133</u>
<b>COMPONENT UNITS:</b>				
University of Nebraska	\$ 2,125,018	900,692	407,057	10,678
State Colleges	126,383	49,863	14,780	2,852
Total Component Units	<u>\$ 2,251,401</u>	<u>\$ 950,555</u>	<u>\$ 421,837</u>	<u>\$ 13,530</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: Permanent Fund Principal  
 Transfers  
 Total General Revenues, Contributions and Transfers  
 Change in Net Position  
 Net Position - Beginning (as restated)  
 Net Position - Ending

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

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

PRIMARY GOVERNMENT			
GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
\$ (544,906)	\$ -	\$ (544,906)	\$ -
(46,975)	-	(46,975)	-
(3,397)	-	(3,397)	-
(52,458)	-	(52,458)	-
(1,429,394)	-	(1,429,394)	-
(651,636)	-	(651,636)	-
(1,611,858)	-	(1,611,858)	-
(285,117)	-	(285,117)	-
17,118	-	17,118	-
(569,177)	-	(569,177)	-
(645)	-	(645)	-
(1,381)	-	(1,381)	-
(97,889)	-	(97,889)	-
<u>(5,277,715)</u>	<u>-</u>	<u>(5,277,715)</u>	<u>-</u>
-	7,504	7,504	-
-	44,885	44,885	-
-	674	674	-
-	(88)	(88)	-
<u>-</u>	<u>52,975</u>	<u>52,975</u>	<u>-</u>
<u>\$ (5,277,715)</u>	<u>\$ 52,975</u>	<u>\$ (5,224,740)</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ (806,591)
-	-	-	(58,888)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (865,479)</u>
2,686,510	-	2,686,510	-
1,925,312	-	1,925,312	-
388,349	-	388,349	-
131,355	-	131,355	-
117,590	-	117,590	-
2,002	-	2,002	-
(2,670)	10,974	8,304	82,194
5,444	14	5,458	407,834
-	-	-	651,636
10,273	-	10,273	-
48,432	(48,432)	-	-
<u>5,312,597</u>	<u>(37,444)</u>	<u>5,275,153</u>	<u>1,141,664</u>
34,882	15,531	50,413	276,185
<u>13,578,825</u>	<u>588,513</u>	<u>14,167,338</u>	<u>6,010,569</u>
<u>\$ 13,613,707</u>	<u>\$ 604,044</u>	<u>\$ 14,217,751</u>	<u>\$ 6,286,754</u>

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

State of Nebraska

**BALANCE SHEET  
GOVERNMENTAL FUNDS**

June 30, 2018

(Dollars in Thousands)

	GENERAL FUND	HIGHWAY FUND	FEDERAL FUND	HEALTH AND SOCIAL SERVICES	PERMANENT SCHOOL FUND	NONMAJOR FUNDS	TOTALS
<b>ASSETS</b>							
Assets:							
Cash and Cash Equivalents	\$ 77,194	\$ 14,086	\$ 3,662	\$ 4,721	\$ 4,776	\$ 60,337	\$ 164,776
Cash on Deposit with Fiscal Agents	-	-	-	-	-	1,222	1,222
Investments	767,848	233,877	61,718	527,786	2,211,074	861,606	4,663,909
Securities Lending Collateral	48,002	14,621	3,564	9,098	9,155	49,989	134,429
Receivables, net of allowance:							
Taxes	459,991	62,429	-	-	-	957	523,377
Due from Federal Government	4	16,493	290,383	-	-	1,749	308,629
Loans	-	-	13,966	153	-	349,541	363,660
Other	40,237	15,008	42,848	49,437	81,818	23,960	253,308
Due from Other Funds	63,809	123	775	3,392	-	4,060	72,159
Inventories	1,498	3,028	406	103	-	1,906	6,941
Prepaid Items	400	17	24	-	-	154	595
Other	543	-	-	-	19,506	3,416	23,465
Total Assets	<u>\$ 1,459,526</u>	<u>\$ 359,682</u>	<u>\$ 417,346</u>	<u>\$ 594,690</u>	<u>\$ 2,326,329</u>	<u>\$ 1,358,897</u>	<u>\$ 6,516,470</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>							
Liabilities:							
Accounts Payable and Accrued Liabilities	\$ 143,105	\$ 91,363	\$ 188,273	\$ 11,165	\$ 134,931	\$ 58,634	\$ 627,471
Tax Refunds Payable	422,239	13,392	-	-	-	1	435,632
Deposits	544	1,600	4,732	355	201	2,834	10,266
Due to Other Funds	60,683	3,416	69,219	2,366	7	10,053	145,744
Obligations under Securities Lending	48,002	14,621	3,564	9,098	9,155	49,989	134,429
Claims Payable	83,594	-	75,916	-	-	-	159,510
Unearned Revenue	2,960	-	51,283	26	8,963	-	63,232
Total Liabilities	<u>761,127</u>	<u>124,392</u>	<u>392,987</u>	<u>23,010</u>	<u>153,257</u>	<u>121,511</u>	<u>1,576,284</u>
Deferred Inflows of Resources:							
Revenues not yet available	41,751	-	-	17,943	-	-	59,694
Fund Balances:							
Nonspendable:							
Inventories and Prepaid Items	1,898	3,045	430	103	-	2,060	7,536
Endowment Principal	-	-	-	-	561,483	19,515	580,998
Restricted	-	232,245	23,929	552,757	1,611,589	1,044,113	3,464,633
Committed	339,990	-	-	-	-	134,940	474,930
Assigned	-	-	-	877	-	36,758	37,635
Unassigned	314,760	-	-	-	-	-	314,760
Total Fund Balances	<u>656,648</u>	<u>235,290</u>	<u>24,359</u>	<u>553,737</u>	<u>2,173,072</u>	<u>1,237,386</u>	<u>4,880,492</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 1,459,526</u>	<u>\$ 359,682</u>	<u>\$ 417,346</u>	<u>\$ 594,690</u>	<u>\$ 2,326,329</u>	<u>\$ 1,358,897</u>	<u>\$ 6,516,470</u>

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

State of Nebraska

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

June 30, 2018

(Dollars in Thousands)

**Total fund balances for governmental funds** \$ 4,880,492

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

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

Land	\$	610,478	
Infrastructure		7,594,147	
Construction in progress		385,675	
Other capital assets		1,147,811	
Accumulated depreciation		<u>(690,927)</u>	9,047,184

Certain tax revenues and charges are earned but not available and therefore are unearned in the funds. 59,694

Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position. 49,165

Deferred Inflows and Outflows related to Pension, they are not related to governmental funds. These Deferred Inflows & Outflows consist of:

Deferred Inflows related to OPEB		(596)	
Deferred Inflows related to Pension		(369,592)	
Deferred Outflows related to Pension		<u>425,639</u>	55,451

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		(420)	
Obligations under other financing arrangements			
Compensated absences		(122,907)	
Net pension liability/asset		(321,410)	
OPEB liability		(14,486)	
Claims and judgments		<u>(19,056)</u>	<u>(478,279)</u>

**Net position of governmental activities** \$ 13,613,707

State of Nebraska

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

For the Year Ended June 30, 2018

(Dollars in Thousands)

	GENERAL FUND	HIGHWAY FUND	FEDERAL FUND	HEALTH AND SOCIAL SERVICES	PERMANENT SCHOOL FUND	NONMAJOR FUNDS	TOTALS
<b>REVENUES</b>							
Income Taxes	\$ 2,678,823	\$ -	\$ -	\$ 4,447	\$ -	\$ -	\$ 2,683,270
Sales and Use Taxes	1,611,253	293,208	-	-	-	21,831	1,926,292
Petroleum Taxes	-	374,162	-	-	2,251	14,187	390,600
Excise Taxes	66,179	-	-	10,987	-	54,189	131,355
Business and Franchise Taxes	89,479	-	-	-	-	28,111	117,590
Other Taxes	(543)	3,481	-	-	-	(936)	2,002
Federal Grants and Contracts	336	296,772	2,452,311	109	-	7,471	2,756,999
Licenses, Fees and Permits	18,524	100,915	698	60,993	210	159,142	340,482
Charges for Services	2,898	27,373	5,406	24,384	-	63,845	123,906
Investment Income	1,131	(1,442)	(61)	38,519	(42,088)	(1,448)	(5,389)
Rental Income	-	498	1	420	47,622	25,682	74,223
Surcharge	-	-	-	-	-	34,645	34,645
Other	6,458	2,512	2,095	12,018	9,024	35,362	67,469
Total Revenues	4,474,538	1,097,479	2,460,450	151,877	17,019	442,081	8,643,444
<b>EXPENDITURES</b>							
Current:							
General Government	590,262	-	4,538	-	-	73,778	668,578
Conservation of Natural Resources	31,811	-	41,561	-	-	71,137	144,509
Culture – Recreation	5,508	-	3,159	-	-	41,274	49,941
Economic Development and Assistance	11,168	-	51,326	-	-	41,219	103,713
Education	1,421,818	-	365,674	-	70,497	19,550	1,877,539
Higher Education - Colleges and University	632,714	-	-	-	-	18,922	651,636
Health and Social Services	1,587,409	-	1,890,705	132,829	-	19,689	3,630,632
Public Safety	297,877	-	60,011	-	-	49,171	407,059
Regulation of Business and Professions	3,160	-	2,072	-	-	102,725	107,957
Transportation	-	1,096,269	15,544	-	-	3,089	1,114,902
Capital Projects	-	-	-	-	-	46,340	46,340
Debt Service:							
Principal	-	-	-	-	-	2,560	2,560
Interest	-	-	-	-	-	6	6
Total Expenditures	4,581,727	1,096,269	2,434,590	132,829	70,497	489,460	8,805,372
Excess (Deficiency) of Revenues Over (Under) Expenditures							
	(107,189)	1,210	25,860	19,048	(53,478)	(47,379)	(161,928)
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers In	115,615	7	1,197	1,128	-	202,643	320,590
Transfers Out	(131,137)	(17,403)	(11,350)	(22,901)	-	(89,367)	(272,158)
Proceeds from Other Financing Arrangements	-	-	-	-	-	5,119	5,119
Total Other Financing Sources (Uses)	(15,522)	(17,396)	(10,153)	(21,773)	-	118,395	53,551
Net Change in Fund Balances	(122,711)	(16,186)	15,707	(2,725)	(53,478)	71,016	(108,377)
<b>FUND BALANCES, JULY 1 (as restated)</b>	779,359	251,476	8,652	556,462	2,226,550	1,166,370	4,988,869
<b>FUND BALANCES, JUNE 30</b>	\$ 656,648	\$ 235,290	\$ 24,359	\$ 553,737	\$ 2,173,072	\$ 1,237,386	\$ 4,880,492

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, 2018

(Dollars in Thousands)

**Net change in fund balances—total governmental funds** \$ (108,377)

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	\$	192,030	
Capital assets sold		(220)	
Depreciation expense		(41,601)	150,209

Bond proceeds and other financing arrangements provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the Statement of Net Position. In the current period, proceeds were received from:

Other financing arrangements		(5,119)	(5,119)
------------------------------	--	---------	---------

Repayment of long-term debt and other financing arrangements is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. In the current year these amounts consisted of:

Other financing arrangement payments		5,119	
Capital lease payments		125	5,244

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. (2,137)

Because some revenues will not be collected in the next year, they are not considered available revenues and are deferred in the governmental funds. Deferred inflows of resources increased by this amount this year. 1,906

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 compensated absences		3,775	
Decrease in net pension liability/asset		82,742	
Increase in net OPEB liability		433	
Increase in deferred inflows related to OPEB		(596)	
Increase in deferred inflows related to pension		(203,287)	
Increase in deferred outflows related to pension		115,348	
Increase in claims and judgments		(5,259)	(6,844)

**Change in net position of governmental activities** \$ 34,882

State of Nebraska

**STATEMENT OF NET POSITION  
PROPRIETARY FUNDS**

June 30, 2018

(Dollars in Thousands)

	<b>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS</b>			<b>GOVERNMENTAL</b>
	<b>UNEMPLOYMENT INSURANCE</b>	<b>NONMAJOR ENTERPRISE FUNDS</b>	<b>TOTALS</b>	<b>ACTIVITIES - INTERNAL SERVICE FUNDS</b>
<b>ASSETS</b>				
Current Assets:				
Cash and Cash Equivalents	\$ 443,868	\$ 43,662	\$ 487,530	\$ 130,230
Receivables, net of allowance	18,419	21,230	39,649	2,763
Due from Other Funds	-	801	801	19,947
Inventories	-	3,131	3,131	508
Prepaid Items	-	111	111	1,871
Other	-	347	347	-
Total Current Assets	<u>462,287</u>	<u>69,282</u>	<u>531,569</u>	<u>155,319</u>
Noncurrent Assets:				
Restricted Long-Term Deposits	-	2,466	2,466	-
Long-Term Investments	58,980	73,740	132,720	-
Securities Lending Collateral	3,687	536	4,223	-
Capital Assets:				
Land	-	315	315	-
Buildings and Equipment	-	15,626	15,626	109,072
Less Accumulated Depreciation	-	(8,172)	(8,172)	(76,390)
Total Capital Assets	<u>-</u>	<u>7,769</u>	<u>7,769</u>	<u>32,682</u>
Total Noncurrent Assets	<u>62,667</u>	<u>84,511</u>	<u>147,178</u>	<u>32,682</u>
Total Assets	<u>\$ 524,954</u>	<u>\$ 153,793</u>	<u>\$ 678,747</u>	<u>\$ 188,001</u>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	\$ 1,422	\$ 33,317	\$ 34,739	\$ 17,257
Due to Other Funds	133	70	203	1,071
Capital Lease Obligations	-	-	-	9,480
Claims, Judgments and Compensated Absences	5,846	9,348	15,194	41,516
Unearned Revenue	-	3,559	3,559	370
Total Current Liabilities	<u>7,401</u>	<u>46,294</u>	<u>53,695</u>	<u>69,694</u>
Noncurrent Liabilities:				
Capital Lease Obligations	-	-	-	23,555
Claims, Judgments and Compensated Absences	-	16,785	16,785	45,587
Obligations under Securities Lending	<u>3,687</u>	<u>536</u>	<u>4,223</u>	<u>-</u>
Total Noncurrent Liabilities	<u>3,687</u>	<u>17,321</u>	<u>21,008</u>	<u>69,142</u>
Total Liabilities	<u>\$ 11,088</u>	<u>\$ 63,615</u>	<u>\$ 74,703</u>	<u>\$ 138,836</u>
<b>NET POSITION</b>				
Net Investment in Capital Assets	-	7,769	7,769	(353)
Restricted for:				
Lottery Prizes	-	2,466	2,466	-
Unemployment Insurance Benefits	513,866	-	513,866	-
Unrestricted	-	79,943	79,943	49,518
Total Net Position	<u>\$ 513,866</u>	<u>\$ 90,178</u>	<u>\$ 604,044</u>	<u>\$ 49,165</u>

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



State of Nebraska

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

For the Year Ended June 30, 2018

(Dollars in Thousands)	<b>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS</b>			<b>GOVERNMENTAL</b>
	<b>UNEMPLOYMENT INSURANCE</b>	<b>NONMAJOR ENTERPRISE FUNDS</b>	<b>TOTALS</b>	<b>ACTIVITIES - INTERNAL SERVICE FUNDS</b>
<b>OPERATING REVENUES</b>				
Charges for Services	\$ 79,005	\$ 202,184	\$ 281,189	\$ 411,504
Federal	820	-	820	-
Other	682	-	682	1,432
Total Operating Revenues	<u>80,507</u>	<u>202,184</u>	<u>282,691</u>	<u>412,936</u>
<b>OPERATING EXPENSES</b>				
Personal Services	-	6,580	6,580	39,554
Services and Supplies	28	38,741	38,769	137,659
Lottery Prizes	-	106,635	106,635	-
Unemployment Claims	72,975	-	72,975	-
Insurance Claims	-	4,165	4,165	224,610
Depreciation	-	592	592	15,348
Total Operating Expenses	<u>73,003</u>	<u>156,713</u>	<u>229,716</u>	<u>417,171</u>
Operating Income (Loss)	<u>7,504</u>	<u>45,471</u>	<u>52,975</u>	<u>(4,235)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment Income	9,308	1,666	10,974	2,719
Gain (Loss) on Sale of Capital Assets	-	14	14	9
Other	-	-	-	(630)
Total Nonoperating Revenues (Expenses)	<u>9,308</u>	<u>1,680</u>	<u>10,988</u>	<u>2,098</u>
Income (Loss) Before Transfers	16,812	47,151	63,963	(2,137)
Transfers Out	<u>(3,181)</u>	<u>(45,251)</u>	<u>(48,432)</u>	<u>-</u>
Change in Net Position	13,631	1,900	15,531	(2,137)
<b>NET POSITION, JULY 1 (as restated)</b>	<u>500,235</u>	<u>88,278</u>	<u>588,513</u>	<u>51,302</u>
<b>NET POSITION, JUNE 30</b>	<u>\$ 513,866</u>	<u>\$ 90,178</u>	<u>\$ 604,044</u>	<u>\$ 49,165</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, 2018

(Dollars in Thousands)

	<b>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS</b>			<b>GOVERNMENTAL</b>
	<b>UNEMPLOYMENT INSURANCE</b>	<b>NONMAJOR ENTERPRISE FUNDS</b>	<b>TOTALS</b>	<b>ACTIVITIES - INTERNAL SERVICE FUNDS</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash Received from Customers	\$ 78,871	\$ 191,244	\$ 270,115	\$ 30,175
Cash Received from Interfund Charges	-	10,935	10,935	379,705
Cash Received from Federal Government	820	-	820	-
Cash Paid to Employees	-	(6,618)	(6,618)	(39,428)
Cash Paid to Suppliers	(1,121)	(16,438)	(17,559)	(123,954)
Cash Paid for Lottery Prizes	-	(104,362)	(104,362)	-
Cash Paid for Insurance Claims	(73,428)	(11,178)	(84,606)	(213,947)
Cash Paid for Interfund Services	133	(847)	(714)	(10,589)
Net Cash Flows from Operating Activities	5,275	62,736	68,011	21,962
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Transfers Out	(3,181)	(45,251)	(48,432)	-
Net Cash Flows from Noncapital Financing Activities	(3,181)	(45,251)	(48,432)	-
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Acquisition and Construction of Capital Assets	-	(678)	(678)	1,799
Proceeds from Sale of Capital Assets	-	13	13	1,480
Principal Paid on Capital Leases	-	-	-	(8,790)
Interest Paid on Capital Leases	-	-	-	(630)
Net Cash Flows from Capital and Related Financing Activities	-	(665)	(665)	(6,141)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Purchase of Investment Securities	-	(163,161)	(163,161)	-
Proceeds from Sale of Investment Securities	515	142,557	143,072	-
Interest and Dividend Income	9,245	2,094	11,339	2,506
Net Cash Flows from Investing Activities	9,760	(18,510)	(8,750)	2,506
Net Increase (Decrease) in Cash and Cash Equivalents	11,854	(1,690)	10,164	18,327
<b>CASH AND CASH EQUIVALENTS, JULY 1</b>	<b>432,014</b>	<b>45,352</b>	<b>477,366</b>	<b>111,903</b>
<b>CASH AND CASH EQUIVALENTS, JUNE 30</b>	<b>\$ 443,868</b>	<b>\$ 43,662</b>	<b>\$ 487,530</b>	<b>\$ 130,230</b>

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

State of Nebraska

# STATEMENT OF CASH FLOWS PROPRIETARY FUNDS (Continued)

For the Year Ended June 30, 2018

(Dollars in Thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			GOVERNMENTAL
	UNEMPLOYMENT INSURANCE	NONMAJOR ENTERPRISE FUNDS	TOTALS	ACTIVITIES - INTERNAL SERVICE FUNDS
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Operating Income (Loss)	\$ 7,504	\$ 45,471	\$ 52,975	\$ (4,235)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:				
Depreciation	-	592	592	15,348
Change in Assets and Liabilities:				
(Increase) Decrease in Receivables	(718)	(889)	(1,607)	143
(Increase) Decrease in Due from Other Funds	-	497	497	(3,338)
(Increase) Decrease in Inventories	-	(66)	(66)	(29)
(Increase) Decrease in Prepaid Items	-	(43)	(43)	(262)
(Increase) Decrease in Long-Term Deposits	-	(43)	(43)	-
Increase (Decrease) in Accounts Payable and Accrued Liabilities	(1,214)	23,848	22,634	3,179
Increase (Decrease) in Due to Other Funds	133	(5)	128	610
Increase (Decrease) in Claims Payable	(430)	(7,013)	(7,443)	10,663
Increase (Decrease) in Unearned Revenue	-	387	387	(117)
Total Adjustments	(2,229)	17,265	15,036	26,197
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>\$ 5,275</b>	<b>\$ 62,736</b>	<b>\$ 68,011</b>	<b>\$ 21,962</b>
<b>NONCASH TRANSACTIONS:</b>				
Noncash transactions are investing and financing activities that affect assets and liabilities but do not result in cash receipts or payments.				
The following noncash transactions occurred during the year:				
Capital Assets acquired through Capital Leases	\$ -	\$ -	\$ -	\$ 12,920
Change in Fair Value of Investments	-	(469)	(469)	-
Total Noncash Transactions	\$ -	\$ (469)	\$ (469)	\$ 12,920

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

## State of Nebraska

# STATEMENT OF FIDUCIARY NET POSITION

## FIDUCIARY FUNDS

June 30, 2018

(Dollars in Thousands)	PENSION TRUST	PRIVATE TRUST	AGENCY
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 9,123	\$ 21,777	\$ 91,462
Investments:			
U.S. Treasury Notes and Bonds	372,808	-	28,151
U.S. Treasury Bills	975	-	-
Government Agency Securities	25,597	-	1,971
Corporate Bonds	948,878	-	53,423
International Bonds	318,902	-	5,342
Equity Securities	2,206,966	-	123,705
Private Equity	661,845	-	262,323
Options	(174)	-	(16)
Mortgages	778,661	-	58,195
Private Real Estate	994,470	-	125,767
Adr's, GDRs & Trust	10,397	-	575
Asset Backed Securities	236,425	-	15,981
Bank Loans	380,808	-	220
Municipal Bonds	5,090	-	267
Commingled Funds	8,447,327	4,858,530	552,042
Short Term Investments	522,986	-	38,071
Total Investments	<u>15,911,961</u>	<u>4,858,530</u>	<u>1,266,017</u>
Securities Lending Collateral	291,884	-	16,382
Receivables:			
Contributions	30,509	-	-
Interest and Dividends	22,481	562	1,985
Other	1,294,472	-	63,796
Total Receivables	<u>1,347,462</u>	<u>562</u>	<u>65,781</u>
Due from Other Funds	45,588	-	8,661
Capital Assets:			
Buildings and Equipment	6,568	-	-
Less Accumulated Depreciation	(6,563)	-	-
Total Capital Assets	<u>5</u>	<u>-</u>	<u>-</u>
Other Assets	-	16,681	-
<b>Total Assets</b>	<b><u>\$ 17,606,023</u></b>	<b><u>\$ 4,897,550</u></b>	<b><u>\$ 1,448,303</u></b>
<b>LIABILITIES</b>			
Accounts Payable and Accrued Liabilities	\$ 1,752,144	\$ 8,068	\$ 118,904
Due to Other Governments	-	-	48,400
Deposits	-	(178)	-
Due to Other Funds	132	6	-
Obligations under Securities Lending	291,884	-	16,382
Accrued Compensated Absences	417	-	-
Other Liabilities	-	-	1,264,617
<b>Total Liabilities</b>	<b><u>\$ 2,044,577</u></b>	<b><u>\$ 7,896</u></b>	<b><u>\$ 1,448,303</u></b>
<b>NET POSITION</b>			
Restricted for:			
Pensions	\$ 15,561,446	\$ -	\$ -
College Savings Plan	-	4,859,286	-
Other Purposes	-	30,368	-
<b>Total Net Position</b>	<b><u>\$ 15,561,446</u></b>	<b><u>\$ 4,889,654</u></b>	<b><u>\$ -</u></b>

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

State of Nebraska

## STATEMENT OF CHANGES IN FIDUCIARY NET POSITION FIDUCIARY FUNDS

For the Year Ended June 30, 2018

(Dollars in Thousands)

	PENSION TRUST	PRIVATE PURPOSE TRUST
<b>ADDITIONS</b>		
Contributions:		
Participant Contributions	\$ 265,038	\$ 427,644
Client Contributions	-	1
State Contributions	126,939	-
Political Subdivision Contributions	190,657	-
Court Fees	4,112	-
Total Contributions	<u>586,746</u>	<u>427,645</u>
Investment Income:		
Net Appreciation (Depreciation) in Fair Value of Investments	1,267,307	585,161
Interest and Dividend Income	207,414	5,188
Securities Lending Income	5,360	-
Total Investment Income	<u>1,480,081</u>	<u>590,349</u>
Investment Expenses	54,971	20,259
Securities Lending Expenses	3,636	-
Total Investment Expense	<u>58,607</u>	<u>20,259</u>
Net Investment Income	<u>1,421,474</u>	<u>570,090</u>
Escheat Revenue	-	15,472
Other Additions	265	381
Total Additions	<u>2,008,485</u>	<u>1,013,588</u>
<b>DEDUCTIONS</b>		
Benefits	785,843	335,846
Refunds	19,258	-
Amounts Distributed to Outside Parties	-	13,537
Administrative Expenses	6,270	2,536
Other Deductions	1,728	-
Total Deductions	<u>813,099</u>	<u>351,919</u>
Change in Net Position Restricted for:		
Pensions	1,195,386	-
College Savings Plan	-	661,579
Other Purposes	-	90
<b>NET POSITION-BEGINNING OF YEAR</b>	<u>14,366,060</u>	<u>4,227,985</u>
<b>NET POSITION-END OF YEAR</b>	<u>\$ 15,561,446</u>	<u>\$ 4,889,654</u>

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

State of Nebraska  
**STATEMENT OF NET POSITION**  
**COMPONENT UNITS**

June 30, 2018

(Dollars in Thousands)

	UNIVERSITY OF NEBRASKA	STATE COLLEGES	TOTALS
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 653,980	\$ 52,052	\$ 706,032
Receivables, net of allowance:			
Loans	33,278	1,006	34,284
Other	388,053	4,176	392,229
Investments	2,342,535	61,514	2,404,049
Investment in Joint Venture	443,182	-	443,182
Other Assets	21,999	2,216	24,215
Restricted Assets:			
Cash and Cash Equivalents	666,902	30,382	697,284
Investments Held by Trustee	12,871	-	12,871
Capital assets:			
Land	140,247	1,281	141,528
Land Improvements	300,125	36,971	337,096
Construction in Progress	118,840	24,049	142,889
Buildings and Equipment	3,529,445	290,398	3,819,843
Less Accumulated Depreciation	<u>(1,241,002)</u>	<u>(117,300)</u>	<u>(1,358,302)</u>
Total Capital Assets	<u>2,847,655</u>	<u>235,399</u>	<u>3,083,054</u>
Total Assets	<u>\$ 7,410,455</u>	<u>\$ 386,745</u>	<u>\$ 7,797,200</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred loss on bond refunding	\$ 19,810	\$ 36	\$ 19,846
Total Deferred Outflows of Resources	<u>\$ 19,810</u>	<u>\$ 36</u>	<u>\$ 19,846</u>
<b>LIABILITIES</b>			
Accounts Payable and Accrued Liabilities	\$ 194,212	\$ 15,637	\$ 209,849
Deposits	(3,235)	343	(2,892)
Unearned Revenue	155,364	952	156,316
Noncurrent Liabilities:			
Due within one year	150,213	6,171	156,384
Due in more than one year	<u>914,300</u>	<u>76,527</u>	<u>990,827</u>
Total Liabilities	<u>\$ 1,410,854</u>	<u>\$ 99,630</u>	<u>\$ 1,510,484</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred service concession arrangement receipts	\$ 19,785	\$ 23	\$ 19,808
Total Deferred Inflows of Resources	<u>\$ 19,785</u>	<u>\$ 23</u>	<u>\$ 19,808</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	\$ 2,240,603	\$ 163,791	\$ 2,404,394
Restricted for:			
Education	2,398,020	-	2,398,020
Other Purposes	276,012	75,193	351,205
Construction and Debt Service	384,667	8,820	393,487
Unrestricted	<u>700,324</u>	<u>39,324</u>	<u>739,648</u>
Total Net Position	<u>\$ 5,999,626</u>	<u>\$ 287,128</u>	<u>\$ 6,286,754</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, 2018

(Dollars in Thousands)

	UNIVERSITY OF NEBRASKA	STATE COLLEGES	TOTALS
<b>EXPENSES</b>			
Compensation and benefits	\$ 1,323,741	\$ 70,495	\$ 1,394,236
Supplies and materials	578,599	14,916	593,515
Contractual services	-	6,200	6,200
Repairs and maintenance	-	2,950	2,950
Utilities	-	4,312	4,312
Communications	-	440	440
Depreciation	141,367	9,427	150,794
Scholarships and fellowships	75,807	4,588	80,395
Other	5,504	13,055	18,559
Total Operating Expenses	<u>2,125,018</u>	<u>126,383</u>	<u>2,251,401</u>
<b>PROGRAM REVENUES</b>			
Charges for Services	900,692	49,863	950,555
Operating Grants and Contributions	407,057	14,780	421,837
Capital Grants and Contributions	10,678	2,852	13,530
Total Program Revenues	<u>1,318,427</u>	<u>67,495</u>	<u>1,385,922</u>
<b>NET (EXPENSE)</b>	<u>(806,591)</u>	<u>(58,888)</u>	<u>(865,479)</u>
<b>GENERAL REVENUES</b>			
Interest and investment earnings	79,443	2,751	82,194
Miscellaneous	396,127	11,707	407,834
Payments from the State of Nebraska	595,370	56,266	651,636
Total General Revenues	<u>1,070,940</u>	<u>70,724</u>	<u>1,141,664</u>
Change in Net Position	264,349	11,836	276,185
<b>NET POSITION -BEGINNING</b>	<u>5,735,277</u>	<u>275,292</u>	<u>6,010,569</u>
<b>NET POSITION - ENDING</b>	<u>\$ 5,999,626</u>	<u>\$ 287,128</u>	<u>\$ 6,286,754</u>

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

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended June 30, 2018

(Dollars in Thousands)

**1. Summary of Significant Accounting Policies**

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

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

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

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

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

**Nebraska State College System.** The Board of Trustees of the Nebraska State Colleges governs Chadron State College, Peru State College and Wayne State College. The Board of Trustees is also the Board of Directors of the Nebraska State Colleges Facilities Corporation, a nonprofit corporation incorporated in 1983 to finance the repair or construction of buildings or the acquisition of equipment for use by the State Colleges. The Board of Trustees consists of the Commissioner of Education and six members appointed by the Governor. Chadron State, Peru State and Wayne State Foundations are tax-exempt nonprofit corporations whose purpose is to provide financial support for the Nebraska State College System. Audit reports may be found on the [State Colleges’](#) website under [Audit Reports](#).

**University of Nebraska.** The University of Nebraska consists of the following campuses: University of Nebraska – Lincoln, University of Nebraska at Omaha, University of Nebraska at Kearney, and University of Nebraska Medical Center. The University of Nebraska is governed by an elected eight-member Board of Regents. The University’s financial reporting entity also consists of the following units: the University of Nebraska Facilities Corporation, a nonprofit corporation organized to finance the construction and repair of buildings and hold them in trust for the University of Nebraska; the UNMC Science Research Fund, organized to solely support the research mission of the University of Nebraska Medical Center; the University Dental Associates, organized for the purpose of billing dental service fees generated by university dentists; the Nebraska Utility Corporation, formed to purchase, lease, construct and finance activities relating to energy requirements of the University of Nebraska-Lincoln; the University Technology Development Center, formed for the purpose of supporting the research mission of the University and advance technology transfer globally; and the University of Nebraska Foundation, a tax-exempt nonprofit corporation whose purpose is to provide financial support for the University of Nebraska. The University of Nebraska is included as a component unit because it is fiscally dependent on the State, since the Nebraska Legislature controls the budget of the University. Audit reports may be found on the [University’s Accounting and Finance](#) website.

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

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



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

The Statement of Net Position presents the reporting entity’s non-fiduciary assets and liabilities, with the difference reported as net position. Net position is reported in three categories:

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

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

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

The Statement of Net Position reports \$4,579,906 of restricted net position, of which \$1,787,918 is restricted by enabling legislation.

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

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

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

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

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

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

The State reports the following major governmental funds:

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

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

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

**Health and Social Services Fund.** This fund accounts for activities of agencies, boards, and commissions providing health care and social services financed primarily by user fees and tobacco settlement proceeds.

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

The State reports the following major enterprise fund:

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

The State also reports the following fund types:

**Governmental Fund Types:**

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

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

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

**Proprietary Fund Types:**

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

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

**Fiduciary Fund Types:**

**Pension Trust Funds.** These funds account for State Employee Retirement System, County Employee Retirement System, School Retirement System, Judges Retirement System, State Patrol Retirement System and Deferred Compensation pension benefits.

**Private Purpose Trust Funds.** These funds account for Unclaimed Property and Nebraska College Savings Plan activity held for private individuals.

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

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

**E. Cash and Cash Equivalents.** In addition to bank accounts and petty cash, this classification includes all short-term investments such as certificates of deposit, repurchase agreements, and U.S. treasury bills having original maturities (remaining time to maturity at acquisition) of three months or less. These investments are stated at cost, which at June 30, 2018, approximates fair value due to their short-term nature. 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 recorded at fair value in accordance with generally accepted accounting principles. Fair value is defined as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income. The State's valuation methodologies are generally based on quoted market prices. These valuation methodologies may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. While management believes the valuation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date. 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 determined by law.
- G. Receivables.** Receivables are stated net of estimated allowances for uncollectible amounts, which are determined based upon past collection experience and current economic conditions.
- H. Inventories.** Inventories of materials and supplies are determined by both physical counts and through perpetual inventory systems. Significant inventories of governmental funds are valued using weighted average cost. Proprietary Funds' valuation method is primarily at the lower of cost (first-in, first-out) or market. Expenditures (governmental funds) and expenses (proprietary funds) are recognized using the consumption method (i.e., when used or sold).

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

- I. Restricted Assets.** Assets held by the trustee for the Master Lease Purchase Program are classified as restricted position on the Statement of Net Position because they are maintained in separate bank accounts and their use is limited by applicable lease covenants. These assets are reflected as cash on deposit with fiscal agents in the fund financial statements. The nonmajor enterprise funds reflect long-term deposits with the Multi-State Lottery as restricted assets.
- J. Capital Assets.** Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the applicable governmental or business-type activities columns in the Statement of Net Position. All capital assets are valued at cost where historical records are available and at estimated historical cost where no historical records exist. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value.

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

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

Buildings and equipment are depreciated using the straight-line method. The following estimated useful lives are used to compute depreciation: Buildings 40 years and 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 Transportation are accounted for using the modified approach. Infrastructure acquired prior to June 30, 1980 is reported.

**K. Compensated Employee Absences.** All permanent employees earn sick and vacation leave. Temporary and intermittent employees and Board and Commission members are not eligible for paid leave. The liability has been calculated using the vesting method in which leave amounts, for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination, are included.

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

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

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

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

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

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

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

## 2. Deposits and Investments Portfolio

Listed below is a summary of the deposit and investment portfolio that comprises the Cash and Cash Equivalents and Investments on the June 30, 2018 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, 2018, the carrying amounts of the State's deposits were \$33,065 and the bank balances were \$96,190. All bank balances were covered by federal depository insurance or by collateral held by the State's agent in the State's name.

State Statutes require that the aggregate amount of collateral securities deposited by a bank with the State Treasurer shall be at least one hundred two percent of the amount of public funds deposited in that bank, less the amount insured by the Federal Deposit Insurance Corporation. The State Treasurer had compensating balance agreements with various banks totaling \$21,947 at June 30, 2018.

**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.

Following are two different presentations of the primary government's investments, by investment type, at June 30, 2018. The first table below presents all investments stated at fair value using valuation techniques to measure fair value, followed by a table

presenting investments at fair value for financial statement purposes, with debt securities presented with effective duration stated in years.

