ATTESTATION REPORT
OF THE
NEBRASKA STATE TREASURER

JULY 1, 2005 THROUGH JUNE 30, 2006

Issued on December 29, 2006

NEBRASKA STATE TREASURER

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BACKGROUND

The Nebraska State Treasurer (Treasurer) as a constitutional officer is elected to a term of four years and can be re-elected for a second consecutive term. The Treasurer receives and keeps money of the State as designated by law. The Treasurer disburses these funds by electronic means or by warrants lawfully drawn upon the State and selects a custodial bank for the State for custody of all securities purchased. Cash management, ensuring only lawfully drawn warrants are paid, the administration of the Unclaimed Property Act and the Nebraska College Savings Plan, and overseeing the Nebraska Child Support Payment Center are the primary functions of the Treasurer. The Treasurer is maximizing interest income by increasing the amount of money available for investment through enhanced cash management procedures and by increasing the electronic movement of money.

Treasury Management

The Treasury Management Program is the primary cash management function of the Treasurer and performs banking functions for the State in the most efficient and cost effective manner as possible. Receipts are collected from various departments of State government, deposited locally, and concentrated for investment purposes into a single bank. Disbursements of State warrants are cleared through two major banks and presented for settlement to the Treasurer utilizing compensating deposit accounts. Interest income is being maximized by increasing the amount of money available for investment through enhanced cash management procedures and by increasing the electronic movement of money. The Nebraska State Treasurer's Office is online with four major clearing banks. This capability has provided additional financial information, thereby allowing the Treasurer the opportunity to make investment decisions throughout the day.

Beginning with fiscal year 2003-2004, the funding for this Program was shifted to cash funds. The cash funds are determined by pro-rating the appropriation amount against all funds invested in cash held by the State.

State Disbursement Unit (SDU)

The State of Nebraska has transitioned its receipt, distribution, and disbursement of child support from a local County Clerk of the District Court operation into a centralized operation at the State level. The SDU is also referred to as the Nebraska Child Support Payment Center (NCSPC). Nebraska Health and Human Service System (HHSS) is responsible for the distribution function and has a customer service center located in Wausa, Nebraska that responds to all questions regarding child support, except those related to receipting and disbursement. The State's centralized operation for receipting, distribution, and disbursement of child support became operational on December 21, 2001. Over 100,000 receipts are processed monthly.

BACKGROUND
(Continued)

Education Savings Plan

The Nebraska College Savings Program became effective on January 1, 2001. The Program allows citizens inside and outside the State of Nebraska to contribute to an investment account for their child's / grandchild's education. The earnings on the investment are tax-deferred at both the state and federal level and, if the funds are used for a qualified education expense, they come out tax-free at the state and federal level. For Nebraska taxpayers, you can receive up to a $1,000 State tax deduction every year a contribution is made.

The Nebraska State Treasurer is the Trustee of the Nebraska Educational Savings Plan Trust which includes four plans, each serving as a distribution channel for Nebraska:

The College Savings Plan of Nebraska (Advisor / Direct)
The TD Waterhouse 529 College Savings Plan (Advisor / Direct)
The AIM College Savings Plan (Advisor only)
The State Farm College Savings Plan (State Farm Agent Only)

The Treasurer has entered into a Program Management Agreement with Union Bank & Trust Company of Lincoln, Nebraska, for administrative and marketing services related to the Program. The Nebraska Investment Council oversees the overall investment structures of the plans within the Trust.

Unclaimed Property

This Program has these three functions:

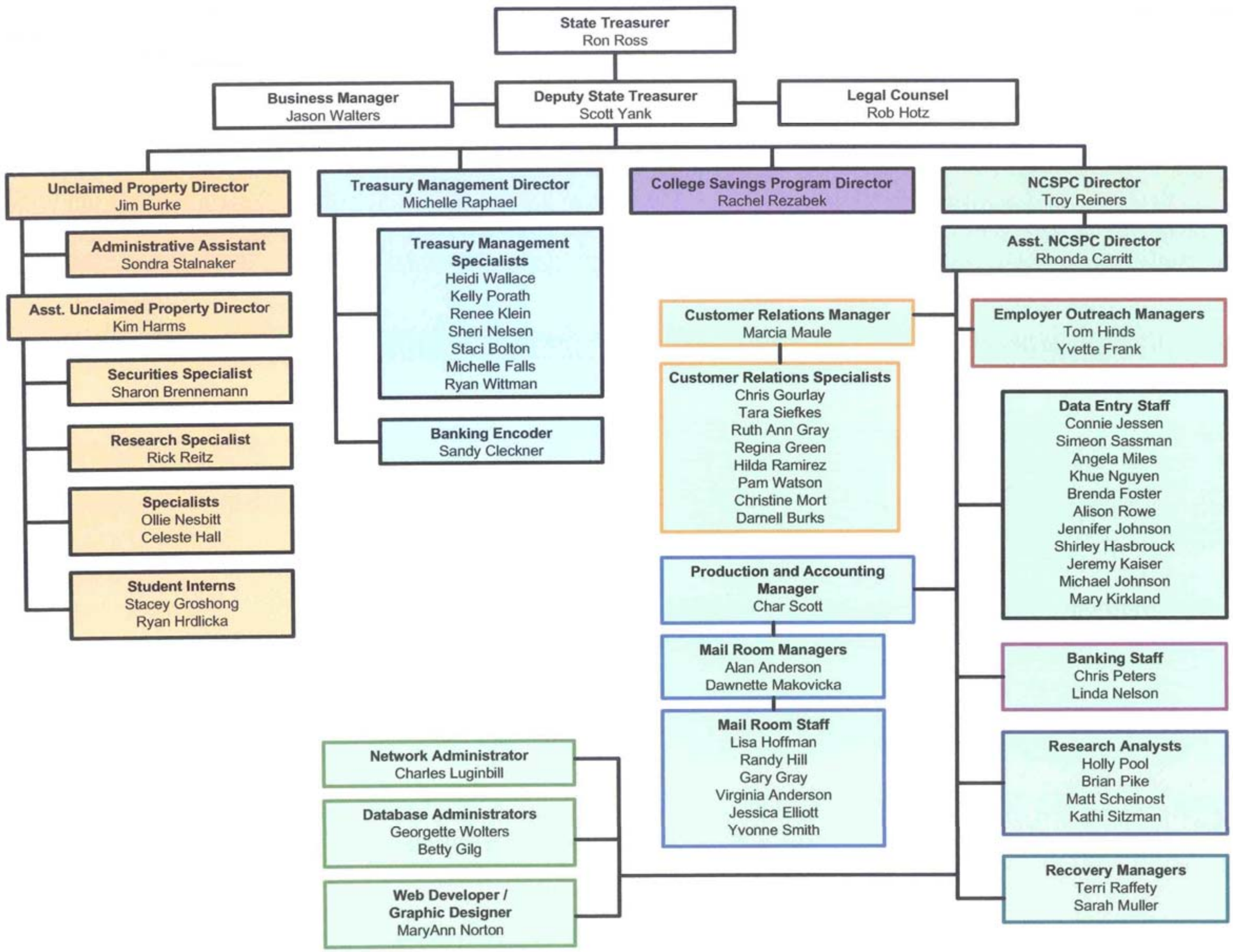
1. Reporting and remittance by holders of abandoned property
2. Claims by owners or heirs of abandoned property
3. Education through compliance activities

By law, firms holding assets on behalf of owners which are dormant or inactive for a period of five years are required to report these holdings and remit the assets to the Unclaimed Property Division of the Nebraska State Treasurer's office. Upon receipt of unclaimed property, the Treasurer makes a concerted effort to locate the rightful owner. This is accomplished by mailings to the last known address, advertising names of owners in local newspapers and cable access channels, matching with drivers' license files and other data bases, providing county treasurers and city treasurers a listing of unclaimed property for their county, and through independent research. Claim forms are provided to individuals to substantiate their claims as rightful owners. Unclaimed assets are transferred to the Permanent School Fund, and the interest is distributed for support of the local school system. Tangible assets are liquidated at public auction. Administrative expenses of the Program are charged to the Unclaimed Property Cash Fund.

MISSION STATEMENT

The mission of the Nebraska State Treasurer's office is the prompt receipt and safekeeping of State funds, the distribution of those funds by electronic means or warrants lawfully drawn upon the State Treasury, the return of unclaimed property to its rightful owners, the operation of a Nebraska College Savings Program, the operation of a system for centralizing the receipt and disbursement of child support, and the implementation and operation of the Long-term Care Savings Program. The three guiding principles of this office are (1) perform all duties in accordance with State Statutes, (2) to save the Nebraska taxpayer money, and (3) provide quality customer service to Nebraska taxpayers and governmental units.

ORGANIZATIONAL CHART



EXIT CONFERENCE

An exit conference was held November 9, 2006, with the Treasurer to discuss the results of our examination. Those in attendance for the Nebraska State Treasurer were:

NAME	TITLE
Ron Ross	State Treasurer
Scott Yank	Deputy State Treasurer
Rob Hotz	General Counsel
Michelle Raphael	Treasury Management Director
Troy A. Reiners	Nebraska Child Support Payment Center Director
Jason Walters	Business Manager
John Kwiatek	Health and Human Services System - Child Support Enforcement Finance Administrator

SUMMARY OF COMMENTS

During our examination of the Nebraska State Treasurer, we noted certain matters involving the internal control over financial reporting and other operational matters that are presented here.

State Disbursement Unit (SDU):

1. ***SDU Bank Reconciliation:*** The SDU's reconciliation between the NIS Fund 72640 balance and the bank balance had a variance of $1,592,201 at June 30, 2006, with the bank being short compared to NIS.

2. ***A-87 Requirements for Payroll:*** There was no written approval from the cognizant Federal agency for the substitute system used for the allocation of payroll costs for the Federal program.

3. ***Backup Server Security Breach:*** In June 2006, a computer hacker was able to access a backup server on the Treasurer's network.

4. ***Misapplied Payments:*** The Nebraska Health and Human Services System (HHSS) has funded the SDU misapplied payments; however, no funds have been returned to HHSS as reimbursement for the misapplied payments nor has it been determined how much should be returned to HHSS. As of June 30, 2006, the total misapplied payments recorded on NIS were $302,801. Also, the State Treasurer and SDU employees could not adequately explain how misapplied payments were being funded and the journal entry for $351,132 completed by the SDU to record misapplied payments on NIS was miscoded.

5. ***Bad Debt:*** The SDU did not have adequate written policies and procedures established for the funding or writing off of bad debt. The SDU did not pursue all avenues of collection. Total unrecovered bad check and Automated Clearing House (ACH) debt at June 30, 2006, was $374,330.

6. ***Unidentified Receipts:*** The Daily Suspense Report was not appropriately reviewed. As of September 12, 2006, the total of all unidentified receipts was $132,220.

7. ***Canceled Warrants:*** Canceled warrants were not recorded on NIS until March 2006. Canceled warrants for the fiscal year totaled $238,796.

8. ***Disaster Recovery Plan:*** The SDU's current disaster recovery plan (DRP) had not been updated nor had it been tested for adequacy and effectiveness.

SUMMARY OF COMMENTS
(Continued)

Unclaimed Property Division:

9. ***Segregation of Duties Over Unclaimed Property:*** One individual was responsible for opening incoming mail. Additionally, there was no documented review of the manual entry of the holder's report into Wagers to verify information was properly entered.

10. ***Unclaimed Property Stock Sales:*** For unclaimed property stocks sold that had been held for at least three years, there were no procedures in place to verify the securities were sold at the prevailing prices on the stock exchange for the date sold.

General Office Operations:

11. ***Permanent School Fund:*** The Permanent School Fund may not have been invested to the fullest benefit of the State, common schools had not received all income due them, additional income may be due to the common schools, and other funds may be due additional income.

12. ***Review of General Ledger:*** No one individual reviewed the General Ledger Detail Report to ensure no batches were incorrectly posted to the Treasurer's business units by other agencies.

13. ***Outstanding Warrants:*** Outstanding warrants drawn from fund 61280 (Unclaimed Property Fund) for the payment of unclaimed property claims were being allowed to expire which allowed the money to be transferred to the General fund.

14. ***Leave Earnings for the Deputy State Treasurer:*** The Deputy State Treasurer did not earn leave.

15. ***Review of Fixed Asset Reports:*** The State Treasurer did not document their review of the Fixed Asset Integrity Reports. Additionally, no review of the Additions and Retirement Report was completed.

16. ***Reconciliation of Bank Records to the Nebraska Information System:*** The Department of Administrative Services' reconciliation process is still not done in a timely manner and continues to reflect unknown variances.

SUMMARY OF COMMENTS
(Continued)

More detailed information on the above items is provided hereafter. It should be noted this report is critical in nature as it contains only our comments and recommendations on the areas noted for improvement.

Draft copies of this report were furnished to the Treasurer to provide them an opportunity to review the report and to respond to the comments and recommendations included in this report. All formal responses received have been incorporated into this report. Responses have been objectively evaluated and recognized, as appropriate, in the report. Responses that indicate corrective action has been taken were not verified at this time, but will be verified in the next examination.

We appreciate the cooperation and courtesy extended to our staff during the course of the examination.

COMMENTS AND RECOMMENDATIONS

State Disbursement Unit (SDU)

The Nebraska Health and Human Services System (HHSS) is responsible for the collection, disbursement, and enforcement of child support in the State of Nebraska. To meet this responsibility, HHSS has developed a computerized system called Children Have A Right to Support (CHARTS). CHARTS maintains millions of records and tracks hundreds of millions of dollars of child support receipts and disbursements.

HHSS selected the Nebraska State Treasurer's office to operate the SDU for the receipt and disbursement of child support beginning December 21, 2001. The SDU developed an automated system (KidCare) to record the receipts and disbursements related to child support. The Nebraska Information System (NIS) is the official accounting system of the State.

1. SDU Bank Reconciliation

The IV-D Support Payment Distributive – SDU Fund (Fund 72460) is under the authority of HHSS and is used by the SDU and HHSS to administer the process of collecting and distributing child support payments. Title 45 CFR 92.20 requires accurate, current, and complete disclosure of financial results and accounting records which adequately identify the source and application of funds. Effective control and accountability must be maintained for all grant cash and assets. Good internal control requires procedures to ensure bank records agree to the State's accounting records (NIS).

The SDU's reconciliation between the NIS Fund 72640 balance and the bank balance had a variance of $1,592,201 at June 30, 2006, with the bank being short compared to NIS. The SDU was balancing records to the Treasurer's Ledger; however, there was no reconciliation completed between the bank records and NIS from inception until June 2005. The Treasurer's Ledger was used to record all financial transactions affecting the State Treasurer. The SDU is in the process of determining what caused this variance by going back and reviewing transactions since the inception of the SDU. This was a comment in a prior report.