The State utilizes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets that the State has the ability to access at the measurement date. Instruments categorized in Level 1 primarily consist of a broadly traded range of equity and debt securities.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset.

Fair value is based on actively quoted market prices, if available. In the absence of actively quoted market prices, price information for external sources, including broker quotes and industry publications, are used. If pricing information from external sources is not available or if observable pricing is not indicative of fair value, judgment is required to develop the estimates of fair value using discounted cash flows and other income valuation approaches.

For financial statement purposes, the investment amounts for some funds presented in the fiduciary fund financial statements reflect balances per audited financial statements for the period ended December 31, 2017. The underlying investments for these funds as of June 30, 2018 are included in the fair value measurement calculations and investment risk disclosures presented below for fiduciary funds.

**PRIMARY GOVERNMENT INVESTMENTS AT JUNE 30, 2018 AT FAIR VALUE MEASUREMENTS USING:**

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<b>Debt Securities:</b>				
U.S. Treasury Notes and Bonds	\$ 1,116,997	\$ -	\$ 1,116,997	\$ -
U.S. Treasury Bills	19,997	-	19,997	-
Government Agency Securities	1,003,090	-	1,003,090	-
Corporate Bonds	2,513,398	-	2,512,416	982
International Bonds	329,545	-	329,545	-
Mortgages	954,805	258	954,547	-
Asset Backed Securities	285,297	-	283,002	2,295
Bank Loans	381,826	-	381,826	-
Commingled Funds	1,046,892	1,046,892	-	-
Municipal Bonds	5,857	-	5,857	-
Short Term Investments	402,549	19,414	383,135	-
	<u>8,060,253</u>	<u>1,066,564</u>	<u>6,990,412</u>	<u>3,277</u>
<b>Other Investments:</b>				
Adr's, GDRs & Trust	11,232	11,232	-	-
Equity Securities	2,372,884	2,372,873	11	-
Commingled Funds	9,042,755	4,743,058	4,299,697	-
Options	(254)	(14)	(240)	-
U.S. Treasury Investment Pool	439,636	-	439,636	-
State Owned Land	1,310,849	-	1,310,849	-
<b>Total Investments</b>	<b>\$ 21,237,355</b>	<b>\$ 8,193,713</b>	<b>\$ 13,040,365</b>	<b>\$ 3,277</b>
<b>Investments measured at the net asset value (NAV):</b>				
<b>Real Estate Funds:</b>				
Core	\$ 696,247	\$ -	Quarterly	90 Days
Non-Core	435,866	208,769		
Private Equity Funds	931,245	577,214		
Short Term Investment Funds	280,052	-		
Opportunistic Credit Funds	123,167	94,710		
Other - Distressed Securities	149	-		
Hedge Funds	17,566	-		
<b>Total investments measured at net asset value</b>	<b>\$ 2,484,292</b>	<b>\$ 880,693</b>		
<b>Total</b>	<b>23,721,647</b>			
Other Investments not classified	482,071			
Component unit investment in State investment pool	(926,082)			
Other fair value measurements	4,874,805			
<b>Total Investments at fair value</b>	<b>\$ 28,152,441</b>			

Debt securities and other investments classified in Level 1 are valued using prices quoted in active markets for those securities. Debt securities and other investments classified in Level 2 are valued using the following approaches:

- U.S. Treasury Notes and Bonds, Government Agency Securities, and Short Term Investments: quoted prices for identical securities in markets that are not active;
- Corporate, International, Municipal Bonds, and Equity Securities: quoted prices for similar securities in active markets;
- Asset Backed Securities, Bank Loans, and Mortgages: matrix pricing, based on accepted modeling and pricing conventions, of the securities' relationship to benchmark quoted prices;
- Commingled Funds: published fair value per share (unit) for each fund.

Debt securities and other investments including Asset Backed Securities, Corporate Bonds, and Mortgages, classified in Level 3 are valued using unobservable inputs, such as reviews, recommendations and adjustments made by portfolio management; or, the use of internal data to develop unobservable inputs if there is no objective information available without incurring undue cost and effort.

Certain investments that are measured at fair value using the net asset value (NAV) per share (or its equivalent) have not been categorized in the fair value hierarchy. The fair value amounts at NAV presented in the above table are intended to permit reconciliation of the fair value hierarchy to the amount presented in the consolidated statements of financial position. Investments valued using the net asset value per share are considered “alternative investments” and, unlike more traditional investments, generally do not have readily obtainable market values and take the form of limited partnerships. The State values these investments based on the partnerships’ audited financial statements. If June 30 statements are available, those values are used preferentially. However, some partnerships have fiscal years ending at other than June 30. If June 30 valuations are not available, the value is progressed from the most recently available valuation taking into account subsequent calls and distributions. The NAV table also presents the unfunded commitments, redemption frequency (if currently eligible), and the redemption notice period for the State’s alternative investments. Investments measured by NAV are either short term in nature or intended to be held to maturity. Therefore they do not bear a significant risk of being sold at amounts different than the NAV.

**Other investments not classified.** The following investments with fair value for financial statement purposes at June 30, 2018 were not classified for fair value measurement purposes: Securities Lending Short-term Collateral Investment Pool Investments in the amount of \$446,918 loaned to broker-dealers and banks under the securities lending program; Other Investments in the amount of \$33,935 presented as Commingled Funds held by a custodian for certain member accounts of the Nebraska Public Employees Retirement Systems Deferred Compensation Plan; and, Debt Securities in the amount of \$1,217 presented as Short Term Investments held by a trustee representing the balance of unexpended funds received from the issuance of capital lease obligations.

**Other fair value measurements.** The fair value of certain Other Investment amounts presented as Commingled Funds for the Nebraska Educational Savings Plan Trust (Trust) were measured on December 31, 2017. These investments were not re-valued on June 30, 2018. Following is a summary of the fair value measurement and related input level as presented in the Trust’s December 31, 2017 audited financial statements: Fair Value \$4,858,530; Input Levels: 1 - \$3,546,412; 2 - \$1,312,118; 3 - \$0. Additional information regarding these assets and related measurement details can be found in the Trust’s audited financial statement located on the Nebraska State Treasurer’s Office web site at [treasurer.nebraska.gov](http://treasurer.nebraska.gov).

The fair value of investments for the State and County Employees’ Retirement Plans are reported for financial statement purposes as of December 31, 2017. The investment balances on June 30, 2018 were re-valued for fair value measurement purposes, resulting in an increase in fair value of \$16,275.

The primary government's investments at June 30, 2018 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, 2018 FOR FINANCIAL STATEMENT PURPOSES**

	GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES		FIDUCIARY FUNDS	
	FAIR VALUE	EFFECTIVE DURATION	FAIR VALUE	EFFECTIVE DURATION
Debt Securities:				
U.S. Treasury Notes and Bonds	\$ 731,710	3.43	\$ 400,959	8.63
U.S. Treasury Bills	19,997	-	975	-
Government Agency Securities	976,867	4.33	27,568	4.49
Corporate Bonds	1,502,549	3.53	1,002,301	5.11
International Bonds	3,231	2.20	324,244	6.54
Mortgages	102,138	3.27	836,856	3.44
Asset Backed Securities	19,349	0.51	252,406	0.77
Bank Loans	-	-	381,028	0.57
Commingled Funds	3,654	-	990,076	5.71
Municipal Bonds	811	4.91	5,357	6.74
Short Term Investments	123,980	0.08	561,057	0.01
	<u>3,484,286</u>		<u>4,782,827</u>	
Other Investments:				
Adr's, GDRs & Trust	-		10,972	
Equity Securities	40,109		2,330,671	
Private Equity	112,357		924,168	
Commingled Funds	1,179,563		12,867,823	
Options	(29)		(190)	
Private Real Estate	28,326		1,120,237	
U.S. Treasury Investment Pool	439,636		-	
State Owned Land	1,310,849		-	
Less: Component Unit Investment in State Investment Pool	<u>(926,082)</u>		<u>-</u>	
Total Investments	5,669,015		22,036,508	
Securities Lending Short-term Collateral Investment Pool	<u>138,652</u>		<u>308,266</u>	
Total	\$ <u>5,807,667</u>		\$ <u>22,344,774</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.

**Credit Risk of Debt Securities.** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The State has contracts with investment managers that set minimum average quality ratings for its core fixed income accounts at an A. The maximum exposure to any single investment grade issuer excluding the U.S. government, its agencies or instrumentalities or government sponsored entities is 5 percent and the maximum exposure to a single issuer below investment grade is 3 percent. The primary government's rated debt investments as of June 30, 2018 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, 2018

	FAIR VALUE	QUALITY RATINGS						
		AAA	AA	A	BBB	BB	B	UNRATED
Govt Agency Securities	\$ 976,867	\$ -	\$ 967,646	\$ -	\$ -	\$ -	\$ -	\$ 9,221
Corporate Bonds	1,502,549	127,030	265,370	888,239	142,376	15,465	1,831	62,238
International Bonds	3,231	-	-	474	-	2,455	302	-
Mortgages	102,138	492	212	245	60	220	56	100,853
Asset Backed Securities	19,349	10,940	868	675	1,057	260	1,176	4,373
Commingled Funds	3,654	-	-	-	-	-	-	3,654
Short Term Investments	123,980	-	-	2,969	387	-	-	120,624
Municipal Bonds	811	-	485	-	326	-	-	-

## FIDUCIARY FUND INVESTMENTS AT JUNE 30, 2018

	FAIR VALUE	QUALITY RATINGS						
		AAA	AA	A	BBB	BB	B	UNRATED
Govt Agency Securities	\$ 26,223	\$ -	\$ 21,893	\$ 3,007	\$ 623	\$ -	\$ -	\$ 700
Bank Loans	381,826	-	-	-	-	-	-	381,826
Corporate Bonds	1,010,849	10,578	38,354	231,836	531,909	113,680	30,225	54,267
International Bonds	326,314	12,699	33,827	47,827	26,609	16,871	11,185	177,296
Mortgages	852,666	16,247	4,224	9,126	2,001	2,562	1,723	816,783
Asset Backed Securities	265,948	143,757	14,889	10,142	15,030	1,588	6,197	74,345
Commingled Funds	1,043,238	-	-	-	-	-	-	1,043,238
Short Term Investments	279,786	-	-	-	99	-	-	279,687
Municipal Bonds	5,046	757	2,068	1,384	837	-	-	-

**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, 2018, the primary government, except fiduciary funds, had debt securities investments with more than 5 percent of total investments in Federal Farm Credit Bank (7 percent) and Federal Home Loan Bank (7 percent). At June 30, 2018, fiduciary funds had no investments that exceeded 5 percent or more of total investments.

**Securities Lending Transactions.** The State participates in securities lending transactions, where securities are loaned to broker-dealers and banks with a simultaneous agreement to return the collateral for the same securities in the future. The State's primary custodial bank administers the securities lending program and receives collateral in the form of cash, United States government or government agency obligations, sovereign debt rated A or better, or convertible bonds at least equal in value to the market value of the loaned securities. Securities on loan at year end consisted of United States government obligations, equity securities, corporate bonds, and non-US fixed income. At year-end, the State had no credit risk exposure to borrowers because the amounts the State owes the borrowers exceed the amounts the borrowers owe the State. The collateral securities cannot be pledged or sold by the State unless the borrower defaults. There are no restrictions on the amount of securities that can be loaned, and there were no losses resulting from borrower default during the year. Either the State or the borrowers can terminate all securities loans on demand. Cash collateral is invested in one of the lending agent's short-term investment pools that had average durations from 10 to 27 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.

**FOREIGN CURRENCY AT JUNE 30, 2018**  
**GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES**

<b>Currency</b>	<b>SHORT TERM INVESTMENTS</b>	<b>EQUITY SECURITIES</b>	<b>DEBT SECURITIES</b>
Australian Dollar	\$ 82	\$ -	\$ -
Brazilian Real	(13)	149	2,455
Canadian Dollar	1,562	-	-
Danish Krone	25	280	848
Euro Currency	142	8,214	1,432
Hong Kong Dollar	-	88	-
Japanese Yen	146	812	-
Mexican Peso	-	125	-
Polish Zloty	21	-	-
Pound Sterling	83	3,294	2,625
South Korean Won	-	349	-
Swedish Krona	-	791	-
Swiss Franc	22	3,061	-
Thailand Baht	-	88	-
<b>Total</b>	<b>\$ 2,070</b>	<b>\$ 17,251</b>	<b>\$ 7,360</b>

**FIDUCIARY FUND FOREIGN CURRENCY AT JUNE 30, 2018**

<b>Currency</b>	<b>SHORT TERM INVESTMENTS</b>	<b>EQUITY SECURITIES</b>	<b>DEBT SECURITIES</b>
Argentine Peso	\$ 65	\$ -	\$ 2,213
Australian Dollar	539	21,543	4,521
Brazilian Real	(389)	25,836	7,849
Canadian Dollar	9,673	23,372	8,921
Columbian Peso	-	-	2,337
Czech Koruna	-	-	270
Danish Krone	26	12,487	1,477
Euro Currency	3,111	398,735	113,621
Hong Kong Dollar	514	50,560	-
Indonesian Rupiah	33	1,529	-
Japanese Yen	2,153	213,888	98,958
Malaysian Ringgit	38	2,859	1,266
Mexican Peso	3	6,941	8,473
New Israeli Shekel	3	951	724
New Zealand Dollar	14	5,031	19,762
Norwegian Krone	58	14,748	218
Polish Zloty	-	918	887
Pound Sterling	621	125,823	44,263
Russian Ruble	-	-	243
Singapore Dollar	-	-	1,907
South African Rand	84	1,577	2,150
South Korean Won	-	8,116	5,547
Swedish Krona	2	20,400	1,840
Swiss Franc	86	93,260	2,361
Thailand Baht	-	1,884	-
Turkish Lira	200	10,167	-
<b>Total</b>	<b>\$ 16,834</b>	<b>\$ 1,040,625</b>	<b>\$ 329,808</b>

**Derivative Financial Instruments.** Derivative instruments are financial contracts whose underlying values depend on the values of one or more underlying assets, reference rates or financial indices. These instruments are used primarily to enhance performance and reduce the volatility of the portfolio, in accordance with the Investment Council-approved Derivatives Policy. The State invests in futures contracts, options and swaps. Futures represent commitments to purchase or sell securities or money market instruments at a future date and at a specific price. Options represent the right, but not the obligation, to purchase or sell securities at a future date and at a specific price. The State invests in these contracts related to securities of the U.S. Government or Government Agency obligations based on reference notes, which are traded on organized exchanges, thereby minimizing the State's credit risk. The net change in futures and options contract values 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, 2018 is reflected in Investments. The fair value balances and notional amounts of investment derivative instruments outstanding at June 30, 2018, 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, 2018**  
**GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES**

Derivative	Fair Value	Change in Fair Value	Notional
Credit Default Swap	\$ 624	\$ (57)	\$ 31,450
Fixed Income Futures	-	(1,782)	29,349
Fixed Income Options	(26)	(16)	(5,900)
Foreign Currency Options	(56)	123	(5,746)
Futures Options	(2)	33	(10)
FX Forwards	447	(397)	56,262
Interest Rate Swap	223	1,012	98,934

**DERIVATIVE INVESTMENTS AT JUNE 30, 2018**  
**FIDUCIARY FUND**

Derivative	Fair Value	Change in Fair Value	Notional
Credit Default Swap	\$ 3,974	\$ (204)	\$ 207,285
Fixed Income Futures	-	(7,774)	97,180
Fixed Income Options	(213)	(130)	(41,500)
Foreign Currency Options	(399)	821	(41,270)
Futures Options	(13)	247	(67)
FX Forwards	3,105	(2,031)	819,978
Index Futures Long	-	3,881	-
Interest Rate Swap	1,800	6,372	563,338
Rights	182	7	320

The change in fair value denotes the net realized and unrealized gains and losses recognized during the period. The fair value of the derivative instruments at June 30, 2018, denotes the market value, with the exception of FX Forwards, which denotes the net realized and unrealized gains and losses recognized during the period. Furthermore, the notional amount for Futures and Options was calculated as contract size times the number of contracts. The State is exposed to credit risk on derivative instruments that are in asset positions. To minimize its exposure to loss related to credit risk, it is the Nebraska Investment Council's policy to require counterparty collateral posting provisions in its non-exchange-traded derivative instruments. These terms require full collateralization of the fair value of derivative instruments in asset positions. Collateral posted is to be in the form of U.S. Treasury securities held by a third-party custodian. The Plans have never failed to access collateral when required.

The aggregate fair value of derivative instruments in asset positions at June 30, 2018, was \$1,759 for Governmental and Business-Type Activities and \$13,284 for the Fiduciary Fund. This represents the maximum loss that would be recognized at the reporting date if all counterparties failed to perform as contracted. There is no collateral held or liabilities included in netting arrangements with those counterparties; therefore, the net exposure to credit risk is \$15,043. Although the State executes derivative instruments with various counterparties, there is net exposure to credit risk of approximately 71 percent for the Governmental and Business-Type Activities and 56 percent for the Fiduciary Fund, held with three counterparties. The counterparties are rated A or BBB.

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

increase exposure to long-term interest rates; short positions (pay fixed) decrease exposure. Counterparty risk is limited to monthly exchanged or netted cash flows. All of the State's interest rate swaps were fixed with a LIBOR (London Interbank Offered Rate) or SIFMA (Securities Industry and Financial Markets Association) reference rate. Foreign currency risk for derivative instruments at June 30, 2018 are as follows:

**DERIVATIVES FOREIGN CURRENCY AT JUNE 30, 2018  
GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES**

<b>Currency</b>	<b>Swaps</b>	<b>Forward Contracts</b>	<b>Fixed Income Options</b>
Australian Dollar	\$ -	\$ -	\$ (5)
Brazilian Real	(71)	384	-
Canadian Dollar	24	22	-
Danish Krone	-	(31)	-
Euro Currency	201	56	-
Pound Sterling	38	10	(8)
Japanese Yen	(74)	47	-
Mexican Peso	-	14	-
Russian Ruble	-	(17)	-
Swedish Krona	-	(38)	-
<b>Total</b>	<b>\$ 118</b>	<b>\$ 447</b>	<b>\$ (13)</b>

**DERIVATIVES FOREIGN CURRENCY AT JUNE 30, 2018  
FIDUCIARY FUND**

<b>Currency</b>	<b>Swaps</b>	<b>Forward Contracts</b>	<b>Fixed Income Options</b>
Australian Dollar	\$ -	\$ (113)	\$ (36)
Brazilian Real	(497)	1,131	-
Canadian Dollar	174	128	-
Swiss Franc	-	(56)	-
Danish Krone	-	(83)	-
Euro Currency	1,340	660	182
Pound Sterling	293	194	(60)
Hungarian Forint	-	(10)	-
Indonesian Rupiah	-	(31)	-
New Israeli Shekel	-	10	-
Japanese Yen	(317)	741	-
South Korean Won	-	(16)	-
Mexican Peso	-	103	-
New Zealand Dollar	-	714	-
Polish Zloty	-	(11)	-
New Russian Ruble	-	(132)	-
Swedish Krona	-	(297)	-
Singapore Dollar	-	27	-
Thailand Baht	-	(39)	-
South African Rand	-	185	-
<b>Total</b>	<b>\$ 993</b>	<b>\$ 3,105</b>	<b>\$ 86</b>

A reconciliation of deposits and investments for the State to the basic financial statements at June 30, 2018 is as follows:

<b>Disclosure Regarding Deposits and Investments:</b>	
Total Investments	\$ 28,152,441
Carrying amount of Deposits	<u>33,065</u>
Total	<u>\$ 28,185,506</u>
<b>Statement of Net Position:</b>	
Cash and Cash Equivalents	\$ 781,867
Investments	4,796,629
Restricted Cash and Cash Equivalents	1,222
Securities Lending Collateral	138,652
<b>Statement of Fiduciary Net Position:</b>	
Cash and Cash Equivalents	122,362
Investments	22,036,508
Securities Lending Collateral	<u>308,266</u>
Total	<u>\$ 28,185,506</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, 2018:

<b>Governmental Activities:</b>	
General Fund	\$ 101,022
Highway Fund	140
Economic Development Fund	1,106
Federal Fund	17,730
Health and Social Services Fund	24,508
Other Special Revenue	<u>1,321</u>
Total Governmental Activities	<u>\$ 145,827</u>
<b>Business-type Activities:</b>	
Unemployment Insurance	<u>\$ 15,230</u>
Total Business-type Activities	<u>\$ 15,230</u>

Of the taxes and other receivables, \$41,751 and \$17,943, respectively, is not expected to be collected within 60 days of the fiscal year end. These amounts have been offset by deferred inflows of resources in the General Fund and the Health and Social Services Fund. The majority of the loans receivable balance is not expected to be collected in the next year.

**4. Capital Assets**

Capital asset activity for the year ended June 30, 2018 was as follows:

	<b>BALANCE July 1, 2017</b>	<b>ADDITIONS</b>	<b>REDUCTIONS</b>	<b>BALANCE June 30, 2018</b>
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land (as restated)	\$ 595,301	\$ 15,177	\$ -	\$ 610,478
Infrastructure	7,561,195	32,952	-	7,594,147
Construction in progress (as restated)	272,890	152,397	39,612	385,675
Total capital assets, not being depreciated	<u>8,429,386</u>	<u>200,526</u>	<u>39,612</u>	<u>8,590,300</u>
Capital assets, being depreciated:				
Buildings and improvements (as restated)	698,455	3,400	1,246	700,609
Equipment (as restated)	545,902	38,838	28,466	556,274
Total capital assets, being depreciated	<u>1,244,357</u>	<u>42,238</u>	<u>29,712</u>	<u>1,256,883</u>
Less accumulated depreciation for:				
Buildings and improvements	327,216	15,122	1,209	341,129
Equipment	411,172	41,826	26,810	426,188
Total accumulated depreciation	<u>738,388</u>	<u>56,948</u>	<u>28,019</u>	<u>767,317</u>
Total capital assets, being depreciated, net	<u>505,969</u>	<u>(14,710)</u>	<u>1,693</u>	<u>489,566</u>
Governmental activities capital assets, net	<u>\$ 8,935,355</u>	<u>\$ 185,816</u>	<u>\$ 41,305</u>	<u>\$ 9,079,866</u>
<b>Business-type activities:</b>				
<b>Unemployment Insurance</b>				
Equipment, being depreciated	\$ 223	\$ -	\$ 223	\$ -
Less accumulated depreciation	223	-	223	-
Total Unemployment Insurance, net	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Nonmajor Enterprise Funds</b>				
Capital assets, not being depreciated:				
Land	315	-	-	315
Total capital assets, not being depreciated	<u>315</u>	<u>-</u>	<u>-</u>	<u>315</u>
Capital assets, being depreciated:				
Buildings and improvements	9,026	514	-	9,540
Equipment	5,935	164	13	6,086
Total capital assets, being depreciated	<u>14,961</u>	<u>678</u>	<u>13</u>	<u>15,626</u>
Less accumulated depreciation for:				
Buildings and improvements	3,111	214	-	3,325
Equipment	4,483	377	13	4,847
Total accumulated depreciation	<u>7,594</u>	<u>591</u>	<u>13</u>	<u>8,172</u>
Total capital assets, being depreciated, net	<u>7,367</u>	<u>87</u>	<u>-</u>	<u>7,454</u>
Total Nonmajor Enterprise, net	<u>7,682</u>	<u>87</u>	<u>-</u>	<u>7,769</u>
Business-type activities capital assets, net	<u>\$ 7,682</u>	<u>\$ 87</u>	<u>\$ -</u>	<u>\$ 7,769</u>

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

<b>Governmental activities:</b>	
General Government	\$ 21,451
Conservation of Natural Resources	1,834
Culture – Recreation	2,750
Economic Development and Assistance	124
Education	1,392
Health and Social Services	1,393
Public Safety	10,971
Regulation of Business and Professions	470
Transportation	16,562
Total depreciation expense - Governmental activities	<u>\$ 56,947</u>

**Construction Commitments.** At June 30, 2018, the State had contractual commitments of approximately \$684,873 for various highway and building projects. Funding of these future expenditures is expected to be provided as follows:

Federal funds	\$ 305,082
State funds	366,817
Local funds	12,974
	<u>\$ 684,873</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, 2018 consists of the following:

DUE FROM:	DUE TO:									
	General Fund	Highway Fund	Federal Fund	Health and Social Services	Agency Funds	Nonmajor Governmental Funds	Nonmajor Enterprise Funds	Internal Service Funds	Pension Trust	TOTALS
General Fund	\$ -	\$ 55	\$ 97	\$ 1,048	\$ 7,111	\$ 88	\$ 377	\$ 6,319	\$ 45,588	\$ 60,683
Highway Fund	-	-	492	4	552	259	305	1,804	-	3,416
Federal Fund	61,498	3	-	2,276	-	1,812	48	3,582	-	69,219
Health and Social Services	1,874	1	186	-	-	1	4	300	-	2,366
Permanent School Fund	-	-	-	-	-	-	-	7	-	7
Nonmajor Governmental Funds	265	37	-	64	998	1,265	33	7,391	-	10,053
Unemployment Fund	-	-	-	-	-	133	-	-	-	133
Nonmajor Enterprise Funds	-	10	-	-	-	1	-	59	-	70
Internal Service Funds	172	17	-	-	-	501	34	347	-	1,071
Pension Trust	-	-	-	-	-	-	-	132	-	132
Private Purpose Trust	-	-	-	-	-	-	-	6	-	6
<b>TOTALS</b>	<b>\$ 63,809</b>	<b>\$ 123</b>	<b>\$ 775</b>	<b>\$ 3,392</b>	<b>\$ 8,661</b>	<b>\$ 4,060</b>	<b>\$ 801</b>	<b>\$ 19,947</b>	<b>\$ 45,588</b>	<b>\$ 147,156</b>

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

Interfund transfers at June 30, 2018 consist of the following:

TRANSFERRED FROM:	TRANSFERRED TO:					
	General Fund	Highway Fund	Federal Fund	Health and Social Services	Nonmajor Governmental Funds	TOTALS
General Fund	\$ -	\$ -	\$ -	\$ -	\$ 131,137	\$ 131,137
Highway Fund	7,515	-	-	-	9,888	17,403
Federal Fund	-	-	-	-	11,350	11,350
Health & Social Services Fund	22,900	1	-	-	-	22,901
Nonmajor Governmental Funds	85,200	6	38	180	3,943	89,367
Unemployment Fund	-	-	1,159	-	2,022	3,181
Nonmajor Enterprise Funds	-	-	-	948	44,303	45,251
<b>TOTALS</b>	<b>\$ 115,615</b>	<b>\$ 7</b>	<b>\$ 1,197</b>	<b>\$ 1,128</b>	<b>\$ 202,643</b>	<b>\$ 320,590</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, 2018 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	\$ 20,691	\$ 6,828	\$ 8,230	\$ 750	\$ -	\$ 4,985	\$ 2,064	\$ -	\$ 323	\$ 43,871
Payables to Vendors	86,362	58,805	54,236	10,393	127,235	48,035	14,244	1,389	24,795	425,494
Payables to Governments Due to Fiduciary Funds *	36,052	25,730	125,783	22	7,696	5,522	280	-	27	201,112
Miscellaneous	-	-	24	-	-	92	-	33	8,172	8,321
<b>TOTALS</b>	<b>\$ 143,105</b>	<b>\$ 91,363</b>	<b>\$ 188,273</b>	<b>\$ 11,165</b>	<b>\$ 134,931</b>	<b>\$ 58,634</b>	<b>\$ 70,837</b>	<b>\$ 1,422</b>	<b>\$ 33,317</b>	<b>\$ 733,047</b>

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

**7. Noncurrent Liabilities**

Changes in noncurrent liabilities for the year ended June 30, 2018 are summarized as follows:

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE	AMOUNTS DUE WITHIN ONE YEAR
<b>Governmental Activities:</b>					
Claims Payable	\$ 299,168	\$ 2,139,412	\$ 2,177,971	\$ 260,609	\$ 200,520
Capital Lease Obligations	29,450	12,920	8,915	33,455	9,610
Obligations Under Other Financing Arrangements	-	5,119	5,119	-	-
Compensated Absences	131,716	15,895	19,644	127,967	12,797
Net Pension Liability	449,784	5,638	-	455,422	-
OPEB Liability (as restated)	14,919	-	433	14,486	-
<b>Totals</b>	<b>\$ 925,037</b>	<b>\$ 2,178,984</b>	<b>\$ 2,212,082</b>	<b>\$ 891,939</b>	<b>\$ 222,927</b>
<b>Business-type Activities:</b>					
<b>Unemployment Insurance:</b>					
Claims Payable	\$ 6,276	\$ 72,998	\$ 73,428	\$ 5,846	\$ 5,846
<b>Totals for Unemployment Insurance</b>	<b>6,276</b>	<b>72,998</b>	<b>73,428</b>	<b>5,846</b>	<b>5,846</b>
<b>Nonmajor Enterprise Funds:</b>					
Claims Payable	32,240	4,165	11,178	25,227	9,260
Compensated Absences	942	58	94	906	88
<b>Totals for Nonmajor Enterprise Funds</b>	<b>33,182</b>	<b>4,223</b>	<b>11,272</b>	<b>26,133</b>	<b>9,348</b>
<b>Totals for Business-type Activities</b>	<b>\$ 39,458</b>	<b>\$ 77,221</b>	<b>\$ 84,700</b>	<b>\$ 31,979</b>	<b>\$ 15,194</b>

The amount of claims payable reported in the fund financial statements are due and payable at fiscal year end. Claims payable, compensated absences and capital lease obligations typically have been liquidated in the general, special revenue and internal service funds. Obligations under other financing arrangements have been liquidated in the special revenue funds.



**8. Lease Commitments**

**Capital and Operating Leases.** The State leases land, office facilities, equipment, and other assets under both capital and operating leases. Although the lease terms may vary, all leases are subject to annual appropriation by the Legislature.

The minimum annual lease payments (principal and interest) and the present value of future minimum payments for capital leases as of June 30, 2018 are as follows:

YEAR	GOVERNMENTAL ACTIVITIES
2019	\$ 10,281
2020	9,488
2021	6,842
2022	4,257
2023	3,318
2024-2028	974
Total Minimum Payments	35,160
Less: Interest and executory costs	1,705
Present value of net minimum payments	<u>\$ 33,455</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, 2018:

	GOVERNMENTAL ACTIVITIES
Equipment	\$ 48,615
Less: accumulated depreciation	(20,008)
Carrying value	<u>\$ 28,607</u>

The minimum annual lease payments for operating leases as of June 30, 2018 are as follows:

YEAR	GOVERNMENTAL ACTIVITIES
2019	\$ 9,763
2020	4,878
2021	4,395
2022	2,068
2023	1,994
2024-2028	8,235
2029-2033	5,072
2034-2038	2,105
Total	<u>\$ 38,510</u>

Primary Government operating lease payments for the year ended June 30, 2018 totaled \$15,901.

**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, 2018, 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 \$49,073 were received under these and other lease agreements for the year ended June 30, 2018.

## 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.

As of June 30, 2018 the State has no Obligations Under Other Financing Arrangements.

## 10. Governmental Fund Balances

The State's governmental fund balances represent: (1) Restricted Purposes, which include balances that are legally restricted for specific purposes due to constraints that are imposed by law through constitutional provisions or are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; (2) Committed Purposes, which include balances that can only be used for specific purposes pursuant to constraints imposed by formal action of the Legislature; (3) Assigned Purposes, which includes balances that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. A summary of the nature and purpose of these reserves by fund type at June 30, 2018, follows:

	Governmental Fund Balances					
	General Fund	Highway Fund	Federal Fund	Health and Social Services	Permanent School Fund	Nonmajor Funds
Restricted for:						
Education	\$ -	\$ -	\$ -	\$ -	\$ 1,611,589	\$ 29,249
Health and Social Services	-	-	-	552,757	-	42,323
Conservation of Natural Resources	-	-	-	-	-	671,629
Transportation	-	232,245	-	-	-	8,505
Licensing and Regulation	-	-	-	-	-	109,090
Economic Development	-	-	-	-	-	60,019
Public Safety	-	-	-	-	-	27,600
Culture – Recreation	-	-	-	-	-	52,776
Other Purposes	-	-	23,929	-	-	42,922
Total Restricted	<u>\$ -</u>	<u>\$ 232,245</u>	<u>\$ 23,929</u>	<u>\$ 552,757</u>	<u>\$ 1,611,589</u>	<u>\$ 1,044,113</u>
Committed to:						
Economic Stabilization	\$ 339,990	\$ -	\$ -	\$ -	\$ -	\$ -
Other Purposes	-	-	-	-	-	134,940
Total Committed	<u>\$ 339,990</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 134,940</u>
Assigned to:						
Education	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 180
Health and Social Services	-	-	-	877	-	817
Conservation of Natural Resources	-	-	-	-	-	1
Licensing and Regulation	-	-	-	-	-	30,700
Economic Development	-	-	-	-	-	122
Public Safety	-	-	-	-	-	2,062
Culture – Recreation	-	-	-	-	-	100
Other Purposes	-	-	-	-	-	2,776
Total Assigned	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 877</u>	<u>\$ -</u>	<u>\$ 36,758</u>

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## 11. Contingencies and Commitments

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

All State agencies including institutions of higher education are required to comply with various federal regulations issued by the U.S. Office of Management and Budget if such agency or institution is a recipient of federal grants, contracts, or other sponsored agreements. Certain agencies or institutions may not be in total compliance with these regulations. Failure to comply may result in questions concerning the allowability of related direct and indirect charges pursuant to such agreements. Management believes that the ultimate disallowance pertaining to these regulations, if any, will not be material to the overall financial condition of the State, except for the following event identified: the State disclosed having received, on or before June 30, 2018, audit reports claiming payment for disallowed costs, penalties and fines for the State's failure to meet federal requirements related to various federal grant programs. The State is in the process of contesting these claims. However, there exists a reasonable possibility that they will be settled in the future at an estimated amount of \$20 million or more.

**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 the 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 named for breach of contract with claims of \$2,865 in damages. It is not possible at the present time to determine the outcome of this proceeding.

**12. Risk Management**

Through Administrative Services, the State maintains insurance and self-insurance programs. Workers' compensation, employee health care, general liability and employee indemnification are generally self-insured. However, the State does carry surety bonds for constitutional officers. All vehicles owned by the State are covered to the maximum of \$401,000 limit and a \$200 retention per occurrence for liability (bodily injury and property damage to personal or real property) caused by a State vehicle. There is also auto liability with hot pursuit coverage for a maximum of \$5,000 with a \$300 retention and an additional \$300 corridor retention.

Risk Management has procured excess commercial crime coverage in the amount of \$31,000 with a self-insured retention of \$25. Risk Management has procured excess property coverage in the amount of \$401,000 with a self-insured retention of \$200. Each State agency has the option of purchasing insurance coverage for its contents, i.e. personal property. This coverage is not required, but Risk Management will purchase such coverage on behalf of an agency at its direction. Settled claims have not exceeded this commercial insurance coverage in any of the past three years. Administrative Services provides life insurance for eligible State employees. These activities are reported in the Risk Management Internal Service Fund.

Claims liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. The balance of claims liabilities is determined by an analysis of past, current, and future estimated loss experience. Because actual claims liabilities depend on such factors as inflation, changes in legal doctrines and damage awards, the process used in computing claims liability may not result in an exact amount. Claims liabilities are evaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors, but do not include non-incremental claims adjustment expenses.

The liability for workers' compensation is recorded as a claims payable of \$55,051 at a discounted rate of 2.0 percent (\$10,871).

Changes in the balances of claims liabilities of the Risk Management Internal Service Fund during the years ended June 30, 2018, and 2017, were as follows:

	Fiscal Year	
	2018	2017
Beginning Balance	\$ 71,380	\$ 75,348
Current Year Claims and Changes in Estimates	(203,284)	(222,520)
Claim Payments	213,947	218,552
Ending Balance	<u>\$ 82,043</u>	<u>\$ 71,380</u>

## 13. Pension Plans

### Summary of Significant Accounting Policies

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

### Plans Administered by the Public Employees Retirement Board

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

The Board prepares separate reports for the defined contribution plans and for the defined benefit plans. Copies of these reports that include financial statements and required supplementary information for the plans may be obtained on the Nebraska Public Employees Retirement System (NPERS) website at: [npers.ne.gov](http://npers.ne.gov). Information on NPERS may also be obtained by writing to Public Employees Retirement Systems, P.O. Box 94816, Lincoln, NE 68509-4816, or by calling 402-471-2053.