There is an increased risk of loss or misuse of State and Federal funds when the bank balance does not reconcile to the State's accounting system.

> We recommend the Treasurer work with HHSS to implement procedures to periodically reconcile the bank balance to NIS.

Treasurer's Response: The Treasurer's Office, with the assistance of State Accounting, has now completed the bank-to-NIS reconciliation from inception to June 30, 2006. With the reconciliation complete, the Treasurer's Office is working closely with State Accounting to determine the final resolution of any variance and reconciling items that will need to be adjusted.

COMMENTS AND RECOMMENDATIONS
(Continued)

State Disbursement Unit (SDU) (Continued)

2. A-87 Requirements for Payroll

The United States Office of Management and Budget (OMB) Circular A-87, Attachment B, Section 11(h)(4) states, "where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation … or other substitute system has been approved by the cognizant Federal agency."

There was no written approval from the cognizant Federal agency for the substitute system used for the allocation of payroll costs for the Federal program for one of eight employees tested. We also noted an additional employee did not have written approval for the allocation of payroll costs for the Federal program. These individuals worked on multiple programs (Treasury Management, State Disbursement Unit, College Savings Plan, and Unclaimed Property), but did not record the actual hours worked on each program on their timesheet. The salaries of these employees were allocated based on the number of employees in each of the programs rather than actual time worked. The Business Manager's Federal payroll expenditures were $27,855, and the IT Manager's Federal payroll expenditures were $23,120. Total Federal payroll expenditures were $1,039,673 and questioned costs were $51,005.

Without proper documentation of the actual hours worked on the Federal programs or written approval from the cognizant Federal agency to use a substitute system, the Treasurer is not in compliance with OMB Circular A-87.

> We recommend the Treasurer allocate salaries based on actual activity reports or obtain written approval from the cognizant Federal agency for the system in use.

Treasurer's Response: The Treasurer is a contractor of HHSS for the operation of the SDU. As a contractor, the Treasurer submits a reimbursement request to HHSS for eligible funds spent in the operation of the SDU. Upon HHSS's review and approval of the reimbursement request, HHSS releases federal grant monies to the Treasurer to offset operating costs. HHSS has approved the SDU's allocation approach. Any written approval from the cognizant Federal Agency for the substitute system currently in place to allocate the salaries of the Business Manager and the IT Manager should be requested by HHSS from the cognizant Federal Agency.

COMMENTS AND RECOMMENDATIONS
(Continued)

State Disbursement Unit (SDU) (Continued)

3. Backup Server Security Breach

Good internal control requires the Treasurer ensure all computer systems cannot be accessed by outside parties.

In June 2006, a computer hacker was able to access a backup server on the Treasurer's network. Through this server, the computer hacker was able to access an application server and attempted to access the database server. Per investigation, it appears the hacker did not gain access to any data and there have been no reports of customer accounts being compromised. The Treasurer has contracted with an outside firm to review their Internet security. This review was performed subsequent to the fiscal year.

By not ensuring all computer systems cannot be accessed by outside parties, there is an increased risk of loss or misuse of State funds.

> We recommend the Treasurer review security on a periodic basis to prevent system access by outside parties.

Treasurer's Response: The Treasurer's Office has worked closely with the Office of the CIO to make certain our servers are adequately protected on the State's network. As stated above, a third party company performed an external and internal scan on the network. The Treasurer's Office has addressed all of the findings of the external report and nearly all of the critical findings of the internal report. We will continue to address these issues until they have been resolved. To date, there has been no verified case of fraud relating to the backup server breach.

4. Misapplied Payments

The SDU was responsible for receipting, depositing, and crediting the correct noncustodial parent for child support monies received. The SDU was also responsible for the disbursement of the child support to the payee. The SDU referred to collections credited to the wrong child support case as "misapplied." When these misapplied collections resulted in an erroneous payment, the SDU termed these "misapplied payments." Federal regulations do not allow a state to recoup an overpayment of support through the intercept of a subsequent child support payment unless the custodial parent agrees.

PIQ-02-01 (Policy Interpretation Question) Recoupment of Child Support Overpayment defines an overpayment as a misdirected payment or an erroneous payment based on a bad check or the reversal of an electronic payment due to insufficient funds. In addition, States should have

COMMENTS AND RECOMMENDATIONS
(Continued)

State Disbursement Unit (SDU) (Continued)

4. Misapplied Payments (Continued)

processes in place to minimize the need to intercept child support payments in order to collect on overpayments. Child support payments may be intercepted if permission is obtained from the custodial parent. Permission could be obtained when custodial parents do not respond to letters from the State requesting permission to intercept an overpayment from subsequent child support payments. Permission may be assumed when no response is received after a third letter asking for permission was sent to a custodial parent.

Good internal control requires procedures which ensure all funds owed to another State agency are remitted to them in a timely manner. Sound business practice requires procedures to review and determine correct accounting for all transactions and the CHARTS system should be capable of intercepting only a portion of child support payments to recover misapplied payments.

The following was noted regarding misapplied payments:

- HHSS has funded the SDU misapplied payments; however, no funds have been returned to HHSS as reimbursement for the misapplied payments nor has it been determined how much should be returned to HHSS. As of June 30, 2006, the total misapplied payments recorded on NIS were $302,801. Of that amount, $223,573 was coded to account 132225 (Due From Other Government) and $79,228 was coded to account 139060 (Overpayments).

- The State Treasurer and SDU employees could not adequately explain how the misapplied payments were being funded for the disbursement to the correct custodial parent after account 139060 was created and being used to record misapplied payments.

- The journal entry that was completed to record SDU misapplied payments on NIS was miscoded. The SDU completed a journal entry for $351,132 that was credited to their liability account 214100 for deposits.

- The CHARTS system was not capable of intercepting only a portion of a child support payment to recover misapplied payments. The CHARTS system was only capable of intercepting the entire child support payment; therefore, if monies are due the SDU in an amount less than the child support payment, the payment could not be intercepted.

COMMENTS AND RECOMMENDATIONS
(Continued)

State Disbursement Unit (SDU) (Continued)

4. Misapplied Payments (Concluded)

Without procedures in place to reimburse HHSS for all funds transferred to the SDU for misapplied payments and to ensure appropriate coding is used for all transactions on NIS, there is an increased risk the IV-D Child Support Distributive - SDU Fund (Fund 72640) will be overstated. In addition, without an adequate understanding of all transactions affecting the SDU Fund 72640, there is an increased risk for unauthorized transactions. Without the CHARTS system having the capability of intercepting only a portion of a child support payment, there is an increased risk of not recovering monies due the SDU.

> We recommend the Treasurer work with HHSS to determine the amount of SDU misapplied payments that are owed to HHSS and develop procedures to review and determine the accounting for the transactions relating to the SDU misapplied payments. We recommend the Treasurer work with HHSS and DAS State Accounting to determine the correct coding that should have been used to record the SDU misapplied payments on NIS and adjust accordingly. In addition, we recommend the Treasurer work with HHSS to develop within CHARTS the capability of intercepting a portion of a child support payment to ensure the collection of misapplied payments.

Treasurer's Response: The SDU will enter every identified overpayment into our Payment Register. When this is completed, we will match this information up with CHARTS. We will also match items up prior to completion to begin transferring funds back to HHSS. Payment Register will record the funds that have been transferred back to HHSS, and this will assist with the account transactions as well as reconciliation.

There is presently a CHARTS workgroup exploring the idea of allowing CHARTS to perform partial offsets. The SDU will analyze the amounts paid out by CHARTS as misapplied to determine the cost effectiveness of doing partial offsets. We will cooperate with HHSS in order to be able to offset both types of overpayments. This would allow HHSS to recoup overpayments they have sent out as well as the SDU to recoup payments. It would allow for both full offsets and partial offsets; thereby allowing custodial parents to go without a small percentage of their future payments in order to pay back the overpayment. It would also allow for the proper accounting transactions to be automated and the funds to be transferred back to HHSS automatically.

COMMENTS AND RECOMMENDATIONS
(Continued)

State Disbursement Unit (SDU) (Continued)

5. Bad Debt

PIQ-02-01 (Policy Interpretation Question) Recoupment of Child Support Overpayment defines an overpayment as a misdirected payment or an erroneous payment based on a bad check or the reversal of an electronic payment due to insufficient funds. In addition, states should have processes in place to minimize the need to intercept child support payments in order to collect on overpayments. Child support payments may be intercepted if permission is obtained from the custodial parents. Permission could be obtained when custodial parents do not respond to letters from the State requesting permission to intercept an overpayment from subsequent child support payments. Permission may be assumed when no response is received after a third letter asking for permission was sent to a custodial parent.

Sound business practice would suggest the Treasurer ensure adequate procedures are in place to establish the funding or writing off of bad debt, appropriate action is taken to recover any bad debt, ensure bad debt is followed up on periodically, and the collection status in KidCare is proper. These procedures should be documented in writing. Sound business practice would also suggest the SDU attempt to pursue all avenues of collection of bad debts. In addition, the CHARTS system should be capable of intercepting only a portion of child support payments to recover bad debt.

The SDU received returned check items from the bank due to various reasons such as non-sufficient funds, account closed, or stop payments. The SDU contracted with a collection agency, e-Tech Solutions, to pursue the collection of returned check items as a result of non-sufficient funds, closed accounts, and stop payments. The SDU also has a collections department which also pursues the collection of all monies due the SDU. In addition, in 2003, two journal entries were performed totaling $353,713 to cover bad debt. During our review of bad check and ACH debt, we noted the following:

- Bad check debt needing recovery at June 30, 2006, totaled $287,915.

- Bad ACH debt needing recovery at June 30, 2006, totaled $86,415.

- The SDU did not have adequate written policies or procedures established for the funding or writing off of bad debt.

- For 4 of 15 receipts tested, appropriate action was not taken to recover any bad debt, and bad debt was not followed up on periodically.

- Collection status was not proper for 3 of 15 receipts tested.

COMMENTS AND RECOMMENDATIONS
(Continued)

State Disbursement Unit (SDU) (Continued)

5. Bad Debt (Continued)

- No funds had been deposited back into the State General Fund for those items that had been recovered that were funded with General Fund monies.

- The SDU did not pursue all avenues of collection. The custodial parent was not contacted in an attempt to collect on bad debts. In addition, bad checks were not turned over to the County Attorney or Attorney General for collection.

- The CHARTS system was not capable of intercepting only a portion of a child support payment to recover bad debt. The CHARTS system was only capable of intercepting the entire child support payment; therefore, if monies are due the SDU in an amount less than the child support payment, the payment could not be intercepted.

Without adequate written polices and procedures in place to establish the funding and writing off of bad debt, the SDU will not have sufficient funds to pay all outstanding obligations and additional State funds will be required. In addition, without the appropriate action taken to recover bad debt, follow up on bad debt, or the recording of the proper collection status in KidCare, the funds available for payout decrease. Without the CHARTS system having the capability of intercepting only a portion of a child support payment, there is an increased risk of not recovering monies due the SDU. A similar comment was noted in a prior report.

We recommend the Treasurer:

- Develop adequate procedures to establish the funding or writing off of bad debt. These procedures should be documented in writing.
- Take appropriate action to recover any bad debt and follow up periodically.
- Ensure the collection status is proper.
- Re-pay the State General Fund for the bad debts that have been recovered that were funded with the General Fund.
- Pursue all avenues of collection with the custodial parent, County Attorney, or Attorney General.
- Work with HHSS to develop within CHARTS the capability of intercepting a portion of a child support payment to ensure the collection of bad debt.

COMMENTS AND RECOMMENDATIONS
(Continued)

<u>State Disbursement Unit (SDU)</u> (Continued)

5. <u>Bad Debt</u> (Concluded)

Treasurer's Response: The SDU will work with DAS Risk Management to write the procedures on writing off bad debt. Presently we have an account set up as an allowance for doubtful accounts. We need to reduce this account by the amount that will truly be written off per the newly established procedures.

The SDU will take extra steps on recovery to include converting bank return items to be overpayments and work out arrangements with the custodial parent to set up a payment plan.

We are presently short staffed in our Collections Department. The hiring of a new Collections Representative will assist us in correcting the status of collection items and determining those to convert to overpayments.

Treasury Management will assist the SDU collections staff in setting up the capability to represent NSF checks electronically through the ACH network. Treasury Staff will work with the ACH Origination bank to get the proper bank setup, security, and passwords. Treasury Staff will assist the SDU team by training their staff on applicable ACH rules, helping them establish proper procedures for the recording and tracking of these items in NIS, and providing proper notification regarding this new NSF check process to SDU payees. Treasury Staff will work with the SDU Manager and Collections Manager to establish the fees for NSF checks represented electronically.

Treasury Management will work with the ACH Origination bank to represent eligible ACH debit returns through the ACH network for further collection attempts. Treasury Staff will work with the bank to get the bank setup and reporting completed. Treasury Staff will also work with the SDU to make sure procedures are developed and implemented on how to handle these returns properly in NIS.

Treasury and SDU collections staff will be working together to build a statewide database of bad debt. The database would be used as a tool to collect and prevent future return checks/bad debt among all participating State agencies.

There is presently a CHARTS workgroup exploring the idea of allowing CHARTS to perform partial offsets. We will determine the appropriateness and cost effectiveness of doing partial offsets. We will fully cooperate with HHSS in this process.

COMMENTS AND RECOMMENDATIONS
(Continued)

State Disbursement Unit (SDU) (Continued)

6. Unidentified Receipts

Good internal control requires procedures which ensure all unidentified receipts are researched, Suspense Reports are maintained and reviewed, and unidentified receipts older than three years are sent to HHSS to be applied as program income.

Neb. Rev. Stat. Section 43-3344 R.R.S. 2004 states "Support order payments placed in the Title IV-D Support Payment Distributive Fund shall be exempt from the Uniform Disposition of Unclaimed Property Act. If, within three years after the date of receipt, the Title IV-D Division is unable to disburse support payments collected pursuant to law and also unable to return the collected payments to the noncustodial parent, such payments shall be considered abandoned property. This abandoned property shall be used by the state for child support enforcement as provided by the rules and regulations of the division."

KidCare has the capability to generate a Daily Suspense Report which lists the collections receipted into KidCare that have not been identified to the proper case due to insufficient information. Therefore, a zero number is assigned to the receipt until further research can determine how the receipt should be processed. As of September 12, 2006, the total of all unidentified receipts was $132,220. Two Daily Suspense Reports were reviewed, June 26, 2006, and September 12, 2006, and the following was noted:

- The Daily Suspense Reports were not maintained or reviewed by a supervisor on a periodic basis.
- The SDU has not determined what to do with unidentified receipts that are more than three years old. These receipts should be sent to HHSS to be applied as program income.