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

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

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

Following is a summary of each of these plans:

**State Employees' Retirement.** This single-employer plan became effective by statute on January 1, 1964. Prior to January 1, 2003, the plan consisted of a defined contribution plan that covered employees of the State. Effective January 1, 2003, a cash balance benefit was added to the State Employees Retirement Act. The cash balance benefit is a type of defined benefit plan. Each member employed and participating in the retirement system prior to January 1, 2003, elected to either continue participation in the defined contribution option or begin participation in the cash balance benefit. All new members of the plan on and after January 1, 2003, become members of the cash balance benefit. For both Cash Balance and Defined Contribution plans, benefits are vested after three years of plan participation. Members can become vested in less than three years if they attain age 55 before terminating employment, die before terminating employment or qualify for disability retirement.

Under the cash balance benefit, a member upon attainment of age 55, regardless of service, receives a retirement allowance equal to the accumulated employee and employer cash balance accounts, including interest credits, annuitized for payment in the normal form. The normal form of payment is a single life annuity with five-year-certain, payable monthly. Members will have the option to convert their member cash balance account to a monthly annuity and have the option to purchase a built in cost-of-living adjustments of 2.5 percent annually. If the retiree elects an annuity with no cost-of-living adjustments, the monthly annuity amount will never change. If the retiree purchases the cost-of-living adjustment, the annuity dollar amount increases 2.5 percent each year. Also available are additional forms of payment allowed under the plan, which are actuarially equivalent to the normal form, including the option of a full or partial lump-sum.

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

For both the cash balance and defined contribution plans, the amounts presented in the accompanying financial statements for the State Employees' Retirement System are for the plan's fiscal year ended December 31, 2017.

Participation in the plan is required for all permanent full-time employees upon employment. Part-time employees may elect voluntary participation upon reaching age 18. Each member contributes 4.8 percent of their compensation. The State matches a member's contribution at a rate of 156 percent. Benefit and contribution provisions are established by State law (Neb. Rev. Stat. §§ 84-1301 through 84-1333 (Reissue 2014, Cum. Supp. 2016, Supp. 2017) and may be amended only by the Nebraska Legislature. Pursuant to state statute, an actuarial valuation is performed each year to determine the actuarial required

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

As of December 31, 2017, there were 26,004 members in the plan. Of these members, 15,445 were active, 8,745 were inactive, and 1,814 were retirees or beneficiaries receiving benefits. The accompanying financial statements include member contributions of \$35,620 and State contributions of \$55,571 for the plan year ended December 31, 2017.

**School Employees' Retirement.** The State is the plan sponsor for the School Retirement System, a cost-sharing multiple-employer defined benefit pension plan, with 265 participating school districts; and, the Service Annuity Plan, a single-employer defined benefit pension plan. The State is also a non-employer contributing entity for the Omaha School Employees' Retirement System.

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

In this plan, the State is in a special funding situation and contributes 2 percent of estimated payroll for the plan year. The employees' contribution is 9.78 percent of their compensation. Pursuant to state statute, a fixed contribution rate is paid by the employers. Currently the school district's contribution is 101 percent of the employees' contribution. Benefit and contribution provisions are established by State law (Neb. Rev. Stat. §§ 79-901 through 79-977.03 (Reissue 2014, Cum. Supp. 2016, Supp. 2017) and may be amended only by the Nebraska Legislature.

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

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

The accompanying financial statements include member contributions of \$193,349, employer contributions of \$190,657, and State contributions of \$33,686 for the plan year ended June 30, 2018.

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

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

As of January 1, 2018, there were 8,612 members in the plan. Of these members, 7,569 were active and 1,043 were inactive. For the fiscal year ending June 30, 2018, the Service Annuity received \$1,243 in non-employer contributions from the State.

Under state statutes, the State, as a non-employer contributing entity with a special funding situation in the Omaha School Employees' Retirement System, contributes 2% of the members' compensation. The accompanying financial statements include the State's special funding contribution of \$7,111 for the plan year ended June 30, 2018.

**Judges Retirement.** The Judges Retirement System is a single-employer defined benefit pension plan. The membership includes judges and associate judges employed by the State for the Supreme Court, Court of Appeals, District Courts, Workers' Compensation Court, County Courts, and Juvenile Courts. Benefits vest when the member takes office.

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

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

The plan is funded by members' contributions, a portion of court fees collected, and the State's contribution. Benefit and contribution provisions are established by State law (Neb. Rev. Stat. §§ 24-701 through 24-714 (Reissue 2016, Cum. Supp. 2017)) and may be amended only by the Nebraska Legislature. Each member hired after July 1, 2004, contributes nine percent of their monthly salary until the maximum benefit has been earned. After earning the maximum benefit, members contribute five percent of their monthly salary for the remainder of their active service. All other members contribute seven percent of their monthly salary until the maximum benefit has been earned. After earning the maximum benefit, those members contribute one percent of their monthly salary for the remainder of their active service. A six dollar fee for each case is collected for District and County courts, Juvenile courts, the Workers' Compensation Court, the Supreme Court, and the Court of Appeals, plus a 10 percent charge on certain fees collected in the County courts. An actuarial valuation is performed each year to determine the actuarial required contribution. To the extent member contributions and court fees are insufficient to meet the full actuarial required contribution, the remainder is paid by the State.

As of June 30, 2018, there were 341 members in the plan. Of these members, 147 were active, 4 were inactive, 4 were disabled and 186 were retirees or beneficiaries receiving benefits. The accompanying financial statements include member contributions of \$1,815, court fees of \$4,112 and State contributions of \$668 for the plan year ended June 30, 2018.

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

Participation is required upon employment. Each member hired prior to July 1, 2016 contributes sixteen percent of their monthly salary and the State Patrol contributes sixteen percent. Members hired on or after July 1, 2016 contribute seventeen percent of their monthly salary and the State Patrol contributes seventeen percent. Benefit and contribution provisions are established by State law (Neb. Rev. Stat. §§ 81-2014 through 81-2041 (Reissue 2014, Cum. Supp. 2016, Supp. 2017) and may be amended only by the Nebraska Legislature. Pursuant to this statute, an actuarial valuation is performed each year to determine the actuarial required contribution. To the extent the member and employer statutory contributions are insufficient to meet the full actuarial required contribution; the remainder is paid by the State as an additional contribution. Member benefits are 20 percent vested at six years of service. This vesting percentage increases 20 percent for each additional year of service thereafter until reaching 100 percent at ten years of service.

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

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

Deferred Retirement Option Plan (DROP) Neb. Rev. Stat. § 81-2041 (Cum. Supp. 2016) established the Patrol DROP effective September 1, 2008. The DROP is a voluntary deferred retirement plan that a member can enter between the ages of 50 and 60, with 25 years of service. Upon choosing to participate in DROP, the member is deemed to have retired; however, the member continues in active employment for up to a five-year period with no retirement contributions withheld from his or her paychecks. When the member enters DROP, the individual's monthly benefit is calculated and paid into an IRC § 414(k) Deferred Compensation Plan (DCP). After the member retires (60 years of age) or has been in DROP for five years, whichever occurs first, the member then has the option to receive a lump sum payment and/or rollover the funds in the DCP account to another qualified plan. Thereafter, future retirement benefit payments are made directly to the member.

As of June 30, 2018, there were 909 members in the plan. Of these members, 395 were active, 36 were inactive, 14 were disabled, 33 were participating in the DROP program, and 431 were retirees or beneficiaries receiving benefits. The accompanying financial statements include member contributions of \$4,615, and State contributions of \$8,953 for the plan year ended June 30, 2018.

**Other Plan Administered**

**County Employees' Retirement.** In 1973, the State Legislature brought the County Employees' Retirement System under the administration of the Board. This cost-sharing multiple-employer plan covers employees of 91 of the 93 counties and several county health districts. Douglas and Lancaster counties have separate retirement plans for their employees by State law. Prior to January 1, 2003, the plan consisted of a defined contribution plan. Effective January 1, 2003, a cash balance benefit was added to the County Employees Retirement Act. The cash balance benefit is a type of defined benefit plan. Each member employed and participating in the retirement system prior to January 1, 2003 elected to either continue participation in the defined contribution option or begin participation in the cash balance benefit. All new members of the Plan on and after January 1, 2003 become members of the cash balance benefit. Under the cash balance benefit, a member upon attainment of age 55, regardless of service, receives a retirement allowance equal to the accumulated employee and employer cash balance accounts, including interest credits, annuitized for payment. Members have options on how to receive the payment. For both Cash Balance and Defined Contribution plans, benefits are vested after three years of plan participation. Members can become vested in less than three years if they attain age 55 before terminating employment, die before terminating employment or qualify for disability retirement.

Participation in the plan is required of all full-time employees upon employment and of all full-time elected officials upon taking office. Part-time employees may elect voluntary participation upon reaching age 18. Part-time elected officials may exercise the option to participate. County employees and elected officials contribute four and one half percent of their total compensation. Commissioned law enforcement personnel in participating counties with less than 85,000 inhabitants contribute an extra one percent, or a total of five and one half percent of their total compensation. Commissioned law enforcement personnel in participating counties with a population in excess of 85,000 inhabitants contribute an extra two percent, or a total of six and one half percent of their total compensation. The counties match a member's contribution at a rate of 150 percent for the first four and one half percent and 100 percent for the extra one and two percent. The State does not contribute to this plan.

As of December 31, 2017, there were 11,834 members in the plan. Of these members, 7,796 were active, 3,408 were inactive, and 630 were retirees or beneficiaries receiving benefits. Members contributed \$14,320 and counties contributed \$21,164 during the year ended December 31, 2017, which was equal to required contributions.

**Net Pension Liability/(Asset)**

The net pension liability/(asset) calculation for the Judges, Patrol and Service Annuity plans, and the collective net pension liability for the School plan were performed with a measurement date of June 30, 2017. The total pension liability for the Judges, Patrol, Service Annuity and School plans as of June 30, 2017 were determined based on the annual actuarial funding valuation report prepared as of July 1, 2017.

The net pension asset calculation for the State Employees' Retirement plan was performed with a measurement date of December 31, 2017. The total pension asset as of December 31, 2017 was determined based on the annual actuarial funding valuation report prepared as of January 1, 2018.

The net pension liability calculation for the Omaha School Employees' Retirement System was performed with a measurement date of August 31, 2017. The total pension liability as of August 31, 2017 was determined based on the annual actuarial funding valuation report prepared as of January 1, 2017.

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

The State is a non-employer with a special funding situation for the school retirement plans. The State reported a \$376,597 total pension liability for its proportionate share of the collective net pension liability for the school retirement plans. The State's share is a combination of \$274,623 from the Nebraska Public Employees Retirement System's School plan, \$5,512 from the Service Annuity plan, and \$96,462 from the Omaha School Employees' Retirement System. The State's proportionate share of the collective net pension liability for the school retirement plans represents a decrease of \$3,555 from the \$380,152 reported at June 30, 2017. The State's percentage of its proportionate share of the net pension liability for the Nebraska Public Employees Retirement System's School plan is 17.34 percent, the Service Annuity plan is 100 percent, and the Omaha School Employees' Retirement System is 11.13 percent. In the School plan and the Omaha School Employees Retirement System, the determination of proportionate share is based on individual employer contribution information.



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

	STATE CASH BALANCE	STATE PATROL RETIREMENT	JUDGES' RETIREMENT	SCHOOL RETIREMENT AND SERVICE ANNUITY	OMAHA SCHOOL EMPLOYEES' RETIREMENT
Measurement Date	12/31/2017	6/30/2017	6/30/2017	6/30/2017	8/31/2017
Actuarial Valuation Date	1/1/2018	7/1/2017	7/1/2017	7/1/2017	1/1/2017
Actuarial Cost Method	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age
Amortization Method	Level dollar amount, closed	Level percent of payroll, closed	Level percent of payroll, closed	Level percent of payroll, closed	Level percent of payroll, closed
Single Amortization Period	25 years	20 years	23 years	21 years	25-27 years
Asset Valuation Method	5 year smoothed market	5 year smoothed market	5 year smoothed market	5 year smoothed market	market related smoothed value
Actuarial Assumptions:					
Investment Rate of Return **	7.5%	7.5%	7.5%	7.5%	7.5%
Projected Salary Increases **	4.0% to 5.43%	3.5% to 9.0%	3.5%	3.5% to 8.5%	3.75% to 6.25%

\*\* Includes assumed inflation of 2.75% per year for State, Judges Patrol, and School plans, 2.75% for Omaha School Employees Retirement System

**Mortality Rates.** The State, Judges, Patrol, School, and Service Annuity plans' pre-retirement mortality rates were based on the RP-2014 White Collar Table for Employees, projected generationally with MP-2015 (sex distinct with 100 percent of male rates for males and 55 percent of female rates for females).

The Judges, Patrol, School, and Service Annuity plans' post-retirement mortality rates were based on the RP-2014 White Collar Table for Employees, set back two years, scaled (sex distinct), projected generationally with a SOA projection scale tool using 0.5 percent ultimate rate in 2035.

The State plan's post-retirement mortality rates were based on the RP-2014 White Collar Table for Employees, set back two years, scaled (sex distinct), and projected generationally from 2013 with a SOA projection scale tool using a 0.5 percent ultimate 2035 rate in 2035.

The Omaha School Employees' Retirement System pre-retirement and post-retirement mortality rates were based on the RP-2014 Mortality Table, female rates set back 1 year and male rates set forward 1 year, projected on a generational basis using Scale MP-2016.

The Judges, Patrol, School, and Service Annuity plans' disability mortality rates were based on the RP-2014 Disabled Lives Table (static table).

The Omaha School Employee's Retirement System post-disability rates were based on the RP-2014 Disabled Retiree Mortality Table, without generational improvement.

The actuarial assumptions used in the January 1, 2018 valuation for the State are based on the results of the most recent actuarial experience study, which covered the four-year period ending June 30, 2015. The experience study report is dated November 17, 2016.

The actuarial assumptions used in the July 1, 2017, valuations for the School, Judges, and Patrol plans are based on the results of the most recent actuarial experience study, which cover the four-year period ending June 30, 2015. The experience study report is dated November 17, 2016.

The actuarial assumptions used in the January 1, 2017 valuation for the Omaha School Employees' Retirement System were based on the results of the most recent actuarial experience study, which covered the five-year period ending August 31, 2016. The experience study report is dated April 5, 2017.

**Target Asset Allocation.** The long-term expected real rate of return on pension plan investments was based upon the expected long-term investment returns provided by a consultant of the Nebraska Investment Council, who is responsible for investing the pension plan assets. The School, Service Annuity, State, Judges, and Patrol plans commingle their investments; thus, the target allocations are the same for each of the plans. The return assumptions were developed using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the pension plans' target asset allocations as of June 30, 2017 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return *
Large Cap US Equity	26.10%	5.83%
Small Cap US Equity	2.90%	7.56%
Global Equity	15.00%	6.51%
International Developed Equity	10.80%	6.80%
Emerging Markets	2.70%	10.55%
Core Bonds	20.00%	1.63%
High Yield	3.50%	5.22%
Bank Loans	5.00%	2.78%
International Bonds	1.50%	1.41%
Real Estate	7.50%	5.18%
Private Equity	5.00%	9.70%
Total	100.00%	

\*Arithmetic mean, net of investment expense

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return *
Large Cap Equity	26.10%	6.30%
Small Cap Equity	2.90%	6.80%
Global Equity	15.00%	7.20%
International Developed Equity	10.80%	7.20%
Emerging Markets	2.70%	7.50%
Core Bonds	20.00%	2.90%
High Yield Investments	3.50%	5.40%
Bank Loans	5.00%	4.40%
International Bonds	1.50%	2.20%
Real Estate	7.50%	5.70%
Private Equity	5.00%	8.50%
Total	100.00%	

\*Arithmetic mean, net of investment expenses

**Discount Rate.** The discount rate used to measure the total pension liability was 7.50 percent for the State, Judges, Patrol and Schools which represents a decrease from the discount rate of 7.75 percent used for State and 8.00 percent used for Judges, Patrol and Schools for the June 30, 2016 measurement date. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that State contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

### Judges Retirement Plan

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability / (Asset) (a) - (b)
Balance at 6/30/2016	\$ 168,104	\$ 159,241	\$ 8,863
Changes for the year:			
Service Cost	4,998	-	4,998
Interest on Total Pension Liability	13,100	-	13,100
Differences between expected and actual experience	(1,715)	-	(1,715)
Assumption changes	12,705	-	12,705
Court fees	-	3,579	(3,579)
State Appropriations	-	119	(119)
Benefit payments, including member refunds	(9,690)	(9,690)	-
Employee contributions	-	1,743	(1,743)
Net investment income	-	21,699	(21,699)
Administrative expenses	-	(85)	85
Net changes	19,398	17,365	2,033
Balance at 6/30/2017	\$ 187,502	\$ 176,606	\$ 10,896

### State Retirement Plan

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability / (Asset) (a) - (b)
Balance at 12/31/2016	\$ 1,370,455	\$ 1,416,087	\$ (45,632)
Changes for the year:			
Service Cost	64,051	-	64,051
Interest on Total Pension Liability	102,759	-	102,759
Benefit term Changes	31,484	-	31,484
Differences between expected and actual experience	(18,939)	-	(18,939)
Assumption changes	42,820	-	42,820
Benefit payments, including member refunds	(94,359)	(94,359)	-
Employer contributions	-	45,438	(45,438)
Employee contributions	-	29,127	(29,127)
Net investment income	-	237,283	(237,283)
Administrative expenses	-	(1,293)	1,293
Transfers	3,591	3,591	-
Net changes	131,407	219,787	(88,380)
Balance at 12/31/2017	\$ 1,501,862	\$ 1,635,874	\$ (134,012)

### State Patrol Retirement Plan

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability / (Asset) (a) - (b)
Balance at 6/30/2016	\$ 421,923	\$ 361,155	\$ 60,768
Changes for the year:			
Service Cost	7,956	-	7,956
Interest on Total Pension Liability	32,887	-	32,887
Differences between expected and actual experience	(1,508)	-	(1,508)
Assumption changes	27,948	-	27,948
Benefit payments, including member refunds	(24,140)	(24,140)	-
Employer contributions	-	7,053	(7,053)
Employee contributions	-	4,501	(4,501)
Net investment income	-	48,680	(48,680)
Administrative expenses	-	(141)	141
Other changes	-	29	(29)
Net changes	43,143	35,982	7,161
Balance at 6/30/2017	\$ 465,066	\$ 397,137	\$ 67,929

**Sensitivity of the net pension liability/(asset) to changes in the discount rate.** The following presents the net pension liability/(asset) of the plans calculated using the current discount rate of 7.50 percent for State, Judges, Patrol, and School. The table also shows what the plans' net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate.

<b>Net Pension Liability / (Asset)</b>						
	<b>1% Decrease (6.50%)</b>		<b>Current Discount Rate (7.50%)</b>		<b>1% Increase (8.50%)</b>	
School	\$	701,221	\$	376,597	\$	108,336
Judges		30,604		10,896		(5,997)
Patrol		132,679		67,929		15,307
State		3,534		(134,012)		(249,841)

**Changes to Actuarial Assumptions Subsequent Event to June 30, 2018.** The key changes in economic assumptions are as follows: Price Inflation, Investment Return, General Wage Growth, Wage Inflation, Cash Balance Interest Crediting Rate, and Cost of Living Adjustment. The key changes in demographic assumptions are as follows: Post Retirement Mortality, Pre-Retirement Mortality, Retirement, Termination, Disability, and Disabled Life Mortality. Details of the assumption changes effective for future years are available in the audited pension financials.

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

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

As a result of its requirement to contribute to these retirement plans, the State recognized expense of \$103,123 for the year ended June 30, 2018. Of this amount, \$24,814 pension expense was recognized for the Nebraska Public Employees Retirement System's School plan, \$52,931 expense was recognized for the State plan, \$13,646 pension expense was recognized for the Omaha School Plan, \$6,447 pension expense was recognized for the State Patrol Plan, \$4,137 pension expense was recognized for the Judges Plan, and \$1,148 in pension expense was recognized for the Service Annuity. In the accompanying financial statements, presented as of June 30, 2018, the State reported deferred outflows of resources and deferred inflows of resources from the following sources:

	DEFERRED OUTFLOWS OF RESOURCES	DEFERRED INFLOWS OF RESOURCES
<b>Actuarial Calculations:</b>		
<b>Judges Retirement</b>		
Differences between expected and actual experience	\$ 3	\$ 3,355
Changes of assumptions	9,709	-
Net difference between projected and actual earnings on pension plan investments	8,788	10,042
<b>Patrol Retirement</b>		
Differences between expected and actual experience	-	10,591
Changes of assumptions	21,710	-
Net difference between projected and actual earnings on pension plan investments	19,974	22,322
<b>School Retirement</b>		
Differences between expected and actual experience	3,107	48,873
Changes of assumptions	134,538	-
Net difference between projected and actual earnings on pension plan investments	106,489	107,105
Changes in proportion	1,023	28,132
<b>State Retirement</b>		
Differences between expected and actual experience	386	29,728
Changes of assumptions	35,846	-
Net difference between projected and actual earnings on pension plan investments	36,646	109,443
<b>Total Actuarial Calculations</b>	<u>378,219</u>	<u>369,591</u>
<b>Employer Contributions Paid Subsequent to Actuarial Measurement Date:</b>		
Judges Retirement	4,780	-
Patrol Retirement	8,953	-
School Retirement	33,686	-
<b>TOTAL</b>	<u>\$ 425,638</u>	<u>\$ 369,591</u>

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

Year Ended June 30:	Judges		Patrol		School		State	
	Outflow	Inflow	Outflow	Inflow	Outflow	Inflow	Outflow	Inflow
2019	\$ 6,368	\$ 6,108	\$ 13,896	\$ 15,424	\$ 72,721	\$ 70,883	\$ 26,531	\$ 34,979
2020	6,365	3,020	13,896	7,243	72,721	39,598	24,286	34,979
2021	5,047	2,345	10,898	6,028	55,512	34,716	7,086	34,190
2022	719	1,923	2,994	4,219	32,104	30,401	7,025	30,970
2023	-	-	-	-	10,200	6,039	6,974	3,623
Thereafter	-	-	-	-	877	92	976	432
<b>Total</b>	<b>\$ 18,499</b>	<b>\$ 13,396</b>	<b>\$ 41,684</b>	<b>\$ 32,914</b>	<b>\$ 244,135</b>	<b>\$ 181,729</b>	<b>\$ 72,878</b>	<b>\$ 139,173</b>

### Payable to the Pension Plans

The State reported a payable of \$52,698 for the outstanding amount of contributions to the pension plans required for the year ended June 30, 2018.

## 14. Other Postemployment Benefits

The State provides State employees who are eligible for retirement, and do retire, the opportunity to continue medical benefits in accordance with State Law, Neb. Rev. Stat. §§ 84-1601 through 84-1615 (Reissue 2014), and Nebraska Administrative Code, Title 273, Chapter 17-014.

### Plan Description

The State administers a single-employer benefit plan, known as the State of Nebraska Retiree Health Insurance Program (Plan), which provides postemployment medical insurance benefits for retirees. State employees who are eligible for retirement, and do retire, are provided the opportunity to continue health insurance coverage in a State health insurance plan until they reach age sixty-five or become Medicare eligible. Management of the Plan is governed by the State and administered by the Department of Administrative Services.

Permanent full-time and part-time employees, who work one-half or more of the regularly scheduled hours during each pay period, are between the ages of fifty-five and sixty-four, who voluntarily retire or terminate from state employment, who are enrolled in a State health insurance plan, and have actively contributed to the Nebraska Public Employees Retirement System prior to leaving state employment, are eligible to participate in the Plan until the first day of the month in which they turn age sixty-five. Commissioned employees of the Nebraska State Patrol who on or after July 17, 1986, has reached fifty-one years of age or becomes medically disabled and who will not receive benefits from the federal social security program is eligible for the Plan until age sixty-five. Furthermore, commissioned employees of the Nebraska State Patrol who began employment before 1982 were given grandfathered rights to lifetime benefits under the Plan.

The spouse and family member dependents of a retired State employee are eligible to participate in the Plan, as dependents only, until the employee reaches age sixty-five. If the spouse is age sixty-five or older at the time the State employee retires, he or she is not eligible to continue to participate in the Plan. The spouse of a retired participant reaching age sixty-five before the State employee, loses Plan eligibility at age sixty-five.

Benefits under the Plan include medical and prescription drug benefits that mirror the active health insurance plan in which the employee is enrolled at the time of retirement. The Plan is funded by premiums charged to the retirees, which are responsible for the entire cost of the premium. Retiree and dependent contribution rates are periodically adjusted by the State with Legislative approval.

The following circumstances may cause termination of benefits before the retiree or dependent reaches age sixty-five: the retiree or dependent begins receiving Medicare and/or Medicare disability benefits; the retiree fails to make premium payments on time; the retiree benefit provision is changed in a subsequent labor contract; applicable statutes, administrative regulations, or contract provisions are changed and benefit coverage is no longer available; or, the State ceases to provide group health insurance to State employees.

The Plan is not pre-funded. The State funds benefits on a pay-as-you-go basis.

As of June 30, 2016, there were 13,572 members in the Plan, of which 13,414 were active employees and 158 were retired employees or beneficiaries currently receiving benefits.

An implicit rate subsidy exists for the Plan in that retirees under the age of 65 (i.e. not eligible for Medicare) generate higher claims on average than the group of active employee members. Medical plans generally determine a premium by analyzing the claims of the entire population in the plan and adjusting for administrative costs. The resulting premium is called a blended premium because it blends the claims of active and retired members. Since the volume and dollar amount of claims generally increase as individuals age, the blended premium paid for retirees is lower than the expected claims. If the retirees were removed from the plan, the premium for the active group would be lower. Therefore, the retirees' premiums are being subsidized by the active group. Since the employer generally pays a large portion of the premiums for the active group, this subsidy creates a liability for the employer. The difference between the expected claims for the retiree group and the blended premium is called the implicit rate subsidy.

A copy of the Plan's separately issued actuarial valuation may be obtained by writing to the Nebraska Department of Administrative Services, 1526 K Street, Suite 240, Lincoln, Nebraska 68508.

**Net OPEB Liability**

The Plan is not pre-funded and therefore there are no assets accumulated in a Governmental Accounting Standards Board, Statement 75, compliant trust. Benefits are funded on a pay-as-you-go basis, so Net OPEB Liability and Total OPEB Liability are equal. The Total OPEB Liability was determined by an actuarial valuation as of June 30, 2016, then projected to the measurement date of June 30, 2017 using actuarial assumptions applied to all periods included in the measurement, resulting in a Net OPEB Liability of \$14,486 reported as of June 30, 2018. Below is the schedule of changes in net OPEB liability:

<b>Total OPEB Liability</b>	
Service Cost	\$ 1,042
Interest	438
Changes of assumptions	(695)
Estimated benefit payments, including refunds of member contributions	(1,218)
Net change in Total OPEB Liability	(433)
Total OPEB Liability – beginning	14,919
Total OPEB Liability – ending (a)	<u>\$ 14,486</u>
<b>Plan Fiduciary Net Position (Assets)</b>	
Estimated contributions	\$ 1,218
Estimated benefit payments, including refunds of member contributions	(1,218)
Net change in Plan Fiduciary Net Position	-
Plan Fiduciary Net Position (Assets) – beginning	-
Plan Fiduciary Net Position (Assets) – ending (b)	-
Net OPEB Liability – ending (a) – (b)	<u>\$ 14,486</u>
Covered employee payroll	N/A
Plan Net OPEB Liability as a percentage of covered employee payroll	N/A

**Key actuarial assumptions used to measure the Total OPEB Liability are as follows:**

Actuarial cost method	Entry age normal
Inflation	2.25%
Salary increases	Service-based table decreasing from 5.43% to ultimate of 4.00% over 20 years
Healthcare cost trend rates:	
Medical	6.25% decreasing by 0.25% for 7 years to an ultimate of 4.50%
Prescription drug	9.50% decreasing by 0.50% for 9 years to an ultimate of 5.00%
Administrative costs	3.00%
Mortality rates	1994 GAM setback 1 year and projected to 2016 using Scale AA
Discount rate	3.58%, based on the index of general obligation, 20-year, Municipal Bond rates as of the measurement date since the Plan is funded on a pay-as-you go basis

**Changes to assumptions:** The actuarial valuation of liabilities were calculated as of June 30, 2016, then adjusted to June 30, 2017. A change in the discount rate from 2.85% as of June 30, 2016 to 3.58% as of June 30, 2017 was valued. No other assumptions changes were valued; and, no plan changes were valued.

**Sensitivity of the Net OPEB Liability (NOL) to changes in the current discount rate.**

The table presents the NOL as well as what the NOL would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate. Also shown is the NOL as if it were calculated using healthcare cost trend rates that were 1 percentage point lower or 1 percentage point higher than the current health care trend rates.

	<b>1% Decrease in Discount Rate (2.58%)</b>	<b>Current Discount Rate (3.58%)</b>	<b>1% Increase in Discount Rate (4.58%)</b>
<b>Net OPEB Liability</b>	\$15,447	\$14,486	\$13,597
	<b>1% Decrease in Trend Rate</b>	<b>Current Trend Rate</b>	<b>1% Increase in Trend Rate</b>
<b>Net OPEB Liability</b>	\$13,170	\$14,486	\$16,013



**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

The State recognized OPEB expense of \$1,381 for the year ended June 30, 2018. The State also reported the following deferred outflows and inflows of resources for financial statement purposes:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Changes of assumptions or other inputs	\$0	\$595
Difference between expected and actual experience in the Total OPEB Liability	0	0
Net difference between projected and actual earnings on investments	0	0
<b>Total Deferred Outflows/Inflows of Resources</b>	<b>\$0</b>	<b>\$595</b>

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

<b>Year Ended June 30:</b>	<b>Outflows</b>	<b>Inflows</b>
2019	\$0	\$99
2020	0	99
2021	0	99
2022	0	99
2023	0	99
2024	0	100
<b>Total</b>	<b>\$0</b>	<b>\$595</b>

**15. 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, 2018, there was no outstanding debt for either of these purposes.

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

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

<b>BONDS PAYABLE</b>	<b>INTEREST RATES</b>	<b>BALANCE June 30, 2018</b>
<b>COMPONENT UNITS</b>		
University of Nebraska	1.00%-6.00%	\$ 857,575
Nebraska State Colleges	0.30%-5.05%	75,478
Component Units Total		<u>\$ 933,053</u>

<b>COMPONENT UNITS DEBT SERVICE REQUIREMENTS TO MATURITY</b>			
<b>YEAR</b>	<b>PRINCIPAL</b>	<b>INTEREST</b>	<b>TOTAL</b>
2019	\$ 78,821	\$ 37,081	\$ 115,902
2020	67,427	34,205	101,632
2021	87,140	31,613	118,753
2022	55,955	28,115	84,070
2023	61,615	25,717	87,332
2024 - 2028	230,360	95,101	325,461
2029 - 2033	171,710	53,329	225,039
2034 - 2038	98,780	27,310	126,090
2039 - 2043	62,825	9,827	72,652
2044 - 2048	18,420	1,248	19,668
Total	<u>\$ 933,053</u>	<u>\$ 343,546</u>	<u>\$ 1,276,599</u>

**16. Tax Abatements**

Statement No. 77 of the Governmental Accounting Standards Board (GASB 77) requires the State to disclose specific information about tax abatement agreements to which it is a party. Tax abatement is defined as:

[a] reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

As of June 30, 2018 the State administered eleven separate tax abatement programs—the Nebraska Advantage Act, the Nebraska Advantage Rural Development Act, the Nebraska Advantage Microenterprise Tax Credit Act, the Employee and Investment Growth Act, the Invest Nebraska Act, the Quality Jobs Act, the New Market Job Growth Investment Tax Credit, the Angel Investment Tax Credit, the Nebraska Job Creation and Mainstreet Revitalization Act, the Beginning Farmer Tax Credit, and the Community Development Assistance Act.

**Description of Tax Abatement Programs**

**A. Nebraska Advantage Act.** Neb. Rev. Stat. §§ 77-5701 through 77-5735 (Reissue 2018), allows taxpayers involved in a qualified business to earn and use tax benefits based on investment and employment growth. The Nebraska Advantage Act has six tiers that have varying requirements for investment and employment growth. The required levels of employment and investment must be met within 5 to 7 years, depending on the applicable tier. The maximum life of each project is 10 to 30 years.

Applicants are required to meet different levels of employment and investment based on the tier they choose and the year in which they apply. The required employment and investment levels which calendar year 2017 applicants must meet to qualify for benefits are as follows:

	<b>Investment and Employment Growth</b>						
	<b>Tier 1</b>	<b>Tier 2<sup>1,2</sup></b>	<b>Tier 2<sup>3</sup></b>	<b>Tier 3</b>	<b>Tier 4</b>	<b>Tier 5</b>	<b>Tier 6</b>
<b>Investment</b>	\$1,000	\$3,000	\$200,000	N/A	\$11,000	\$34,000 <sup>1,2,3/</sup> \$20,000 <sup>4</sup>	\$10,000 / \$100,000
<b>FTE<sup>5</sup> Growth</b>	10	30	30	30	100	N/A	75/50
<b>Annual Wage</b>	\$26	\$26	\$26	\$26	\$26	N/A	\$64 <sup>6</sup>

<sup>1</sup> Web Portal

<sup>2</sup> Data Center

<sup>3</sup> Large Data Center

<sup>4</sup> Renewable Energy

<sup>5</sup> Stated as Full-time Equivalent Employee

<sup>6</sup> Varies by county. Greater of 200% of county average weekly wage for the county in which the project is located or 150% of state average weekly wage.

Once the taxpayer meets the employment and investment levels they may receive tax benefits including: 1) a direct refund of sales and use tax paid on qualified property; 2) an investment credit equal to 3% to 15%, depending on the applicable tier, of the investment made in qualified property; 3) a compensation credit equal to 3% to 10% of the compensation paid to new employees, depending on the applicable tier; and 4) a personal property tax exemption on certain types of property for some tiers. Investment and compensation credits may be used to: 1) obtain a sales or use tax refund paid on otherwise non-refundable purchases; 2) to reduce income tax liability; and 3) to obtain a reimbursement for real property tax for certain tiers. Compensation credits may also be used to obtain a refund of, or to reduce, the taxpayer's income tax withholding liability attributable to the increase in employment. The Act has provisions through which the State may recapture benefits paid if the taxpayer fails to meet or maintain the required employment and investment levels. Benefits will be recaptured if the minimum levels of investment or employment are not maintained for all years during the entitlement period. Under recapture, for each year the levels are not maintained, the taxpayer cannot earn new tax credits or claim direct refunds of sales and use tax for investments made during the year. The State will also assess a portion of benefits already received and retain a portion of subsequent tax offsets or refunds to recover the portion of benefits subject to recapture.

**B. Nebraska Advantage Rural Development Act.** Neb. Rev. Stat. §§ 77-27,187 through 77-27,196.01 (Reissue 2018), provides tax abatements to encourage business to locate in rural areas and impoverished metropolitan areas. Taxpayers can

earn investment and or employment credits if they operate a qualified business and meet the required employment and or investment levels for a project located in an eligible area. The required employment and investment levels which calendar year 2017 applicants must meet to qualify for benefits are as follows:

	Investment and Employment Levels		
	Level 1	Level 2	Livestock Modernization
<b>Investment</b>	\$125	\$250	\$50
<b>FTE<sup>7</sup> Growth</b>	2	5	N/A
<b>Wage Rate<sup>8</sup></b>	\$13.27	\$13.27	N/A
<b>Eligible Location</b>	County with Population less than 15,000; Village; or certain census tracts	County with population less than 25,000 but greater than 15,000; or city of second class	Any County

<sup>7</sup> Stated as Full-time Equivalent Employee

<sup>8</sup> Hourly Wage Rate is not expressed in thousands

Level 1 and Level 2 projects that meet both the employment and investment levels will earn a \$3 compensation credit for each new, full-time equivalent employee, and a \$3 investment credit for each \$50 net gain in qualified investment. Taxpayers can use these credits: to obtain a refund of state sales and use taxes paid; against the income tax liability of the taxpayer; or as a refundable credit claimed on the income tax return of the taxpayer. Livestock modernization projects that have a net new investment of at least \$50 in any county in Nebraska can earn credits equal to 10% of investment. Livestock modernization projects are limited to a maximum of \$150 in credits. These credits may be used: to obtain a refund of state sales and use taxes paid; against the income tax liability of the taxpayer; or as a refundable credit claimed on the income tax return of the taxpayer. The approval limit for this program for the 2017 calendar year is \$1,000 for Level 1 and Level 2 projects and \$750 for livestock modernization projects. If a taxpayer with a Level 1 or Level 2 project fails to attain 75% of investment or employment estimates or to maintain required employment and investment levels for three years after the year of qualification, all benefits will be recaptured. If a taxpayer with a livestock modernization project fails to attain 75% of investment estimates, all benefits will be recaptured.