June 26, 2006, Daily Suspense Report – Five receipts that were later identified were tested.

- For one of five identified receipts tested, no documentation was on file to support the receipt was applied to the appropriate child support case.

September 12, 2006, Daily Suspense Report – Ten receipts that have not been identified were tested.

- For eight of ten unidentified receipts tested, research and corrective action was not taken. Research and correction action could not be determined for five of the eight receipts because no documentation was on file.

COMMENTS AND RECOMMENDATIONS
(Continued)

State Disbursement Unit (SDU) (Continued)

6. Unidentified Receipts (Concluded)

- The one unidentified receipt tested that was more than three years old was not sent to HHSS to be applied as program income.

Without proper internal controls there is an increased risk the SDU is receipting funds that are not due to the Treasurer - SDU Division which inaccurately increases the balance of the IV-D Support Payment Distributive - SDU Fund (Fund 72460). This comment was noted in a prior report.

> We recommend the Treasurer implement policies and procedures to ensure all unidentified receipts are researched, Suspense Reports are maintained and reviewed, and unidentified receipts older than three years are sent to HHSS to be applied as program income.

Treasurer's Response: The SDU is working to develop an Unidentified Receipt Management application in conjunction with a Receipt Adjustment Management application. These applications would track unidentified receipts similar to how Collections Manager tracks bank return items. There will be form letters and tickle options to conduct follow-up research which will make the determination that the funds are ready to be transferred to HHSS as program income.

The SDU is committed to compliance with Federal Regulations regarding percentages identified on the first day and percentages identified within the three business days, as well as the priority to identify all remaining receipts and to transfer back to HHSS the receipts that are unable to be identified.

7. Canceled Warrants

Good accounting practice requires entries to be recorded on the accounting system that accurately reflect the underlying transactions of the organization.

Warrants that have been disbursed to custodial parents may be canceled for a variety of reasons. Warrants that remain outstanding for a year or are returned invalid address for 90 days are canceled-expired. Also, on occasion the SDU was notified by HHSS that a warrant needed to be canceled within KidCare. Three of eight canceled/expired warrants tested were not recorded on NIS. Canceled warrants were not recorded on NIS until March 2006. As of March 2006, the SDU and HHSS updated CHARTS to have the capability to automatically transfer the funds to

COMMENTS AND RECOMMENDATIONS
(Continued)

State Disbursement Unit (SDU) (Concluded)

7. Canceled Warrants (Concluded)

HHSS upon cancellation of the warrants on NIS. When the cancellation occurred, an entry was then automatically recorded on NIS. CHARTS is also in the process of converting all canceled warrants prior to March 2006, to ensure all canceled warrants are on NIS. Canceled warrants for the fiscal year totaled $238,796.

By not recording canceled warrants on NIS, the cash and liability account balances are understated. A similar comment was noted in a prior report.

We recommend the Treasurer record all canceled warrants on NIS.

Treasurer's Response: All canceled warrants are being recorded on NIS and the funds are being transferred.

8. Disaster Recovery Plan

Good internal control requires procedures to develop a current disaster recovery plan (DRP) and to test the plan for adequacy and effectiveness. A good continuity DRP for operation would include the effective date of the plan, a test schedule, and documentation to support appropriate testing of the plan was performed.

The SDU had a DRP that was being updated; however, the plan had not been tested.

Without a completed DRP that has been tested for adequacy, there is an increased risk the SDU may not be able to operate in case of a disaster.

We recommend the Treasurer complete their disaster recovery plan, test the plan, and document the testing to support the adequacy and effectiveness of the plan.

Treasurer's Response: Efforts have continued on the DRP to include moving our 7780 over to the DRP site. The server room is being prepared. The banking desk and other critical stations are nearly ready for testing. The SDU will continue rewriting the DRP and will follow through on these work efforts.

The IT Staff have met to discuss moving ahead with hardware implementation for the DRP site. We are developing a Phase I plan where we get the bare minimum systems in place in order to have a functioning DR site. We will then continue to a Phase II plan in order to have the site functioning as well as it should be.

COMMENTS AND RECOMMENDATIONS
(Continued)

Unclaimed Property Division

9. Segregation of Duties Over Unclaimed Property

Good internal control requires an adequate segregation of duties over mail opening procedures to ensure all items received are properly delivered to the appropriate personnel and are properly recorded into the systems. Good internal control also requires a documented review of the manual entry of the holder reports into the Wagers system be performed to verify information was properly entered.

During testing at the Unclaimed Property Division, it was noted that one individual was responsible for opening incoming mail. Mail received at the Treasurer's office was sorted at the office and delivered via interoffice to the Unclaimed Property Division location. This mail along with mail received at the physical location was opened by one individual; sorted into cash, stock, and savings deposit box items; and distributed to the appropriate personnel. The appropriate personnel were responsible for recording the items received into the Unclaimed Property Computer System - Wagers and preparing/approving the deposit to the bank and on NIS; however, there was no original listing of items received created to compare to the items recorded. Additionally, there was no documented review of the manual entry of the holder reports into Wagers to verify information was properly entered. A similar comment was noted in a prior report.

Without an adequate segregation of duties over mail opening procedures and a documented review of manual data entry, there is an increased risk that unclaimed property items received are not properly recorded in Wagers or included in the deposit amount.

> We recommend the Treasurer implement policies and procedures and internal controls to ensure there is an adequate segregation of duties over unclaimed property items received by mail and manual data entry of holder reports into Wagers. We recommend two employees be present when mail is opened and generate an initial listing of items received for use during the approval process to ensure all items received are properly recorded. We recommend the performance of a documented review of the manual entry of holder reports into Wagers to verify information was properly entered.

Treasurer's Response: We agree that proper segregation of duties should exist when opening the mail received by the Treasurer's Office and having two people present when opening the mail would be adequate. In addition, a log of any funds received should be matched to related reports received and initialed by each person to ensure completeness and aid in the prevention of fraud. In addition, any holder report that needs to have information entered manually should be verified by two people to ensure accuracy.

COMMENTS AND RECOMMENDATIONS
(Continued)

Unclaimed Property Division (Concluded)

10. Unclaimed Property Stock Sales

Neb. Rev. Stat. Section 69-1316(d) R.R.S. 2003 states, “Securities listed on an established stock exchange shall be sold at the prevailing prices on the exchange. Other securities may be sold over the counter at prevailing prices or by another commercially reasonable method. All securities presumed abandoned under the act and delivered to the State Treasurer shall be held for at least three years before he or she sells them.”

Also, good internal control requires verification and monitoring of selling prices received for securities to ensure compliance with State statute.

During testing performed of unclaimed property stocks sold that had been held for at least three years, we noted there were no procedures in place to verify the securities were sold at the prevailing prices on the stock exchange for the date sold. When securities are held for three years, the Treasurer’s office Unclaimed Property Division sends a request to UBS Financial Services to sell the stock. Upon the sale of the stock, the Unclaimed Property Division received a confirmation document noting the number of shares sold, the processed date, the dollar amount the shares were sold for, and a check for the funds. There was no verification performed by the Unclaimed Property Division to ensure the correct price was received for the shares. We noted no incorrect sales prices during our testing.

There is an increased risk the Treasurer is not in compliance with State statute and the possibility improper amounts are being held in trust for unclaimed property owners.

> We recommend the Treasurer develop policies and procedures to verify stocks are sold at the prevailing price for the date of sale.

Treasurer’s Response: While there were no incorrect sales prices noted during the audit of stock sales, we agree that policies and procedures to verify stock sales should be developed.

General Office Operations

11. Permanent School Fund

State of Nebraska Constitution Article VII-7 says, “The following are hereby declared to be perpetual funds for common school purposes of which the annual interest and income only can be appropriated …” Neb. Rev. Stat. Section 79-1035.01 R.R.S. 2003 states, “The permanent school fund is the fund described in Article VII, sections 7 and 8, of the Constitution of

COMMENTS AND RECOMMENDATIONS
(Continued)

General Office Operations (Continued)

11. Permanent School Fund (Continued)

Nebraska, the principal of which shall be held and invested in perpetuity by the state in trust for the support of its common schools. The annual interest and other income, but not the principal, is subject to use for the support and maintenance of the common schools in each public school district of the state as the Legislature provides in accordance with Article VII, section 9, of the Constitution of Nebraska."

The State Investment Council and the Treasurer work closely together to invest the State's funds and distribute income to the appropriate funds. These investment procedures include; the State Investment Council investing funds in either the Operating Investment Pool (OIP) or long-term investments as directed by the fund's owner; the Investment Council setting the procedures used to determine the amount of interest and income earned by the investments; the State's investment record keeper, using Investment Council procedures; determining the amount of interest and income earned each month, the Treasurer transferring the interest and income to the appropriate funds.

During our review of the investment activity of the Permanent School Fund, we noted the following:

- All deposits made to the Permanent School Fund that were intended to increase the permanent portfolio were invested in the OIP and not long-term investments. Since July 1, 2002, there was $47,634,522 in deposits intended to increase the permanent portfolio.

- All interest and income from the Permanent School Fund's long-term investments was transferred to the common schools. However, at least $4,955,147 in interest and income from the Permanent School Fund's OIP investments was not transferred to the common schools.

- The investment income that was transferred out of the Permanent School Fund included interest and dividends, but did not include realized or unrealized capital gains.

- Our review of statutes and the State constitution determined there does not appear to be a clear definition for investment income, including, whether realized and unrealized capital gains are income.

- While our review included only the Permanent School Fund, it appears these concerns may apply to other permanent endowment funds.

COMMENTS AND RECOMMENDATIONS
(Continued)

General Office Operations (Continued)

11. Permanent School Fund (Continued)

As a result, the Permanent School Fund may not have been invested to the fullest benefit of the State, common schools had not received all income due them, additional income may be due to the common schools, and other funds may be due additional income.

> We recommend the State Investment Council and the Treasurer continue to work together to ensure all investment income is correctly recorded and transferred to the appropriate funds. We further recommend:
>
> - The Treasurer ensure all investment income from the Permanent School Fund, including both the OIP and long-term investments income, is transferred to the common schools.
> - The Treasurer and Investment Council determine and document the definition of investment income for permanent endowment funds, specifically whether income includes realized or unrealized capital gains. This may require working with the Nebraska Attorney General and the Legislature to determine the Framer's intent.
> - The Treasurer and Investment Council ensure income from all permanent endowment funds is distributed based on the documented definition of investment income.
> - The Treasurer review all permanent endowment funds to determine whether any investment income from the OIP remains in the funds that should have been transferred. If it is determined income has not been transferred, the amounts, method, and timing of the transfer should be determined.
> - The Treasurer ensure all deposits intended to increase the permanent portfolio of all endowment funds are fully invested.

COMMENTS AND RECOMMENDATIONS
(Continued)

General Office Operations (Continued)

11. Permanent School Fund (Concluded)

Treasurer's Response: In response to bullet point #1, the Treasurer's Office has worked with State Accounting to develop procedures to ensure that all investment income on both OIP and long-term investments are properly being transferred to the Common School Fund.

For bullet points #2 and #3, a formal Attorney General's opinion has been requested jointly by the Treasurer and the State Investment Officer relating to the definition of investment income on all permanent endowment funds. Numerous discussions have taken place between the three parties; a formal opinion is forthcoming.

In regards to bullet point #4, the Treasurer's Office, with the assistance of State Accounting, will review all permanent endowments to determine if any investment income on OIP should have been transferred and, if so, appropriate procedures similar to those mentioned in item #1 above will be put into place and the proper amounts will be transferred.

Finally, for bullet point #5, the Treasurer's Office is developing policies and procedures to ensure all deposits made to the endowment funds are fully invested.

12. Review of General Ledger

Good internal control requires procedures to ensure all financial transactions are authorized, complete, and accurate; especially when other State employees have statewide access to the accounting system.

No one individual reviewed the General Ledger Detail Report to ensure incorrect batches were not posted to the Treasurer's business units by other agencies.

Without documented reviews of general ledger reports, there is an increased risk for unauthorized or incorrect transactions to post to the Treasurer's business units.

> We recommend an individual review the General Ledger to ensure transactions posted correctly. This review should be documented.

Treasurer's Response: The Treasurer's Office developed a procedure to review the detailed general ledger in an effort to reduce the risk of unauthorized or incorrect transactions being posted to the Treasurer's business units. The procedure is in place and the appropriate review is being completed.

COMMENTS AND RECOMMENDATIONS
(Continued)

General Office Operations (Continued)

13. Outstanding Warrants

Neb. Op. Atty. Gen. No. 98043 states, "… those warrants drawn on the Unclaimed Property Trust Fund for payment of unclaimed property claims which remain uncashed after one year should be returned to the Unclaimed Property Trust Fund." Good internal control requires the Treasurer's office implement timely, adequate procedures for the follow up of outstanding warrants.

Unclaimed Property outstanding warrants were allowed to expire for all six warrants tested. Outstanding warrants drawn from Fund 61280 (Unclaimed Property Fund) for the payment of unclaimed property claims were being allowed to expire which allows the money to be lapsed to the General Fund. The warrants should be canceled before they expire, so that the money would go back to the Escheat Trust Fund (also referred to as the Unclaimed Property Trust Fund).

When unclaimed property uncashed warrants are allowed to expire, the money is lapsed to the General Fund instead of staying in the Unclaimed Property Trust Fund. This results in less money being transferred to other funds from the Unclaimed Property Trust Fund as required by statute.

> We recommend the Treasurer implement procedures to cancel uncashed warrants from the Unclaimed Property Trust Fund before they expire, resulting in the funds staying in the appropriate trust fund.

Treasurer's Response: We do not agree with the recommendation of cancelling the warrants from the Unclaimed Property Trust Fund before they expire due to the fact the property would no longer be viewed as unclaimed, since the owner did in fact come forward to make a claim on the property; however for some reason the warrant was not cashed. In these cases the warrant would expire and the payee could then make a claim through the State Claims Board for these funds, very similar to other State warrants currently payable.

Auditor's Response: Based on the Attorney General's Opinion, unclaimed property warrants uncashed after one year should be returned to the Unclaimed Property Trust Fund. The Treasurer could request the Attorney General review their opinion.

14. Leave Earnings for the Deputy State Treasurer

Neb. Rev. Stat. Section 84-1001(1) R.R.S. 1999 states, "All State officers and heads of departments and their deputies, assistants, and employees, except permanent part-time

COMMENTS AND RECOMMENDATIONS
(Continued)

General Office Operations (Continued)

14. Leave Earnings for the Deputy State Treasurer (Concluded)

employees, temporary employees, and members of any board or commission not required to render full-time service, shall render not less than forty hours of labor each week except any week in which a paid holiday may occur." Neb. Rev. Stat. Section 81-1328 R.R.S. 1999 states that State employees shall, during each year of continuous employment, be entitled to ninety-six hours of vacation leave with full pay. State employees who complete five years of continuous employment by the State shall be entitled to one hundred twenty hours of vacation leave during their sixth year of employment and shall thereafter be entitled to eight additional hours of vacation leave with full pay for each additional year of continuous State employment up to a maximum of two hundred hours of vacation leave a year. Additionally, Neb. Rev. Stat. Section 81-1320 R.R.S. 1999 states permanent employees of the State of Nebraska shall be entitled to sick leave with full pay computed at the rate of eight work hours per month for each calendar month of service. Those employees who have completed five or more years of service shall be entitled to one hundred thirty-six hours of sick leave during their sixth year of employment and shall thereafter be entitled to an additional eight hours of sick leave each year of service not to exceed two hundred forty hours per calendar year. The Nebraska State Treasurer's Office Personnel Manual states that all employees, excluding temporary employees, earn paid vacation leave and sick leave.

The Deputy State Treasurer did not earn leave. The Deputy had not earned leave since taking the position.

The Treasurer is not in compliance with State statute and the Treasurer's personnel manual when a full-time employee does not earn leave.

> We recommend the Treasurer have the Deputy State Treasurer earn leave.

Treasurer's Response: Prior to his employment, the Deputy State Treasurer agreed to a compensation package that did not include vacation and sick leave accruals at the statutory rates. The Treasurer's reasons for these employment conditions included apparent leave abuses relating to the prior Treasurer and Deputy Treasurer. This arrangement has been consistently maintained since that time.

COMMENTS AND RECOMMENDATIONS
(Continued)

General Office Operations (Continued)

15. Review of Fixed Asset Reports

Good internal control requires a review of the fixed asset reports on a regular basis to ensure any errors are detected and corrected. In addition, good internal control requires these reviews be documented.

The State Treasurer reviewed the Fixed Asset Integrity Reports. This review was not documented; therefore, the review could not be verified. Additionally, there was no review of the Additions and Retirements report.

Without a documented review of the fixed asset reports, there is an increased risk of loss or misuse of State assets.

> We recommend the Treasurer review the Additions and Retirements report. We further recommend the Treasurer document the review of all fixed asset reports.

Treasurer's Response: The Treasurer's Office is currently reviewing the additions and retirement report and documenting the review of all fixed asset reports.

16. Reconciliation of Bank Records to the Nebraska Information System

During the audit of the Comprehensive Annual Financial Report (CAFR) of the State of Nebraska, we noted the absence of a completed reconciliation between the State Treasurer's bank statements and the accounting records on the Nebraska Information System (NIS). This has been an issue for the Department of Administrative Services Accounting Division (State Accounting) for many years. Our previous comments noted monthly reconciliations were not completed in a timely manner and showed significant unknown variances with bank records short compared to accounting records. Although State Accounting continues to work on the reconciliation of bank records to NIS accounting records, we continue to note areas where improvement is needed in the reconciliation process to ensure NIS integrity and operational efficiency.

As of October 31, 2006, State Accounting has developed a very detailed process of analyzing bank activity compared to activity recorded on NIS to identify reconciling items, but continued progress is needed. State Accounting continues to work on reconciliations for the months of June 2005 through June 2006 to determine the reasons for the continuing unknown variances. We have reviewed the reconciliations and noted the month of June 2006 shows an unknown variance of $2,657,411. Again, the reconciliations show bank records short compared to accounting records.

COMMENTS AND RECOMMENDATIONS
(Continued)

General Office Operations (Concluded)

16. Reconciliation of Bank Records to the Nebraska Information System (Concluded)

Good internal control requires a plan of organization, procedures, and records designed to safeguard assets and provide reliable financial information. Without a timely and complete reconciliation of bank records to NIS accounting records, there is a greater risk for fraud or errors to occur and to remain undetected.

> We recommend State Accounting continue the reconciliation process to ensure all financial information is correct on NIS. We also recommend, when a consistent cash variance between bank records and accounting records is obtained, State Accounting should submit the shortage amount to the Governor and the Legislature. The Governor and the Legislature should then develop a plan to correct NIS accounting records and resolve the shortage noted.

This issue is the responsibility of State Accounting; however, as the variance has not been identified by fund or agency, this issue directly affects all Nebraska State agencies' financial information and must be disclosed in this report.

Treasurer's Response: Although State Accounting is noted as being responsible for the reconciliation, the Treasurer's Office and State Accounting have closely worked together to resolve the variance and continue to complete the monthly bank reconciliations to the Nebraska Information System.

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NEBRASKA STATE TREASURER

INDEPENDENT ACCOUNTANT'S REPORT

Nebraska State Treasurer
Lincoln, Nebraska

We have examined the accompanying schedule of revenues, expenditures, and changes in fund balances of the Nebraska State Treasurer (Treasurer) for the fiscal year ended June 30, 2006, and the statements of assets and liabilities of the AIM College Savings Plan, the TD Waterhouse 529 College Savings Plan, and the College Savings Plan of Nebraska Series of the Nebraska Educational Savings Plan Trust as listed in the table of contents, as of December 31, 2005, and the related statements of operations and changes in net assets, for the period ended December 31, 2005. The Treasurer's management is responsible for the schedule of revenues, expenditures, and changes in fund balances and the AIM College Savings Plan, the TD Waterhouse 529 College Savings Plan, and the College Savings Plan of Nebraska Series of the Nebraska Educational Savings Plan Trust. Our responsibility is to express an opinion based on our examination. We did not examine the financial statements of the AIM College Savings Plan, the TD Waterhouse 529 College Savings Plan, and the College Savings Plan of Nebraska Series of the Nebraska Educational Savings Plan Trust. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to those financial statements is based on the reports of the other auditors.

Except as discussed in the following two paragraphs, our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and accordingly, included examining, on a test basis, evidence supporting the schedule of revenues, expenditures, and changes in fund balances and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

Other auditors reported they conducted their audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that they plan and perform the audit to obtain reasonable assurance about whether the financial statements of the AIM College Savings Plan, the TD Waterhouse 529 College Savings Plan, and the College Savings Plan of Nebraska Series of the Nebraska Educational Savings Plan Trust are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The other auditors reported they believed their audit, which included confirmation of security holdings by correspondence with the custodians, provided a reasonable basis for their opinion.

We did not examine portions of the following funds for the fiscal year ended June 30, 2006: State General Construction Fund (33000) expenditures of $19,779,491; the Highway Trust Fund (61240) revenues of $296,051,026; the Excess Liability Fund (62220) revenues of $13,595,776 and expenditures of $11,612,784; the Permanent School Fund (63340) revenues of $33,298,560, expenditures of $470,610, due to fund of $7,406, and other financing sources of $7,973,501; and Other Funds revenues of $2,739,184, expenditures of $3,698,742, due to vendors of $8,106, and other financing sources of $22,530.

As more fully disclosed in Note 12 to the schedule, certain funds of the State Treasurer are common funds with other State agencies. Common funds are funds where State agencies in addition to the State Treasurer record transactions. The long-term investment portion of the common fund balances, noted in the paragraph above, along with required disclosures, are reported and are subject to examination in those other State agencies.

In our opinion, except for the adjustments, if any, as might have been determined to be necessary had we examined evidence regarding the fund balances and changes in fund balances as noted in paragraph four above, the schedule referred to above presents, in all material respects, the revenues, expenditures, and changes in fund balances of the Nebraska State Treasurer for the fiscal year ended June 30, 2006, based on the accounting system and procedures prescribed by the State of Nebraska Director of Administrative Services as described in Note 1 and based on the opinion of other auditors, the financial statements, referred to above present fairly, in all material respects, the financial position of the AIM College Savings Plan, the TD Waterhouse 529 College Savings Plan, and the College Savings Plan of Nebraska Series of the Nebraska Educational Savings Plan Trust, as of December 31, 2005, and the related statements of operations and changes in net assets, for the period ended December 31, 2005, presented in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2006, on our consideration of the Nebraska State Treasurer's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance or other matters. That report is an integral part of an attestation engagement performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our examination.

This report is intended solely for the information and use of the Treasurer and the appropriate Federal and regulatory agencies. However, this report is a matter of public record and its distribution is not limited.

Timothy J. Chamer CPA

November 9, 2006 Assistant Deputy Auditor

NEBRASKA STATE TREASURER

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUNDS BALANCES

For the Fiscal Year Ended June 30, 2006

	State General Fund 10000	Cash Reserve Fund 11000	Treasury Management Cash Fund 21180	Convention Center Support Cash Fund 21190	Unclaimed Property Cash Fund 21200	Education Savings Plan Administrative Cash Fund 21240	MIRF Cash Fund 21260
REVENUES:							
Appropriations	$ 19,262,423	$ -	$ -	$ -	$ -	$ -	$ -
Taxes	127,562	-	-	-	-	-	520,000
Intergovernmental	-	-	-	-	-	-	-
Sales & Charges	5,423,331	-	573,647	-	653	386,712	-
Miscellaneous	30,192,141	-	8,586	363	16,438	5,486	62,502
TOTAL REVENUES	55,005,457	-	582,233	363	17,091	392,198	582,502
EXPENDITURES:							
Personal Services	769,468	-	422,613	-	333,021	46,154	-
Operating	685,867	-	126,725	-	198,759	191,979	145,811,367
Travel	6,633	-	11,302	-	9,423	13,018	-
Capital Outlay	31,894	-	99,293	-	3,602	174	-
Government Aid	17,768,561	-	-	450,389	-	-	520,000
TOTAL EXPENDITURES	19,262,423	-	659,933	450,389	544,805	251,325	146,331,367
Excess (Deficiency) of Revenues Over (Under) Expenditures	35,743,034	-	(77,700)	(450,026)	(527,714)	140,873	(145,748,865)
OTHER FINANCING SOURCES (USES):							
Sales of Assets	610	-	599	-	59	-	-
Deposit to General Fund	211,485,321	-	-	-	-	-	-
Operating Transfers In	44,328,639	261,715,297	-	643,413	524,490	-	145,811,368
Operating Transfers Out	(291,557,604)	(165,266,228)	-	(193,024)	-	-	(46,391)
TOTAL OTHER FINANCING SOURCES (USES)	(35,743,034)	96,449,069	599	450,389	524,549	-	145,764,977
Net Change in Fund Balances	-	96,449,069	(77,101)	363	(3,165)	140,873	16,112
FUND BALANCES, JULY 1, 2005	2,132	177,167,720	154,827	14,404	113,059	68,559	283,759
FUND BALANCES, JUNE 30, 2006	$ 2,132	$ 273,616,789	$ 77,726	$ 14,767	$ 109,894	$ 209,432	$ 299,871
FUND BALANCES CONSIST OF:							
General Cash	$ -	$ 273,616,789	$ 12,985	$ 14,767	$ 108,135	$ 209,443	$ 299,871
Petty Cash	1,000	-	-	-	-	-	-
Other Prepaids	-	-	62,480	-	-	-	-
Received-Not Vouchered	-	-	-	-	-	-	-
Deposits with Vendors	1,132	-	-	-	2,070	-	-
Accounts Receivable Invoiced	-	-	-	-	-	-	-
Due From Other Funds	-	-	2,499	-	-	-	-
Long-Term Investments	-	-	-	-	-	-	-
Deposits	-	-	-	-	-	-	-
Allowance for Doubtful Accounts	-	-	-	-	-	-	-
Due to Vendors	-	-	(238)	-	(311)	(11)	-
Due to Fund	-	-	-	-	-	-	-
Due to Government	-	-	-	-	-	-	-
TOTAL FUND BALANCES	$ 2,132	$ 273,616,789	$ 77,726	$ 14,767	$ 109,894	$ 209,432	$ 299,871

The accompanying notes are an integral part of the schedule

(Continued)

NEBRASKA STATE TREASURER

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUNDS BALANCES

For the Fiscal Year Ended June 30, 2006

	Treasurer Administrative Cash Fund 21270	Spirit Plate Proceeds Cash Fund 21280	Mutual Finance Assistance Cash Fund 21290	State General Construction Fund 33000	Capital Construction Fund 38000	Federal Fund 40000	Life Insurance Demutualization Trust Fund 61210
REVENUES:							
Appropriations	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Taxes	-	-	5,043,863	-	-	-	-
Intergovernmental	-	-	-	-	-	2,137,701	-
Sales & Charges	71,454	291,592	-	-	-	-	-
Miscellaneous	579	2,919	28,592	-	281,140	915	90,437
TOTAL REVENUES	72,033	294,511	5,072,455	-	281,140	2,138,616	90,437
EXPENDITURES:							
Personal Services	-	-	-	-	-	1,050,809	-
Operating	-	-	-	16,226,629	470,631	1,030,017	2,994,752
Travel	-	-	-	1,531	-	9,950	-
Capital Outlay	-	-	-	3,544,331	3,177,108	47,840	-
Government Aid	-	-	3,648,200	7,000	-	-	-
TOTAL EXPENDITURES	-	-	3,648,200	19,779,491	3,647,739	2,138,616	2,994,752
Excess (Deficiency) of Revenues Over (Under) Expenditures	72,033	294,511	1,424,255	(19,779,491)	(3,366,599)	-	(2,904,315)
OTHER FINANCING SOURCES (USES):							
Sales of Assets	-	-	-	-	-	-	-
Deposit to General Fund	-	-	-	-	-	-	-
Operating Transfers In	-	-	1,900,000	19,937,110	8,497,723	-	-
Operating Transfers Out	(80,780)	(151,399)	(3,390,111)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(80,780)	(151,399)	(1,490,111)	19,937,110	8,497,723	-	-
Net Change in Fund Balances	(8,747)	143,112	(65,856)	157,619	5,131,124	-	(2,904,315)
FUND BALANCES, JULY 1, 2005	26,743	-	3,390,111	518,878	314,158	-	7,662,742
FUND BALANCES, JUNE 30, 2006	$ 17,996	$ 143,112	$ 3,324,255	$ 676,497	$ 5,445,282	$ -	$ 4,758,427
FUND BALANCES CONSIST OF:							
General Cash	$ 17,956	$ 143,112	$ 3,324,255	$ 679,380	$ 5,491,928	$ -	$ 4,758,427
Petty Cash	-	-	-	-	-	-	-
Other Prepaids	-	-	-	-	-	-	-
Received-Not Vouchered	-	-	-	(2,883)	(38,630)	-	-
Deposits with Vendors	-	-	-	-	-	-	-
Accounts Receivable Invoiced	40	-	-	-	-	-	-
Due From Other Funds	-	-	-	-	-	-	-
Long-Term Investments	-	-	-	-	-	-	-
Deposits	-	-	-	-	-	-	-
Allowance for Doubtful Accounts	-	-	-	-	-	-	-
Due to Vendors	-	-	-	-	(8,016)	-	-
Due to Fund	-	-	-	-	-	-	-
Due to Government	-	-	-	-	-	-	-
TOTAL FUND BALANCES	$ 17,996	$ 143,112	$ 3,324,255	$ 676,497	$ 5,445,282	$ -	$ 4,758,427