- C. Nebraska Advantage Microenterprise Tax Credit Act.** Neb. Rev. Stat. §§ 77-5901 through 77-5908 (Reissue 2018), provides tax benefits to applicants who are actively engaged in the operation of a business that employs five or fewer full-time equivalent employees at the time of application. The applicant earns a refundable income tax credit equal to 20% of new investment and employment. There is a \$10 lifetime limit in credits granted to each applicant and related persons. The approval limit for this program is \$2,000 plus the dollars that were not approved by the end of the preceding year. There are no recapture provisions under this Act.
- D. Employment and Investment Growth Act.** Neb. Rev. Stat. §§ 77-4101 through 77-4113 (Reissue 2018), allows taxpayers involved in a qualified business to earn and use tax benefits based on investment and employment growth. This program is no longer accepting new applications but continues to provide tax abatements to taxpayers for projects already in progress. The Act has three application options with different required levels of employment and or investment. Taxpayers must meet the required levels within seven years of application and can use earned tax benefits for up to 14 additional years. A business that participates in this Act elected one of the following application options: 1) \$20,000 in investment; 2) \$3,000 in investment and 30 full-time equivalent employees; or 3) \$10,000 in investment and 100 full-time equivalent employees. Once the taxpayer met the employment and investment levels they received tax benefits including: 1) a direct refund of sales and use tax paid on qualified property, 2) an investment credit equal to 10% of the of the investment made in qualified property, 3) a compensation credit equal to 5% of the increase in compensation at the project, and 4) a personal property tax exemption on certain types of property. Investment and compensation credits may be used to: 1) obtain a sales or use tax refund paid on otherwise not-refundable purchases, or 2) reduce income tax liability. Each application option offers a different combination of these tax benefits. Benefits will be recaptured if the minimum levels of investment or employment are not maintained for all years during the entitlement period. Under recapture, for each year the levels are not maintained, the taxpayer cannot earn new tax credits or claim direct refunds of sales and use tax for investments made during the year. The State will also assess a portion of benefits already received and retain a portion of subsequent tax offsets or refunds to recover the portion of benefits subject to recapture. For each year of recapture, the length of the property tax exemption will be reduced by one year.
- E. Invest Nebraska Act.** Neb. Rev. Stat. §§ 77-5501 through 77-5544 (Reissue 2018), allows a qualified business to receive either a wage benefit credit or an alternative investment credit. This program is no longer accepting new applications but continues to provide tax abatements to taxpayers for projects already in progress. Each application was subject to the approval by a board comprised of the Governor, the State Treasurer, and the chairperson of the Nebraska Investment Council.

The Act has three application levels: 1) \$10,000 investment and 25 full-time equivalent employees; 2) \$50,000 in investment and 500 full-time equivalent employees, or \$100,000 in investment and 250 full-time equivalent employees; and 3) \$200,000 in investment and 500 full-time equivalent employees. A company that reaches the employment and investment levels for the relevant application level is eligible for benefits. An eligible company may earn a wage benefit credit up to 5% of the taxable wages paid to new employees earning more than the required wage level. A company that selected the \$200,000 and 500 full-time equivalent employee application level may choose to receive, in lieu of a wage benefit credit, an alternative investment tax credit equal to 15% of the company's investment in qualified property. The credits may be used to: 1) offset up to 100% of income tax liability, and 2) obtain a refund of, or to reduce, the taxpayer's income tax withholding liability attributable to the increase in employment. Each company is required to expend at least the value of the wage benefit credit or alternative investment tax credit for company training programs, employee benefit programs, educational institutional training programs, or workplace safety programs. The Act includes provisions to recapture benefits if the taxpayer fails to maintain required employment or investment levels for ten years.

**F. Quality Jobs Act.** Neb. Rev. Stat. §§ 77-4901 through 77-4935 (Reissue 2018), allows a qualified business to receive a wage benefit credit or to retain payroll withholding tax. This program is no longer accepting new applications but continues to provide tax abatements to taxpayers for projects already in progress. Each application was subject to the approval by a board comprised of the Governor, the State Treasurer, and the chairperson of the Nebraska Investment Council. The program has two application levels: 1) \$50,000 in investment and 500 full-time equivalent employees, and 2) \$100,000 and 250 full-time equivalent employees. A company that reached and maintained the required employment and investment levels is eligible to receive a wage benefit credit of up to 5% of the total compensation paid to new employees, other than base year employees. The company is required to expend at least the value of the wage benefit credit for company training programs, employee benefit programs, educational institution training programs, or workplace safety programs. The credit may be used either against the company's income tax liability, or to retain a portion of the income tax withholding which was withheld from the company's employees. The Act includes provisions to recapture benefits if the taxpayer fails to meet required employment or investment levels within seven years of application or to maintain those levels for ten years.

**G. New Market Job Growth Investment Tax Credit.** Neb. Rev. Stat. §§ 77-1101 through 77-1119 (Reissue 2018), allows individuals, corporations, estates, trusts, financial institutions, and insurance companies to claim nonrefundable, nontransferable income tax credits for investment in a qualified community development entity (CDE). The credits may be used against income tax, the premium tax imposed on insurance companies, or the franchise tax imposed on financial institutions. The Act requires the CDE to file an application for certification with the State. Upon approval of its application, the CDE may accept cash investments that qualify for the tax credit. Flow-through entities that make a qualified investment may allocate the tax credit to their partners, members, or shareholders in accordance with any agreement made between the partners, members, or shareholders.

A CDE is a corporation or partnership with the primary mission of providing investment capital for low-income communities or low-income persons, meets the definition of 26 U.S.C. 45D(c), and has entered into an agreement with the Community Development Financial Institutions Fund of the United States Treasury. The CDE must include Nebraska in its service area.

Credits are issued for equity investments in CDEs or long-term debt securities issued by a CDE that: (1) have at least 85% of its cash price used by the CDE to make qualified low-income community investments in qualified active low-income community businesses located in Nebraska by the first anniversary of the initial credit allowance date, (2) are designated by the CDE as a qualified equity investment, and (3) are certified by the Tax Commissioner as not exceeding the total fiscal year credit limitation for the program of \$15,000.

The tax credit is computed by multiplying the cash purchase price of the investment by the allocable percentage at each credit allowance date. The credit allowance dates and percentages are: 0% on the first and second credit allowance dates; 7% on the third credit allowance date; and 8% on the fourth through seventh credit allowance dates.

The Act provides that credits may be recaptured in several situations. First, credits may be recaptured if any amount of the federal qualified equity investment credit is recaptured. Second, credits may be recaptured if the CDE redeems or repays some or all of the principle of the investment prior to the last credit allowance date. Finally, credits may be recaptured if the CDE fails to invest and satisfy the requirements of the program and maintain its investment in a qualified low-income community investment in Nebraska until the last credit allowance date.

**H. Angel Investment Tax Credit.** Neb. Rev. Stat. § 77-6301 to § 77-6310 (Reissue 2018), provides refundable income tax credits to encourage entrepreneurship and to increase high-technology industries in underserved areas of Nebraska. Individuals, trusts, or pass-through entities can apply to be certified as a qualified investor by the State. To receive credits, individual investors must invest a minimum of \$25, and investment funds must invest \$50, in a calendar year in a qualified small business. A qualified small business is a business based in Nebraska with more than 51% of their employees in Nebraska and with fewer than 25 employees. Qualified investors are eligible to earn a credit equal to 40% of their qualified

investment in a qualified small business. Credits are capped at \$350 for married couples filing a joint return and at \$300 for single filers. No more than \$1,000 in credits is to be allocated for investment in any one small business and no more than \$4,000 in credits shall be allocated in any calendar year. These credits are subject to recapture if the investment is not held in the small business for at least three years.

- I. Nebraska Job Creation and Mainstreet Revitalization Act.** Neb. Rev. Stat. §§ 77-2901 to 77-2912 (Reissue 2018), is jointly administered by the Nebraska State Historical Society (NSHS) and the State. The Act provides credits to applicants who incur eligible expenditures to rehabilitate historically significant real properties. Applicants may receive a credit equal to 20% of eligible expenditures up to \$1,000 per project. The credit may be used against income tax, premium tax imposed on insurance companies, or franchise tax imposed on financial institutions. This credit is transferable and distributable, subject to certain limitations. Transferable credits may be claimed beginning with the year the improvement is placed in service. Distributable credits may be claimed beginning with the year the improvement is placed in service or the year the recipient became a member, partner, or shareholder of a flow-through entity in which they obtained an ownership interest in the entity, whichever is later. Credits may be carried forward until fully utilized, or until December 31, 2027. If at any time during the five years after the improvement to the property is placed in service, the NSHS determines that the property is the subject of work not in substantial conformance with the approved application or the documents from which the tax credit was calculated, the tax credits may be recaptured from the property owner.
- J. Beginning Farmer Tax Credit Act.** Neb. Rev. Stat. §§ 77-5201 through 77-5215 (Reissue 2018), is a program that provides tax abatements to eligible beginning farmers, livestock producers, and owners who rent assets to eligible beginning farmers and livestock producers. Applicants must be certified by the Beginning Farmer Board (Board). To be certified as a qualified beginning farmer or livestock producer, an applicant must: 1) be a Nebraska resident who is farming or seeks to farm, raise crops, or livestock in the state, 2) have a net worth of not more than \$200, 3) provide the majority of the day-to-day physical labor and management for the operation, 4) demonstrate profit potential to the Board, 5) demonstrate a need for assistance, 6) participate in a financial management program, 7) submit a nutrient management plan and soil conservation plan to the Board, and 8) have other qualifications as specified by the Board.

Certified beginning farmers and livestock producers are eligible for a personal property tax exemption for tangible personal property that is used in a qualifying beginning farmer or livestock producer operation. This portion of the tax abatement affects only county revenue and is not included in this footnote.

The Act also provides two refundable income tax credits. These two credits affect state revenue and are included in this footnote. First, a beginning farmer or livestock producer is allowed a one-time income tax credit equal to the actual cost of participation in the financial management program required for eligibility under the Act. Each beginning farmer may claim a one-time credit up to \$0.5. Second, the owner of agricultural assets that are rented, pursuant to a three-year rental agreement, to a beginning farmer are allowed a credit equal to 10% of the gross rental income on cash rentals or 15% of the cash equivalent of a share-rental agreement. This credit is subject to recapture if the three-year lease agreement is terminated with fault on the part of the owner of the agricultural assets.

- K. Community Development Assistance Act.** Neb. Rev. Stat. §§ 13-201 through 13-208 (Reissue 2012, Cum. Supp. 2018), is a program that encourages investment in community betterment organizations by providing tax credits to investors. The Act permits the State to distribute tax credits to businesses and individuals that make eligible contributions of cash, services or materials to approved community betterment projects. Tax credits may be used against income tax, premium tax, and franchise tax liabilities. Under the Act, a non-profit community betterment organization may apply to have a project approved to receive eligible contributions. Applicants must be a village, city, or county government or a nonprofit 501(c)(3) organization that will service an economically distressed area. Eligible projects include those that provide employment training, human and medical services, physical facility and neighborhood development services, recreational and education activities, or crime prevention. Income tax credits may be awarded by the State to individuals or entities that make eligible contributions. The credit awarded may be up to 40% of the value of the contribution. No more than \$50 in tax credits may be approved per project per year. A total of \$350 in credits is permitted to be certified by the State in the fiscal year 2017-2018. This Act has no provisions for recapture.

### Amount of State Taxes Abated

The following table reports the gross dollar amount, on an accrual basis, by which the State's tax revenues were reduced during the fiscal year ending June 30, 2018 as a result of tax abatement agreements for each of the eleven programs.

No.	Program	Taxes Abated
A	Nebraska Advantage Act	\$154,192

B	Nebraska Advantage Rural Development Act	1,021
C	Nebraska Advantage Microenterprise Tax Credit Act	734
D	Employment and Investment Growth Act	69,012
E	Invest Nebraska Act	*
F	Quality Jobs Act	**
G	New Market Job Growth Investment Tax Credit	13,787
H	Angel Investment Tax Credit	5,253
I	Job Creation and Mainstreet Revitalization Act	3,630
J	Beginning Farmer Tax Credit Act	1,503
K	Community Development Assistance Act	263
	<b>Total</b>	<b>\$249,395 ***</b>

\*To maintain confidentiality, no information disclosed due to the low number companies reporting activity.

\*\*All agreements for this program are completed

\*\*\*This total excludes amounts for programs that were not individually reported.

1. **Confidentiality.** Unless a specific statutory exception exists, all information relating to a specific taxpayer, obtained by the State from any source, is confidential.

Tabulations that identify a specific taxpayer either directly or indirectly are also confidential. The State follows the guidance of the IRS with reference to the disclosure of statistical information. To protect confidential information, the State will not release a statistical tabulation that contains information from fewer than three taxpayers. A statistical tabulation prepared for a geographic area less than the entire state will not be released if it contains information from fewer than ten taxpayers.

2. **Additional Information.** The State issues an Annual Report to the Nebraska Legislature on July 15 of each year. The report contains additional information on the Nebraska Advantage Act, the Nebraska Advantage Rural Development Act, the Nebraska Advantage Microenterprise Tax Credit Act, the Nebraska Advantage Research and Development Act, the Employment and Investment Growth Act, the Invest Nebraska Act, and the Quality Jobs Act. The report also includes information regarding tax abatements granted to individual taxpayers under the Nebraska Advantage Act and the Nebraska Advantage Rural Development Act. The report can be found on the Department's website here: [http://www.revenue.nebraska.gov/incentiv/annrep/17an\\_rep/17\\_annrp.html](http://www.revenue.nebraska.gov/incentiv/annrep/17an_rep/17_annrp.html).

## Amounts Received or Receivable from Other Governments

The State collects the local sales and use tax imposed by any city or county and remits the amounts back to the municipality on a monthly basis, less any refunds made. Deductions for refunds are delayed for cities of the first class, cities of the second class, and villages. Pursuant to Neb. Rev. Stat. § 77-27,144 (Reissue 2018), when a refund of local sales and use tax is made under the Nebraska Advantage Act, Neb. Rev. Stat. §§ 77-5725 and 77-5726, or the Employment and Investment Growth Act, Neb. Rev. Stat. §§ 77-4105 and 77-4106, deductions for the refund are delayed for one year after the refund has been made to the taxpayer. If a refund claimed under the Nebraska Advantage Act or the Employment and Investment Growth Act exceeds twenty-five percent of a municipality's total sales and use tax receipts, net of any refunds or sales tax collection fees, for the municipality's prior fiscal year, the State will deduct the refund over the period of one year in equal monthly amounts beginning one year after the refund is made to the taxpayer.

As of June 30, 2018, the total amounts of refunds that are receivable are \$2,749 pursuant to Neb. Rev. Stat. § 77-27,144 from the following municipalities: Alliance, Atkinson, Auburn, Bassett, Beatrice, Bellevue, Benkelman, Blair, Bloomfield, Cairo, Cambridge, Central City, Chadron, Columbus, Cozad, Crete, David City, Doniphan, Elm Creek, Fairbury, Fort Calhoun, Fremont, Grand Island, Gretna, Hartington, Hastings, Holdrege, Imperial, Jackson, Kearney, La Vista, Lexington, Louisville, McCook, Minden, Nebraska City, Norfolk, North Platte, Ord, Palmyra, Papillion, Plattsmouth, Ralston, Ravenna, Scottsbluff, Seward, Sidney, South Sioux City, Stromsburg, Syracuse, Tecumseh, Valley, Wahoo, Wakefield, Waterloo, Waverly, Wayne, Weeping Water, West Point, and York.

## 17. Restatements

The net position for fiscal year 2017 for Governmental Activities on the Government Wide Statement of Activities increased by \$17,199 due to restatement of capital assets beginning balance not reported in prior year and decreased by \$14,919 to reflect the Other Post Employment Benefit (OPEB) liability.

Governmental Activities Net Position – Beginning on the Statement of Activities and Permanent School Fund – Fund Balance, July 1 on the Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds increased by \$1,396,676 to reflect land held as investment at fair value. The lands were granted by the Federal government in connection with the State being admitted to the United States, and were not previously reported at fair value. The investment is reported as State Owned Land in Note 2.

The General Fund beginning Fund Balance for fiscal year 2017 was increased by \$29,022 mainly due to amounts due to/from other funds and/or governments.

The Highway Fund beginning Fund Balance for fiscal year 2017 was decreased by \$195 due to an understatement of accounts payable that had not been reported in the prior year.

The Federal Fund beginning Fund Balance for fiscal year 2017 was increased by \$2,838 mainly due to the reclassification from the Capital Project Fund to the Federal Fund to better reflect its function.

The Other Special Revenue Fund beginning Fund Balance for fiscal year 2017 was increased by \$2,328 due to an addition of a bank account held by the State Treasurer.

The Capital Projects Fund beginning Fund Balance for fiscal year 2017 was decreased by \$2,109 due to the reclassification of the Capital Project Fund to the Federal Fund to better reflect its function.

The Communications Fund beginning balance for fiscal year 2017 was increased by \$5,942 due to Accumulated Depreciation and Capital Outlays.

The restatements of the General Fund, Highway Fund, Federal Fund, Other Special Revenue Fund, Capital Projects Fund, Communications Fund, and Permanent School Fund resulted in an increase in the Governmental Activities Net Position – Beginning on the Statement of Activities of \$1,428,560 that had not been reported in the prior year.

## **18. Subsequent Events**

Construction in Progress on the June 30, 2018 Statement of Net Positions – Governmental Activities includes \$17,624 for a new Medicaid Enrollment and Eligibility System. The State made a decision in December 2018 to discontinue implementation of the system pending review of future options. The federal government provided a significant portion of the funding for the project.



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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, 2018

(Dollars in Thousands)

	GENERAL FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
<b>REVENUES</b>				
Taxes	\$ 4,439,770	\$ 4,364,343	\$ 4,401,339	\$ 36,996
Federal Grants and Contracts	347	347	347	-
Sales and Charges	21,230	21,230	21,230	-
Other	25,729	25,729	25,729	-
Total Revenues	<u>4,487,076</u>	<u>4,411,649</u>	<u>4,448,645</u>	<u>36,996</u>
<b>EXPENDITURES</b>				
Current:				
General Government	419,397	416,160	382,903	33,257
Conservation of Natural Resources	40,555	39,211	31,994	7,217
Culture – Recreation	6,520	6,500	5,804	696
Economic Development and Assistance	15,015	14,380	11,618	2,762
Education	2,043,548	2,031,455	2,002,970	28,485
Health and Social Services	1,742,768	1,753,227	1,617,564	135,663
Public Safety	334,074	331,966	293,527	38,439
Regulation of Business and Professions	3,929	3,867	3,293	574
Transportation	-	-	-	-
Capital Projects	5,936	5,936	-	5,936
Total Expenditures	<u>4,611,742</u>	<u>4,602,702</u>	<u>4,349,673</u>	<u>253,029</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(124,666)</u>	<u>(191,053)</u>	<u>98,972</u>	<u>290,025</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	343,438	343,438	343,438	-
Transfers Out	(577,335)	(577,335)	(577,335)	-
Other	179	179	179	-
Total Other Financing Sources (Uses)	<u>(233,718)</u>	<u>(233,718)</u>	<u>(233,718)</u>	<u>-</u>
Net Change in Fund Balance	(358,384)	(424,771)	(134,746)	290,025
<b>FUND BALANCES, JULY 1</b>	<u>926,933</u>	<u>926,933</u>	<u>926,933</u>	<u>-</u>
<b>FUND BALANCES, JUNE 30</b>	<u>\$ 568,549</u>	<u>\$ 502,162</u>	<u>\$ 792,187</u>	<u>\$ 290,025</u>

A reconciliation of the budgetary basis versus GAAP fund balance for the General Fund as of June 30, 2018, follows:

Actual Fund Balances, budgetary basis, June 30, 2018

General	\$ 452,197
Cash Reserve	339,990
Budgetary fund balances	<u>792,187</u>

**DIFFERENCES DUE TO BASIS OF ACCOUNTING:**

Record State contributions due pension funds	45,588
Record claims payable	(83,594)
Record other net accrued receivables and liabilities	<u>(97,533)</u>
GAAP fund balance, June 30, 2018	<u>\$ 656,648</u>

# NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR BUDGETARY COMPARISONS

For the Year Ended June 30, 2018

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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. The Budgetary Comparison Schedules for Cash Funds, Construction Funds, Federal Funds and Revolving Funds can be found starting on page 145.

**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 2018, the Legislature passed deficit appropriation bills that increased the allowable expenditure level in several of the programs.

For the year ended 2018, there was 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, 2018

(Amounts in Millions)

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 Transportation 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 Transportation 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>2017</u></b>	<b><u>2016</u></b>	<b><u>2015</u></b>	<b><u>2014</u></b>	<b><u>2013</u></b>	<b><u>2012</u></b>
Very Good	45%	46%	37%	38%	39%	36%
Good	39%	38%	45%	37%	35%	38%
Fair	13%	14%	16%	22%	23%	23%
Poor	3%	2%	2%	3%	3%	3%
Overall System Rating	84	84	84	81	81	81

**Estimated and Actual Costs to Maintain**

The following table presents the State’s estimate of spending necessary to preserve and maintain the roads at, or above, the established condition level cited above, and the actual amount spent during the past fiscal years (amounts in millions). The actual cost of system preservation is greater than estimated as a result of maintaining the system at a NSI level higher than the base level established for GASB-34 purposes (72 base versus 84 actual).

<b><u>Fiscal Year</u></b>	<b><u>2019</u></b>	<b><u>2018</u></b>	<b><u>2017</u></b>	<b><u>2016</u></b>	<b><u>2015</u></b>	<b><u>2014</u></b>
Estimated	\$ 324	\$ 325	\$ 317	\$ 306	\$ 327	\$ 302
Actual		391	413	441	348	300
Difference		66	96	135	21	(2)

State of Nebraska

**REQUIRED SUPPLEMENTARY INFORMATION  
INFORMATION ABOUT PENSION PLANS**

For the Year Ended June 30, 2018

(Dollars in Thousands)

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

Last 10 Fiscal Years

	June 30, 2017*	June 30, 2016*	June 30, 2015*	June 30, 2014*
State's proportion of the School plan collective net pension liability	17.34%	17.42%	17.32%	17.44%
State's net pension liability for the Service Annuity plan	100.00%	100.00%	100.00%	100.00%
State's proportion of the Omaha School Employees Retirement System collective net pension liability	11.13%	16.84%	16.84%	16.84%
State's total proportionate share of the School plan collective net pension liability	\$ 274,623	262,124	188,604	169,592
Employer's proportionate share of the School plan collective net pension liability	1,309,143	1,242,717	900,492	802,660
Total collective net pension liability for the School plan	<u>\$ 1,583,766</u>	<u>1,504,841</u>	<u>1,089,096</u>	<u>972,252</u>
State's net pension liability for the Service Annuity plan	<u>\$ 5,512</u>	<u>3,872</u>	<u>3,392</u>	<u>2,879</u>
State's proportionate share of the Omaha School Employees Retirement System collective net pension liability	\$ 96,462	114,156	97,833	72,739
Employer's proportionate share of the Omaha School Employees Retirement System collective net pension liability	770,477	563,804	483,189	359,251
Total collective net pension liability for the Omaha School Employees Retirement System	<u>\$ 866,939</u>	<u>677,960</u>	<u>581,022</u>	<u>431,990</u>
State's proportionate share, as an employer, of the School plan collective net pension liability (a)	\$ 4,391	4,352	3,149	2,996
School plan employer's covered-employee payroll (b)	6,258	6,307	6,102	6,319
Employer's proportionate share of the School plan collective net pension liability as a percentage of the employer's covered-employee payroll (a) / (b)	70.17%	69.00%	51.61%	47.41%
School plan Fiduciary net position as a percentage of the total pension liability	87.28%	86.56%	89.88%	90.66%
Service Annuity plan Fiduciary net position as a percentage of the total pension liability	66.88%	73.03%	76.90%	80.33%
Omaha School Employees Retirement System Fiduciary net position as a percentage of the total pension liability	58.72%	63.68%	67.58%	74.98%

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

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

**SCHEDULE OF STATE CONTRIBUTIONS**

School Employees Retirement Plan

Last 10 Fiscal Years

(Dollars in Thousands)	2018	2017	2016	2015
School plan statutorily required contribution	\$ 39,339	38,039	36,920	35,494
Service Annuity plan statutorily required contribution	\$ 1,243	992	997	998
Omaha School Employees Retirement System statutorily required contribution	\$ 7,111	6,897	6,661	6,453
School plan contributions in relation to the statutorily required contribution	\$ 39,339	38,039	36,920	35,494
Service Annuity plan contributions in relation to the statutorily required contribution	\$ 1,243	992	997	998
Omaha School Employees Retirement System contributions in relation to the statutorily required contribution	\$ 7,111	6,897	6,661	6,453
School plan annual contribution deficiency (excess)	\$ -	-	-	-
Service Annuity plan annual contribution deficiency (excess)	\$ -	-	-	-
Omaha School Employees Retirement System annual contribution deficiency (excess)	\$ -	-	-	-
State's contributions, as an employer, in relation to the statutorily required contribution (a)	\$ 619	618	623	603
School plan employer's covered-employee payroll (b)	\$ 6,268	6,258	6,307	6,102
Contributions recognized by the School plan in relation to the statutorily required contribution as a percentage of the employer's covered-employee payroll (a) / (b)	9.88%	9.88%	9.88%	9.88%

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

**STATE PATROL RETIREMENT PLAN**

**SCHEDULE OF CHANGES IN THE EMPLOYERS' NET PENSION LIABILITY**

Last 10 Fiscal Years

(Dollars in Thousands)

	2017	2016	2015	2014
<b>Total Pension Liability</b>				
Service Cost	\$7,956	\$8,152	\$7,563	\$8,174
Interest	32,887	32,114	31,350	30,165
Differences between expected and actual experience	(1,509)	(8,977)	(10,659)	(3,788)
Assumption changes	27,948	-	-	-
Benefit payments, including member refunds	(24,139)	(19,577)	(19,459)	(20,010)
<b>Net change in Total Pension Liability</b>	<b>\$43,143</b>	<b>\$11,712</b>	<b>\$8,795</b>	<b>\$14,541</b>
<b>Total Pension Liability - beginning</b>	<b>\$421,923</b>	<b>\$410,211</b>	<b>\$401,416</b>	<b>\$386,875</b>
<b>Total Pension Liability - ending (a)</b>	<b>\$465,066</b>	<b>\$421,923</b>	<b>\$410,211</b>	<b>\$401,416</b>
<b>Plan Fiduciary Net Position</b>				
Employer contributions	\$7,053	\$7,053	\$8,647	\$8,753
Employee contributions	4,501	4,366	4,180	4,134
Net investment income	48,680	5,491	13,333	54,950
Benefit payments, including member refunds	(24,140)	(19,577)	(19,459)	(20,010)
Administrative expenses	(141)	(128)	(117)	(121)
Other	29	27	22	21
<b>Net change in Plan Fiduciary Net Position</b>	<b>\$35,982</b>	<b>(\$2,768)</b>	<b>\$6,606</b>	<b>\$47,727</b>
<b>Plan Fiduciary Net Position - beginning</b>	<b>\$361,155</b>	<b>\$363,923</b>	<b>\$357,317</b>	<b>\$309,590</b>
<b>Plan Fiduciary Net Position - ending (b)</b>	<b>\$397,137</b>	<b>\$361,155</b>	<b>\$363,923</b>	<b>\$357,317</b>
<b>Net Pension Liability - ending (a) - (b)</b>	<b>\$67,929</b>	<b>\$60,768</b>	<b>\$46,288</b>	<b>\$44,099</b>
<b>Plan Fiduciary Net Position as a percentage of the Total Pension Liability</b>	<b>85.39%</b>	<b>85.60%</b>	<b>88.72%</b>	<b>89.01%</b>
<b>Covered payroll</b>	<b>\$28,092</b>	<b>\$27,048</b>	<b>\$26,294</b>	<b>\$25,624</b>
<b>Employers' Net Pension Liability as a percentage of covered payroll</b>	<b>241.81%</b>	<b>224.67%</b>	<b>176.04%</b>	<b>172.10%</b>

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

**STATE PATROL RETIREMENT PLAN**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS**  
 Last 10 Fiscal years

(Dollars in Thousands)	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Actuarially determined employer contribution	\$8,953	\$7,053	\$7,053	\$8,074	\$8,753	\$9,769	\$7,775	\$7,563	\$6,260	\$5,385
Actual employer contributions*	\$8,953	\$7,053	\$7,053	\$8,074	\$8,753	\$7,516	\$7,775	\$5,957	\$6,260	\$5,385
Annual contribution deficiency (excess)	-	-	-	-	-	\$2,253	-	\$1,606	-	-
Covered-employee payroll	\$28,698	\$28,092	\$27,048	\$26,294	\$25,624	\$26,902	\$27,391	\$27,988	\$27,625	\$28,386
Actual contributions as a percentage of covered-employee payroll	31.20%	25.11%	26.08%	30.71%	34.16%	27.94%	28.39%	21.28%	22.66%	18.97%

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

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



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

Last 10 Fiscal Years

(Dollars in Thousands)

	2017	2016	2015	2014
<b>Total Pension Liability</b>				
Service Cost	\$4,998	\$4,721	\$4,759	\$4,257
Interest	13,100	12,643	12,171	11,568
Differences between expected and actual experience	(1,715)	(2,303)	(2,614)	42
Assumption changes	12,705	-	-	-
Benefit payments, including member refunds	(9,690)	(9,052)	(8,548)	(8,122)
<b>Net change in Total Pension Liability</b>	<b>\$19,398</b>	<b>\$6,009</b>	<b>\$5,768</b>	<b>\$7,745</b>
<b>Total Pension Liability - beginning</b>	<b>\$168,104</b>	<b>\$162,095</b>	<b>\$156,327</b>	<b>\$148,582</b>
<b>Total Pension Liability - ending (a)</b>	<b>\$187,502</b>	<b>\$168,104</b>	<b>\$162,095</b>	<b>\$156,327</b>
<b>Plan Fiduciary Net Position</b>				
Employer contributions*	\$3,698	\$3,459	\$3,071	\$3,906
Employee contributions	1,743	1,651	1,611	1,519
Net investment income	21,699	2,454	5,959	24,543
Benefit payments, including member refunds	(9,690)	(9,052)	(8,548)	(8,122)
Administrative expenses	(85)	(71)	(83)	(78)
<b>Net change in Plan Fiduciary Net Position</b>	<b>\$17,365</b>	<b>(\$1,559)</b>	<b>\$2,010</b>	<b>\$21,768</b>
<b>Plan Fiduciary Net Position - beginning</b>	<b>\$159,241</b>	<b>\$160,800</b>	<b>\$158,790</b>	<b>\$137,022</b>
<b>Plan Fiduciary Net Position - ending (b)</b>	<b>\$176,606</b>	<b>\$159,241</b>	<b>\$160,800</b>	<b>\$158,790</b>
<b>Net Pension (Asset) Liability - ending (a) - (b)</b>	<b>\$10,896</b>	<b>\$8,863</b>	<b>\$1,295</b>	<b>(\$2,463)</b>
<b>Plan Fiduciary Net Position as a percentage of the Total Pension Liability</b>	<b>94.19%</b>	<b>94.73%</b>	<b>99.20%</b>	<b>101.58%</b>
<b>Covered payroll</b>	<b>\$22,802</b>	<b>\$22,178</b>	<b>\$21,587</b>	<b>\$20,100</b>
<b>Employers' Net Pension Liability as a percentage of covered payroll</b>	<b>47.79%</b>	<b>39.96%</b>	<b>6.00%</b>	<b>(12.26%)</b>

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

\*Employer contributions for 2017 consist of \$3,579 in Court Fees and \$119 in State Appropriations.

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

Last 10 Fiscal Years

(Dollars in Thousands)	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Actuarially determined employer contribution	\$4,780	\$3,698	\$3,459	\$3,727	\$3,906	\$3,180	\$3,484	\$3,580	\$3,615	\$3,491
Actual employer contributions	\$4,780	\$3,698	\$3,459	\$3,071	\$3,906	\$3,180	\$3,484	\$3,580	\$3,615	\$3,491
Annual contribution deficiency (excess)	-	-	-	656	-	-	-	-	-	-
Covered-employee payroll	\$23,125	\$22,802	\$22,178	\$21,587	\$20,100	\$19,005	\$18,182	\$18,773	\$18,373	\$17,990
Actual contributions as a percentage of covered-employee payroll	20.67%	16.22%	15.59%	14.23%	19.43%	16.73%	19.16%	19.07%	19.68%	19.41%

Note: Actuarially determined employer contributions, actual employer contributions and covered-employee payroll prior to 2013 was produced by the prior actuary. For years 2014 and prior, covered-employee payroll was estimated based on the valuation.