The accompanying notes are an integral part of the schedule

(Continued)

NEBRASKA STATE TREASURER

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUNDS BALANCES

For the Fiscal Year Ended June 30, 2006

	Financial Responsibility Trust Fund 61220	*(See Note 9)* Highway Trust Fund 61240	Highway Tax Trust Fund 61250	Bessey Memorial Trust Fund 61260	Common School Fund 61270	Escheat Trust Fund 61280
REVENUES:						
Appropriations	$ -	$ -	$ -	$ -	$ -	$ -
Taxes	-	430,279,495	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Sales & Charges	-	67,547,004	7,757,212	-	-	-
Miscellaneous	1	845,849	49,190	1,459	35,928	13,131,922
TOTAL REVENUES	1	498,672,348	7,806,402	1,459	35,928	13,131,922
EXPENDITURES:						
Personal Services	-	-	-	-	-	-
Operating	-	-	-	25	-	7,502,521
Travel	-	-	-	-	-	3,207
Capital Outlay	-	-	-	-	-	-
Government Aid	-	-	7,393,500	-	49,015	-
TOTAL EXPENDITURES	-	-	7,393,500	25	49,015	7,505,728
Excess (Deficiency) of Revenues Over (Under) Expenditures	1	498,672,348	412,902	1,434	(13,087)	5,626,194
OTHER FINANCING SOURCES (USES):						
Sales of Assets	-	-	-	-	-	-
Deposit to General Fund	-	-	-	-	-	-
Operating Transfers In	-	14,669,589	-	-	80	1,113
Operating Transfers Out	-	(513,342,365)	-	(581)	-	(4,643,697)
TOTAL OTHER FINANCING SOURCES (USES)	-	(498,672,776)	-	(581)	80	(4,642,584)
Net Change in Fund Balances	1	(428)	412,902	853	(13,007)	983,610
FUND BALANCES, JULY 1, 2005	16	526	2,184,968	17,528	30,203	5,340,047
FUND BALANCES, JUNE 30, 2006	$ 17	$ 98	$ 2,597,870	$ 18,381	$ 17,196	$ 6,323,657
FUND BALANCES CONSIST OF:						
General Cash	$ 17	$ -	$ 2,597,870	$ 1,250	$ 17,196	$ 6,323,657
Petty Cash	-	-	-	-	-	-
Other Prepaids	-	-	-	-	-	-
Received-Not Vouchered	-	-	-	-	-	-
Deposits with Vendors	-	-	-	-	-	-
Accounts Receivable Invoiced	-	98	-	-	-	-
Due From Other Funds	-	-	-	-	-	-
Long-Term Investments	-	-	-	17,131	-	-
Deposits	-	-	-	-	-	-
Allowance for Doubtful Accounts	-	-	-	-	-	-
Due to Vendors	-	-	-	-	-	-
Due to Fund	-	-	-	-	-	-
Due to Government	-	-	-	-	-	-
TOTAL FUND BALANCES	$ 17	$ 98	$ 2,597,870	$ 18,381	$ 17,196	$ 6,323,657

The accompanying notes are an integral part of the schedule

(Continued)

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUNDS BALANCES

For the Fiscal Year Ended June 30, 2006

	Aeronautics Trust Fund 61700	Excess Liability Fund 62220	Motor Fuel Trust Fund 62460	Normal School Endowment Fund 63280	Veterans Aid Fund 63330	Permanent School Fund 63340	Permanent University Endowment Fund 63350
REVENUES:							
Appropriations	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Taxes	-	-	-	-	-	3,010,177	-
Intergovernmental	-	-	-	-	-	-	-
Sales & Charges	-	13,243,362	-	-	-	-	-
Miscellaneous	(44,565)	830,276	119,286	17,500	2,656,268	30,296,765	84,169
TOTAL REVENUES	(44,565)	14,073,638	119,286	17,500	2,656,268	33,306,942	84,169
EXPENDITURES:							
Personal Services	-	-	-	-	-	-	-
Operating	775	11,759,861	-	306	48,583	470,610	1,339
Travel	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-
Government Aid	-	-	-	-	-	-	-
TOTAL EXPENDITURES	775	11,759,861	-	306	48,583	470,610	1,339
Excess (Deficiency) of Revenues Over (Under) Expenditures	(45,340)	2,313,777	119,286	17,194	2,607,685	32,836,332	82,830
OTHER FINANCING SOURCES (USES):							
Sales of Assets	-	-	-	-	-	7,973,501	-
Deposit to General Fund	-	-	-	-	-	-	-
Operating Transfers In	-	-	7,892	-	-	4,118,095	-
Operating Transfers Out	(329,902)	-	-	(7,073)	(1,094,838)	(18,886,812)	(29,991)
TOTAL OTHER FINANCING SOURCES (USES)	(329,902)	-	7,892	(7,073)	(1,094,838)	(6,795,216)	(29,991)
Net Change in Fund Balances	(375,242)	2,313,777	127,178	10,121	1,512,847	26,041,116	52,839
FUND BALANCES, JULY 1, 2005	6,536,948	58,284,469	2,856,374	207,007	30,783,664	371,206,849	1,116,391
FUND BALANCES, JUNE 30, 2006	$ 6,161,706	$ 60,598,246	$ 2,983,552	$ 217,128	$ 32,296,511	$ 397,247,965	$ 1,169,230
FUND BALANCES CONSIST OF:							
General Cash	$ -	$ 14,124,643	$ 2,983,552	$ 8,477	$ -	$ 84,360,365	$ 284,546
Petty Cash	-	-	-	-	-	-	-
Other Prepaids	-	-	-	-	-	-	-
Received-Not Vouchered	-	-	-	-	-	-	-
Deposits with Vendors	-	-	-	-	-	-	-
Accounts Receivable Invoiced	-	-	-	-	-	-	-
Due From Other Funds	-	-	-	-	-	-	-
Long-Term Investments	6,161,706	46,473,603	-	208,651	32,296,511	312,895,006	884,684
Deposits	-	-	-	-	-	-	-
Allowance for Doubtful Accounts	-	-	-	-	-	-	-
Due to Vendors	-	-	-	-	-	-	-
Due to Fund	-	-	-	-	-	(7,406)	-
Due to Government	-	-	-	-	-	-	-
TOTAL FUND BALANCES	$ 6,161,706	$ 60,598,246	$ 2,983,552	$ 217,128	$ 32,296,511	$ 397,247,965	$ 1,169,230

The accompanying notes are an integral part of the schedule

(Continued)

NEBRASKA STATE TREASURER

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUNDS BALANCES

For the Fiscal Year Ended June 30, 2006

	Agriculture College Endowment Fund 65130	Cultural Preservation Endowment Fund 66920	J J Soukup Trust Fund 68910	Base State Fuels Fund 71210	*(See Note 10)* Motor Vehicle Fee Fund 71220	*(See Note 10)* Car Line Refund Fund 71630	*(See Note 8)* IV-D Support Payment Distribution Fund-SDU 72640
REVENUES:							
Appropriations	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Taxes	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Sales & Charges	-	-	-	-	-	-	-
Miscellaneous	163,405	465,351	(9,684)	11	-	-	-
TOTAL REVENUES	163,405	465,351	(9,684)	11	-	-	-
EXPENDITURES:							
Personal Services	-	-	-	-	-	-	-
Operating	2,936	8,451	15,348	-	-	-	-
Travel	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-
Government Aid	-	-	-	-	-	-	-
TOTAL EXPENDITURES	2,936	8,451	15,348	-	-	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	160,469	456,900	(25,032)	11	-	-	-
OTHER FINANCING SOURCES (USES):							
Sales of Assets	-	-	-	-	-	-	-
Deposit to General Fund	-	-	-	-	-	-	-
Operating Transfers In	-	-	-	-	-	-	-
Operating Transfers Out	(65,965)	(478,868)	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(65,965)	(478,868)	-	-	-	-	-
Net Change in Fund Balances	94,504	(21,968)	(25,032)	11	-	-	-
FUND BALANCES, JULY 1, 2005	1,935,240	5,514,833	253,193	-	-	-	-
FUND BALANCES, JUNE 30, 2006	$ 2,029,744	$ 5,492,865	$ 228,161	$ 11	$ -	$ -	$ -
FUND BALANCES CONSIST OF:							
General Cash	$ 83,860	$ -	$ -	$ 625	$ -	$ -	$ 1,306,036
Petty Cash	-	-	-	-	-	-	-
Other Prepaids	-	-	-	-	-	-	-
Received-Not Vouchered	-	-	-	-	-	-	-
Deposits with Vendors	-	-	-	-	-	-	-
Accounts Receivable Invoiced	-	-	-	-	-	-	1,062,587
Due From Other Funds	-	-	-	-	-	-	-
Long-Term Investments	1,945,884	5,492,865	228,161	-	-	-	-
Deposits	-	-	-	-	-	-	(1,857,321)
Allowance for Doubtful Accounts	-	-	-	-	-	-	(511,302)
Due to Vendors	-	-	-	-	-	-	-
Due to Fund	-	-	-	(614)	(158,472)	-	-
Due to Government	-	-	-	-	158,472	-	-
TOTAL FUND BALANCES	$ 2,029,744	$ 5,492,865	$ 228,161	$ 11	$ -	$ -	$ -

The accompanying notes are an integral part of the schedule

(Continued)

NEBRASKA STATE TREASURER

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUNDS BALANCES

For the Fiscal Year Ended June 30, 2006

	(See Note 10) Insurance Tax Fund 77520	Severance Tax Fund 77610	*(See Note 10)* Highway Allocation Fund 77640	**Totals (Memorandum Only)**
REVENUES:				
Appropriations	$ -	$ -	$ -	$ 19,262,423
Taxes	-	-	-	438,981,097
Intergovernmental	-	-	-	2,137,701
Sales & Charges	-	-	-	95,294,967
Miscellaneous	-	-	-	79,333,229
TOTAL REVENUES	-	-	-	635,009,417
EXPENDITURES:				
Personal Services	-	-	-	2,622,065
Operating	-	-	-	187,547,481
Travel	-	-	-	55,064
Capital Outlay	-	-	-	6,904,242
Government Aid	-	-	-	29,836,665
TOTAL EXPENDITURES	-	-	-	226,965,517
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	408,043,900
OTHER FINANCING SOURCES (USES):				
Sales of Assets	-	-	-	7,974,769
Deposit to General Fund	-	-	-	211,485,321
Operating Transfers In	-	-	-	502,154,809
Operating Transfers Out	-	-	-	(999,565,629)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	(277,950,730)
Net Change in Fund Balances	-	-	-	130,093,170
FUND BALANCES, JULY 1, 2005	-	20,000	-	676,005,348
FUND BALANCES, JUNE 30, 2006	$ -	$ 20,000	$ -	$ 806,098,518
FUND BALANCES CONSIST OF:				
General Cash	$ 14,177,726	$ -	$ 18,827,022	$ 433,773,890
Petty Cash	-	-	-	1,000
Other Prepaids	-	-	-	62,480
Received-Not Vouchered	-	-	-	(41,513)
Deposits with Vendors	-	-	-	3,202
Accounts Receivable Invoiced	-	-	-	1,062,725
Due From Other Funds	-	-	-	2,499
Long-Term Investments	-	-	-	406,604,202
Deposits	-	-	-	(1,857,321)
Allowance for Doubtful Accounts	-	-	-	(511,302)
Due to Vendors	-	-	(159,040)	(167,616)
Due to Fund	(627,010)	20,000	(3,625,347)	(4,398,849)
Due to Government	(13,550,716)	-	(15,042,635)	(28,434,879)
TOTAL FUND BALANCES	$ -	$ 20,000	$ -	$ 806,098,518

The accompanying notes are an integral part of the schedule (Concluded)

NEBRASKA STATE TREASURER

NEBRASKA EDUCATIONAL SAVINGS PLAN TRUST

STATEMENT OF ASSETS AND LIABILITIES

As of December 31, 2005

	College Savings Plan of Nebraska	TD Waterhouse 529 College Savings Plan	AIM College Savings Plan	Total
Assets:				
Investments in Underlying Funds, at Value	$ 772,253,178	$ 169,699,723	$ 305,716,830	$1,247,669,731
Cash and Cash Equivalents	3,609,710	711,449	-	4,321,159
Receivables for:				
Investments Sold	-	-	531,607	531,607
Portfolio Shares Sold	-	-	592,858	592,858
Dividends	15,152	3,017	-	18,169
Total Assets	775,878,040	170,414,189	306,841,295	1,253,133,524
Liabilities:				
Accrued Expenses	439,084	116,435	481,508	1,037,027
Payables for:				
Investments Purchased	-	-	544,789	544,789
Portfolio Shares Reaquired	-	-	93,828	93,828
Dividends	-	-	3	3
Commissions Payable for Fund Units Sold	126,400		-	126,400
Total Liabilities	565,484	116,435	1,120,128	1,802,047
Net Assets	$ 775,312,556	$ 170,297,754	$ 305,721,167	$1,251,331,477

See Independent Accountant's Report and accompanying Notes to the Financial Statements.

NEBRASKA STATE TREASURER

NEBRASKA EDUCATIONAL SAVINGS PLAN TRUST

STATEMENT OF OPERATIONS

For the Year Ended December 31, 2005

	College Savings Plan of Nebraska	TD Waterhouse 529 College Savings Plan	AIM College Savings Plan	Total
Investment Income:				
Dividends and Mutual Fund Distributions	$ 22,653,906	$ 4,784,581	$ 3,597,167	$ 31,035,654
Total Investment Income	22,653,906	4,784,581	3,597,167	31,035,654
Expenses:				
Administrative Services Fees	205,144	361,578	1,760,961	2,327,683
Management Fees	4,028,556	723,163	-	4,751,719
12b-1 Fees	574,022	-	-	574,022
TDW Management Fees	-	144,631	-	144,631
Total Expenses	4,807,722	1,229,372	1,760,961	7,798,055
Net Investment Income	17,846,184	3,555,209	1,836,206	23,237,599
Realized and Unrealized Gain (Loss) on Investments				
Net Realized Gain	11,113,632	2,786,711	19,899,390	33,799,733
Net Unrealized Appreciation (depreciation)	16,753,513	3,761,451	(5,532,893)	14,982,071
Net Gain on Investments	27,867,145	6,548,162	14,366,497	48,781,804
Net Increase in Net Assets Resulting From Operations	$ 45,713,329	$ 10,103,371	$ 16,202,703	$ 72,019,403

See Independent Accountant's Report and accompanying Notes to the Financial Statements.

NEBRASKA STATE TREASURER

NEBRASKA EDUCATIONAL SAVINGS PLAN TRUST

STATEMENT OF CHANGES IN NET ASSETS

For the Year Ended December 31, 2005

	College Savings Plan of Nebraska	TD Waterhouse 529 College Savings Plan	AIM College Savings Plan	Total
Operations:				
Net Investment Income	$ 17,846,184	$ 3,555,209	$ 1,836,206	$ 23,237,599
Net Realized Gain on Investments	11,113,632	2,786,711	19,899,390	33,799,733
Unrealized Appreciation (Depreciation)	16,753,513	3,761,451	(5,532,893)	14,982,071
Net Increase in Net Assets Resulting from Operations	45,713,329	10,103,371	16,202,703	72,019,403
Capital Share Transactions:				
Proceeds from Sales	265,866,940	69,627,941	-	335,494,881
Payment for Redemptions	(129,142,323)	(32,024,870)	-	(161,167,193)
Distributions to Shareholders from Net Investment Income	(143,937)	(38,638)	(19,076)	(201,651)
Distributions Reinvested	145,221	38,638	-	183,859
Share Transactions - Net	-	-	57,349,393	57,349,393
Total Increase from Unit Transactions	136,725,901	37,603,071	57,330,317	231,659,289
Total Increase in Net Assets	182,439,230	47,706,442	73,533,020	303,678,692
Net Assets:				
Beginning of Period	592,873,326	122,591,312	232,188,147	947,652,785
End of Period	$ 775,312,556	$ 170,297,754	$ 305,721,167	$1,251,331,477

See Independent Accountant's Report and accompanying Notes to the Financial Statements.

NOTES TO THE SCHEDULE

For the Fiscal Year Ended June 30, 2006

1. Criteria

The accounting policies of the Nebraska State Treasurer (Treasurer) are on the basis of accounting as prescribed by the State of Nebraska Department of Administrative Services (DAS).

Per Neb. Rev. Stat. Section 81-1107(2) R.S.Supp., 2004, the State of Nebraska Director of Administrative Services duties include "The keeping of general accounts and the adoption and promulgation of appropriate rules, regulations, and administrative orders designed to assure a uniform and effective system of accounts and accounting, the approval of all vouchers, and the preparation and issuance of warrants for all purposes."

The Nebraska Information System (NIS) is the official accounting system prescribed by DAS for the State of Nebraska. Policies and procedures are detailed in the Nebraska State Accounting Manual published by DAS – Accounting Division and available to the public. The financial information used to prepare the schedule of revenues, expenditures, and changes in fund balances for the Treasurer was obtained directly from the NIS. NIS records accounts receivable and accounts payable as transactions occur. As such certain revenues are recorded when earned and expenditures are recorded when a liability is incurred, regardless of the timing of related cash flows. The accounts payable liability recorded on NIS, and thus recorded as expenditures, as of June 30, 2006, includes only those payables posted to NIS before June 30, 2006, and not yet paid as of that date. The amount recorded as expenditures as of June 30, 2006, **does not** include amounts for goods and services received before June 30, 2006, which had not been posted to NIS as of June 30, 2006.

NIS also records other liabilities (primarily in the Distributive Fund Type) in accounts titled Deposits, Due to Fund, and Due to Government for the Treasurer. The assets in these funds are being held by the State as an agent and will be used to pay those liabilities to individuals, private organizations, other governments, and/or other funds. The recording of those liabilities reduces the fund balance/equity. For further information of the activity recorded to those accounts for the fiscal year ended June 30, 2006, see Notes 8, 9, and 10.

The NIS system does not include liabilities for accrued payroll and compensated absences.

The fund types established by NIS that are used by the Treasurer are:

> **10000 – General Fund** – accounts for all financial resources not required to be accounted for in another fund.
>
> **20000 – Cash Funds –** account for revenues generated by specific activities from sources outside of State government and the expenditures directly related to the generation of the revenues. Cash funds are established by State statutes and must be used in accordance with those statutes.

NOTES TO THE SCHEDULE
(Continued)

1. Criteria (Continued)

30000 – Construction Funds – account for the revenues and expenditures associated with the acquisition or construction of capital facilities.

40000 – Federal Funds – account for all federal grants and contracts received by the State. Expenditures must be made in accordance with applicable federal requirements.

60000 – Trust Funds – account for assets held by the State in a trustee capacity. Expenditures are made in accordance with the terms of the trust.

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

The major revenue object account codes established by NIS used by the Treasurer are:

Appropriations – Appropriations are granted by the Legislature to make expenditures and to incur obligations. The amount of appropriations reported as revenue is the amount of expenditures.

Taxes – Compulsory charges levied by a government for the purpose of financing services performed for the common benefit. Taxes recorded as revenue for the Treasurer consists of Motor Fuel taxes collected by the Department of Revenue not subject to examination as part of the Treasurer (see Note 12) and Premium Taxes collected by the Department of Insurance.

Intergovernmental – Revenue from other governments in the form of grants, entitlements, shared revenues, payments in lieu of taxes, or reimbursements.

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

Miscellaneous – Revenue from sources not covered by other major categories, such as investment income and Escheat/Unclaimed Property receipts.

The major expenditure object account titles established by NIS used by the Treasurer are:

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

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

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

NOTES TO THE SCHEDULE
(Continued)

1. **Criteria** (Concluded)

Capital Outlay – Expenditures which result in the acquisition of or an addition to capital assets. Capital assets are resources of a long-term character, owned or held by the government.

Government Aid – Payment of Federal and/or State money to governmental subdivisions, State agencies, local health and welfare offices, individuals, etc., in furtherance of local activities and accomplishment of State programs.

Other significant object account codes established by NIS and used by the Treasurer include:

Assets – Resources owned or held by a government that have monetary value. Assets include cash accounts, deposits with vendors, receivable accounts, and long term investments. Accounts receivable are recorded as an increase to revenues and an increase to fund balance on the schedule. Cash accounts and deposits with vendors are also included in fund balance and are reported as recorded on NIS. Long term investments (investments) are stated at fair value based on quoted market prices. Law or legal instruments may restrict these investments. Investments are under the control of the State Treasurer or other administrative bodies as determined by law.

Liabilities – Legal obligations arising out of transactions in the past that must be liquidated, renewed, or refunded at some future date. Accounts payable transactions increase expenditures and decrease fund balance. Other liabilities recorded on NIS for the Treasurer's funds at June 30, 2006, included Deposits, Due to Fund, and Due to Government. The activity of these accounts are not recorded on the Schedules of Revenues, Expenditures, and Changes in Fund Balances as they are not recorded through revenue and expenditure accounts. The activity processed on NIS through these accounts is summarized in Notes 8, 9, and 10.

Other Financing Sources – Operating transfers and proceeds of fixed asset dispositions.

2. **State Agency**

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

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

NOTES TO THE SCHEDULE
(Continued)

3. Totals

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

4. General Cash

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

5. Capital Assets

Under NIS, capital assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisitions are reflected as expenditures. Capital assets, which would include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) would be reported for the State of Nebraska in the Comprehensive Annual Financial Report (CAFR). The Treasurer values all capital assets at cost where historical records are available and at estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received. Generally, equipment that has a cost of $1,000 at the date of acquisition and has an expected useful life of two or more years is capitalized. Depreciation expenses would be reported in the CAFR in the funds used to acquire or construct them for the State of Nebraska. The cost of normal maintenance and repairs that does not add to the value of the asset or extend the asset's life is not capitalized.

Equipment is depreciated using the straight-line method with estimated useful lives of three to ten years.

Capital asset activity of the Treasurer for the fiscal year ended June 30, 2006, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets				
Equipment	$ 1,341,069	$ 190,164	$ 165,586	$ 1,365,647
Less accumulated depreciation for:				
Equipment				$ 1,129,493
Total capital assets, net of depreciation				$ 236,154

NOTES TO THE SCHEDULE
(Continued)

6. Investments

Long-Term Investments represent the balance as reflected on NIS. These investments are part of the JJ Soukup Trust Fund, the Cultural Preservation Endowment Fund, and the Bessey Memorial Trust Fund. Additional information on these funds can be found in the State of Nebraska's CAFR.

7. Unclaimed Property Securities Not Recorded on NIS

The State Treasurer Unclaimed Property Division has investments not recorded on NIS. Per Neb. Rev. Stat. Sec. 69-1305 R.R.S. 2003, stocks, shareholdings, or other intangible ownership interests are presumed abandoned when the owner has not claimed a dividend, distribution, or other sum payable for more than five years. Neb. Rev. Stat. Sec. 69-1310 R.R.S. 2003 requires every person holding funds presumed abandoned report said funds to the State Treasurer, and Neb. Rev. Stat. Sec. 69-1312 R.R.S. 2003 requires property reported be paid or delivered to the State Treasurer. Abandoned properties are held in trust for the original owner by the Unclaimed Property Division and are not considered to be assets of the State of Nebraska. These investments are maintained by the Unclaimed Property Division and by UBS Financial Services and are not recorded on NIS. Physical shares of stock received by the division are maintained in the office. If one stock certificate is received with several different individual owners, the stock may be held in the office until one individual claims their portion of the stock. When a portion of the stock is claimed, the entire stock is transferred to UBS Financial Services who will then transfer the claimed portion of the stock to the owner and hold the remaining shares. UBS Financial Services also holds all shares that are received electronically by the Unclaimed Property Division as the State does not have the capabilities to accept them. The State Treasurer Unclaimed Property Division had investments not recorded on NIS as of June 30, 2006, of $11,414,947, which consisted of:

Stocks Held by Office	$ 3,611,788
Equities Held by UBS	7,709,956
Cash at UBS	87,404
Fixed Income at UBS	5,799
Total Not Recorded on NIS	$ 11,414,947

8. Changes in Deposits

Fund	Balance July 1, 2005	In	Out	Balance June 30, 2006
IV-D Support Payment Distribution Fund – SDU 72640	$ 1,106,752	$ 259,329,501	$ 258,578,932	$ 1,857,321

NOTES TO THE SCHEDULE
(Continued)

9. Changes in Due to Fund

Fund	Balance July 1, 2005	In	Out	Balance June 30, 2006
Highway Trust Fund 61240	$ -	$150,314,116	$150,314,116	$ -

10. Changes in Due to Government

Fund	Balance July 1, 2005	In	Out	Balance June 30, 2006
Motor Vehicle Fee Fund 71220	$ (75,052)	$ 17,577,013	$ 17,660,433	$ (158,472)
Car Line Refund Fund 71630	-	5,648,547	5,648,547	-
Insurance Tax Fund 77520	16,895,896	23,169,331	26,514,511	13,550,716
Highway Allocation Fund 77640	15,514,386	191,367,441	191,839,192	15,042,635

11. Transfers

Fund	Transfer In	Transfer Out
General Fund	$ 44,328,639	$ 291,557,604
Cash Reserve Fund	261,715,297	165,266,228
Convention Center Support Cash Fund	643,413	193,024
Unclaimed Property Cash Fund	524,490	-
MIRF Cash Fund	145,811,368	46,391
Treasurer Administrative Cash Fund	-	80,780
Spirit Plate Proceeds Cash Fund	-	151,399
Mutual Finance Assistance Cash Fund	6,662,835	3,390,112
State General Construction Fund	19,937,110	-
Capital Construction Fund	8,497,723	-
Highway Trust Fund	14,669,589	513,342,365
Bessey Memorial Trust Fund	-	581
Common School Fund	80	-
Escheat Trust Fund	1,113	4,643,697
Aeronautics Trust Fund	-	329,902
Motor Fuel Trust Fund	7,892	-
Normal School Endowment Fund	-	7,073
Veterans Aid Fund	-	1,094,838
Permanent School Fund	4,118,095	18,886,812
Permanent University Endowment Fund	-	29,991
Agriculture College Endowment Fund	-	65,965
Cultural Preservation Endowment Fund	-	478,868
Total Transfers	$ 506,917,644	$ 999,565,630

NOTES TO THE SCHEDULE
(Continued)

11. <u>Transfers</u> (Concluded)

The Highway Trust Fund transfers include monthly transfers from the Ethanol Board, allocation of the tax and fee collections to the Department of Roads, municipalities, and counties, and other miscellaneous transfers. The Permanent School Fund transfers include Unclaimed Property receipts, fund earnings from the Escheat Trust Fund transferred to the Department of Education, and other miscellaneous transfers. All other funds are due to various statutory and legislative mandated transfers.

12. Funds and Activity of the State Treasurer

The Nebraska State Treasurer, by Statute, has responsibilities over certain transactions of certain funds of the State. Other State agencies also are responsible for transactions processed through these same funds. To account for these responsibilities the State has established funds that are "common" to more than one State agency. Common funds are funds in which more than one agency can record transactions. As such, certain transactions, which are processed through these common funds of the Treasurer and other State agencies, are the responsibility of the other State agencies. The following is a summary of the funds/or activity of funds, which were not subject to examination in the examination of the Treasurer's Office:

(Continued on Next Page)

NOTES TO THE SCHEDULE
(Continued)

12. Funds and Activity of the State Treasurer (Continued)

	State General Construction Fund 33000	Highway Trust Fund 61240	Excess Liability Fund 62220	Permanent School Fund 63340	Other Funds	Total All Funds
REVENUES:						
Taxes	$ -	$ 295,444,205	$ -	$ 3,010,177	$ -	$ 298,454,382
Sales and Charges	-	171,672	13,243,362	-	-	13,415,034
Miscellaneous	-	435,149	352,414	30,288,383	2,739,184	33,815,130
TOTAL REVENUES	$ -	$ 296,051,026	$ 13,595,776	$ 33,298,560	$ 2,739,184	$ 345,684,546
EXPENDITURES:						
Operating	$ 16,226,629	$ -	$ 11,612,784	$ 470,610	$ 521,634	$ 28,831,657
Travel	1,531	-	-	-	-	1,531
Capital Outlay	3,544,331	-	-	-	3,177,108	6,721,439
Government Aid	7,000	-	-	-	-	7,000
TOTAL EXPENDITURES	$ 19,779,491	$ -	$ 11,612,784	$ 470,610	$ 3,698,742	$ 35,561,627
OTHER FINANCING SOURCES (USES):						
Sales of Assets	$ -	$ -	$ -	$ 7,973,501	$ -	$ 7,973,501
Operating Transfers In	-	-	-	-	22,530	22,530
TOTAL OTHER FINANCING SOURCES (USES)	$ -	$ -	$ -	$ 7,973,501	$ 22,530	$ 7,996,031
LIABILITY ACCOUNTS:						
Due to Vendors	$ -	$ -	$ -	$ -	$ 8,016	$ 8,016
Due to Fund	-	-	-	7,406	-	7,406
TOTAL LIABILITY ACCOUNTS	$ -	$ -	$ -	$ 7,406	$ 8,016	$ 15,422

NOTES TO THE SCHEDULE
(Continued)

12. Funds and Activity of the State Treasurer (Concluded)

The Other Funds column consists of the Capital Construction Fund (38000), the Common School Fund (61270), the Aeronautics Trust Fund (61700), the Normal School Endowment Fund (63280), the Veterans Aid Fund (63330), the Permanent University Endowment Fund (63350), and the Agriculture College Endowment Fund (65130). These funds were not material to the financial statements and are therefore combined for the above summary.