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

Last 10 Fiscal Years

(Dollars in Thousands)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Total Pension Liability</b>				
Service Cost	\$64,051	\$61,768	\$57,305	\$54,921
Interest	102,759	98,054	89,967	85,696
Benefit term changes	31,485	-	35,893	-
Differences between expected and actual experience	(18,939)	(14,007)	721	(11,217)
Assumption changes	42,820	-	-	-
Transfers	3,591	5,115	5,849	4,195
Benefit payments, including member refunds	(94,359)	(84,773)	(85,278)	(73,527)
<b>Net change in Total Pension Liability</b>	<u>\$131,408</u>	<u>\$66,157</u>	<u>\$104,457</u>	<u>\$60,068</u>
<b>Total Pension Liability - beginning</b>	\$1,370,455	\$1,304,298	\$1,199,841	\$1,139,773
<b>Total Pension Liability - ending (a)</b>	\$1,501,863	\$1,370,455	\$1,304,298	\$1,199,841
<b>Plan Fiduciary Net Position</b>				
Employer contributions	\$45,438	\$44,894	\$43,340	\$41,456
Employee contributions	29,128	28,776	27,799	26,603
Net investment income	237,283	112,758	14,784	83,524
Benefit payments, including member refunds	(94,359)	(84,773)	(85,278)	(73,527)
Administrative expenses	(1,293)	(1,134)	(1,079)	(910)
Transfers	3,591	5,115	5,849	4,195
<b>Net change in Plan Fiduciary Net Position</b>	<u>\$219,788</u>	<u>\$105,636</u>	<u>\$5,415</u>	<u>\$81,341</u>
<b>Plan Fiduciary Net Position - beginning</b>	\$1,416,087	\$1,310,451	\$1,305,036	\$1,223,695
<b>Plan Fiduciary Net Position - ending (b)</b>	\$1,635,875	\$1,416,087	\$1,310,451	\$1,305,036
<b>Net Pension Liability/(Asset) - ending (a) - (b)</b>	<u>(\$134,012)</u>	<u>(\$45,632)</u>	<u>(\$6,153)</u>	<u>(\$105,195)</u>
<b>Plan Fiduciary Net Position as a percentage of the Total Pension Liability</b>	108.92%	103.33%	100.47%	108.77%
<b>Covered payroll</b>	\$606,807	\$599,550	\$578,789	\$553,631
<b>Employers' Net Pension Liability as a percentage of covered payroll</b>	(22.08%)	(7.61%)	(1.06%)	(19.00%)

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

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

Last 10 Fiscal Years

(Dollars in Thousands)	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Actuarially determined employer contribution	\$30,314	\$33,205	\$29,117	\$31,986	\$35,129	\$32,983	\$27,256	\$26,361	\$24,632	\$19,975
Actual employer contributions*	\$46,043	\$45,208	\$44,314	\$42,392	\$40,345	\$35,794	\$31,496	\$30,987	\$30,895	\$29,213
Annual contribution deficiency (excess)	(\$15,729)	(\$12,002)	(\$15,197)	(\$10,406)	(\$5,216)	(\$2,811)	(\$4,240)	(\$4,626)	(\$6,263)	(\$9,238)
Covered-employee payroll	\$614,895	\$603,735	\$591,799	\$566,127	\$538,790	\$478,020	\$420,619	\$413,827	\$412,596	\$390,129
Actual contributions as a percentage of covered-employee payroll	7.49%	7.49%	7.49%	7.49%	7.49%	7.49%	7.49%	7.49%	7.49%	7.49%

\*Provided by Nebraska Public Employees Retirement System

## Notes to Required Supplementary Information for Pension Plans

For the Year Ended June 30, 2018

### School

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

- 2017: The 2017 Legislature passed LB 415, which affects the benefit provisions only for members hired on or after July 1, 2017 (with additional changes for those hired on or after July 1, 2018). For members hired on or after July 1, 2017, the Public Employees Retirement Board (PERB) has the authority to set the actuarial assumptions used to determine the benefit amounts payable under optional forms of payment. In addition, LB 415 changed to the minimum age required to qualify for retirement under the Rule of 85 from 55 to 60 for members who are hired on or after July 1, 2018.
- 2014: As scheduled, the State contribution rate increased from 1% of covered payroll to 2%.
- 2013: Legislative Bill 553, which was passed by the 2013 Legislature, increased the State's payroll related contribution from 1% to 2% of pay, effective July 1, 2014. LB 553 also made some changes to the benefit structure for members hired on or after July 1, 2013 (Tier 2), including changing the period over which to determine final average salary to the highest 60 months rather than the current highest 36 months of service and changing the maximum cost of living adjustment from 2.5% to 1%. LB 553 also removed the scheduled reduction in the employee contribution rate in 2017. In addition, it required the use of the Entry Age Normal, level percent of payroll, method to determine the costs for the Omaha State Service Annuity and changed the amortization of the unfunded actuarial accrued liability to be based on payments determined as a level percent of payroll instead of a level dollar amount.
- 2011: Under Legislative Bill 382 passed during the 2011 Legislative session, the member contribution rate increased from 8.28% to 8.88% on September 1, 2011. Effective September 1, 2012, the member contribution rate was scheduled to increase to 9.78% and then decrease to 7.28% effective September 1, 2017. The employer contribution rate match remained unchanged at 101% of the member contribution rate. The current State of Nebraska contribution rate of 1% remained in effect until July 1, 2017, at which time it was scheduled to decrease to 0.7%.

2009: Under Legislative Bill 187, from September 1, 2009 to September 1, 2014, the member contribution rate was scheduled to increase from 7.28% to 8.28% and the State match to increase from 0.7% to 1.0% of covered pay. On September 1, 2014, the member contribution rate was scheduled to return to 7.28% and the State match to 0.7%.

**Changes in actuarial assumptions:**

7/1/2017 valuation:

- Price inflation decreased from 3.25% to 2.75%.
- Long term investment return decreased from 8.00% to 7.50%.
- Covered payroll growth assumption decreased from 4.00% to 3.50%.
- Salary increase assumption decreased by 0.50% at each age.
- Interest on employee contribution balances decreased from 4.25% to 3.00%.
- Cost of living adjustment assumption decreased from 2.50% to 2.25% for members hired before January 1, 2013.
- Mortality assumptions changed to reflect recent mortality experience and future projected improvements.
- Retirement rates changed to better fit the observed experience.
- Termination rates changed to better fit the observed experience.
- Disability rates changed to better fit the observed experience.

7/1/2012 valuation:

- The interest rate on employee contributions was lowered to 4.25% from 5.50%.
- Salary increases were changed to rates grading down from 9.00% for less than one year of service to 4.00% at 40 years of service. Prior valuation rates graded from 7.46% for less than one year to 4.55% at 40 years of service.
- Retirement rates are based on age and retirement eligibility. 100% retirement age was extended to age 80 from age 70. Unreduced rates were decreased at age 63.
- Pre- and post-retirement healthy mortality assumptions were changed from the 1994 Group Annuity Mortality (GAM) table projected to 2010 (for pre-retirement male rates were 65% of rates and female rates were 50% of rates) to the 1994 GAM table, with a 1 year age setback, projected to 2015 (pre-retirement rates are adjusted by 55% for males and 40% for females).
- Disabled mortality was changed to the 1983 Railroad Retirement Board Disabled Annuitants Mortality setback one year from the 1983 Railroad Retirement Board Disabled Annuitants Mortality. The prior assumption was based on the same table with no setback.
- Termination rates are service based and were decreased from the prior valuation based on actual experience.
- Disability rates were decreased by 50% from the prior valuation.
- Price inflation assumption was lowered to 3.25% from 3.50%.
- Economic productivity assumption was lowered to 0.75% from 1.00%.

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

The System is funded with contribution rates that are 9.78% of monthly salary for members, contribution rates that are 101% of the members’ rates (9.88% of monthly salary) for the school districts and 2.00% of monthly salary for the State of Nebraska. The actuarially determined contributions in the *Schedule of Employer Contributions* are calculated as of the beginning of the fiscal year in which contributions are reported.

The following actuarial methods and assumptions were used to determine the Actuarially Determined Contribution reported in the most recent Measurement Date, June 30, 2018 (based on the July 1, 2017 actuarial valuation):

Actuarial cost method	Entry Age Normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	Range from 19 to 30 years (Single Equivalent Amortization Period is 19 years)
Asset valuation method	5-year smoothed market
Price Inflation	2.75 percent
Wage Inflation	3.50 percent

Salary increase, including inflation	3.50 to 8.50 percent
Long-term investment rate of return, net of investment expense, and including inflation	7.50 percent
Cost-of-living adjustments	Service annuity – none Formula annuity – For members hired before January 1, 2013, it is 2.25% per annum, compounded annually. For members hired on or after January 1, 2013, it is 1.00% per annum, compounded annually.

### Service Annuity

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

None

### Changes in actuarial assumptions:

9/1/2017 valuation:

- Price inflation decreased from 3.25% to 2.75%.
- Long-term investment return decreased from 8.00% to 7.50%.
- Covered payroll growth assumption decreased from 4.00% to 3.50%.
- Salary increase assumption decreased by 0.50% at each age.
- Mortality assumptions changed to reflect recent mortality experience and future projected improvements.
- Retirement rates changed to better fit the observed experience.
- Termination rates changed to better fit the observed experience.
- Disability rates changed to better fit the observed experience.

9/1/2012 valuation:

- Salary increases were changed to rates grading down from 9.00% for less than one year of service to 4.00% at 40 years of service. Prior valuation rates graded from 7.46% for less than one year to 4.55% at 40 years of service.
- Retirement rates are based on age and retirement eligibility. 100% retirement age was extended to age 80 from age 70. Unreduced rates were decreased at age 63.
- Pre-retirement healthy mortality assumptions were changed from the 1994 Group Annuity Mortality (GAM) table projected to 2010 (for pre-retirement male rates were 65% of rates and female rates were 50% of rates) to the 1994 GAM table, with a 1 year age setback, projected to 2015 (pre-retirement rates are adjusted by 55% for males and 40% for females).
- Termination rates are service based and were decreased from the prior valuation based on actual experience.
- Disability rates were decreased by 50% from the prior valuation.
- Price inflation assumption was lowered to 3.25% from 3.50%.
- Economic productivity assumption was lowered to 0.75% from 1.00%.

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

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

The following actuarial methods and assumptions were used to determine the Actuarially Determined Contribution reported for the most recent Measurement Date, June 30, 2018 (based on the July 1, 2017 actuarial valuation).

Actuarial cost method	Entry age Normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	Range from 19 to 30 years (Single Equivalent

See independent auditor's report

	Amortization Period is 19 years)
Asset valuation method	5-year smoothed market
Price inflation	2.75 percent
Wage Inflation	3.50 percent
Salary increases, including wage inflation	3.50 to 8.50 percent
Long-term rate of return, net of investment expense, and including inflation	7.50 percent

### **Omaha School Employees**

**Changes of benefit and funding terms:** The following changes to the plan provisions were made by the Nebraska Legislature and reflected in the valuation performed as of September 1 (January 1 starting in 2017) listed below:

2018: The 2017 session of the Nebraska Legislature enacted Legislative Bill 415 (LB 415), which changed the retirement provisions for members hired on or after July 1, 2018 to match the School Employees Retirement System of the State of Nebraska. Retirement eligibility for members hired on or after July 1, 2018 is set at age 60 with 85 points (age plus service) or age 60 with five years of service. Benefits are unreduced at age 60 with 85 points. Early retirement eligibility is age 60 with five years of service. No medical COLA is provided for members hired on or after July 1, 2018.

The 2018 Session of the Nebraska Legislature enacted Legislative Bill 1005 (LB 1005), which states that the School District must contribute an amount equal to or greater than the actuarially required contribution rate provided in the most recent valuation report.

2017: The 2016 session of the Nebraska Legislature enacted Legislative Bill 447 (LB 447), which changed the retirement provisions for members hired on or after July 1, 2016 to match the School Employees Retirement System of the State of Nebraska. Retirement eligibility for members hired on or after July 1, 2016 is set at 35 years of service, age 55 with 85 points (age plus service) or age 60 with five years of service. Benefits are unreduced with 35 years of service or at age 55 with 85 points. Early retirement eligibility is age 60 with five years of service. No medical COLA is provided for members hired on or after July 1, 2016.

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

2011: The member contribution rate was increased by the 2011 Legislature from 8.30% to 9.30%, effective September 1, 2011. Since the employer contributes 101% of the member contribution rate, the 1.00% increase in the member contribution rate resulted in an increase of 1.01% in the District's contribution rate.

2009: Legislation passed in 2009 increased the employee contribution rate from 7.30% to 8.30% of pay. The School District contributes 101% of the employee rate so the District's contribution increased from 7.373% to 8.383% of pay. The legislation that enacted these changes also provided for a temporary increase in the State's contribution rate from 0.70% to 1.00% of pay for July 2009 to July 2014.

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

*See independent auditor's report*

1/1/2017 valuation:

- The investment return assumption was lowered from 8.00% to 7.50%.
- The inflation assumption was lowered from 3.00% to 2.75%.
- The assumed interest rate credited on employee contributions was lowered from 3.00% to 2.75%.
- The general wage increase assumption was lowered from 4.00% to 3.25%.
- The mortality assumption was changed to the RP-2014 Mortality Table, with a one-year age set forward for males and a one-year age setback for females. Generational mortality improvements are modeled using the MP-2016 scale.
- Retirement rates were modified for both Certificated and Classified employees.
- The probability of electing a refund at termination was modified for Classified employees.
- Termination rates for Certificated employees were changed to be the same regardless of gender, and are purely service-based for both Certificated and Classified employees.
- The salary increase assumption was changed to a service-based assumption for both Certificated and Classified employees.
- The amortization of the UAAL was changed to a “layered” approach with new pieces of UAAL amortized over a 25-year period beginning on the valuation date. The legacy UAAL continues to be amortized on its current schedule.
- The valuation date changed from September 1 to January 1.

9/1/2013 valuation:

- The one-year age set forward in mortality rates for active male employees was eliminated.
- Classified members’ retirement rates were adjusted.
- Vested Certificated members’ assumption to elect a refund of contributions was adjusted at certain ages.
- The assumed interest rate credited on member contribution accounts was lowered from 7.00% to 3.00%.

9/1/2010 valuation:

- The inflation assumption was changed from 3.50% to 3.00%.
- The real rate of return increased from 4.50% to 5.00%.
- The productivity portion of the general wage increase assumption increased from 0.50% to 1.00%.

9/1/2008 valuation:

- Mortality table was changed to the RP-2000 table with age adjustments (+1 male, -1 female) and generational projections of mortality improvements.
- Retirement rates were adjusted to better fit the observed experience.
- The use of a disability assumption was eliminated.
- Termination rates were modified to better fit the observed experience.
- Small adjustments based on actual experience were made to the election of a refund assumption.

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

The System is funded by statutory contribution rates for members, the School District and the State of Nebraska. If the statutory contribution rate is less than the Actuarially Determined Contribution, the School District will contribute the difference. The Actuarially Determined Contributions in the *Schedule of Employer Contributions* are calculated as of the beginning of the fiscal year in which contributions are reported.

The following actuarial methods and assumptions were used to determine the Actuarially Determined Contribution reported for the most recent Measurement Date, August 31, 2017 (based on the January 1, 2017 actuarial valuation).

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	Layered bases with remaining periods ranging from 25 to 27 years
Asset valuation method	Market related smoothed market
Price inflation	2.75 percent
Salary increases, including wage	3.75 to 6.25 percent

See independent auditor's report



inflation

Long-term rate of return, net of investment expense, and including inflation

7.50 percent

Cost-of-living adjustments

1.50 percent if hired before July 1, 2013  
1.00 percent if hired on or after July 1, 2013  
Medical COLA of \$10/month for each year retired (max \$250/month), if hired before July 1, 2016

## State Patrol

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

- 2017: The 2017 Legislature passed LB 415, which grants the PERB the authority to set the actuarial assumptions used to determine the benefit amounts payable under optional forms of payment for members hired on or after July 1, 2017. Since these changes do not affect any members in the current valuation, the adopted changes have no impact on the valuation results.
- 2016: Legislative Bill 467 (LB 467) created a new tier of State Patrol members that are employed on or after July 1, 2016. This new tier includes changes to benefits and contributions as follows:
- Member and employer contributions are increased from 16% of pay to 17% of pay.
  - Compensation no longer includes compensation for unused sick leave, unused vacation leave, unused holiday compensatory time, unused compensatory time, or any other type of unused leave, compensatory time, or similar benefits, converted to cash payments.
  - Final average salary moves from the highest three 12-month periods to the highest five 12-month periods. During the five year period, the member's compensation for the preceding plan year is capped at an eight percent increase.
  - The automatic COLA is capped at 1.0% instead of 2.5%. However, a 1.5% discretionary COLA may be granted in addition to the automatic COLA if certain criteria are met.
  - The DROP program is eliminated.
- 2013: Legislative Bill 553 (LB 553) changed the amortization of the unfunded actuarial accrued liability from a level dollar payment to a level percent of payroll payment. As scheduled in state statute, the employee and employer contribution rate each decreased from 19% of pay to 16%.
- 2011: Under LB 382 passed during the 2011 Legislative session, both the member and employer contribution rates were increased from 16% to 19% on July 1, 2011. Effective July 1, 2013, both the member and employer contribution rates were scheduled to decrease to 16%.
- 2010: As scheduled, the member and employer contribution rates increased to 16% each.
- 2009: Under Legislative Bill 188, the member contribution rate increased from 13% to 15% on July 1, 2009. The employer contribution rate remained unchanged at 15%. Effective July 1, 2010, both the member and employer contribution rates increased to 16%.

## Changes in actuarial assumptions:

7/1/2017 valuation:

- Price inflation decreased from 3.25% to 2.75%.
- Long-term investment return decreased from 8.00% to 7.50%.
- Covered payroll growth assumption decreased from 4.00% to 3.50%.
- Salary increase assumption decreased by 0.50% at each age.
- Interest on employee contribution balances decreased from 4.25% to 3.00%.
- Cost of living adjustment assumption decreased from 2.50% to 2.25% for members hired before July 1, 2016.
- Mortality assumptions changed to reflect recent mortality experience and future projected improvements.
- Termination rates changed to better fit the observed experience.

*See independent auditor's report*

7/1/2012 valuation:

- The interest rate on employee contributions was lowered to 4.25% from 5.50%.
- Salary increases were changed to rates grading down from 9.50% for less than one year of service to 4.00% at 30 years of service. Prior valuation rates graded from 9.00% for less than one year to 4.50% at 25 years of service.
- Retirement rates were increased for early retirement (reduced benefits available at 50 years of age and 10 years of service) and decreased for normal retirement (unreduced benefits available at 55 years of age and 10 years of service).
- Pre- and post-retirement healthy mortality assumptions were changed from the 1994 Group Annuity Mortality (GAM) table projected to 2010 (for pre-retirement males rates were 65% of rates and female rates were 50% of rates) to the 1994 GAM table, with a 1 year setback, projected to 2015.
- The assumption to value deferred vested members was changed to assume they elect the greater of the present value of an annuity at earliest unreduced retirement eligibility or a refund of contributions.
- Consumer price inflation was lowered from 3.50% to 3.25%.
- Economic productivity was lowered from 1.00% to 0.75%.

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

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

The following actuarial methods and assumptions were used to determine the Actuarially Determined Contribution reported for the most recent Measurement Date, June 30, 2018 (based on the July 1, 2017 actuarial valuation).

Actuarial cost method	Entry Age
Amortized method	Level percentage of payroll, closed
Remaining amortization period	Range from 19 to 30 years (Single Equivalent Amortization Period is 20 years)
Asset valuation method	5-year smoothed market
Price inflation	2.75 percent
Wage Inflation	3.50 percent
Salary increases, including wage inflation	3.50 to 9.00 percent
Long-term rate of return, net of investment expense, and including price inflation	7.50 percent
Cost-of-living adjustment	For members hired before July 1, 2016, it is 2.25% per annum, compounded annually. For members hired on or after July 1, 2016, it is 1.00% per annum, compounded annually.

### **Judges**

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

- 2017: LB 415, which was passed by the 2017 Nebraska Legislature, made changes to the benefit structure for judges who become members on or after July 1, 2017 by granting the Public Employees Retirement Board (PERB) the authority to set the actuarial assumptions used to determine the benefit amounts payable under optional forms of payment.

- 2015: LB 468, which was passed by the 2015 Nebraska Legislature, made changes to the benefit structure for judges who become members on or after July 1, 2015 including the calculation of final average salary based on the highest 5 years rather than the highest 3 years of salary and a cost-of-living-adjustment (COLA) of 1% rather than 2.5%. The bill also provided for a supplemental COLA, to be granted at the Board's discretion, up to an additional 1.5% if the System is more than 100% funded. In addition, the member contribution rate for those hired on or after July 1, 2015 was increased to 10% of pay. LB 468 also increased the amount of court fees directed to fund the Judges Retirement System with the increases phased-in over two years. Ultimately, in fiscal year 2018 the additional funding is estimated to be \$1.3 million. Due to the valuation date of July 1, 2015, the change to the benefit structure had no impact on the valuation results.
- 2013: Legislative Bill 553 (LB 553) changed the amortization of the unfunded actuarial accrued liability from a level dollar payment to a level percent of payroll payment. The court fee designated for the Judges Retirement System was scheduled to decrease from six to five dollars on July 1, 2014. Legislative Bill 306 (LB 306) removed the language to decrease the court fees so the court fee in future years remains at six dollars. The passage of Legislative Bill 414 (LB 414) in 2009 increased the member contribution rate by 1 percent, but this increase was scheduled to be removed July 1, 2014. Legislative Bill 306 (LB 306) removed the sunset provision on the increase in the member contribution rate, thereby retaining the higher contribution rates.
- 2009: LB 414 passed during the 2009 Legislative session amended the plan provisions to increase all member contribution rates by 1% and increase the court fees from \$5 to \$6 per case.

**Changes in actuarial assumptions:**

7/1/2017 valuation:

- Price inflation decreased from 3.25% to 2.75%.
- Long-term investment return decreased from 8.00% to 7.50%.
- General wage growth decreased from 4.00% to 3.50%.
- Salary increase assumption decreased by 0.50% at each age.
- Interest on employee contribution balances decreased from 4.25% to 3.00%.
- Cost of living adjustment assumption decreased to 2.25% for Tier 1 members.
- Mortality assumptions changed to reflect recent mortality experience and future projected improvements.
- Retirement rates changed to better fit the observed experience.

7/1/2012 valuation:

- The interest rate on employee contributions was lowered to 4.25% from 5.50%.
- Salary increases were lowered to 4.00% from 4.50%.
- Retirement rates were decreased for ages under 65 and age 66.
- Pre- and post-retirement healthy mortality assumptions were changed from the 1994 Group Annuity Mortality (GAM) table projected to 2010 (for pre-retirement male rates were 65% of rates and female rates were 50% of rates) to the 1994 GAM table, with a 1 year setback, projected to 2015.
- Deferred vested members were changed to assume they elected the greater of the present value of an annuity at age 63 or a refund of contributions.
- Consumer price inflation was lowered to 3.25% from 3.50%.
- Economic productivity was lowered to 0.75% from 1.00%.

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

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

The following actuarial methods and assumptions were used to determine the Actuarially Determined Contribution reported for the most recent fiscal year, June 30, 2018 (based on the July 1, 2017 actuarial valuation).

Actuarial cost method	Entry Age
Amortization method	Level percentage of payroll, closed

See independent auditor's report

Remaining amortization period	Range from 24 to 30 years (Single Equivalent Amortization Period is 23 years)
Asset valuation method	5-year smoothed market
Price Inflation	2.75 percent
Wage Inflation	3.50 percent
Salary increases, including inflation	3.50 percent
Long-term rate of return, net of investment expense, and including inflation	7.50 percent
Cost-of-living adjustments	For members hired before July 1, 2015, it is 2.25% per annum, compounded annually. For members hired on or after July 1, 2015, it is 1.00% per annum, compounded annually.

### State Employees

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

- 2018: The Board granted a dividend of 3.07% in 2017 that was first reflected in the January 1, 2018 valuation.
- 2016: The Board granted a dividend of 4.53% in 2015 that was first reflected in the January 1, 2016 valuation.
- 2013: The 2012 Nebraska Legislature passed LB 916, as amended by AM1739, which created an election period beginning September 1, 2012 and ending October 31, 2012 during which members in the State Defined Contribution Plan could elect to transfer their account balances to the State Employees' Retirement System Cash Balance Benefit Fund.
- 2009: The Board granted a dividend of 5.18% in 2008 that was first reflected in the January 1, 2009 valuation.
- 2008: Under Legislative Bill 328, enacted by the 2007 Legislature, members of the State Defined Contribution Plan could elect to transfer their account balance and participate in the State Employees' Retirement System Cash Balance Benefit Fund. The election period was from November 1, 2007 to December 31, 2007.

The Board granted a dividend of 2.73% in 2007 that was first reflected in the January 1, 2008 valuation.

### Changes in actuarial assumptions:

1/1/2018 valuation:

- Investment return assumption was lowered from 7.75% to 7.50%.
- Price inflation assumption was lowered from 3.25% to 2.75%.
- General wage growth was lowered from 4.00% to 3.50%.
- Covered payroll growth assumption decreased from 4.00% to 3.50%.
- Individual salary increase assumption was lowered by 0.50% in order to remain consistent with the general wage growth assumption.
- Assumed cash balance interest crediting rate was lowered from 6.75% to 6.25%.
- Mortality assumption was changed to the RP-2014 White Collar Mortality Table, with adjustments made to better reflect observed experience. Generational mortality improvements are modeled using a System-specific projection scale.
- Retirement rates were adjusted to better reflect observed experience.
- Termination rates were changed to a service-based assumption.

1/1/2013 valuation:

- The interest crediting rate on cash balance accounts was lowered from 7.00% to 6.75% per year.

- Salary increases were changed to rates grading down from 5.43% for less than one year of service to 4.00% at 20 years of service. Prior rates graded from 5.9% for less than one year of service to 4.5% at 20 years of service.
- Retirement rates increased at age 65 to 69 and 100% probability of retirement was extended to age 80 from age 70.
- Pre- and post-retirement healthy mortality assumptions were changed from the 1994 Group Annuity Mortality (GAM) table projected to 2010 (pre-retirement male rates were 65% of rates and female rates were 50% of rates) to the 1994 GAM table, with 1-year setback, projected to 2015 (pre- retirement rates are adjusted by 55% for males and 40% for females).
- The select and ultimate termination rates were increased.
- Disability rates were removed.
- Price inflation was lowered from 3.50% to 3.25% per year.
- Economic productivity was lowered from 1.00% to 0.75% per year.
- The assumption for the form of payment elected by retiring active members was changed from 100% elect an annuity to 50% elect a lump sum and 50% elect an annuity.

1/1/2008 valuation:

- Investment return and the interest rate for annuity factors to convert account balances into monthly benefits was changed from 7.60% to 7.75%.
- Salary scale was changed from an age-based assumption to a service-based assumption, grading down from 5.9% with less than one year of service to 4.5% with 20 years of service.
- Retirement rates were decreased at ages 60 through 63 and 65 through 69.
- The select period for termination of employment rates was extended to five years with a general decrease in select and ultimate rates prior to age 30 and increases after age 30.
- Pre- and post-retirement mortality assumptions were changed from the 1994 Group Annuity Mortality (GAM) table with a one-year setback to the 1994 GAM table, projected to 2010.

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

The Plan is funded with fixed contribution rates for both members and the State of Nebraska. If such contributions are less than the Actuarially Determined Contribution, the State makes an additional contribution. The Actuarially Determined Contributions in the *Schedule of Employer Contributions* are calculated as of the January 1 preceding the first day of the fiscal year in which contributions are reported (January 1, 2017 actuarial valuation applies for contributions reported for July 1, 2017 to June 30, 2018).

The following actuarial methods and assumptions were used to determine the Actuarially Determined Contribution reported for the most recent fiscal year, June 30, 2018 (based on the January 1, 2017 actuarial valuation).

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

**REQUIRED SUPPLEMENTARY INFORMATION****INFORMATION ABOUT OTHER POSTEMPLOYMENT BENEFIT PLANS**

For the Year Ended June 30, 2018

(Dollars in Thousands)

<b>STATE OF NEBRASKA RETIRE HEALTH INSURANCE PROGRAM</b>	
<b>SCHEDULE OF CHANGES IN THE EMPLOYER'S NET</b>	
<b>OPEB LIABILITY</b>	
	2018
Reporting Date	June 30, 2018
Measurement Date	June 30, 2017
Total OPEB Liability	
Service cost	\$1,042
Interest	438
Changes of assumptions	(695)
Estimated benefit payments, including refunds of member contributions	(1,218)
Net change in Total OPEB Liability	(\$433)
Total OPEB Liability - beginning	\$14,919
Total OPEB Liability – ending (a)	\$14,486
Plan Fiduciary Net Position	
Estimated contributions	\$1,218
Estimated benefit payments, including refunds of member contributions	(1,218)
Net change in Plan Fiduciary Net Position	0
Plan Fiduciary Net Position – beginning	0
Plan Fiduciary Net Position – ending (b)	0
Net OPEB Liability – ending (a) – (b)	14,486
Covered employee payroll	N/A
Plan Net OPEB Liability as a percentage of covered employee payroll	N/A

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

# NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR OTHER POSTEMPLOYMENT BENEFIT PLANS

For the Year Ended June 30, 2018

The Plan is not pre-funded and therefore there are no assets accumulated in a trust compliant with Governmental Accounting Standards Board, Statement 75.

The following information is provided for the actuarial valuation of liabilities based on data as of June 30, 2016, then adjusted to the measurement date of June 30, 2017:

**Changes of benefit and funding terms:** No changes to benefits were valued.

**Changes in actuarial assumptions:** A change in the discount rate from 2.85% as of June 30, 2016 to 3.58% as of June 30, 2017 was valued. No other assumption changes were valued.

**Methods and assumptions used in calculations of actuarially determined liabilities:** The Plan is funded by premiums charged to retirees and their dependents. Following are actuarial methods and assumptions used to determine the employer's liability for the measurement date of June 30, 2017:

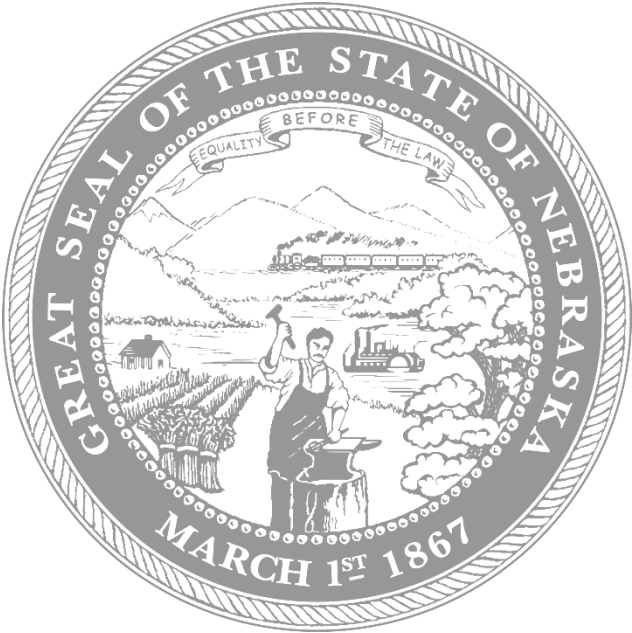
Data:	Detailed census data, premium data and/or claim experience, and summary plan description as provided by the employer.
Actuarial cost method	Entry age normal
Asset valuation method	Market value
Measurement date	June 30, 2017
Actuarial valuation date	June 30, 2016. Values as of June 30, 2017 were based on a valuation date of June 30, 2016 and were projected to June 30, 2017.
Discount rate	The discount rate was 2.85% as of June 30, 2016, and 3.58% as of June 30, 2017. The discount rate is reset each year based on the rates of return on high quality 20-year tax exempt general obligation municipal bonds.
Inflation	2.25%
Salary increases	Service-based table decreasing from 5.43% for less than one year of service to 4.00% for twenty or more years of service.
Mortality rates:	
Pre-retirement healthy	Male: 1994 GAM setback 1 year, projected to 2016 using Scale AA, and multiplied by 55%. Female: 1994 GAM setback 1 year, projected to 2016 using Scale AA, and multiplied by 40%.
Post-retirement healthy	Male: 1994 GAM setback 1 year, projected to 2016 using Scale AA. Female: 1994 GAM setback 1 year, projected to 2016 using Scale AA.
Termination rates before retirement	Service-based table, beginning at age 25, decreasing from 17.00% for less than one year of service to 12.00% between four and five years of service. Beginning at age 25 with more than five years of service, rates decrease from 13.30% to 4.00% at age 55. The termination rates were based on historical and current demographic data, adjusted to reflect economic conditions of the area and estimated future experience and professional judgment.
Actives' retirement rates	Graduated rates by retirement age after five years of service: age 55-60, 5%; age 61, 8%; age 62, 15%; age 63, 10%; age 64, 15%; age 65, 100%.
Dependents	Demographic data was available for spouses of current retirees. For future retirees, husbands were assumed to be three years older than their wives. Of those future retirees who elect to continue their health coverage at retirement, 70% were assumed to have an eligible spouse.
Participation and coverage election	15% of employees eligible to retire and receive postretirement benefits were assumed to elect medical and prescription drug coverage. 25% of their eligible spouses were assumed to also elect benefits.
Persistency	100% are assumed to remain covered until age 65.
Healthcare cost trend rates:	
Medical	6.25% decreasing by 0.25% for 7 years to an ultimate of 4.50%
Prescription drug	9.50% decreasing by 0.50% for 9 years to an ultimate of 5.00%
Administrative costs	3.00%

See independent auditor's report

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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 Transportation for the support and maintenance of public airports.

**Game and Parks.** This fund accounts for the activities related to the Nebraska Game and Parks Commission, which is responsible for the development and preservation of the fish and wildlife resources of Nebraska, and operation and administration of the State park system.

**Environmental Quality.** This fund accounts for the activities related to the Department of Environmental Quality, which is responsible for the protection of Nebraska's air, land, and water resources.

**Energy Conservation.** This fund accounts for activities relating to the oil and gas severance taxes as well as energy conservation and development activities. The State Energy Office is responsible for providing technical assistance on energy conservation and development, and administering and distributing federal funds provided to the State in the area of energy efficiency.

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

## CAPITAL PROJECTS FUND

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

## PERMANENT FUNDS

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

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

**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 State for the benefit of 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 State for the benefit of the University's Agriculture College by the Federal Government. This fund is under the control of the Board of Educational Lands and Funds, which is a part of the primary government. Income from this fund is used for support and maintenance of the College of Agriculture and Natural Resources.