For the Period Ending December 31, 2005

The Nebraska Educational Savings Plan Trust (Trust) is comprised of three funds: The Endowment Fund, the Administrative Fund, and the Program Fund.

The Endowment Fund (Fund number 61290) and Administrative Fund (Fund number 21240) are funds recorded on the Nebraska Information System (NIS). The Administrative Fund is included in the Schedule of Revenues, Expenditures, and Changes in Fund Balances on page 29 for the fiscal year ended June 30, 2006, of this report. The Endowment Fund had no activity in the fiscal year ended June 30, 2006, and no fund balance at June 30, 2006.

The Program Fund is comprised of three plans: the College Savings Plan of Nebraska, the TD Waterhouse 529 College Savings Plan, and the AIM College Savings Plan. Other auditors, whose reports thereon have been furnished to us, audited these plans. Only total columns for the statements of assets and liabilities and the related statements of operations and changes in net assets for those plans were included in the Nebraska State Treasurer attestation report (These Statements can be found on pages 35 through 37 of this report). Individual portfolio statements and other plan information (such as Financial Highlights) can be found in the separate auditor's reports and can be obtained from the Nebraska State Treasurer's office. The note disclosures as reported in the individual plan Auditor's Report can be found in this Attestation report on the following pages:

- College Savings Plan of Nebraska - Pages 47 through 52
- TD Waterhouse 529 College Saving Plan - Pages 52 through 57
- AIM College Savings Plan - Pages 57 through 89

COLLEGE SAVINGS PLAN OF NEBRASKA

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The College Savings Plan of Nebraska (the Plan) is a series of the Nebraska Educational Savings Plan Trust (the Trust). The Trust was established in accordance with Nebraska Legislative Bill 1003 (the Act) as amended, to encourage the investment of funds to be used for qualified higher education expenses at institutions of higher education. The Trust is comprised of three funds: the Endowment Fund, the Administrative Fund, and the Program Fund. The Plan is a series of the Program Fund of the Trust. The TD Waterhouse 529 College Savings Plan is a separate class of accounts in the Plan. The AIM College Savings Plan, including the State Farm College Savings Plan, is a separate series of the Program Fund of the Trust. Neither are included in the accompanying financial statements. The Endowment Fund and the Administrative Fund are also not included in the accompanying financial statements.

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Plan has been designed to comply with the requirements for treatment as a "Qualified Tuition Program" under Section 529 of the Internal Revenue Code of 1986, as amended. Accounts in the Plan have not been registered with the Securities and Exchange Commission or with any state securities commission pursuant to exemptions from registration available for securities issued by a public instrumentality of a state.

At December 31, 2005, the Plan is comprised of six (6) Target Portfolios, four (4) Age-Based Tracks, and twenty one (21) Individual Fund Portfolios. The Target and Age-Based Portfolio financial statements report on the Target and Aged-Based Portfolios, each of which invests in a combination of Underlying Funds managed by a Sub-Advisor, recommended by, and approved by, the Nebraska Investment Council. The Individual Fund Portfolios invest in a single Underlying Fund managed by a Sub-Advisor, recommended by, and approved by, the Nebraska Investment Council.

The financial statements presented reflect only the College Savings Plan of Nebraska Series of the Nebraska Educational Savings Plan Trust and are not intended to present fairly the financial position of the Nebraska Educational Savings Plan Trust as a whole and the results of its operations in conformity with accounting principles generally accepted in the United States of America.

The Act authorizes and appoints the Nebraska State Treasurer as Trustee. The State Treasurer has entered into a management contract with Union Bank & Trust Company of Lincoln, Nebraska (Program Manager). Under this contract, the Program Manager provides day-to-day administrative, recordkeeping, and marketing services to the Plan. The Program Manager provides separate accounting for each beneficiary. In addition, the Program Manager administers and maintains overall trust and individual account records.

The financial statements and financial highlights have been prepared in conformity with accounting principles generally accepted in the United States of America, which may require the use of management's estimates. Actual results could differ from those estimates.

The following is a summary of significant accounting policies followed by the Target and Age-Based Portfolios and the Individual Fund Portfolios (the Portfolios):

1. <u>Security Valuation</u>

Investments in the Underlying Funds are valued at the closing net asset or unit value per share of each Underlying Fund on the day of valuation.

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Security Transactions and Investment Income

Security Transactions are recorded on the dates the transactions are entered into (the settlement dates). Realized gain and losses on security transactions are determined on the specific identification method. Dividend income and gain distributions from the Underlying Funds, if any, are recorded on the pay date.

3. Expenses

Expenses included in the accompanying financial statements reflect the expenses of each Portfolio and do not include any expenses associated with the Underlying Funds. Each Portfolio indirectly bears its proportional share of the fees and expenses of the Underlying Funds in which it invests.

4. Federal Income Tax

The Program has been designed to comply with the requirements for treatment as a qualified tuition program under Section 529 of the Internal Revenue Code. Therefore, no federal income tax provision is required.

5. Units

Contributions by a participant are evidenced through the issuance of units in the particular Portfolio. Contributions to and withdrawals from the Portfolios are subject to terms and limitations defined in the Enrollment Handbook and Participation Agreement between the participant and the Plan. Contributions received by the Program Manager before the close of trading on the New York Stock Exchange on any business day are credited to the account to which the contribution is made within one business day thereafter. Contributions are invested in units of the assigned Portfolio on the business day the contribution is credited to the participant's account. Withdrawals are based on the net asset value calculated for such Portfolio on the business day on which the Program Manager processes the withdrawal request. The earnings portion of non-qualified withdrawals, in addition to applicable federal and state income tax, may be subject to a 10% federal penalty tax.

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

6. Portfolios

All Target and Age-Based Portfolios are offered in the following fee structure: Direct, Fee Structure A, Fee Structure C, and Fee Structure H. The Individual Fund Portfolios are offered in the following fee structures: Direct, Fee Structure A, and Fee Structure C. Direct accounts do not pay fees in addition to the program expenses of the Plan. Fee Structure A units have a 3.5% front-end sales load and a 0.35% ongoing fee in addition to program expenses. Fee Structure C units pay no front-end sales load and have a 0.65% ongoing fee in addition to program expenses. Fee Structure H units have a front-end sales load of 5.75% and a 0.10% ongoing fee in addition to program expenses.

7. Risk

Balances in the accounts are not guaranteed or insured by the State of Nebraska or any instrumentality of the State of Nebraska, the Nebraska State Treasurer, the Program Manager, or any of its affiliates, the FDIC, or any other party.

8. Financial Highlights

Ratios and total return included on the financial highlights are annualized for periods of less than one (1) year. Ratios for periods of less than one year include management's estimates of performance based on the performance of the Underlying Fund(s).

Recognition of the net investment income by the funds is affected by the timing of the declaration of dividends by the underlying investment companies in which the funds invest.

Total return is net of both fees and expenses of the Underlying Fund(s), as well as the program management fee attributable to the portfolio.

Expense ratios do not include expenses of the Underlying Fund. The impact of the Underlying Fund(s)' expense ratios on each portfolio can vary according to changes in the Underlying Fund(s)' expenses and the investment weighting each portfolio has in the Underlying Fund(s).

NOTE B. PROGRAM EXPENSES

A quarterly account fee of $5 is deducted from the Account each quarter. The account fee is charged for each calendar quarter approximately 15 days after the end of such quarter.
When a Participant originally establishes an Account and signs up for electronic funds transfer equaling $25 per month or more from a bank account, the Program Manager will provide a one time $10 fee credit to the Account at the end of the first quarterly statement cycle.

The additional fees associated with the Plan are described below. In addition, the Plan charges an asset-based program management fee. This fee is not reflected as a direct charge against the Account on the account statements, but rather is reflected as an expense in the daily NAV calculation for each Portfolio. The program management fee is at an annual rate of 0.60% of the average daily net assets of each Portfolio.

Each Portfolio will also indirectly bear its pro rata share of the fees and expenses of the underlying investment funds. Although these expenses and fees are not charged to Plan Accounts, they will reduce the investment returns realized by each Portfolio.

Additional Fees	
Application Fee	None
Cancellation Fee	None
Change in Beneficiary	None
Change in Investment Portfolio	None

NOTE C. PORTFOLIOS

Participants in the Plan may designate their accounts be invested in one of four Age-Based Portfolios designed to reduce the exposure to principal loss the closer in age the beneficiary is to college, one of six Target Portfolios that keep the same asset allocation between equity and fixed income securities, or in Individual Fund Portfolios.

The following tables show the investment allocations of the Age-Based and Target Portfolios:

Age-Based Portfolios

Beneficiary Age	Aggressive (Equity/Real Estate/Fixed Income/Money Market)	Growth (Equity/Real Estate/Fixed Income/Money Market)	Balanced (Equity/Real Estate/Fixed Income/Money Market)	Conservative (Equity/Real Estate/Fixed Income/Money Market)
0-5	100/0/0/0%	80/5/15/0%	60/5/26/9%	40/5/36/19%
6-10	80/5/15/0%	60/5/26/9%	40/5/36/19%	20/5/46/29%
11-15	60/5/26/9%	40/5/36/19%	20/5/46/29%	0/0/50/50%
16-20	40/5/36/19%	20/5/46/29%	0/0/50/50%	0/0/25/75%
21+	20/5/46/29%	0/0/50/50%	0/0/25/75%	0/0/0/100%

NOTE C. PORTFOLIOS (Concluded)

Target Portfolios

Type of Security	Fund 100	Fund 80	Fund 60	Fund 40	Fund 20	Conservative
Equity	100%	80%	60%	40%	20%	0%
Real Estate	0%	5%	5%	5%	5%	0%
Fixed Income	0%	15%	26%	36%	46%	50%
Money Market	0%	0%	9%	19%	29%	50%

NOTE D. PARTICIPANT CONTRIBUTIONS

Participant contributions postmarked by December 31, 2005, but received by the Plan after December 31, 2005, amounted to $3,866,537. Such contributions are not reflected in the accompanying financial statements.

NOTE E. T. ROWE PRICE INSTITUTIONAL FOREIGN EQUITY FUND

The Plan discontinued participation in the T. Rowe Price Institutional Foreign Equity Fund during 2005. During the week of June 22, 2005, shares of the T. Rowe Price Institutional Foreign Equity Fund held in each Portfolio were liquidated and the proceeds invested in the Vanguard Total International Stock Index Fund. At December 31, 2005, the Plan had no net assets or investments in the T. Rowe Institutional Foreign Equity Fund.

NOTE F. GOLDMAN SACHS REAL ESTATE SECURITIES FUND

The Plan began offering the Goldman Sachs Real Estate Securities Fund as of February 8, 2005.

TD WATERHOUSE 529 COLLEGE SAVINGS PLAN

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The TD Waterhouse 529 College Savings Plan (the Plan) is a separate class of accounts in the College Savings Plan of Nebraska. The College Savings Plan of Nebraska is a separate series of the Nebraska Educational Savings Plan Trust (the Trust). The Trust was established in accordance with Nebraska Legislative Bill 1003 (the Act) as amended, to encourage the investment of funds to be used for qualified higher education expenses at institutions of higher education. The Trust is comprised of three funds: the Endowment Fund, the Administrative Fund, and the Program Fund. The AIM College Savings Plan, including the State Farm College Savings Plan, and the College Savings

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Plan of Nebraska are separate series of the Program Fund of the Trust and are not included in the accompanying financial statements. The Endowment Fund and the Administrative Fund are also not included in the accompanying financial statements.

The Plan had been designed to comply with the requirements for treatment as a "Qualified Tuition Program" under Section 529 of the Internal Revenue Code of 1986, as amended. Accounts in the Plan have not been registered with the Securities and Exchange Commission or with any state securities commission pursuant to exemptions from registration available for securities issued by a public instrumentality of a state.

At December 31, 2005, the Plan is comprised of six (6) Target Portfolios, four (4) Age-Based Tracks, and twenty one (21) Individual Fund Portfolios. The Target and Age-Based Portfolio financial statements report on the Target and Age-Based Portfolios, each of which invests in a combination of Underlying Funds managed by a Sub-Advisor, recommended by, and approved by, the Nebraska Investment Council.

The financial statements presented reflect only the TD Waterhouse 529 College Savings Plan and are not intended to present fairly the financial position of either the Nebraska Educational Savings Plan Trust as a whole or the College Savings Plan of Nebraska and the results of their operations in conformity with accounting principles generally accepted in the United States of America.

The Act authorizes and appoints the Nebraska State Treasurer as Trustee. The State Treasurer has entered into a management contract with Union Bank & Trust Company of Lincoln, Nebraska (Program Manager). Under this contract, the Program Manager provides day-to-day administrative, recordkeeping, and marketing services to the Plan. The Program Manager provides separate accounting for each beneficiary. In addition, the Program Manager administers and maintains overall trust and individual account records. The Program Manager has subcontracted some of these duties to TD Waterhouse.

The financial statements and financial highlights have been prepared in conformity with accounting principles generally accepted in the United States of America, which may require the use of management's estimates. Actual results could differ from those estimates.

The following is a summary of significant accounting policies followed by the Target and Age-Based Portfolios (the Portfolios) and Individual Fund Portfolios:

1. <u>Security Valuation</u>

Investments in the Underlying Funds are valued at the closing net asset or unit value per share of each Underlying Fund of the day of valuation.

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Security Transactions and Investment Income

Security transactions are recorded on the dates the transactions are entered into (the settlement dates). Realized gain and losses on security transactions are determined on the specific identification method. Dividend income and gain distributions from the Underlying Funds, if any, are recorded on the pay date.

3. Expenses

Expenses included in the accompanying financial statements reflect the expenses of each Portfolio and do not include any expenses associated with the Underlying Funds. Each Portfolio indirectly bears its proportional share of the fees and expenses of the Underlying Funds in which it invests.

4. Federal Income Tax

The Program has been designed to comply with the requirements for treatment as a qualified tuition program under Section 529 of the Internal Revenue Code. Therefore, no federal income tax provision is required.