**Other Permanent Funds.** Normal School Endowment and Miscellaneous Permanent Trust.

State of Nebraska  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
June 30, 2018

(Dollars in Thousands)

	SPECIAL REVENUE	CAPITAL PROJECTS	PERMANENT FUNDS	TOTALS
<b>Assets</b>				
Cash and Cash Equivalents	\$ 50,553	\$ 8,673	\$ 1,111	\$ 60,337
Cash on Deposit with Fiscal Agents	1,222	-	-	1,222
Investments	654,558	141,262	65,786	861,606
Securities Lending Collateral	40,256	9,096	637	49,989
Receivables, net of allowance:				
Taxes	957	-	-	957
Due from Federal Government	1,749	-	-	1,749
Loans	349,541	-	-	349,541
Other	17,397	899	5,664	23,960
Due from Other Funds	4,060	-	-	4,060
Inventories	1,906	-	-	1,906
Prepaid Items	154	-	-	154
Other	3,416	-	-	3,416
Total Assets	<u>\$ 1,125,769</u>	<u>\$ 159,930</u>	<u>\$ 73,198</u>	<u>\$ 1,358,897</u>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts Payable and Accrued Liabilities	\$ 36,113	\$ 13,711	\$ 8,810	\$ 58,634
Tax Refunds Payable	1	-	-	1
Deposits	2,834	-	-	2,834
Due to Other Funds	10,038	15	-	10,053
Obligations under Securities Lending	40,256	9,096	637	49,989
Total Liabilities	<u>89,242</u>	<u>22,822</u>	<u>9,447</u>	<u>121,511</u>
Fund Balances:				
Nonspendable:				
Inventories and Prepaid Items	2,060	-	-	2,060
Endowment Principal	-	-	19,515	19,515
Restricted for:				
Education	25,498	-	3,751	29,249
Health and Social Services	2,087	-	40,236	42,323
Conservation of Natural Resources	671,629	-	-	671,629
Transportation	8,354	-	151	8,505
Licensing and Regulation	109,090	-	-	109,090
Economic Development	60,019	-	-	60,019
Public Safety	27,600	-	-	27,600
Culture – Recreation	52,776	-	-	52,776
Other Purposes	40,656	2,168	98	42,922
Committed to:				
Other Purposes	-	134,940	-	134,940
Assigned to:				
Education	180	-	-	180
Health and Social Services	817	-	-	817
Conservation of Natural Resources	1	-	-	1
Licensing and Regulation	30,700	-	-	30,700
Economic Development	122	-	-	122
Public Safety	2,062	-	-	2,062
Culture – Recreation	100	-	-	100
Other Purposes	2,776	-	-	2,776
Total Fund Balances	<u>1,036,527</u>	<u>137,108</u>	<u>63,751</u>	<u>1,237,386</u>
Total Liabilities and Fund Balances	<u>\$ 1,125,769</u>	<u>\$ 159,930</u>	<u>\$ 73,198</u>	<u>\$ 1,358,897</u>

State of Nebraska

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

For the Year Ended June 30, 2018

(Dollars in Thousands)

	SPECIAL REVENUE	CAPITAL PROJECTS	PERMANENT FUNDS	TOTALS
<b>REVENUES</b>				
Sales and Use Taxes	\$ 21,831	\$ -	\$ -	\$ 21,831
Petroleum Taxes	14,187	-	-	14,187
Excise Taxes	45,026	9,163	-	54,189
Business and Franchise Taxes	28,111	-	-	28,111
Other Taxes	(936)	-	-	(936)
Federal Grants and Contracts	7,471	-	-	7,471
Licenses, Fees and Permits	159,142	-	-	159,142
Charges for Services	63,845	-	-	63,845
Investment Income	(3,306)	(986)	2,844	(1,448)
Rental Income	17,135	8,547	-	25,682
Surcharge	34,645	-	-	34,645
Other	31,942	3,345	75	35,362
Total Revenues	<u>419,093</u>	<u>20,069</u>	<u>2,919</u>	<u>442,081</u>
<b>EXPENDITURES</b>				
Current:				
General Government	73,777	-	1	73,778
Conservation of Natural Resources	71,137	-	-	71,137
Culture – Recreation	41,274	-	-	41,274
Economic Development and Assistance	41,219	-	-	41,219
Education	19,405	-	145	19,550
Higher Education - Colleges and University	-	18,922	-	18,922
Health and Social Services	18,086	-	1,603	19,689
Public Safety	49,171	-	-	49,171
Regulation of Business and Professions	102,725	-	-	102,725
Transportation	3,087	-	2	3,089
Capital Projects	-	46,340	-	46,340
Debt Service:				
Principal	2,560	-	-	2,560
Interest	6	-	-	6
Total Expenditures	<u>422,447</u>	<u>65,262</u>	<u>1,751</u>	<u>489,460</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(3,354)</u>	<u>(45,193)</u>	<u>1,168</u>	<u>(47,379)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	86,712	115,931	-	202,643
Transfers Out	(84,250)	(4,949)	(168)	(89,367)
Proceeds from Other Financing Arrangements	5,119	-	-	5,119
Total Other Financing Sources (Uses)	<u>7,581</u>	<u>110,982</u>	<u>(168)</u>	<u>118,395</u>
Net Change in Fund Balances	4,227	65,789	1,000	71,016
<b>FUND BALANCES, JULY 1 (as restated)</b>	<u>1,032,300</u>	<u>71,319</u>	<u>62,751</u>	<u>1,166,370</u>
<b>FUND BALANCES, JUNE 30</b>	<u>\$ 1,036,527</u>	<u>\$ 137,108</u>	<u>\$ 63,751</u>	<u>\$ 1,237,386</u>

State of Nebraska  
**COMBINING BALANCE SHEET**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
June 30, 2018

(Dollars in Thousands)

	LICENSING AND REGULATION	ECONOMIC DEVELOPMENT	AIRPORT DEVELOPMENT
<b>Assets</b>			
Cash and Cash Equivalents	\$ 9,364	\$ 3,341	\$ 7,313
Cash on Deposit with Fiscal Agents	-	-	-
Investments	132,801	53,770	-
Securities Lending Collateral	8,302	3,361	-
Receivables, net of allowance:			
Taxes	789	-	160
Due from Federal Government	-	-	-
Loans	-	1,365	1,715
Other	4,161	1,909	255
Due from Other Funds	36	-	30
Inventories	1	-	6
Prepaid Items	28	-	3
Other	-	3,416	-
Total Assets	<u>\$ 155,482</u>	<u>\$ 67,162</u>	<u>\$ 9,482</u>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts Payable and Accrued Liabilities	\$ 5,154	\$ 5,153	\$ 1,114
Tax Refunds Payable	1	-	-
Deposits	383	3,416	-
Due to Other Funds	2,803	27	5
Obligations under Securities Lending	8,302	3,361	-
Total Liabilities	<u>16,643</u>	<u>11,957</u>	<u>1,119</u>
Fund Balances:			
Nonspendable:			
Inventories and Prepaid Items	29	-	9
Restricted for:			
Education	-	-	-
Health and Social Services	-	-	-
Conservation of Natural Resources	-	-	-
Transportation	-	-	8,354
Licensing and Regulation	108,110	-	-
Economic Development	-	55,083	-
Public Safety	-	-	-
Culture – Recreation	-	-	-
Other Purposes	-	-	-
Assigned to:			
Education	-	-	-
Health and Social Services	-	-	-
Conservation of Natural Resources	-	-	-
Licensing and Regulation	30,700	-	-
Economic Development	-	122	-
Public Safety	-	-	-
Culture – Recreation	-	-	-
Other Purposes	-	-	-
Total Fund Balances	<u>138,839</u>	<u>55,205</u>	<u>8,363</u>
Total Liabilities and Fund Balances	<u>\$ 155,482</u>	<u>\$ 67,162</u>	<u>\$ 9,482</u>

GAME AND PARKS	ENVIRONMENTAL QUALITY	ENERGY CONSERVATION	OTHER SPECIAL REVENUE	TOTALS
\$ 7,172	\$ 10,305	\$ 794	\$ 12,264	\$ 50,553
-	5	-	1,217	1,222
116,724	171,559	13,197	166,507	654,558
7,201	10,725	825	9,842	40,256
-	8	-	-	957
1,653	-	-	96	1,749
-	323,918	22,436	107	349,541
2,856	1,315	103	6,798	17,397
88	-	-	3,906	4,060
505	-	-	1,394	1,906
38	-	-	85	154
-	-	-	-	3,416
<u>\$ 136,237</u>	<u>\$ 517,835</u>	<u>\$ 37,355</u>	<u>\$ 202,216</u>	<u>\$ 1,125,769</u>
\$ 12,873	\$ 168	\$ 1,092	\$ 10,559	\$ 36,113
-	-	-	-	1
-	-	-	(965)	2,834
269	-	5	6,929	10,038
7,201	10,725	825	9,842	40,256
<u>20,343</u>	<u>10,893</u>	<u>1,922</u>	<u>26,365</u>	<u>89,242</u>
543	-	-	1,479	2,060
-	-	-	25,498	25,498
-	-	-	2,087	2,087
73,539	506,941	35,433	55,716	671,629
-	-	-	-	8,354
-	-	-	980	109,090
-	-	-	4,936	60,019
-	-	-	27,600	27,600
41,812	-	-	10,964	52,776
-	-	-	40,656	40,656
-	-	-	180	180
-	-	-	817	817
-	1	-	-	1
-	-	-	-	30,700
-	-	-	-	122
-	-	-	2,062	2,062
-	-	-	100	100
-	-	-	2,776	2,776
<u>115,894</u>	<u>506,942</u>	<u>35,433</u>	<u>175,851</u>	<u>1,036,527</u>
<u>\$ 136,237</u>	<u>\$ 517,835</u>	<u>\$ 37,355</u>	<u>\$ 202,216</u>	<u>\$ 1,125,769</u>

State of Nebraska

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

For the Year Ended June 30, 2018

(Dollars in Thousands)

	LICENSING AND REGULATION	ECONOMIC DEVELOPMENT	AIRPORT DEVELOPMENT
<b>REVENUES</b>			
Sales and Use Taxes	\$ -	\$ 5,542	\$ -
Petroleum Taxes	11,679	576	1,608
Excise Taxes	11,364	25,415	-
Business and Franchise Taxes	5,005	113	-
Other Taxes	-	-	-
Federal Grants and Contracts	25	-	-
Licenses, Fees and Permits	75,559	476	19
Charges for Services	2,116	159	505
Investment Income	(1,550)	(182)	147
Rental Income	-	-	685
Surcharge	34,645	-	-
Other	9,259	50	9
Total Revenues	<u>148,102</u>	<u>32,149</u>	<u>2,973</u>
<b>EXPENDITURES</b>			
Current:			
General Government	-	-	-
Conservation of Natural Resources	-	-	-
Culture – Recreation	-	-	-
Economic Development and Assistance	-	40,578	-
Education	-	-	-
Health and Social Services	-	-	-
Public Safety	-	-	-
Regulation of Business and Professions	101,943	-	-
Transportation	-	-	3,087
Debt Service:			
Principal	-	-	-
Interest	-	-	-
Total Expenditures	<u>101,943</u>	<u>40,578</u>	<u>3,087</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>46,159</u>	<u>(8,429)</u>	<u>(114)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	2,542	3,522	168
Transfers Out	(58,017)	(2,794)	-
Proceeds from Other Financing Arrangements	-	-	-
Total Other Financing Sources (Uses)	<u>(55,475)</u>	<u>728</u>	<u>168</u>
Net Change in Fund Balances	(9,316)	(7,701)	54
<b>FUND BALANCES, JULY 1 (as restated)</b>	<u>148,155</u>	<u>62,906</u>	<u>8,309</u>
<b>FUND BALANCES, JUNE 30</b>	<u>\$ 138,839</u>	<u>\$ 55,205</u>	<u>\$ 8,363</u>

GAME AND PARKS	ENVIRONMENTAL QUALITY	ENERGY CONSERVATION	OTHER SPECIAL REVENUE	TOTALS
\$ 4,498	\$ -	\$ -	\$ 11,791	\$ 21,831
-	-	300	24	14,187
1,309	2,751	-	4,187	45,026
-	2,189	-	20,804	28,111
-	-	-	(936)	(936)
2,137	-	-	5,309	7,471
33,019	5,063	-	45,006	159,142
2,316	-	36	58,713	63,845
(408)	(833)	(87)	(393)	(3,306)
14,878	-	-	1,572	17,135
-	-	-	-	34,645
10,189	6,073	350	6,012	31,942
<u>67,938</u>	<u>15,243</u>	<u>599</u>	<u>152,089</u>	<u>419,093</u>
-	-	-	73,777	73,777
42,201	12,093	1,056	15,787	71,137
38,768	-	-	2,506	41,274
-	-	-	641	41,219
-	-	-	19,405	19,405
-	-	-	18,086	18,086
-	-	-	49,171	49,171
-	-	-	782	102,725
-	-	-	-	3,087
-	2,560	-	-	2,560
-	6	-	-	6
<u>80,969</u>	<u>14,659</u>	<u>1,056</u>	<u>180,155</u>	<u>422,447</u>
<u>(13,031)</u>	<u>584</u>	<u>(457)</u>	<u>(28,066)</u>	<u>(3,354)</u>
19,974	11,349	-	49,157	86,712
(4,584)	(1,750)	(300)	(16,805)	(84,250)
-	5,119	-	-	5,119
<u>15,390</u>	<u>14,718</u>	<u>(300)</u>	<u>32,352</u>	<u>7,581</u>
2,359	15,302	(757)	4,286	4,227
113,535	491,640	36,190	171,565	1,032,300
<u>\$ 115,894</u>	<u>\$ 506,942</u>	<u>\$ 35,433</u>	<u>\$ 175,851</u>	<u>\$ 1,036,527</u>

State of Nebraska

**COMBINING BALANCE SHEET  
NONMAJOR PERMANENT FUNDS**

June 30, 2018

(Dollars in Thousands)

	AERONAUTICS TRUST	NEBRASKA VETERANS' AID	PERMANENT ENDOWMENT	AGRICULTURE ENDOWMENT	OTHER	TOTALS
<b>Assets</b>						
Cash and Cash Equivalents	\$ -	\$ 493	\$ 409	\$ 120	\$ 89	\$ 1,111
Investments	6,309	54,644	1,398	3,077	358	65,786
Securities Lending Collateral	178	421	11	24	3	637
Other Receivables, net of allowance	37	5,167	135	291	34	5,664
Total Assets	<u>\$ 6,524</u>	<u>\$ 60,725</u>	<u>\$ 1,953</u>	<u>\$ 3,512</u>	<u>\$ 484</u>	<u>\$ 73,198</u>
<b>Liabilities and Fund Balances</b>						
Liabilities:						
Accounts Payable and Accrued Liabilities	\$ -	\$ 8,068	\$ 215	\$ 472	\$ 55	\$ 8,810
Obligations under Securities Lending	178	421	11	24	3	637
Total Liabilities	<u>178</u>	<u>8,489</u>	<u>226</u>	<u>496</u>	<u>58</u>	<u>9,447</u>
Fund Balances:						
Nonspendable:						
Endowment Principal	6,195	12,000	503	722	95	19,515
Restricted for:						
Education	-	-	1,224	2,294	233	3,751
Health and Social Services	-	40,236	-	-	-	40,236
Transportation	151	-	-	-	-	151
Other Purposes	-	-	-	-	98	98
Total Fund Balances	<u>6,346</u>	<u>52,236</u>	<u>1,727</u>	<u>3,016</u>	<u>426</u>	<u>63,751</u>
Total Liabilities and Fund Balances	<u>\$ 6,524</u>	<u>\$ 60,725</u>	<u>\$ 1,953</u>	<u>\$ 3,512</u>	<u>\$ 484</u>	<u>\$ 73,198</u>



State of Nebraska

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

For the Year Ended June 30, 2018

(Dollars in Thousands)

	AERONAUTICS TRUST	NEBRASKA VETERANS' AID	PERMANENT ENDOWMENT	AGRICULTURE ENDOWMENT	OTHER	TOTALS
<b>REVENUES</b>						
Investment Income	\$ (54)	\$ 2,653	\$ 76	\$ 151	\$ 18	\$ 2,844
Other	-	-	-	-	75	75
Total Revenues	<u>(54)</u>	<u>2,653</u>	<u>76</u>	<u>151</u>	<u>93</u>	<u>2,919</u>
<b>EXPENDITURES</b>						
General Government	-	-	-	-	1	1
Education	-	-	42	93	10	145
Health and Social Services	-	1,603	-	-	-	1,603
Transportation	2	-	-	-	-	2
Total Expenditures	<u>2</u>	<u>1,603</u>	<u>42</u>	<u>93</u>	<u>11</u>	<u>1,751</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(56)	1,050	34	58	82	1,168
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers Out	<u>(168)</u>	-	-	-	-	<u>(168)</u>
Net Change in Fund Balances	(224)	1,050	34	58	82	1,000
<b>FUND BALANCES, JULY 1</b>	<u>6,570</u>	<u>51,186</u>	<u>1,693</u>	<u>2,958</u>	<u>344</u>	<u>62,751</u>
<b>FUND BALANCES, JUNE 30</b>	<u>\$ 6,346</u>	<u>\$ 52,236</u>	<u>\$ 1,727</u>	<u>\$ 3,016</u>	<u>\$ 426</u>	<u>\$ 63,751</u>



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## NONMAJOR ENTERPRISE FUNDS

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Enterprise Funds are maintained to account for operations that are financed and operated in a manner similar to private business enterprises—where the costs of providing goods and services to the general public are financed primarily through user charges.

**Lottery Fund.** This fund accounts for all receipts and expenses from the operations of the State Lottery.

**Excess Liability Fund.** This fund accounts for the activity resulting from implementation of the Nebraska Hospital-Medical Liability Act. Revenues are primarily insurance premiums from certain health care providers and a surcharge levied on all participating health care providers in Nebraska. Expenses from the fund are used to pay judgments against participating health care providers, up to a limit of \$1,750,000 per occurrence on or before December 31, 2014 and \$2,250,000 for any occurrence after December 31, 2014.

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

State of Nebraska  
**COMBINING STATEMENT OF NET POSITION**  
**NONMAJOR ENTERPRISE FUNDS**

June 30, 2018

(Dollars in Thousands)

	LOTTERY	EXCESS LIABILITY	CORNHUSKER STATE INDUSTRIES	TOTALS
<b>ASSETS</b>				
Current Assets:				
Cash and Cash Equivalents	\$ 8,408	\$ 21,559	\$ 13,695	\$ 43,662
Receivables, net of allowance	6,568	14,096	566	21,230
Due from Other Funds	-	-	801	801
Inventories	-	-	3,131	3,131
Prepaid Items	111	-	-	111
Other	347	-	-	347
Total Current Assets	<u>15,434</u>	<u>35,655</u>	<u>18,193</u>	<u>69,282</u>
Noncurrent Assets:				
Restricted Long-Term Deposits	2,466	-	-	2,466
Long-Term Investments	-	73,740	-	73,740
Securities Lending Collateral	-	536	-	536
Capital Assets:				
Land	-	-	315	315
Buildings and Equipment	295	-	15,331	15,626
Less Accumulated Depreciation	(245)	-	(7,927)	(8,172)
Total Capital Assets	<u>50</u>	<u>-</u>	<u>7,719</u>	<u>7,769</u>
Total Noncurrent Assets	<u>2,516</u>	<u>74,276</u>	<u>7,719</u>	<u>84,511</u>
Total Assets	<u>\$ 17,950</u>	<u>\$ 109,931</u>	<u>\$ 25,912</u>	<u>\$ 153,793</u>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	\$ 10,322	\$ 22,043	\$ 952	\$ 33,317
Due to Other Funds	15	-	55	70
Claims, Judgments and Compensated Absences	25	9,260	63	9,348
Unearned Revenue	-	3,559	-	3,559
Total Current Liabilities	<u>10,362</u>	<u>34,862</u>	<u>1,070</u>	<u>46,294</u>
Noncurrent Liabilities:				
Claims, Judgments and Compensated Absences	248	15,967	570	16,785
Obligations under Securities Lending	-	536	-	536
Total Noncurrent Liabilities	<u>248</u>	<u>16,503</u>	<u>570</u>	<u>17,321</u>
Total Liabilities	<u>\$ 10,610</u>	<u>\$ 51,365</u>	<u>\$ 1,640</u>	<u>\$ 63,615</u>
<b>NET POSITION</b>				
Net Investment in Capital Assets	\$ 50	\$ -	\$ 7,719	\$ 7,769
Restricted for:				
Lottery Prizes	2,466	-	-	2,466
Unrestricted	4,824	58,566	16,553	79,943
Total Net Position	<u>\$ 7,340</u>	<u>\$ 58,566</u>	<u>\$ 24,272</u>	<u>\$ 90,178</u>

State of Nebraska

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

For the Year Ended June 30, 2018

(Dollars in Thousands)

	LOTTERY	EXCESS LIABILITY	CORNHUSKER STATE INDUSTRIES	TOTALS
<b>OPERATING REVENUES</b>				
Charges for Services	\$ 183,368	\$ 6,238	\$ 12,578	\$ 202,184
Total Operating Revenues	<u>183,368</u>	<u>6,238</u>	<u>12,578</u>	<u>202,184</u>
<b>OPERATING EXPENSES</b>				
Personal Services	1,544	-	5,036	6,580
Services and Supplies	30,259	1,399	7,083	38,741
Lottery Prizes	106,635	-	-	106,635
Insurance Claims	-	4,165	-	4,165
Depreciation	45	-	547	592
Total Operating Expenses	<u>138,483</u>	<u>5,564</u>	<u>12,666</u>	<u>156,713</u>
Operating Income (Loss)	<u>44,885</u>	<u>674</u>	<u>(88)</u>	<u>45,471</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment Income	363	1,003	300	1,666
Gain (Loss) on Sale of Capital Assets	3	-	11	14
Total Nonoperating Revenues (Expenses)	<u>366</u>	<u>1,003</u>	<u>311</u>	<u>1,680</u>
Income (Loss) Before Transfers	45,251	1,677	223	47,151
Transfers Out	<u>(45,251)</u>	<u>-</u>	<u>-</u>	<u>(45,251)</u>
Change in Net Position	-	1,677	223	1,900
<b>NET POSITION, JULY 1</b>	<u>7,340</u>	<u>56,889</u>	<u>24,049</u>	<u>88,278</u>
<b>NET POSITION, JUNE 30</b>	<u>\$ 7,340</u>	<u>\$ 58,566</u>	<u>\$ 24,272</u>	<u>\$ 90,178</u>

## State of Nebraska

**COMBINING STATEMENT OF CASH FLOWS****NONMAJOR ENTERPRISE FUNDS**

For the Year Ended June 30, 2018

(Dollars in Thousands)

	LOTTERY	EXCESS LIABILITY	CORNHUSKER STATE INDUSTRIES	TOTALS
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash Received from Customers	\$ 182,470	\$ 6,625	\$ 2,149	\$ 191,244
Cash Received from Interfund Charges	-	-	10,935	10,935
Cash Paid to Employees	(1,562)	-	(5,056)	(6,618)
Cash Paid to Suppliers	(30,447)	20,621	(6,612)	(16,438)
Cash Paid for Lottery Prizes	(104,362)	-	-	(104,362)
Cash Paid for Insurance Claims	-	(11,178)	-	(11,178)
Cash Paid for Interfund Services	(221)	(70)	(556)	(847)
Net Cash Flows from Operating Activities	<u>45,878</u>	<u>15,998</u>	<u>860</u>	<u>62,736</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Transfers Out	(45,251)	-	-	(45,251)
Net Cash Flows from Noncapital Financing Activities	<u>(45,251)</u>	<u>-</u>	<u>-</u>	<u>(45,251)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING:</b>				
Acquisition and Construction of Capital Assets	(24)	-	(654)	(678)
Proceeds from Sale of Capital Assets	2	-	11	13
Net Cash Flows from Capital and Related Financing Activities	<u>(22)</u>	<u>-</u>	<u>(643)</u>	<u>(665)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Purchase of Investment Securities	-	(163,161)	-	(163,161)
Proceeds from Sale of Investment Securities	-	142,557	-	142,557
Interest and Dividend Income	363	1,447	284	2,094
Net Cash Flows from Investing Activities	<u>363</u>	<u>(19,157)</u>	<u>284</u>	<u>(18,510)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	968	(3,159)	501	(1,690)
<b>CASH AND CASH EQUIVALENTS, JULY 1</b>	<u>7,440</u>	<u>24,718</u>	<u>13,194</u>	<u>45,352</u>
<b>CASH AND CASH EQUIVALENTS, JUNE 30</b>	<u>\$ 8,408</u>	<u>\$ 21,559</u>	<u>\$ 13,695</u>	<u>\$ 43,662</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Operating Income (Loss)	\$ 44,885	\$ 674	\$ (88)	\$ 45,471
Adjustments to reconcile operating income to net cash flows from operating activities:				
Depreciation	45	-	547	592
Change in Assets and Liabilities:				
(Increase) Decrease in Receivables	(898)	-	9	(889)
(Increase) Decrease in Due from Other Funds	-	-	497	497
(Increase) Decrease in Inventories	-	-	(66)	(66)
(Increase) Decrease in Prepaid Items	(43)	-	-	(43)
(Increase) Decrease in Long-Term Deposits	(43)	-	-	(43)
Increase (Decrease) in Accounts Payable and Accrued Liabilities	1,938	21,950	(40)	23,848
Increase (Decrease) in Due to Other Funds	(6)	-	1	(5)
Increase (Decrease) in Claims Payable	-	(7,013)	-	(7,013)
Increase (Decrease) in Unearned Revenue	-	387	-	387
Total adjustments	<u>993</u>	<u>15,324</u>	<u>948</u>	<u>17,265</u>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<u>\$ 45,878</u>	<u>\$ 15,998</u>	<u>\$ 860</u>	<u>\$ 62,736</u>
<b>NONCASH TRANSACTIONS:</b>				
Noncash transactions are investing and financing activities that affect assets and liabilities but do not result in cash receipts or payments.				
The following noncash transactions occurred during the year:				
Change in Fair Value of Investments	<u>\$ -</u>	<u>\$ (469)</u>	<u>\$ -</u>	<u>\$ (469)</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 POSITION  
INTERNAL SERVICE FUNDS**

June 30, 2018

(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	\$ 16,684	\$ 4,214	\$ 14,607
Receivables, net of allowance:			
Accounts	38	37	1,214
Accrued Interest	136	33	84
Due from Other Funds	98	1,722	12,951
Inventories	37	411	60
Prepaid Items	1,296	575	-
Total Current Assets	<u>18,289</u>	<u>6,992</u>	<u>28,916</u>
Noncurrent Assets:			
Capital Assets:			
Buildings and Equipment	1,414	7,139	77,746
Less Accumulated Depreciation	<u>(734)</u>	<u>(4,705)</u>	<u>(60,379)</u>
Total Capital Assets	<u>680</u>	<u>2,434</u>	<u>17,367</u>
Total Assets	<u>\$ 18,969</u>	<u>\$ 9,426</u>	<u>\$ 46,283</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts Payable and Accrued Liabilities	\$ 2,430	\$ 1,986	\$ 9,272
Due to Other Funds	116	25	165
Capital Lease Obligations	-	-	8,570
Claims, Judgments and Compensated Absences	49	53	334
Unearned Revenue	-	-	370
Total Current Liabilities	<u>2,595</u>	<u>2,064</u>	<u>18,711</u>
Noncurrent Liabilities:			
Capital Lease Obligations	-	-	21,120
Claims, Judgments and Compensated Absences	445	473	3,003
Total Noncurrent Liabilities	<u>445</u>	<u>473</u>	<u>24,123</u>
Total Liabilities	<u>\$ 3,040</u>	<u>\$ 2,537</u>	<u>\$ 42,834</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	\$ 680	\$ 2,434	\$ (12,323)
Unrestricted	15,249	4,455	15,772
Total Net Position	<u>\$ 15,929</u>	<u>\$ 6,889</u>	<u>\$ 3,449</u>



TRANSPORTATION SERVICES	RISK MANAGEMENT	ACCOUNTING SERVICES	OTHER INTERNAL SERVICE	TOTALS
\$ 5,843	\$ 80,290	\$ 4,192	\$ 4,400	\$ 130,230
30	93	1	368	1,781
41	583	74	31	982
1,418	2,751	314	693	19,947
-	-	-	-	508
-	-	-	-	1,871
<u>7,332</u>	<u>83,717</u>	<u>4,581</u>	<u>5,492</u>	<u>155,319</u>
21,254	-	1,122	397	109,072
<u>(9,256)</u>	<u>-</u>	<u>(1,048)</u>	<u>(268)</u>	<u>(76,390)</u>
11,998	-	74	129	32,682
<u>\$ 19,330</u>	<u>\$ 83,717</u>	<u>\$ 4,655</u>	<u>\$ 5,621</u>	<u>\$ 188,001</u>
\$ 260	\$ 1,609	\$ 809	\$ 891	\$ 17,257
38	75	68	584	1,071
590	-	320	-	9,480
9	41,010	31	30	41,516
-	-	-	-	370
<u>897</u>	<u>42,694</u>	<u>1,228</u>	<u>1,505</u>	<u>69,694</u>
2,435	-	-	-	23,555
<u>82</u>	<u>41,039</u>	<u>275</u>	<u>270</u>	<u>45,587</u>
2,517	41,039	275	270	69,142
<u>\$ 3,414</u>	<u>\$ 83,733</u>	<u>\$ 1,503</u>	<u>\$ 1,775</u>	<u>\$ 138,836</u>
\$ 8,973	\$ -	\$ (246)	\$ 129	\$ (353)
<u>6,943</u>	<u>(16)</u>	<u>3,398</u>	<u>3,717</u>	<u>49,518</u>
<u>\$ 15,916</u>	<u>\$ (16)</u>	<u>\$ 3,152</u>	<u>\$ 3,846</u>	<u>\$ 49,165</u>

State of Nebraska

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

For the Year Ended June 30, 2018

(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	\$ 36,453	\$ 15,484	\$ 99,271
Other	947	2	-
Total Operating Revenues	<u>37,400</u>	<u>15,486</u>	<u>99,271</u>
<b>OPERATING EXPENSES</b>			
Personal Services	4,752	3,631	20,999
Services and Supplies	31,540	11,683	78,277
Insurance Claims	-	-	-
Depreciation	127	755	11,629
Total Operating Expenses	<u>36,419</u>	<u>16,069</u>	<u>110,905</u>
Operating Income (Loss)	<u>981</u>	<u>(583)</u>	<u>(11,634)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Investment Income	400	98	197
Gain (Loss) on Sale of Capital Assets	7	(12)	(260)
Other	-	-	(605)
Total Nonoperating Revenues (Expenses)	<u>407</u>	<u>86</u>	<u>(668)</u>
Change in Net Position	1,388	(497)	(12,302)
<b>NET POSITION, JULY 1 (as restated)</b>	<u>14,541</u>	<u>7,386</u>	<u>15,751</u>
<b>NET POSITION, JUNE 30</b>	<u>\$ 15,929</u>	<u>\$ 6,889</u>	<u>\$ 3,449</u>

<b>TRANSPORTATION SERVICES</b>	<b>RISK MANAGEMENT</b>	<b>ACCOUNTING SERVICES</b>	<b>OTHER INTERNAL SERVICE</b>	<b>TOTALS</b>
\$ 6,325	\$ 232,765	\$ 9,520	\$ 11,686	\$ 411,504
-	-	4	479	1,432
<u>6,325</u>	<u>232,765</u>	<u>9,524</u>	<u>12,165</u>	<u>412,936</u>
503	209	2,140	7,320	39,554
3,186	1,414	6,015	5,544	137,659
-	224,610	-	-	224,610
<u>2,521</u>	<u>-</u>	<u>292</u>	<u>24</u>	<u>15,348</u>
<u>6,210</u>	<u>226,233</u>	<u>8,447</u>	<u>12,888</u>	<u>417,171</u>
115	6,532	1,077	(723)	(4,235)
112	1,563	258	91	2,719
282	-	1	(9)	9
<u>(20)</u>	<u>-</u>	<u>(5)</u>	<u>-</u>	<u>(630)</u>
<u>374</u>	<u>1,563</u>	<u>254</u>	<u>82</u>	<u>2,098</u>
489	8,095	1,331	(641)	(2,137)
<u>15,427</u>	<u>(8,111)</u>	<u>1,821</u>	<u>4,487</u>	<u>51,302</u>
<u>\$ 15,916</u>	<u>\$ (16)</u>	<u>\$ 3,152</u>	<u>\$ 3,846</u>	<u>\$ 49,165</u>

## State of Nebraska

# COMBINING STATEMENT OF CASH FLOWS

## INTERNAL SERVICE FUNDS

For the Year Ended June 30, 2018

(Dollars in Thousands)

	BUILDINGS AND GROUNDS	GENERAL SERVICES	OFFICE OF THE CIO
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash Received from Customers	\$ 188	\$ 795	\$ 4,378
Cash Received from Interfund Charges	37,181	14,832	94,795
Cash Paid to Employees	(4,786)	(3,680)	(20,847)
Cash Paid to Suppliers	(28,894)	(11,863)	(71,828)
Cash Paid for Insurance Claims	-	-	-
Cash Paid for Interfund Services	(2,469)	(197)	(4,952)
Net Cash Flows from Operating Activities	<u>1,220</u>	<u>(113)</u>	<u>1,546</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Acquisition and Construction of Capital Assets	(460)	(728)	5,590
Proceeds from Sale of Capital Assets	7	8	25
Principal Paid on Capital Leases	-	-	(8,470)
Interest Paid on Capital Leases	-	-	(605)
Net Cash Flows from Capital and Related Financing Activities	<u>(453)</u>	<u>(720)</u>	<u>(3,460)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Investment Income	380	99	203
Net Cash Flows from Investing Activities	<u>380</u>	<u>99</u>	<u>203</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1,147	(734)	(1,711)
<b>CASH AND CASH EQUIVALENTS, JULY 1</b>	<u>15,537</u>	<u>4,948</u>	<u>16,318</u>
<b>CASH AND CASH EQUIVALENTS, JUNE 30</b>	<u>\$ 16,684</u>	<u>\$ 4,214</u>	<u>\$ 14,607</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Operating Income (Loss)	\$ 981	\$ (583)	\$ (11,634)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:			
Depreciation	127	755	11,629
Change in Assets and Liabilities:			
(Increase) Decrease in Receivables	(29)	(11)	65
(Increase) Decrease in Due from Other Funds	(2)	152	(46)
(Increase) Decrease in Inventories	(7)	(38)	16
(Increase) Decrease in Prepaid Items	(98)	(164)	-
Increase (Decrease) in Accounts Payable and Accrued Liabilities	292	(233)	1,529
Increase (Decrease) in Due to Other Funds	(44)	9	104
Increase (Decrease) in Claims Payable	-	-	-
Increase (Decrease) in Unearned Revenue	-	-	(117)
Total Adjustments	<u>239</u>	<u>470</u>	<u>13,180</u>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<u>\$ 1,220</u>	<u>\$ (113)</u>	<u>\$ 1,546</u>
<b>NONCASH TRANSACTIONS:</b>			
Noncash transactions are investing and financing activities that affect assets and liabilities but do not result in cash receipts or payments.			
The following noncash transactions occurred during the year:			
Capital Assets acquired through Capital Leases	\$ -	\$ -	\$ 9,895

<b>TRANSPORTATION SERVICES</b>	<b>RISK MANAGEMENT</b>	<b>ACCOUNTING SERVICES</b>	<b>OTHER INTERNAL SERVICE</b>	<b>TOTALS</b>
\$ 66	\$ 14,282	\$ -	\$ 10,466	\$ 30,175
5,490	216,666	9,525	1,216	379,705
(493)	(207)	(2,147)	(7,268)	(39,428)
(2,057)	-	(4,604)	(4,708)	(123,954)
-	(213,947)	-	-	(213,947)
(1,457)	(318)	(915)	(281)	(10,589)
<u>1,549</u>	<u>16,476</u>	<u>1,859</u>	<u>(575)</u>	<u>21,962</u>
(2,597)	-	-	(6)	1,799
1,440	-	1	(1)	1,480
-	-	(320)	-	(8,790)
(20)	-	(5)	-	(630)
<u>(1,177)</u>	<u>-</u>	<u>(324)</u>	<u>(7)</u>	<u>(6,141)</u>
105	1,398	232	89	2,506
<u>105</u>	<u>1,398</u>	<u>232</u>	<u>89</u>	<u>2,506</u>
477	17,874	1,767	(493)	18,327
5,366	62,416	2,425	4,893	111,903
<u>\$ 5,843</u>	<u>\$ 80,290</u>	<u>\$ 4,192</u>	<u>\$ 4,400</u>	<u>\$ 130,230</u>
\$ 115	\$ 6,532	\$ 1,077	\$ (723)	\$ (4,235)
2,521	-	292	24	15,348
(22)	651	1	(512)	143
(747)	(2,724)	-	29	(3,338)
-	-	-	-	(29)
-	-	-	-	(262)
(295)	1,344	504	38	3,179
(23)	10	(15)	569	610
-	10,663	-	-	10,663
-	-	-	-	(117)
<u>1,434</u>	<u>9,944</u>	<u>782</u>	<u>148</u>	<u>26,197</u>
<u>\$ 1,549</u>	<u>\$ 16,476</u>	<u>\$ 1,859</u>	<u>\$ (575)</u>	<u>\$ 21,962</u>
<u>\$ 3,025</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,920</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

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

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

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

## AGENCY FUNDS

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

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

**Omaha School Retirement Fund.** This fund holds retirement contributions held by the State for Omaha School Employees Retirement Systems.

## State of Nebraska

# COMBINING STATEMENT OF FIDUCIARY NET POSITION

## PENSION TRUST FUNDS

June 30, 2018

(Dollars in Thousands)

	DEFERRED COMPENSATION	STATE EMPLOYEES RETIREMENT	
		DEFINED CONTRIBUTION	CASH BALANCE
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 58	\$ 127	\$ 188
Investments:			
U.S. Treasury Notes and Bonds	-	-	52,636
U.S. Treasury Bills	-	-	747
Government Agency Securities	-	-	3,789
Corporate Bonds	-	-	102,386
International Bonds	-	-	34,934
Equity Securities	-	-	249,726
Private Equity	-	-	74,487
Options	-	-	4
Mortgages	-	-	78,256
Private Real Estate	-	-	107,521
Adr's, GDRs & Trust	-	-	1,013
Asset Backed Securities	-	-	18,070
Bank Loans	-	-	42,806
Municipal Bonds	-	-	782
Commingled Funds	230,190	701,070	672,025
Short Term Investments	7,591	8,565	241,577
Total Investments	<u>237,781</u>	<u>709,635</u>	<u>1,680,759</u>
Securities Lending Collateral	-	-	37,235
Receivables:			
Contributions	-	821	3,695
Interest and Dividends	-	132	2,415
Other	-	98	150,693
Total Receivables	-	<u>1,051</u>	<u>156,803</u>
Due from Other Funds	-	-	-
Capital Assets:			
Buildings and Equipment	131	527	462
Less Accumulated Depreciation	<u>(131)</u>	<u>(527)</u>	<u>(461)</u>
Total Capital Assets	-	-	1
Total Assets	<u>\$ 237,839</u>	<u>\$ 710,813</u>	<u>\$ 1,874,986</u>
<b>LIABILITIES</b>			
Accounts Payable and Accrued Liabilities	\$ 3	\$ 47	\$ 201,817
Due to Other Governments	-	-	-
Due to Other Funds	2	4	15
Obligations under Securities Lending	-	-	37,235
Accrued Compensated Absences	8	13	46
Total Liabilities	<u>\$ 13</u>	<u>\$ 64</u>	<u>\$ 239,113</u>
<b>NET POSITION</b>			
Net Position Restricted for Pensions	<u>\$ 237,826</u>	<u>\$ 710,749</u>	<u>\$ 1,635,873</u>



COUNTY EMPLOYEES RETIREMENT		CASH BALANCE	SCHOOL RETIREMENT	JUDGES RETIREMENT	STATE PATROL RETIREMENT	TOTALS
DEFINED CONTRIBUTION						
\$ 61	\$ 53	\$ 8,321	\$ 123	\$ 192	\$ 9,123	
-	16,099	289,149	4,673	10,251	372,808	
-	228	-	-	-	975	
-	1,159	19,636	317	696	25,597	
-	31,316	775,166	12,529	27,481	948,878	
-	10,685	259,870	4,200	9,213	318,902	
-	76,384	1,788,542	28,908	63,406	2,206,966	
-	22,783	536,865	8,677	19,033	661,845	
-	1	(170)	(3)	(6)	(174)	
-	23,935	643,268	10,397	22,805	778,661	
-	32,886	812,145	13,126	28,792	994,470	
-	310	8,628	140	306	10,397	
-	5,527	202,382	3,271	7,175	236,425	
-	13,093	308,962	4,994	10,953	380,808	
-	239	3,869	63	137	5,090	
217,622	205,548	6,100,157	98,595	222,120	8,447,327	
2,416	84,164	169,655	2,742	6,276	522,986	
<u>220,038</u>	<u>524,357</u>	<u>11,918,124</u>	<u>192,629</u>	<u>428,638</u>	<u>15,911,961</u>	
-	11,389	231,320	3,739	8,201	291,884	
328	1,781	23,546	338	-	30,509	
38	749	18,210	294	643	22,481	
29	46,091	1,043,693	16,868	37,000	1,294,472	
395	48,621	1,085,449	17,500	37,643	1,347,462	
-	-	40,583	668	4,337	45,588	
264	264	4,788	66	66	6,568	
(264)	(264)	(4,784)	(66)	(66)	(6,563)	
-	-	4	-	-	5	
<u>\$ 220,494</u>	<u>\$ 584,420</u>	<u>\$ 13,283,801</u>	<u>\$ 214,659</u>	<u>\$ 479,011</u>	<u>\$ 17,606,023</u>	
\$ 16	\$ 61,456	\$ 1,415,828	\$ 22,859	\$ 50,118	\$ 1,752,144	
3	9	97	1	1	132	
-	11,389	231,320	3,739	8,201	291,884	
8	34	297	4	7	417	
<u>\$ 27</u>	<u>\$ 72,888</u>	<u>\$ 1,647,542</u>	<u>\$ 26,603</u>	<u>\$ 58,327</u>	<u>\$ 2,044,577</u>	
<u>\$ 220,467</u>	<u>\$ 511,532</u>	<u>\$ 11,636,259</u>	<u>\$ 188,056</u>	<u>\$ 420,684</u>	<u>\$ 15,561,446</u>	

State of Nebraska  
**COMBINING STATEMENT OF CHANGES  
 IN FIDUCIARY NET POSITION  
 PENSION TRUST FUNDS**

For the Year Ended June 30, 2018

(Dollars in Thousands)

	<b>DEFERRED COMPENSATION</b>	<b>STATE EMPLOYEES RETIREMENT</b>	
		<b>DEFINED CONTRIBUTION</b>	<b>CASH BALANCE</b>
<b>ADDITIONS</b>			
Contributions:			
Participant Contributions	\$ 15,319	\$ 6,493	\$ 29,127
State Contributions	-	10,133	45,438
Political Subdivision Contributions	-	-	-
Court Fees	-	-	-
Total Contributions	<u>15,319</u>	<u>16,626</u>	<u>74,565</u>
Investment Income:			
Net Appreciation (Depreciation) in			
Fair Value of Investments	20,315	83,697	222,220
Interest and Dividend Income	1	5,047	20,668
Securities Lending Income	-	-	457
Total Investment Income	<u>20,316</u>	<u>88,744</u>	<u>243,345</u>
Investment Expenses	-	659	5,793
Securities Lending Expenses	-	-	282
Total Investment Expense	<u>-</u>	<u>659</u>	<u>6,075</u>
Net Investment Income	<u>20,316</u>	<u>88,085</u>	<u>237,270</u>
Other Additions	<u>120</u>	<u>4</u>	<u>13</u>
Total Additions	<u>35,755</u>	<u>104,715</u>	<u>311,848</u>
<b>DEDUCTIONS</b>			
Benefits	23,730	35,613	94,359
Refunds	-	-	-
Administrative Expenses	295	285	1,293
Other Deductions	-	-	-
Total Deductions	<u>24,025</u>	<u>35,898</u>	<u>95,652</u>
<b>TRANSFERS</b>			
Transfers In (Out)	-	(3,591)	3,591
Change in Net Position Restricted for Pensions	<u>11,730</u>	<u>65,226</u>	<u>219,787</u>
<b>NET POSITION-BEGINNING OF YEAR</b>	<u>226,096</u>	<u>645,523</u>	<u>1,416,086</u>
<b>NET POSITION-END OF YEAR</b>	<u>\$ 237,826</u>	<u>\$ 710,749</u>	<u>\$ 1,635,873</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>				
\$ 2,320	\$ 12,000	\$ 193,349	\$ 1,815	\$ 4,615	\$ 265,038
3,412	17,752	40,583	668	8,953	126,939
-	-	190,657	-	-	190,657
-	-	-	4,112	-	4,112
<u>5,732</u>	<u>29,752</u>	<u>424,589</u>	<u>6,595</u>	<u>13,568</u>	<u>586,746</u>
25,484	67,424	806,330	13,097	28,740	1,267,307
1,504	6,365	164,485	2,666	6,678	207,414
-	140	4,529	73	161	5,360
<u>26,988</u>	<u>73,929</u>	<u>975,344</u>	<u>15,836</u>	<u>35,579</u>	<u>1,480,081</u>
188	1,772	44,273	716	1,570	54,971
-	86	3,108	50	110	3,636
<u>188</u>	<u>1,858</u>	<u>47,381</u>	<u>766</u>	<u>1,680</u>	<u>58,607</u>
<u>26,800</u>	<u>72,071</u>	<u>927,963</u>	<u>15,070</u>	<u>33,899</u>	<u>1,421,474</u>
1	5	97	2	23	265
<u>32,533</u>	<u>101,828</u>	<u>1,352,649</u>	<u>21,667</u>	<u>47,490</u>	<u>2,008,485</u>
9,169	21,934	571,082	10,146	19,810	785,843
-	-	15,237	-	4,021	19,258
152	750	3,309	71	115	6,270
-	-	1,728	-	-	1,728
<u>9,321</u>	<u>22,684</u>	<u>591,356</u>	<u>10,217</u>	<u>23,946</u>	<u>813,099</u>
(619)	619	-	-	-	-
<u>22,593</u>	<u>79,763</u>	<u>761,293</u>	<u>11,450</u>	<u>23,544</u>	<u>1,195,386</u>
197,874	431,769	10,874,966	176,606	397,140	14,366,060
<u>\$ 220,467</u>	<u>\$ 511,532</u>	<u>\$ 11,636,259</u>	<u>\$ 188,056</u>	<u>\$ 420,684</u>	<u>\$ 15,561,446</u>

State of Nebraska

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

June 30, 2018

(Dollars in Thousands)

	<b>ESCHEAT TRUST</b>	<b>COLLEGE SAVINGS PLAN</b>	<b>OTHER</b>	<b>TOTALS</b>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 7,923	\$ 8,341	\$ 5,513	\$ 21,777
Investments:				
Commingled Funds	-	4,858,530	-	4,858,530
Receivables:				
Interest and Dividends	59	454	49	562
Other Assets	15,747	-	934	16,681
<b>Total Assets</b>	<u>\$ 23,729</u>	<u>\$ 4,867,325</u>	<u>\$ 6,496</u>	<u>\$ 4,897,550</u>
<b>LIABILITIES</b>				
Accounts Payable and Accrued Liabilities	\$ 25	\$ 8,039	\$ 4	\$ 8,068
Deposits	-	-	(178)	(178)
Due to Other Funds	6	-	-	6
<b>Total Liabilities</b>	<u>\$ 31</u>	<u>\$ 8,039</u>	<u>\$ (174)</u>	<u>\$ 7,896</u>
<b>NET POSITION</b>				
Restricted for:				
College Savings Plan	\$ -	\$ 4,859,286	\$ -	\$ 4,859,286
Other Purposes	23,698	-	6,670	30,368
<b>Total Net Position</b>	<u>\$ 23,698</u>	<u>\$ 4,859,286</u>	<u>\$ 6,670</u>	<u>\$ 4,889,654</u>

State of Nebraska

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

For the Year Ended June 30, 2018

(Dollars in Thousands)

	<b>ESCHEAT TRUST</b>	<b>COLLEGE SAVINGS PLAN</b>	<b>OTHER</b>	<b>TOTALS</b>
<b>ADDITIONS</b>				
Contributions:				
Participant Contributions	\$ -	\$ 427,644	\$ -	\$ 427,644
Client Contributions	-	-	1	1
Investment Income:				
Net Appreciation (Depreciation) in Fair Value of Investments	-	585,161	-	585,161
Interest and Dividend Income	160	4,879	149	5,188
Total Investment Income	160	590,040	149	590,349
Investment Expenses	-	20,259	-	20,259
Net Investment Income	160	569,781	149	570,090
Escheat Revenue	15,472	-	-	15,472
Other Additions	2	-	379	381
Total Additions	<u>15,634</u>	<u>997,425</u>	<u>529</u>	<u>1,013,588</u>
<b>DEDUCTIONS</b>				
Benefits	-	335,846	-	335,846
Amounts Distributed to Outside Parties	13,051	-	486	13,537
Administrative Expenses	2,478	-	58	2,536
Total Deductions	<u>15,529</u>	<u>335,846</u>	<u>544</u>	<u>351,919</u>
Change in Net Position Restricted for:				
College Savings Plan	-	661,579	-	661,579
Other Purposes	105	-	(15)	90
<b>NET POSITION-BEGINNING OF YEAR</b>	<u>23,593</u>	<u>4,197,707</u>	<u>6,685</u>	<u>4,227,985</u>
<b>NET POSITION-END OF YEAR</b>	<u>\$ 23,698</u>	<u>\$ 4,859,286</u>	<u>\$ 6,670</u>	<u>\$ 4,889,654</u>

State of Nebraska

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

June 30, 2018

(Dollars in Thousands)

	LOCAL GOVERNMENT FUND	OTHER	OMAHA SCHOOL RETIREMENT	TOTALS
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 46,632	\$ 37,988	\$ 6,842	\$ 91,462
Investments:				
U.S. Treasury Notes and Bonds	-	-	28,151	28,151
Government Agency Securities	-	-	1,971	1,971
Corporate Bonds	-	-	53,423	53,423
International Bonds	-	-	5,342	5,342
Equity Securities	-	-	123,705	123,705
Private Equity	-	-	262,323	262,323
Options	-	-	(16)	(16)
Mortgages	-	-	58,195	58,195
Private Real Estate	-	-	125,767	125,767
Adr's, GDRs & Trust	-	-	575	575
Asset Backed Securities	-	-	15,981	15,981
Bank Loans	-	-	220	220
Municipal Bonds	-	-	267	267
Commingled Funds	-	-	552,042	552,042
Short Term Investments	-	-	38,071	38,071
Total Investments	-	-	1,266,017	1,266,017
Securities Lending Collateral	-	-	16,382	16,382
Receivables:				
Interest and Dividends Receivable	442	155	1,388	1,985
Other	-	513	63,283	63,796
Total Receivables	442	668	64,671	65,781
Due from Other Funds	1,551	-	7,110	8,661
<b>Total Assets</b>	<b>\$ 48,625</b>	<b>\$ 38,656</b>	<b>\$ 1,361,022</b>	<b>\$ 1,448,303</b>
<b>LIABILITIES</b>				
Accounts Payable and Accrued Liabilities	\$ 225	\$ 16,825	\$ 101,854	\$ 118,904
Obligations under Securities Lending	-	-	16,382	16,382
Due to Other Governments	48,400	-	-	48,400
Other Liabilities	-	21,831	1,242,786	1,264,617
<b>Total Liabilities</b>	<b>\$ 48,625</b>	<b>\$ 38,656</b>	<b>\$ 1,361,022</b>	<b>\$ 1,448,303</b>

State of Nebraska  
**COMBINING STATEMENT OF CHANGES  
 IN ASSETS AND LIABILITIES  
 AGENCY FUNDS**

For the Year Ended June 30, 2018

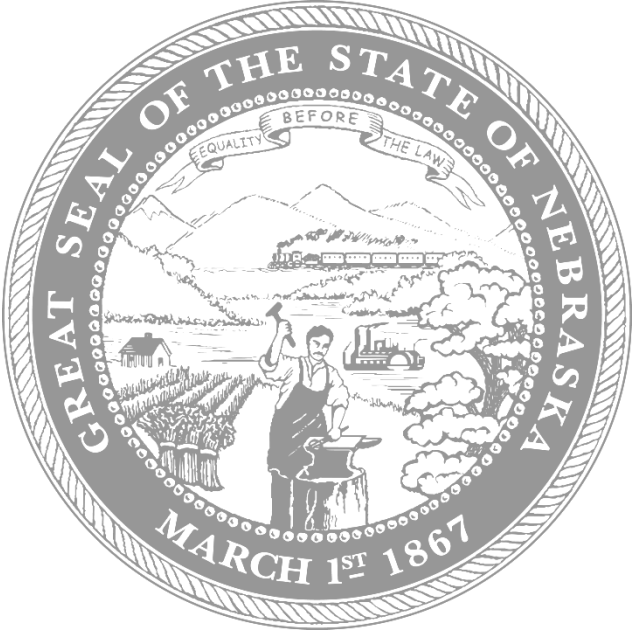
(Dollars in Thousands)

	BALANCE July 1, 2017	ADDITIONS	REDUCTIONS	BALANCE June 30, 2018
<b>LOCAL GOVERNMENT FUND</b>				
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 68,919	\$ 793,201	\$ 815,488	\$ 46,632
Receivables:				
Interest and Dividends Receivable	350	1,029	937	442
Other	2	30	32	-
Due from Other Funds	1,382	1,551	1,382	1,551
Total Assets	<u>\$ 70,653</u>	<u>\$ 795,811</u>	<u>\$ 817,839</u>	<u>\$ 48,625</u>
<b>LIABILITIES</b>				
Accounts Payable and Accrued Liabilities	\$ 172	\$ 340,663	\$ 340,610	\$ 225
Due to Other Governments	70,481	455,148	477,229	48,400
Total Liabilities	<u>\$ 70,653</u>	<u>\$ 795,811</u>	<u>\$ 817,839</u>	<u>\$ 48,625</u>
<b>OTHER</b>				
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 42,536	\$ 444,518	\$ 449,066	\$ 37,988
Receivables:				
Interest and Dividends Receivable	133	577	555	155
Other	597	13,406	13,490	513
TOTAL ASSETS	<u>\$ 43,266</u>	<u>\$ 458,501</u>	<u>\$ 463,111</u>	<u>\$ 38,656</u>
<b>LIABILITIES</b>				
Accounts Payable and Accrued Liabilities	\$ 17,725	\$ 50,234	\$ 51,134	\$ 16,825
Other Liabilities	25,541	408,267	411,977	21,831
TOTAL LIABILITIES	<u>\$ 43,266</u>	<u>\$ 458,501</u>	<u>\$ 463,111</u>	<u>\$ 38,656</u>
<b>OMAHA SCHOOL RETIREMENT</b>				
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 6,755	\$ 87	\$ -	\$ 6,842
Investments	1,203,582	80,630	18,195	1,266,017
Securities Lending Collateral	8,757	16,382	8,757	16,382
Receivables:				
Interest and Dividends Receivable	1,229	1,388	1,229	1,388
Other	49,845	73,471	60,033	63,283
Due from Other Funds	-	14,007	6,897	7,110
TOTAL ASSETS	<u>\$ 1,270,168</u>	<u>\$ 185,965</u>	<u>\$ 95,111</u>	<u>\$ 1,361,022</u>
<b>LIABILITIES</b>				
Accounts Payable and Accrued Liabilities	\$ 72,557	\$ 224,196	\$ 194,899	\$ 101,854
Obligations under Securities Lending	8,757	16,382	8,757	16,382
Other Liabilities	1,188,854	54,156	224	1,242,786
TOTAL LIABILITIES	<u>\$ 1,270,168</u>	<u>\$ 294,734</u>	<u>\$ 203,880</u>	<u>\$ 1,361,022</u>
<b>TOTALS</b>				
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 118,210	\$ 1,237,806	\$ 1,264,554	\$ 91,462
Investments	1,203,582	80,630	18,195	1,266,017
Securities Lending Collateral	8,757	16,382	8,757	16,382
Receivables:				
Interest and Dividends Receivable	1,712	2,994	2,721	1,985
Other	50,444	86,907	73,555	63,796
Due from Other Funds	1,382	15,558	8,279	8,661
Total Assets	<u>\$ 1,384,087</u>	<u>\$ 1,440,277</u>	<u>\$ 1,376,061</u>	<u>\$ 1,448,303</u>
<b>LIABILITIES</b>				
Accounts Payable and Accrued Liabilities	\$ 90,454	\$ 615,093	\$ 586,643	\$ 118,904
Obligations under Securities Lending	8,757	16,382	8,757	16,382
Due to Other Governments	70,481	455,148	477,229	48,400
Other Liabilities	1,214,395	462,423	412,201	1,264,617
Total Liabilities	<u>\$ 1,384,087</u>	<u>\$ 1,549,046</u>	<u>\$ 1,484,830</u>	<u>\$ 1,448,303</u>

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# BUDGETARY COMPARISON SCHEDULES

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State of Nebraska

**BUDGETARY COMPARISON SCHEDULE**

**CASH FUNDS**

For the Year Ended June 30, 2018

(Dollars in Thousands)

	CASH FUNDS			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
<b>REVENUES</b>				
Taxes	\$ 168,821	\$ 168,821	\$ 168,821	\$ -
Federal Grants and Contracts	391,642	391,642	391,642	-
Sales and Charges	678,894	678,894	678,894	-
Other	194,550	194,550	194,550	-
Total Revenues	<u>1,433,907</u>	<u>1,433,907</u>	<u>1,433,907</u>	<u>-</u>
<b>EXPENDITURES</b>				
Current:				
General Government	315,933	322,277	301,230	21,047
Conservation of Natural Resources	191,819	192,023	78,299	113,724
Culture – Recreation	91,035	91,355	41,171	50,184
Economic Development and Assistance	62,129	64,476	37,493	26,983
Education	729,378	733,104	523,766	209,338
Health and Social Services	198,625	199,704	150,606	49,098
Public Safety	71,240	71,220	41,720	29,500
Regulation of Business and Professions	174,204	174,395	104,670	69,725
Transportation	989,838	989,838	871,108	118,730
Capital Projects	36,634	36,634	14,567	22,067
Total Expenditures	<u>2,860,835</u>	<u>2,875,026</u>	<u>2,164,630</u>	<u>710,396</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,426,928)</u>	<u>(1,441,119)</u>	<u>(730,723)</u>	<u>710,396</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	1,431,082	1,431,082	1,431,082	-
Transfers Out	(695,397)	(695,397)	(695,397)	-
Other	2,970	2,970	2,970	-
Total Other Financing Sources (Uses)	<u>738,655</u>	<u>738,655</u>	<u>738,655</u>	<u>-</u>
Net Change in Fund Balance	(688,273)	(702,464)	7,932	710,396
<b>FUND BALANCES, JULY 1</b>	<u>1,205,199</u>	<u>1,205,199</u>	<u>1,205,199</u>	<u>-</u>
<b>FUND BALANCES, JUNE 30</b>	<u>\$ 516,926</u>	<u>\$ 502,735</u>	<u>\$ 1,213,131</u>	<u>\$ 710,396</u>

A reconciliation of the budgetary basis versus GAAP fund balance for the Major Funds as of June 30, 2018, follows :

Actual Fund Balances, budgetary basis, June 30, 2018

Cash	\$ 1,213,131
Construction	122,840
Federal	40,261
Revolving	409,037
Budgetary fund balances	<u>1,785,269</u>
Unbudgeted fund balances	3,760,851
Non-major fund balances	(3,488,844)
Differences due to basis of accounting	<u>929,182</u>
GAAP fund balance, June 30, 2018	<u>\$ 2,986,458</u>
Actual Fund Balances of Major Funds, June 30, 2018	
Highway	\$ 235,290
Federal	24,359
Health and Social Services	553,737
Permanent School	<u>2,173,072</u>
GAAP fund balance, June 30, 2018	<u>\$ 2,986,458</u>

State of Nebraska

**BUDGETARY COMPARISON SCHEDULE**

**CONSTRUCTION FUNDS**

For the Year Ended June 30, 2018

(Dollars in Thousands)

	<b>CONSTRUCTION FUNDS</b>			
	<b>ORIGINAL BUDGET</b>	<b>FINAL BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE WITH FINAL BUDGET</b>
<b>REVENUES</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Federal Grants and Contracts	-	-	-	-
Sales and Charges	-	-	-	-
Other	5,404	5,404	5,404	-
Total Revenues	<u>5,404</u>	<u>5,404</u>	<u>5,404</u>	<u>-</u>
<b>EXPENDITURES</b>				
Current:				
General Government	-	-	-	-
Conservation of Natural Resources	-	-	-	-
Culture – Recreation	-	-	-	-
Economic Development and Assistance	-	-	-	-
Education	19,223	19,223	-	19,223
Health and Social Services	-	-	-	-
Public Safety	-	-	-	-
Regulation of Business and Professions	-	-	-	-
Transportation	-	-	-	-
Capital Projects	80,904	78,604	47,106	31,498
Total Expenditures	<u>100,127</u>	<u>97,827</u>	<u>47,106</u>	<u>50,721</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(94,723)</u>	<u>(92,423)</u>	<u>(41,702)</u>	<u>50,721</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	115,931	115,931	115,931	-
Transfers Out	(234)	(234)	(234)	-
Other	-	-	-	-
Total Other Financing Sources (Uses)	<u>115,697</u>	<u>115,697</u>	<u>115,697</u>	<u>-</u>
Net Change in Fund Balance	20,974	23,274	73,995	50,721
<b>FUND BALANCES, JULY 1</b>	<u>48,845</u>	<u>48,845</u>	<u>48,845</u>	<u>-</u>
<b>FUND BALANCES, JUNE 30</b>	<u>\$ 69,819</u>	<u>\$ 72,119</u>	<u>\$ 122,840</u>	<u>\$ 50,721</u>

State of Nebraska

**BUDGETARY COMPARISON SCHEDULE**

**FEDERAL FUNDS**

For the Year Ended June 30, 2018

(Dollars in Thousands)

	FEDERAL FUNDS			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
<b>REVENUES</b>				
Taxes	\$ -	\$ -	\$ -	-
Federal Grants and Contracts	2,739,840	2,739,840	2,739,840	-
Sales and Charges	18,729	18,729	18,729	-
Other	5,774	5,774	5,774	-
Total Revenues	<u>2,764,343</u>	<u>2,764,343</u>	<u>2,764,343</u>	-
<b>EXPENDITURES</b>				
Current:				
General Government	6,554	6,844	4,649	2,195
Conservation of Natural Resources	57,366	60,621	49,980	10,641
Culture – Recreation	3,354	4,258	2,270	1,988
Economic Development and Assistance	74,322	74,465	50,919	23,546
Education	1,029,340	1,036,290	924,972	111,318
Health and Social Services	1,984,182	1,989,446	1,652,268	337,178
Public Safety	90,684	95,587	59,800	35,787
Regulation of Business and Professions	3,531	3,531	1,915	1,616
Transportation	-	-	-	-
Capital Projects	45,575	47,945	24,803	23,142
Total Expenditures	<u>3,294,908</u>	<u>3,318,987</u>	<u>2,771,576</u>	<u>547,411</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(530,565)</u>	<u>(554,644)</u>	<u>(7,233)</u>	<u>547,411</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	37,071	37,071	37,071	-
Transfers Out	(35,806)	(35,806)	(35,806)	-
Other	395	395	395	-
Total Other Financing Sources (Uses)	<u>1,660</u>	<u>1,660</u>	<u>1,660</u>	-
Net Change in Fund Balance	(528,905)	(552,984)	(5,573)	547,411
<b>FUND BALANCES, JULY 1</b>	<u>45,834</u>	<u>45,834</u>	<u>45,834</u>	-
<b>FUND BALANCES, JUNE 30</b>	<u><u>\$ (483,071)</u></u>	<u><u>\$ (507,150)</u></u>	<u><u>\$ 40,261</u></u>	<u><u>\$ 547,411</u></u>

State of Nebraska

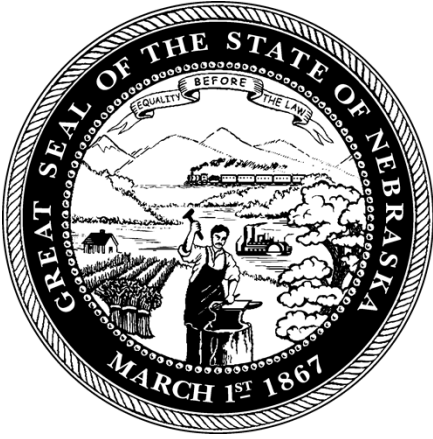
**BUDGETARY COMPARISON SCHEDULE**

**REVOLVING FUNDS**

For the Year Ended June 30, 2018

(Dollars in Thousands)

	REVOLVING FUNDS			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
<b>REVENUES</b>				
Taxes	\$ (4)	\$ (4)	\$ (4)	-
Federal Grants and Contracts	3,818	3,818	3,818	-
Sales and Charges	631,557	631,557	631,557	-
Other	223,359	223,359	223,359	-
Total Revenues	<u>858,730</u>	<u>858,730</u>	<u>858,730</u>	<u>-</u>
<b>EXPENDITURES</b>				
Current:				
General Government	250,749	250,784	202,537	48,247
Conservation of Natural Resources	-	-	-	-
Culture – Recreation	-	-	-	-
Economic Development and Assistance	673	673	529	144
Education	709,150	796,659	612,274	184,385
Health and Social Services	-	-	-	-
Public Safety	23,597	23,597	14,306	9,291
Regulation of Business and Professions	-	-	-	-
Transportation	-	-	-	-
Capital Projects	5,469	5,469	-	5,469
Total Expenditures	<u>989,638</u>	<u>1,077,182</u>	<u>829,646</u>	<u>247,536</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(130,908)</u>	<u>(218,452)</u>	<u>29,084</u>	<u>247,536</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	124,649	124,649	124,649	-
Transfers Out	(149,758)	(149,758)	(149,758)	-
Other	2,428	2,428	2,428	-
Total Other Financing Sources (Uses)	<u>(22,681)</u>	<u>(22,681)</u>	<u>(22,681)</u>	<u>-</u>
Net Change in Fund Balance	(153,589)	(241,133)	6,403	247,536
<b>FUND BALANCES, JULY 1</b>	<u>402,634</u>	<u>402,634</u>	<u>402,634</u>	<u>-</u>
<b>FUND BALANCES, JUNE 30</b>	<u>\$ 249,045</u>	<u>\$ 161,501</u>	<u>\$ 409,037</u>	<u>\$ 247,536</u>



# STATISTICAL SECTION

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# STATISTICAL SECTION TABLE OF CONTENTS

For the Year Ended June 30, 2018

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

## FINANCIAL TRENDS INFORMATION

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

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

State of Nebraska

**NET POSITION BY COMPONENT**

2009 - 2018

(Dollars in Thousands)

	2009	2010	2011	2012	2013
<b>Governmental activities</b>					
Net investment in capital assets	\$ 7,718,610	\$ 7,820,246	\$ 7,982,821	\$ 8,041,150	\$ 8,468,618
Restricted	1,631,962	1,754,186	2,006,750	2,083,822	2,217,372
Unrestricted	1,015,196	850,757	806,676	905,503	1,193,571
Total governmental activities net position	<u>\$ 10,365,768</u>	<u>\$ 10,425,189</u>	<u>\$ 10,796,247</u>	<u>\$ 11,030,475</u>	<u>\$ 11,879,561</u>
<b>Business-type activities</b>					
Net investment in capital assets	\$ 6,283	\$ 5,848	\$ 6,809	\$ 6,379	\$ 7,362
Restricted	270,394	240,878	345,731	405,135	440,849
Unrestricted	47,082	72,173	65,690	77,262	80,149
Total business-type activities net position	<u>\$ 323,759</u>	<u>\$ 318,899</u>	<u>\$ 418,230</u>	<u>\$ 488,776</u>	<u>\$ 528,360</u>
<b>Primary government</b>					
Net investment in capital assets	\$ 7,724,893	\$ 7,826,094	\$ 7,989,630	\$ 8,047,529	\$ 8,475,980
Restricted	1,902,356	1,995,064	2,352,481	2,488,957	2,658,221
Unrestricted	1,062,278	922,930	872,366	982,765	1,273,720
Total primary government net position	<u>\$ 10,689,527</u>	<u>\$ 10,744,088</u>	<u>\$ 11,214,477</u>	<u>\$ 11,519,251</u>	<u>\$ 12,407,921</u>

(Dollars in Thousands)

	2014	2015	2016	2017	2018
<b>Governmental activities</b>					
Net investment in capital assets	\$ 8,571,554	\$ 8,673,916	\$ 8,757,532	\$ 8,888,705	\$ 9,046,411
Restricted	2,431,057	2,495,373	2,554,449	2,708,755	4,063,574
Unrestricted	1,401,782	1,156,733	968,515	550,525	503,722
Total governmental activities net position	<u>\$ 12,404,393</u>	<u>\$ 12,326,022</u>	<u>\$ 12,280,496</u>	<u>\$ 12,147,985</u>	<u>\$ 13,613,707</u>
<b>Business-type activities</b>					
Net investment in capital assets	\$ 7,255	\$ 7,030	\$ 6,870	\$ 7,682	\$ 7,769
Restricted	462,064	466,735	490,408	502,646	516,332
Unrestricted	87,763	87,538	87,761	78,185	79,943
Total business-type activities net position	<u>\$ 557,082</u>	<u>\$ 561,303</u>	<u>\$ 585,039</u>	<u>\$ 588,513</u>	<u>\$ 604,044</u>
<b>Primary government</b>					
Net investment in capital assets	\$ 8,578,809	\$ 8,680,946	\$ 8,764,402	\$ 8,896,387	\$ 9,054,180
Restricted	2,893,121	2,962,108	3,044,857	3,211,401	4,579,906
Unrestricted	1,489,545	1,244,271	1,056,276	628,710	583,665
Total primary government net position	<u>\$ 12,961,475</u>	<u>\$ 12,887,325</u>	<u>\$ 12,865,535</u>	<u>\$ 12,736,498</u>	<u>\$ 14,217,751</u>

NOTE: Prior year amounts have not been adjusted for the restatements

## State of Nebraska

**CHANGES IN NET POSITION**

2009 - 2018

(Dollars in Thousands)

	2009	2010	2011	2012
<b>Governmental Activities:</b>				
<b>EXPENSES</b>				
General Government	\$ 468,433	\$ 471,614	\$ 476,622	\$ 460,612
Conservation of Natural Resources	127,677	148,452	155,692	151,318
Culture - Recreation	29,272	24,228	28,837	24,752
Economic Development and Assistance	88,520	95,228	111,096	102,839
Education	1,562,662	1,712,705	1,807,170	1,570,235
Higher Education - Colleges and University	571,268	571,288	561,090	557,162
Health and Social Services	2,912,708	3,010,299	3,069,195	3,139,786
Public Safety	351,673	372,813	361,921	366,084
Regulation of Business and Professions	123,579	132,094	121,616	122,211
Transportation	797,462	736,449	696,727	905,498
Interest on Long-term Debt	1,828	1,400	1,153	1,204
Net OPEB Expense	-	-	-	-
Net Pension Expense	-	-	-	-
Total expenses	<u>7,035,082</u>	<u>7,276,570</u>	<u>7,391,119</u>	<u>7,401,701</u>
<b>PROGRAM REVENUES</b>				
Charges for Services:				
General Government	87,575	100,501	88,550	95,899
Conservation of Natural Resources	35,324	35,483	36,263	32,804
Culture - Recreation	18,153	18,550	18,657	22,984
Economic Development and Assistance	2,259	2,171	1,007	4,126
Education	30,402	34,166	36,545	36,831
Health and Social Services	148,971	109,333	112,145	120,745
Public Safety	25,363	25,320	26,973	26,322
Regulation of Business and Professions	132,771	131,814	135,820	131,312
Transportation	112,493	95,950	98,151	110,842
Operating grants and contributions	2,490,255	2,841,557	2,939,166	2,646,825
Capital grants and contributions	25,252	24,680	29,234	15,789
Total program revenues	<u>3,108,818</u>	<u>3,419,525</u>	<u>3,522,511</u>	<u>3,244,479</u>
Total Governmental Activities				
Net Program Expense	<u>(3,926,264)</u>	<u>(3,857,045)</u>	<u>(3,868,608)</u>	<u>(4,157,222)</u>
<b>GENERAL REVENUES AND OTHER CHANGES IN NET POSITION</b>				
Taxes				
Income taxes	1,787,950	1,676,829	1,889,796	2,064,233
Sales and use taxes	1,476,995	1,447,865	1,545,494	1,638,610
Petroleum taxes	305,793	303,865	321,919	322,284
Excise taxes	134,877	132,779	135,250	136,825
Business and franchise taxes	70,270	79,115	65,630	73,849
Other taxes	10,863	13,436	9,243	9,818
Total taxes	<u>3,786,748</u>	<u>3,653,889</u>	<u>3,967,332</u>	<u>4,245,619</u>
Unrestricted investment earnings	14,582	216,190	214,054	92,037
Miscellaneous	401	(1,927)	2,590	-
Contributions to permanent fund principal	3,838	16,314	23,635	17,719
Transfers	30,245	32,000	32,055	36,075
Total general revenues and other changes in net position	<u>3,835,814</u>	<u>3,916,466</u>	<u>4,239,666</u>	<u>4,391,450</u>
Total Governmental Activities				
Change in Net Position	<u>\$ (90,450)</u>	<u>\$ 59,421</u>	<u>\$ 371,058</u>	<u>\$ 234,228</u>

NOTE: Prior year amounts have not been adjusted for the restatements.



2013	2014	2015	2016	2017	2018
\$ 458,483	\$ 507,065	\$ 548,000	\$ 631,739	\$ 650,253	\$ 656,287
143,437	143,324	149,492	144,326	145,919	143,915
31,114	30,532	31,410	37,118	37,513	43,410
96,433	89,109	109,318	99,611	102,348	103,259
1,645,097	1,712,015	1,723,893	1,799,893	1,811,058	1,845,719
572,341	618,033	651,138	676,456	663,979	651,636
3,195,733	3,241,947	3,350,345	3,477,627	3,616,020	3,634,539
384,081	376,449	408,096	409,403	395,782	389,694
134,172	123,879	125,207	118,005	116,590	107,763
859,289	919,679	981,999	1,096,243	1,040,906	1,012,181
784	627	1,289	192	559	645
-	-	-	-	-	1,381
-	-	29,409	79,670	81,603	97,889
<u>7,520,964</u>	<u>7,762,659</u>	<u>8,109,596</u>	<u>8,570,283</u>	<u>8,662,530</u>	<u>8,688,318</u>
82,247	90,336	90,319	95,871	99,001	107,412
37,019	34,550	33,624	39,476	39,880	38,672
20,513	20,225	22,752	25,725	28,569	36,163
1,245	2,529	1,758	1,065	1,234	1,479
47,751	46,522	49,350	51,790	50,208	50,671
128,012	125,285	130,645	124,134	127,310	123,593
33,012	33,265	34,918	37,731	38,369	42,021
140,910	131,969	139,275	129,750	128,818	122,817
107,008	112,175	109,427	110,984	125,831	130,688
2,704,464	2,622,119	2,648,173	2,719,366	2,765,857	2,755,954
20,040	18,657	3,320	946	1,067	1,133
<u>3,322,221</u>	<u>3,237,632</u>	<u>3,263,561</u>	<u>3,336,838</u>	<u>3,406,144</u>	<u>3,410,603</u>
<u>(4,198,743)</u>	<u>(4,525,027)</u>	<u>(4,846,035)</u>	<u>(5,233,445)</u>	<u>(5,256,386)</u>	<u>(5,277,715)</u>
2,362,511	2,387,039	2,578,226	2,520,240	2,507,059	2,686,510
1,661,208	1,792,176	1,829,956	1,827,206	1,834,043	1,925,312
323,519	344,335	345,357	363,824	371,744	388,349
130,725	128,281	129,390	133,620	132,308	131,355
78,204	104,366	85,959	109,649	100,595	117,590
7,849	7,579	7,117	6,404	8,271	2,002
<u>4,564,016</u>	<u>4,763,776</u>	<u>4,976,005</u>	<u>4,960,943</u>	<u>4,954,020</u>	<u>5,251,118</u>
96,522	223,246	88,736	144,734	108,912	(2,670)
1,518	3,322	1,548	2,159	3,733	5,444
26,453	21,241	19,331	24,712	(868)	10,273
40,014	38,274	56,299	49,414	43,590	48,432
<u>4,728,523</u>	<u>5,049,859</u>	<u>5,141,919</u>	<u>5,181,962</u>	<u>5,109,387</u>	<u>5,312,597</u>
<u>\$ 529,780</u>	<u>\$ 524,832</u>	<u>\$ 295,884</u>	<u>\$ (51,483)</u>	<u>\$ (146,999)</u>	<u>\$ 34,882</u>

(continued)

State of Nebraska

**CHANGES IN NET POSITION (Continued)**

2009 - 2018

(Dollars in Thousands)

	2009	2010	2011	2012
<b>Business-type Activities:</b>				
<b>EXPENSES</b>				
Unemployment Insurance	\$ 242,201	\$ 431,836	\$ 329,576	\$ 261,750
Lottery	94,676	98,948	101,625	113,935
Excess Liability	12,430	7,220	19,623	672
Cornhusker State Industries	10,221	11,847	13,451	11,621
Total expenses	<u>359,528</u>	<u>549,851</u>	<u>464,275</u>	<u>387,978</u>
<b>REVENUES</b>				
Charges for services:				
Unemployment Insurance	149,937	391,067	422,977	310,188
Lottery	123,251	130,580	131,919	150,612
Excess Liability	9,267	21,475	8,943	5,509
Cornhusker State Industries	9,412	13,549	15,568	12,053
Total revenues	<u>291,867</u>	<u>556,671</u>	<u>579,407</u>	<u>478,362</u>
Total Business-type Activities				
Net Program Expense	<u>(67,661)</u>	<u>6,820</u>	<u>115,132</u>	<u>90,384</u>
<b>OTHER CHANGES IN NET POSITION</b>				
Unrestricted investment earnings	23,276	20,293	16,254	16,237
Miscellaneous	-	27	-	-
Transfers	<u>(30,245)</u>	<u>(32,000)</u>	<u>(32,055)</u>	<u>(36,075)</u>
Total other changes in net position	<u>(6,969)</u>	<u>(11,680)</u>	<u>(15,801)</u>	<u>(19,838)</u>
Total Business-type Activities				
Change in Net Position	<u>\$ (74,630)</u>	<u>\$ (4,860)</u>	<u>\$ 99,331</u>	<u>\$ 70,546</u>
<b>Total Primary Government</b>				
<b>Change in Net Position</b>	<u>\$ (165,080)</u>	<u>\$ 54,561</u>	<u>\$ 470,389</u>	<u>\$ 304,774</u>

**NOTE:** The decreases in taxes and fund balances in 2009 and 2010 were primarily due to the economic recession, and the decreases in taxes and fund balances in 2016 and 2017 were primarily due to the slow recovery of the agricultural sector.

State of Nebraska

**CHANGES IN NET POSITION (Continued)**

2009 - 2018

2013	2014	2015	2016	2017	2018
\$ 167,957	\$ 122,351	\$ 93,612	\$ 78,747	\$ 75,593	\$ 73,003
120,515	121,046	123,278	135,819	132,417	138,483
3,850	1,174	5,755	9,010	21,131	5,564
9,271	11,582	13,066	13,830	17,018	12,666
<u>301,593</u>	<u>256,153</u>	<u>235,711</u>	<u>237,406</u>	<u>246,159</u>	<u>229,716</u>
194,996	133,665	107,613	97,748	81,154	80,507
160,753	157,896	159,968	179,473	173,819	183,368
4,946	5,478	4,519	3,928	5,319	6,238
10,299	11,336	12,099	13,505	21,633	12,578
<u>370,994</u>	<u>308,375</u>	<u>284,199</u>	<u>294,654</u>	<u>281,925</u>	<u>282,691</u>
69,401	52,222	48,488	57,248	35,766	52,975
10,197	14,772	12,018	15,882	11,254	10,974
-	2	14	20	44	14
<u>(40,014)</u>	<u>(38,274)</u>	<u>(56,299)</u>	<u>(49,414)</u>	<u>(43,590)</u>	<u>(48,432)</u>
<u>(29,817)</u>	<u>(23,500)</u>	<u>(44,267)</u>	<u>(33,512)</u>	<u>(32,292)</u>	<u>(37,444)</u>
\$ <u>39,584</u>	\$ <u>28,722</u>	\$ <u>4,221</u>	\$ <u>23,736</u>	\$ <u>3,474</u>	\$ <u>15,531</u>
\$ <u>569,364</u>	\$ <u>553,554</u>	\$ <u>300,105</u>	\$ <u>(27,747)</u>	\$ <u>(143,525)</u>	\$ <u>50,413</u>



State of Nebraska  
**FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
2009 - 2018

(Dollars in Thousands)

	2009	2010	2011	2012	2013
<b>General Fund</b>					
Reserved	\$ 1,062	\$ 894	\$ -	\$ -	\$ -
Unreserved	855,542	715,530	-	-	-
Nonspendable	-	-	785	953	1,114
Committed	-	-	313,202	383,379	384,121
Unassigned	-	-	419,460	430,466	648,092
<b>Total general fund</b>	<b>\$ 856,604</b>	<b>\$ 716,424</b>	<b>\$ 733,447</b>	<b>\$ 814,798</b>	<b>\$ 1,033,327</b>
<b>All Other Governmental Funds</b>					
Reserved	\$ 694,503	\$ 729,377	\$ -	\$ -	\$ -
Unreserved					
Special revenue funds	997,377	1,062,679	-	-	-
Permanent funds	23,073	67,754	-	-	-
Other funds	118,933	82,371	-	-	-
Nonspendable	-	-	468,363	490,928	514,985
Restricted	-	-	1,543,263	1,601,306	1,697,151
Committed	-	-	69,619	73,327	135,605
Assigned	-	-	32,439	37,032	45,708
<b>Total all other governmental funds</b>	<b>\$ 1,833,886</b>	<b>\$ 1,942,181</b>	<b>\$ 2,113,684</b>	<b>\$ 2,202,593</b>	<b>\$ 2,393,449</b>

(Dollars in Thousands)

	2014	2015	2016	2017	2018
<b>General Fund</b>					
Nonspendable	1,802	1,580	1,087	2,239	1,898
Committed	719,065	727,835	730,655	680,655	339,990
Unassigned	540,891	614,763	396,669	67,443	314,760
<b>Total general fund</b>	<b>\$ 1,261,758</b>	<b>\$ 1,344,178</b>	<b>\$ 1,128,411</b>	<b>\$ 750,337</b>	<b>\$ 656,648</b>
<b>All Other Governmental Funds</b>					
Nonspendable	536,087	550,082	555,720	575,587	586,636
Restricted	1,889,186	1,931,112	1,983,398	2,120,008	3,464,633
Committed	124,154	99,358	113,034	71,320	134,940
Assigned	46,813	50,094	46,237	43,057	37,635
<b>Total all other governmental funds</b>	<b>\$ 2,596,240</b>	<b>\$ 2,630,646</b>	<b>\$ 2,698,389</b>	<b>\$ 2,809,972</b>	<b>\$ 4,223,844</b>

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

State of Nebraska  
**CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
2009 - 2018

(Dollars in Thousands)

	2009	2010	2011	2012
<b>REVENUES</b>				
Taxes:				
Income	\$ 1,790,025	\$ 1,675,922	\$ 1,889,223	\$ 2,063,322
Sales and Use	1,475,234	1,452,362	1,544,303	1,634,346
Petroleum	309,626	307,005	326,016	327,295
Excise	134,877	132,779	135,250	136,825
Business and Franchise	70,270	79,115	65,630	73,849
Other	10,863	13,436	9,243	9,818
Total Taxes	3,790,895	3,660,619	3,969,665	4,245,455
Federal Grants and Contracts	2,514,288	2,865,989	2,967,939	2,662,605
Licenses, Fees and Permits	268,817	266,899	282,078	295,286
Charges for Services	137,234	96,165	96,779	102,633
Investment Income	10,508	212,353	209,509	87,948
Rental Income	54,549	49,286	55,158	57,838
Other	123,953	146,216	123,754	124,973
Total Revenues	6,900,244	7,297,527	7,704,882	7,576,738
<b>EXPENDITURES</b>				
Current:				
General Government	439,614	439,330	450,474	420,143
Conservation of Natural Resources	127,562	149,556	156,268	150,970
Culture – Recreation	28,305	30,183	30,290	28,434
Economic Development and Assistance	88,824	96,584	113,506	102,902
Education	1,565,692	1,710,935	1,810,806	1,581,956
Higher Education - Colleges and University	571,268	571,288	561,090	557,162
Health and Social Services	2,920,472	3,004,678	3,079,889	3,139,042
Public Safety	370,605	351,084	375,334	378,982
Regulation of Business and Professions	123,476	131,884	122,852	122,025
Transportation	915,980	842,583	832,394	932,445
Capital Projects	25,333	30,584	16,676	28,123
Debt Service				
Principal	7,625	6,105	3,380	2,865
Interest	1,256	976	647	684
Total Expenditures	7,186,012	7,365,770	7,553,606	7,445,733
Excess (Deficiency) of Revenues Over (Under) Expenditures	(285,768)	(68,243)	151,276	131,005
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	171,202	226,156	175,684	170,673
Transfers Out	(140,957)	(194,156)	(143,629)	(134,598)
Other	6,406	4,358	5,195	1,505
Net Change in Fund Balances	(249,117)	(31,885)	188,526	168,585
Restatements	-	-	-	-
<b>BEGINNING FUND BALANCE (as restated)</b>	2,939,607	2,690,490	2,658,605	2,847,131
<b>ENDING FUND BALANCE</b>	\$ 2,690,490	\$ 2,658,605	\$ 2,847,131	\$ 3,015,716
<b>DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES</b>	<1%	<1%	<1%	<1%

**NOTE:** The decreases in taxes and fund balances in 2009 and 2010 were primarily due to the economic recession, and the decreases in taxes and fund balances in 2016 and 2017 were primarily due to the slow recovery of the agricultural sector.

	2013	2014	2015	2016	2017	2018
\$	2,362,392	\$ 2,387,255	\$ 2,576,621	\$ 2,517,537	\$ 2,506,432	\$ 2,683,270
	1,659,029	1,784,367	1,833,701	1,828,465	1,834,868	1,926,292
	328,253	350,648	349,721	365,695	373,685	390,600
	130,725	128,281	129,390	133,620	132,308	131,355
	78,204	104,366	85,959	109,649	100,595	117,590
	7,849	7,579	7,117	6,404	8,271	2,002
	<u>4,566,452</u>	<u>4,762,496</u>	<u>4,982,509</u>	<u>4,961,370</u>	<u>4,956,159</u>	<u>5,251,109</u>
	2,724,454	2,639,975	2,651,355	2,720,258	2,766,923	2,756,999
	333,431	312,889	318,198	322,736	341,758	340,482
	85,517	94,454	109,207	112,984	117,265	123,906
	93,086	220,595	86,211	141,897	106,374	(5,389)
	67,487	65,471	70,910	74,941	72,672	74,223
	122,788	110,879	116,072	111,279	88,774	102,114
	<u>7,993,215</u>	<u>8,206,759</u>	<u>8,334,462</u>	<u>8,445,465</u>	<u>8,449,925</u>	<u>8,643,444</u>
	422,689	465,818	551,297	623,393	628,342	668,578
	144,284	144,628	151,308	145,218	146,814	144,509
	30,550	31,014	38,653	44,313	42,613	49,941
	96,759	89,382	109,976	100,007	102,623	103,713
	1,641,158	1,708,712	1,774,095	1,842,774	1,853,583	1,877,539
	572,341	618,033	651,138	676,456	663,979	651,636
	3,194,565	3,217,372	3,355,065	3,477,074	3,655,813	3,630,632
	395,095	377,086	414,235	417,785	398,090	407,059
	134,223	123,349	125,099	117,894	116,982	107,957
	974,324	1,025,623	1,076,805	1,175,832	1,114,119	1,114,902
	21,070	12,164	19,824	28,174	37,527	46,340
	4,755	2,110	6,995	1,425	2,025	2,560
	344	260	1,090	7	6	6
	<u>7,632,157</u>	<u>7,815,551</u>	<u>8,275,580</u>	<u>8,650,352</u>	<u>8,762,516</u>	<u>8,805,372</u>
	361,058	391,208	58,882	(204,887)	(312,591)	(161,928)
	204,413	127,212	249,057	249,761	205,177	320,590
	(164,399)	(88,938)	(192,758)	(200,347)	(161,587)	(272,158)
	<u>1,440</u>	<u>1,740</u>	<u>1,645</u>	<u>1,492</u>	<u>2,195</u>	<u>5,119</u>
	402,512	431,222	116,826	(153,981)	(266,806)	(108,377)
	6,873	1,675	-	5,957	315	1,428,560
	<u>3,015,716</u>	<u>3,425,101</u>	<u>3,857,998</u>	<u>3,974,824</u>	<u>3,826,800</u>	<u>3,560,309</u>
\$	<u>3,425,101</u>	<u>3,857,998</u>	<u>3,974,824</u>	<u>3,826,800</u>	<u>3,560,309</u>	<u>4,880,492</u>
	<1%	<1%	<1%	<1%	<1%	<1%

State of Nebraska

**INDIVIDUAL INCOME TAX RATES**

2009 - 2018

	<b>Tax Brackets</b>			
	<b>Bracket 1</b>	<b>Bracket 2</b>	<b>Bracket 3</b>	<b>Bracket 4</b>
<b>Single</b>				
2009 - 2013 Income Range	\$0-2,400	\$2,400-17,500	\$17,500-27,000	Over \$27,000
2014 Income Range	\$0-3,000	\$3,000-18,000	\$18,000-29,000	Over \$29,000
2015 Income Range	\$0-3,050	\$3,050-18,280	\$18,280-29,460	Over \$29,460
2016 Income Range	\$0-3,060	\$3,060-18,370	\$18,370-29,590	Over \$29,590
2017 Income Range	\$0-3,090	\$3,090-18,510	\$18,510-29,830	Over \$29,830
2018 Income Range	\$0-3,150	\$3,150-18,880	\$18,880-30,420	Over \$30,420
2009 - 2012 Rates	2.56%	3.57%	5.12%	6.84%
2013 - 2018 Rates	2.46%	3.51%	5.01%	6.84%
<b>Heads of Household</b>				
2009 - 2013 Income Range	\$0-4,500	\$4,500-28,000	\$28,000-40,000	Over \$40,000
2014 Income Range	\$0-5,600	\$5,600-28,800	\$28,800-43,000	Over \$43,000
2015 Income Range	\$0-5,690	\$5,690-29,260	\$29,260-43,680	Over \$43,680
2016 Income Range	\$0-5,710	\$5,710-29,390	\$29,390-43,880	Over \$43,880
2017 Income Range	\$0-5,760	\$5,760-29,620	\$29,620-44,230	Over \$44,230
2018 Income Range	\$0-5,870	\$5,870-30,210	\$30,210-45,110	Over \$45,110
2009 - 2012 Rates	2.56%	3.57%	5.12%	6.84%
2013 - 2018 Rates	2.46%	3.51%	5.01%	6.84%
<b>Married Filing Joint</b>				
2009 - 2013 Income Range	\$0-4,800	\$4,800-35,000	\$35,000-54,000	Over \$54,000
2014 Income Range	\$0-6,000	\$6,000-36,000	\$36,000-58,000	Over \$58,000
2015 Income Range	\$0-6,090	\$6,090-36,570	\$36,570-58,920	Over \$58,920
2016 Income Range	\$0-6,120	\$6,120-36,730	\$36,730-59,180	Over \$59,180
2017 Income Range	\$0-6,170	\$6,170-37,030	\$37,030-59,660	Over \$59,660
2018 Income Range	\$0-6,290	\$6,290-37,760	\$37,760-60,840	Over \$60,840
2009 - 2012 Rates	2.56%	3.57%	5.12%	6.84%
2013 - 2018 Rates	2.46%	3.51%	5.01%	6.84%
<b>Married Filing Separate</b>				
2009 - 2013 Income Range	\$0-2,400	\$2,400-17,500	\$17,500-27,000	Over \$27,000
2014 Income Range	\$0-3,000	\$3,000-18,000	\$18,000-29,000	Over \$29,000
2015 Income Range	\$0-3,050	\$3,050-18,280	\$18,280-29,460	Over \$29,460
2016 Income Range	\$0-3,060	\$3,060-18,370	\$18,370-29,590	Over \$29,590
2017 Income Range	\$0-3,090	\$3,090-18,510	\$18,510-29,830	Over \$29,830
2018 Income Range	\$0-3,150	\$3,150-18,880	\$18,880-30,420	Over \$30,420
2009 - 2012 Rates	2.56%	3.57%	5.12%	6.84%
2013 - 2018 Rates	2.46%	3.51%	5.01%	6.84%

SOURCE: Nebraska Department of Revenue



State of Nebraska

**INDIVIDUAL INCOME TAX LIABILITY BY INCOME LEVEL**

Tax Years 2007 and 2016

<b>2007</b>				
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	155,643	\$ 5,178,318	40,538	0.32%
\$10,000 - 24,999	198,109	\$ 35,494,730	153,702	2.17%
\$25,000 - 49,999	229,055	\$ 172,779,574	221,602	10.58%
\$50,000 - 99,999	223,855	\$ 464,423,055	221,164	28.43%
\$100,000 and Over	110,863	\$ 955,862,629	107,161	58.51%
State Total	917,525	\$ 1,633,738,306	744,167	100.00%

<b>2016</b>				
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	135,813	\$ 6,732,035	39,302	0.31%
\$10,000 - 24,999	185,907	\$ 25,486,845	169,474	1.19%
\$25,000 - 49,999	244,930	\$ 168,297,527	238,674	7.87%
\$50,000 - 99,999	243,731	\$ 504,233,157	239,703	23.58%
\$100,000 and Over	182,492	\$ 1,433,732,656	176,371	67.04%
State Total	992,873	\$ 2,138,482,220	863,524	100.00%

SOURCE: Department of Revenue 2007 and 2016 Annual Reports; [www.revenue.nebraska.gov](http://www.revenue.nebraska.gov)

NOTE: Due to confidentiality issues, the names of the ten largest revenue payers are not available. The categories presented are intended to provide alternative information regarding the sources of the state's revenue. Tax year 2016 is the most recent year for which data is available.

State of Nebraska  
**TAXABLE SALES BY INDUSTRY**  
 Calendar Years 2008 and 2017

	2008	2017
Agriculture, Forestry, Fishing & Hunting	\$ 74,566,544	\$ 68,771,224
Mining	37,806,958	43,739,846
Utilities	1,990,844,784	2,424,455,089
Construction	576,637,640	687,517,208
Manufacturing	530,290,196	537,339,618
Wholesale Trade	1,528,897,287	1,456,861,466
Retail Trade	9,196,769,244	10,981,704,280
Transportation	96,931,626	90,176,719
Warehousing Services	34,364,806	33,459,818
Information	993,552,924	831,016,169
Finance & Insurance	39,829,878	23,920,924
Real Estate, Rental & Leasing Services	276,494,686	269,967,116
Professional, Scientific & Technical Services	298,802,902	361,155,278
Management of Companies & Enterprises Services	61,197,489	5,657,976
Administration, Support, Waste Management, Remedial Services	465,069,192	504,309,160
Educational Services	73,874,242	26,159,000
Health Care & Social Assistance Services	42,871,800	45,511,373
Arts, Entertainment & Recreation Services	317,291,556	390,831,237
Accommodation & Food Services	2,612,557,158	3,687,748,250
Other Services	790,015,436	1,001,500,279
Public Administration	127,978,890	280,572,633
Unclassified	11,325,831	2,657,014
Nebraska Total	<u>20,177,971,069</u>	<u>23,755,031,677</u>
Non-Nebraska (1)	<u>3,542,903,329</u>	<u>6,022,833,198</u>
Nebraska - Total Sales	<u>\$ 23,720,874,398</u>	<u>\$ 29,777,864,875</u>

Direct sales tax rate

Jan. 1 - Dec. 31  
5.5%

Jan. 1 - Dec. 31  
5.5%

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

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

State of Nebraska

**RATIOS OF OUTSTANDING DEBT**

2009 - 2018

(Dollars in thousands)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Governmental Activities</b>										
Lease rental bonds (blended component units)	\$ 4,850	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Capital leases under certificates of participation	22,182	23,181	27,308	25,358	22,716	18,175	15,475	34,780	29,450	33,455
Obligations under other financing arrangements	15,660	14,405	16,220	14,860	6,315	5,565	-	-	-	-
<b>Total Primary Government</b>	<b>\$ 42,692</b>	<b>\$ 37,586</b>	<b>\$ 43,528</b>	<b>\$ 40,218</b>	<b>\$ 29,031</b>	<b>\$ 23,740</b>	<b>\$ 15,475</b>	<b>\$ 34,780</b>	<b>\$ 29,450</b>	<b>\$ 33,455</b>
<b>Debt as a Percentage of Personal Income</b>	0.06%	0.05%	0.06%	0.05%	0.03%	0.03%	0.02%	0.04%	0.03%	0.03%
<b>Amount of Debt per Capita</b>	\$ 24	\$ 21	\$ 24	\$ 22	\$ 16	\$ 13	\$ 8	\$ 18	\$ 15	\$ 17

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

State of Nebraska

**COMPARATIVE UNEMPLOYMENT  
NEBRASKA AND UNITED STATES**

2008 - 2017

YEAR	NEBRASKA			NEBRASKA UNEMPLOYMENT AS PERCENT OF LABOR FORCE	UNITED STATES UNEMPLOYMENT AS PERCENT OF LABOR FORCE
	TOTAL LABOR FORCE	TOTAL EMPLOYMENT	UNEMPLOYMENT		
2008	989,757	956,759	32,998	3.3%	5.8%
2009	991,583	945,648	45,935	4.6	9.3
2010	993,506	947,155	46,351	5.0	9.6
2011	1,003,452	958,813	44,639	4.4	8.9
2012	1,015,087	974,138	40,949	4.0	8.1
2013	1,018,435	979,379	39,057	3.8	7.4
2014	1,011,918	978,208	33,710	3.3	6.2
2015	1,008,616	977,465	31,151	3.1	5.3
2016	1,011,180	978,261	32,919	3.3	4.9
2017	1,007,011	977,444	29,567	2.9	4.4

**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 2008 – 2017

YEAR	NEBRASKA			UNITED STATES		
	POPULATION	PERSONAL INCOME (IN MILLIONS)	PER CAPITA INCOME	POPULATION	PERSONAL INCOME (IN MILLIONS)	PER CAPITA INCOME
2008	1,783,432	69,820	39,150	304,059,724	12,225,589	40,208
2009	1,796,619	70,565	39,277	307,006,550	12,165,474	39,626
2010	1,830,429	72,620	39,674	309,349,689	12,357,113	39,945
2011	1,842,641	78,220	42,450	311,591,917	12,949,905	41,560
2012	1,855,525	83,521	45,012	313,914,040	13,729,063	43,735
2013	1,868,516	86,013	46,033	316,128,839	14,081,242	44,543
2014	1,881,503	88,569	47,073	318,857,056	14,708,582	46,129
2015	1,896,190	92,048	48,544	321,418,820	15,463,981	48,112
2016	1,907,116	95,411	50,029	323,127,513	15,912,777	49,246
2017	1,920,076	97,557	50,809	325,719,178	16,820,250	51,640

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

State of Nebraska

**TEN LARGEST EMPLOYERS**

2017 and 2006

NAME OF COMPANY	December 2017			December 2006		
	RANK	NUMBER OF EMPLOYEES	% OF TOTAL EMPLOYMENT	RANK	NUMBER OF EMPLOYEES	% OF TOTAL EMPLOYMENT
University of Nebraska *	1	25,144	2.572	3	14,164	1.498
State of Nebraska (excluding University)	2	18,441	1.887	1	16,721	1.769
US Government (excluding Department of Defense) **	3	16,945	1.734	2	15,403	1.629
Werner Enterprises	4	12,828	1.312			
Alegent Health/CHI	5	11,512	1.178	6	6,000	0.635
Tyson Foods, Inc.	6	10,760	1.101	4	11,000	1.164
Walmart	7	9,605	0.983	5	9,755	1.032
Omaha Public Schools	8	7,284	0.745	7	5,832	0.617
Hy-Vee Food Stores	9	6,210	0.635	10	4,843	0.512
Crete Carrier	10	6,000	0.614	16	3,040	0.322
Lincoln Public Schools		-	-	8	5,501	0.582
First Data Corp.		-	-	9	5,470	0.579

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

NOTES:

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

\*\* Sources did not track US Government employment in Nebraska

State of Nebraska

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

2008/09 – 2017/18

ACADEMIC YEAR	PRE KDG. AND KDG.	GRADES 1 – 3	GRADES 4 – 6	GRADES 7 – 9	GRADES 10 – 12	TOTAL ALL GRADES
2008 – 2009	33,835	65,227	62,079	64,839	66,517	292,497
2009 – 2010	35,525	66,401	63,340	64,349	65,737	295,352
2010 – 2011	36,171	67,702	64,688	64,429	65,560	298,550
2011 – 2012	36,682	68,470	65,974	64,341	65,850	301,317
2012 – 2013	35,926	69,224	66,951	65,127	66,277	303,505
2013 – 2014	38,482	68,140	68,182	66,369	66,504	307,677
2014 - 2015	39,204	69,398	68,988	67,843	67,202	312,635
2015 - 2016	39,039	69,979	69,688	68,560	68,749	316,015
2016 - 2017	38,750	71,445	69,071	70,133	69,795	319,194
2017 - 2018	40,745	70,624	70,383	70,911	71,103	323,766

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

State of Nebraska

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

2008 - 2017

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>COLLEGES AND UNIVERSITIES:</b>										
Chadron State College	2,649	2,712	2,759	2,851	2,994	3,056	3,033	2,993	2,977	2,737
Peru State College	2,328	2,492	2,518	2,358	2,390	2,422	2,499	2,506	2,571	2,349
Wayne State College	3,566	3,631	3,569	3,517	3,555	3,506	3,470	3,431	3,357	3,292
University of Nebraska										
Lincoln (1)	23,862	24,525	24,993	24,926	24,538	24,745	25,390	25,772	26,239	26,396
Omaha	14,213	14,620	14,665	14,712	14,786	15,227	15,227	15,526	15,627	15,731
Kearney	6,543	6,650	6,753	7,100	7,199	7,052	6,902	6,747	6,788	6,644
Medical Center	3,194	3,237	3,494	3,625	3,655	3,681	3,696	3,790	3,862	3,908
TOTAL COLLEGES AND UNIVERSITIES	<u>56,355</u>	<u>57,867</u>	<u>58,751</u>	<u>59,089</u>	<u>59,117</u>	<u>59,689</u>	<u>60,217</u>	<u>60,765</u>	<u>61,421</u>	<u>61,057</u>
<b>COMMUNITY COLLEGES</b>										
Central CC	6,885	7,320	7,527	7,521	7,283	6,906	6,377	6,227	6,316	6,082
Metropolitan CC	15,055	17,003	18,523	18,518	17,376	15,752	14,675	14,812	14,788	14,954
Mid-Plains CC	2,708	2,765	2,988	2,623	2,591	2,491	2,143	2,235	2,276	2,221
Northeast CC	5,140	5,205	5,377	5,161	5,251	5,145	5,061	5,051	5,075	5,086
Southeast CC	10,419	11,556	12,242	11,479	10,168	9,751	9,392	9,248	9,262	9,412
Western CC	2,939	2,304	2,395	2,240	2,230	1,960	1,836	1,534	1,719	1,905
TOTAL COMMUNITY COLLEGES	<u>43,146</u>	<u>46,153</u>	<u>49,052</u>	<u>47,542</u>	<u>44,899</u>	<u>42,005</u>	<u>39,484</u>	<u>39,107</u>	<u>39,436</u>	<u>39,660</u>
TOTAL ALL INSTITUTIONS	<u>99,501</u>	<u>104,020</u>	<u>107,803</u>	<u>106,631</u>	<u>104,016</u>	<u>101,694</u>	<u>99,701</u>	<u>99,872</u>	<u>100,857</u>	<u>100,717</u>

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

SOURCE: Nebraska Coordinating Commission for Postsecondary Education

State of Nebraska  
**FULL TIME EQUIVALENT PERMANENT  
 EMPLOYEES BY FUNCTION**  
 2008 - 2017

<b>FUNCTION</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Conservation	309	318	329	323	328	321	316	313	318	309
Regulation	364	358	357	350	355	358	353	360	355	348
Economic Development	452	478	441	459	430	426	439	440	444	1,029
Culture and Recreation	556	542	519	495	503	512	510	504	502	490
Education	593	606	598	586	578	579	603	608	605	588
Transportation	2,153	2,175	2,147	2,118	2,102	2,118	2,103	2,113	2,083	2,003
General Government	2,723	2,777	2,692	2,706	2,687	2,840	2,919	2,975	3,057	3,055
Public Safety	3,414	3,457	3,409	3,369	3,333	3,381	3,436	3,406	3,320	3,307
Health & Social Services	5,665	5,738	5,524	5,433	5,586	5,748	5,700	5,726	5,476	4,781
	<u>16,229</u>	<u>16,449</u>	<u>16,016</u>	<u>15,839</u>	<u>15,902</u>	<u>16,283</u>	<u>16,379</u>	<u>16,445</u>	<u>16,160</u>	<u>15,910</u>

SOURCE: Nebraska State Government - State Personnel Division - 2018 Almanac

State of Nebraska  
**OPERATING INDICATORS BY FUNCTION**  
 2009 - 2018

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>General Government</b>										
<b>Department of Revenue</b>										
Percentage of returns filed electronically	70.0%	78.0%	85.0%	88.0%	88.5%	89.9%	90.8%	90.8%	90.7%	91.6%
Percentage of direct deposit refunds	77.0%	72.0%	71.0%	80.5%	77.3%	78.9%	77.8%	78.2%	77.5%	80.0%
<b>Department of Transportation</b>										
Percentage of Roads in very good or good condition (1)	79%	75%	74%	74%	74%	75%	82%	84%	84%	84%
<b>Conservation of Natural Resources</b>										
<b>Department of Environmental Quality</b>										
Inspections by field office staff										
Air Quality	129	133	148	139	90	82	216	184	139	141
Water Quality	1,147	1,384	1,502	1,591	1,801	1,113	1,396	1,552	1,682	1,219
Waste Management	140	141	146	153	172	145	135	130	126	156
<b>Culture - Recreation</b>										
<b>Game and Parks Commission</b>										
Park visitors (1,2)	8,780,619	10,441,504	9,703,332	10,597,549	11,684,965	12,426,891	11,654,110	13,469,281	12,746,003	N/A
Hatchery fish raised (in millions) (1)	35.6	46.4	35.5	40.4	39.4	48.6	49.7	48.0	47.0	N/A
<b>Education</b>										
<b>Department of Education</b>										
Fall Enrollment										
Pre-K to 12th grade	295,352	298,550	301,317	303,505	307,677	312,635	316,015	319,194	323,766	N/A
State Colleges and Universities	57,867	58,751	59,089	59,117	59,689	60,217	60,765	61,421	61,057	N/A
Public Community Colleges	46,153	49,052	47,542	44,899	42,005	39,484	39,107	39,436	39,660	N/A
<b>Health and Social Services</b>										
<b>Health and Human Services</b>										
Child Support Payments										
Number of Payments Received	1,471,974	1,483,868	1,486,397	1,517,767	1,505,288	1,381,831	1,513,974	1,537,522	1,501,372	1,472,013
Number of Payments Disbursed	1,312,748	1,332,638	1,362,598	1,387,684	1,379,810	1,400,860	1,414,213	1,415,392	1,400,110	1,380,588
Medicaid (average monthly)										
Medicaid recipients	208,696	224,459	235,353	237,543	240,639	235,496	235,355	232,795	237,309	241,966
Percentage of Nebraska population	11.6%	12.3%	12.8%	12.8%	12.9%	12.5%	12.4%	12.2%	12.4%	N/A
Food Stamps (average monthly)										
Number of households	55,178	68,098	75,460	76,776	78,743	78,051	76,989	78,370	78,788	77,122
Percentage of Nebraska households	7.7%	9.3%	10.2%	9.6%	9.8%	9.6%	9.4%	9.5%	9.4%	N/A
<b>Public Safety</b>										
<b>Department of Correctional Services</b>										
Inmate population (average monthly) (1)	5,395	5,469	5,602	5,975	6,224	6,544	6,659	6,641	6,588	N/A
Percentage of Nebraska population	0.30%	0.30%	0.30%	0.32%	0.33%	0.35%	0.35%	0.35%	0.34%	N/A
Total Admissions (1)	2,709	2,648	2,956	3,258	3,351	3,242	2,608	2,504	2,315	N/A
Total Releases (1)	2,598	2,544	2,861	3,251	3,113	2,985	2,555	2,094	2,372	N/A
<b>State Patrol</b>										
Miles Patrolled (1)	10,161,183	10,119,800	9,360,000	10,116,896	10,166,005	9,862,217	9,858,966	10,032,172	N/A	N/A
Accidents Investigated (1)	2,331	2,430	2,293	1,978	2,117	1,931	2,105	2,173	2,113	N/A
<b>Transportation</b>										
<b>Department of Motor Vehicles</b>										
Motor Vehicle Registrations (1)										
Automobiles	1,147,354	1,148,305	1,158,374	1,161,629	1,174,669	1,188,368	1,205,595	1,220,465	1,239,329	N/A
Trucks										
Farm	162,778	165,760	171,458	173,649	176,910	177,796	180,150	180,697	182,312	N/A
Commercial / Other	392,120	396,004	400,746	403,846	411,037	417,049	428,617	439,291	448,501	N/A
Motorcycles	50,322	51,359	53,773	55,461	55,833	55,475	55,585	55,340	54,863	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 Transportation, 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**

2009 - 2018

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>General Government</b>										
<b>Department of Administrative Services</b>										
Buildings	288	283	278	277	271	266	267	263	270	269
Vehicles	1,134	1,075	1,077	1,083	1,007	1,050	1,058	1,046	1,062	1,120
<b>Conservation of Natural Resources</b>										
<b>Game and Parks Commission</b>										
Acres of state park and wildlife land (in thousands)	149	150	150	151	152	152	152	154	151	158
<b>Culture - Recreation</b>										
<b>Game and Parks Commission</b>										
State Parks	8	8	8	8	8	8	8	8	8	8
Historical Parks	10	10	10	10	9	9	9	9	9	10
Recreation and wildlife areas	327	328	323	321	322	322	347	350	350	357
Fish hatcheries	5	5	5	5	5	5	5	5	5	5
<b>Education</b>										
<b>NETV Commission</b>										
Towers, antennas and transmitters	42	42	42	42	42	42	42	45	51	46
<b>Public Safety</b>										
<b>State Patrol</b>										
Pursuit Vehicles	474	432	384	436	486	486	526	339	310	554
<b>Department of Corrections</b>										
Buildings	135	131	134	135	134	130	150	149	134	148
<b>Transportation</b>										
<b>Department of Transportation</b>										
Highway miles (calendar year)	9,949	9,950	9,945	9,946	9,946	9,945	9,942	9,944	9,945	N/A
Heavy trucks, plows and graders	1,120	1,095	1,109	1,063	1,054	1,052	1,022	1,025	1,064	1,049

**NOTE:** Other agencies, including those in the Economic Development, Health and Social Services and Regulation functional areas are not capital asset intensive.  
N/A - Not Available

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

## State of Nebraska

# MISCELLANEOUS DATA

June 30, 2018

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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, 2016-2017.

## **Acknowledgments**

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Andrea Kiichler  
Kevin Le

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