5. Units

Contributions by a participant are evidenced through the issuance of units in the particular Portfolio. Contributions to and withdrawals from the Portfolios are subject to terms and limitations defined in the Enrollment Handbook and Participation Agreement between the participant and the Plan. Contributions received by the Program Manager before the close of trading on the New York Stock Exchange on any business day are credited to the account to which the contribution is made within one business day thereafter. Contributions are invested in units of the assigned Portfolio on the business day the contribution is credited to the participant account.

Withdrawals are based on the net asset value calculated for such Portfolio on the business day on which the Program Manager processes the withdrawal request. The earnings portion of non-qualified withdrawals, in addition to applicable federal and state income tax, may be subject to a 10% federal penalty tax.

6. Portfolios

At December 31, 2005, all Target and Age-Based Portfolios are offered only in a Direct Fee Structure. Direct accounts do not pay fees in addition to the program expenses of the Plan.

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

7. Risk

Balances in the accounts are not guaranteed or insured by the State of Nebraska or any instrumentality of the State of Nebraska, the Nebraska State Treasurer, the Program Manager or any of its affiliates, TD Waterhouse, the FDIC, or any other party.

8. Financial Highlights

Ratios and total return included on the financial highlights are not annualized for periods of less than one (1) year. Ratios for periods of less than one year include management's estimates of performance based on the performance of the Underlying Fund(s).

Recognition of the net investment income by the funds is affected by the timing of the declaration of dividends by the underlying investment companies in which the funds invest.

Total return is net of both fees and expenses of the Underlying Fund(s), as well as the program management fee attributable to the portfolio.

Expense ratios do not include expenses of the Underlying Fund. The impact of the Underlying Fund(s)' expense ratios on each portfolio can vary according to changes in the Underlying Fund(s)' expenses and the investment weighting each portfolio has in the Underlying Fund(s).

NOTE B. PROGRAM EXPENSES

A quarterly account fee of $7.50 is deducted from the Account each quarter, beginning in the calendar quarter after the Account is established. The account fee is charged for each calendar quarter approximately 15 days after the end of such quarter.

When a Participant originally establishes an Account and signs up for electronic funds transfer equaling $25 per month or more from a bank account, the Program Manager will provide a one time $10 fee credit to the Account at the end of the first quarterly statement cycle.

The additional fees associated with the Plan are described below. In addition, the Plan charges an asset-based program management fees. This fee is not reflected as a direct charge against the Account on the account statements, but rather is reflected as an expense in the daily NAV calculation for each Portfolio. The program management fee is

NOTE B. PROGRAM EXPENSES (Concluded)

at an annual rate of 0.85% of the average daily net assets of each Portfolio. A portion of the program management fee is paid to TD Waterhouse as compensation for services provided to the Program Manager in connection with the marketing and administration of the TD Waterhouse 529 College Savings Plan.

Each Portfolio will also indirectly bear its pro rata share of the fees and expenses of the underlying investment funds. Although these expenses and fees are not charged to Plan Accounts, they will reduce the investment returns realized by each Portfolio.

Additional Fees

Application Fee	None
Cancellation Fee	None
Change in Beneficiary	None
Change in Investment Portfolio	None

NOTE C. PORTFOLIOS

Participants in the Plan may designate their accounts be invested in one of four Age-Based Portfolios designed to reduce the exposure to principal loss the closer in age the beneficiary is to college, one of six Target Portfolios that keep the same asset allocation between equity, real estate, fixed income and money market securities, or in Individual Fund Portfolios.

The following tables show the investment allocations of the Age-Based and Target Portfolios:

Age-Based Portfolios

Beneficiary Age	Aggressive (Equity/Real Estate/Fixed Income/Money Market)	Growth (Equity/Real Estate/Fixed Income/Money Market)	Balanced (Equity/Real Estate/Fixed Income/Money Market)	Conservative (Equity/Real Estate/Fixed Income/Money Market)
0-5	100/0/0/0%	80/5/15/0%	60/5/26/9%	40/5/36/19%
6-10	80/5/15/0%	60/5/26/9%	40/5/36/19%	20/5/46/29%
11-15	60/5/26/9%	40/5/36/19%	20/5/46/29%	0/0/50/50%
16-20	40/5/36/19%	20/5/46/29%	0/0/50/50%	0/0/25/75%
21+	20/5/46/29%	0/0/50/50%	0/0/25/75%	0/0/0/100%

Target Portfolios

Type of Security	Fund 100	Fund 80	Fund 60	Fund 40	Fund 20	Conservative
Equity	100%	80%	60%	40%	20%	0%
Real Estate	0%	5%	5%	5%	5%	0%
Fixed Income	0%	15%	26%	36%	46%	50%
Money Market	0%	0%	9%	19%	29%	50%

NOTE D. PARTICIPATION CONTRIBUTIONS

Participation contributions postmarked by December 31, 2005, but received by the Plan after December 31, 2005 amounted to $1,070,715. Such contributions are not reflected in the accompanying financial statements.

NOTE E. T. ROWE PRICE INSTITUTIONAL FOREIGN EQUITY FUND

The Plan discontinued participation in the T. Rowe Price Institutional Foreign Equity Fund during 2005. During the week of August 25, 2005, shares of the T. Rowe Price Institutional Foreign Equity Fund held in each Portfolio were liquidated and the proceeds invested in the Vanguard Total International Stock Index Fund. At December 31, 2005, the Plan had no assets or investments in the T. Rowe Price Institutional Foreign Equity Fund.

NOTE F. GOLDMAN SACHS REAL ESTATE SECURITIES FUND

The Plan began offering the Goldman Sachs Real Estate Securities Fund as of February 8, 2005.

AIM COLLEGE SAVINGS PLAN

NOTE A. SIGNIFICANT ACCOUNTING POLICIES

The AIM College Savings Plan (the “Plan”) is a series of accounts within the Nebraska Educational Savings Plan Trust (the “Trust). The Trust was established pursuant to Nebraska law and is overseen by the Nebraska State Treasurer, who serves as Trustee. The Trust is intended to qualify as a tax-advantaged savings plan under section 529 of the Internal Revenue Code of 1986, as amended. The plan enables individuals to save and invest on a tax-deferred basis in order to fund future higher educational expenses of a designated beneficiary.

The Plan is comprised of twenty-eight different portfolios (the “Portfolios”). Ten of the Portfolios, known as the Model Portfolios, invest in a combination of underlying funds managed by AIM Advisors, Inc (the “Advisor”). The remaining eighteen Portfolios, known as the Individual Fund Portfolios, invest in individual mutual funds managed by the Advisor. The underlying funds may engage in a number of investment techniques and practices, which involve certain risks. Each underlying fund’s accounting policies are outlined in the underlying fund’s financial statements and are available upon request.

NOTE A. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Generally accepted accounting principles require adjustments to be made to the net assets of the Plan at period end, and as such, the net asset value for shareholder transactions may be different than the net asset value reported in these financial statements. The following is a summary of the significant accounting policies followed by the Plan in the preparation of its financial statements.

1. Security Valuation

Investments in underlying funds are valued at the end of the day net asset value per share. Securities in the underlying funds, including restricted securities, are valued according to the following policy.

A security listed or traded on an exchange (except convertible bonds) is valued at its last sales price as of the close of the customary trading session on the exchange where the security is principally traded, or lacking any sales on a particular day, the security is valued at the closing bid price on that day. Each security traded in the over-the-counter market (but not securities reported on the NASDAQ National Market System) is valued on the basis of prices furnished by independent pricing services, which may be considered fair valued, or market makers. Each security reported on the NASDAQ National Market System is valued at the NASDAQ Official Closing Price ("NOCP") as of the close of the customary trading session on the valuation date or absent a NOCP, at the closing bid price.

Futures contracts are valued at the final settlement price set by an exchange on which they are principally traded. Listed options are valued at the mean between the last bid and the ask prices from the exchange on which they are principally traded. Options not listed on an exchange are valued by an independent source at the mean between the last bid and ask prices. For purposes of determining net asset value per share, futures and option contracts generally are valued 15 minutes after the close of the customary trading session of the New York Stock Exchange ("NYSE").

Investments in open-end registered investment companies and closed-end registered investment companies that do not trade on an exchange are valued at the end of day net asset value per share. Investments in closed-end registered

NOTE A. SIGNIFICANT ACCOUNTING POLICIES (Continued)

investment companies that trade on an exchange are valued at the last sales price as of the close of the customary trading session on the exchange where the security is principally traded.

Debt obligations (including convertible bonds) are fair valued using an evaluated quote provided by an independent pricing service. Evaluated quotes provided by the pricing service may be determined without exclusive reliance on quoted prices, and may reflect appropriate factors such as institution-size trading in similar groups of securities, developments related to specific securities, dividend rate, yield, quality, type of issue, coupon rate, maturity, individual trading characteristics and other market date. Short-term obligations having 60 days or less to maturity and commercial paper are recorded at amortized cost which approximates value.

Securities for which market prices are not provided by any of the above methods are valued based upon quotes furnished by independent sources and are valued at the last bid price in the case of equity securities and in the case of debt obligations, the mean between the last bid and asked prices.

Foreign securities (including foreign exchange contracts) are converted into U.S. dollar amounts using the applicable exchange rates as of the close of the NYSE. Generally, trading in foreign securities is substantially completed each day at various times prior to the close of the NYSE. The values of such securities used in computing the net asset value of the Fund's shares are determined as of the close of the respective markets. Events affecting the values of such foreign securities may occur between the times at which the particular foreign market closes and the close of the customary trading session of the NYSE which would not ordinarily be reflected in the computation of the underlying funds' net asset value. If the event is likely to have affected the closing price of the security, the security will be valued at fair value in good faith using procedures approved by the underlying funds' Board of Trustees. Adjustments to closing prices to reflect fair value may also be based on a screening process of an independent pricing service to indicate the degree of certainty, based on historical data, that the closing price in the principal market where a foreign security trades is not the current value as of the close of the NYSE. Foreign securities meeting the approved degree of certainty that the price is not reflective of current value will be priced at the indication of fair value from the independent pricing service. Multiple factors may be considered by the independent pricing service in determining adjustments to reflect fair value and may include information relating to sector indices, ADRs and domestic and foreign index futures.

NOTE A. SIGNIFICANT ACCOUNTING POLICIES (Concluded)

Securities for which market quotations are not readily available or are unreliable are valued at fair value as determined in good faith by or under the supervision of the underlying funds' officers following procedures approved by the underlying funds' Board of Trustees. Issuer specific events, market trends, bid/ask quotes of brokers and information providers and other market date may be reviewed in the course of making a good faith determination of a security's fair value.

2. Securities Transactions and Investment Income

Securities transactions are accounted for on a trade date basis. Realized gains or losses on sales are computed on the basis of specific identification of the securities sold. Distributions from income from underlying funds, if any, are recorded as dividend income on the ex-dividend date. Distributions from net realized capital gains from underlying funds, if any, are recorded as realized gains on the ex-dividend date.

The Fund allocates income and realized and unrealized capital gains and losses to a class based on the relative net asset of each class.

3. Distributions

AIM Money Market Fund Portfolio distributions declared daily and paid monthly. AIM Money Market Fund Portfolio distributions from net realized gain, if any, are generally paid annually and recorded on ex-dividend date.

4. Federal Income Taxes

The Plan intends to comply with the requirements under Section 529 of the Internal Revenue Code; therefore, no provision for federal income taxes is recorded in the financial statements.

5. Expenses

Expenses included in the accompanying financial statements reflect the expenses of each Portfolio and do not include any expenses associated with the underlying funds. Administrative services fees directly attributable to a class of shares are charged to the respective classes' operations. Each Portfolio indirectly bears its proportional share of the fees and expenses of the underlying funds in which it invests. Accordingly, each Portfolio's investment return will be net of both the fees and expenses of the underlying funds and the expenses attributable to the Portfolio.

NOTE B. PLAN FEES

The operation of the Plan is governed by a Marketing and Administrative Services Agreement between the Trust; the Nebraska State Investment Council (the "Council"); Union Bank and Trust Company (the "Program Manager"); AIM Capital Management, Inc. (the "Investment Manager"); AIM Distributors, Inc. (the "Distributor"); and AIM Investment Services, Inc., formerly known as AIM Fund Services, Inc. (the "Servicing Agent").

The Portfolios accrue an administrative service fee daily which is based on the net assets of each portfolio, based on the following annual rates:

Class A	0.35%
Class B	1.10%
Class C	1.10%

An initial sales charge is assessed on purchases of Class A shares of the Portfolios. Such commissions are not expenses of the Portfolios. They are deducted from, and are not included in, the proceeds from sales of Class A shares. Contingent deferred sales charges may be imposed on redemptions of Class B and Class C shares. For the year ended December 31, 2005, the Distributor advised the Portfolios that it retained the following fees:

Portfolio	Class A Commissions	Class B Contingent Deferred Sales Charge	Class C Contingent Deferred Sales Charge
AIM Aggressive Growth Portfolio	$ 20,052	$ 2,122	$ 126
AIM Balanced Portfolio	20,302	2,941	264
AIM Growth Portfolio	21,110	3,335	410
AIM 16+ Years to College Portfolio	34,670	3,876	192
AIM 13-15 Years to College Portfolio	34,809	10,777	193
AIM 10-12 Years to College Portfolio	32,943	8,503	183
AIM 7-9 Years to College Portfolio	33,357	10,139	140
AIM 4-6 Years to College Portfolio	37,185	8,427	99
AIM 1-3 Years to College Portfolio	21,712	1,476	74
AIM College Now Portfolio	2,793	224	26
AIM Aggressive Growth Fund Portfolio	3,996	195	5
AIM Basic Value Fund Portfolio	5,195	94	15
AIM Capital Development Fund Portfolio	842	91	-
AIM Charter Fund Portfolio	70	223	-
AIM Constellation Fund Portfolio	1,821	30	2
AIM Diversified Dividend Fund Portfolio	-	-	-
AIM Global Equity Fund Portfolio	-	-	-
AIM Intermediate Government Fund Portfolio	1,183	164	8

NOTE B. PLAN FEES (Concluded)

Portfolio	Class A Commissions	Class B Contingent Deferred Sales Charge	Class C Contingent Deferred Sales Charge
AIM International Core Equity Fund Portfolio	929	-	2
AIM International Growth Fund Portfolio	2,922	-	8
AIM Large Cap Basic Value Fund Portfolio	1,651	-	-
AIM Large Cap Growth Fund Portfolio	995	61	6
AIM Mid Cap Core Equity Fund Portfolio	3,142	4	8
AIM Money Market Fund Portfolio	711	-	30
AIM Small Cap Growth Fund Portfolio	4,250	66	2
AIM Total Return Bond Fund Portfolio	-	-	-
AIM Trimark Small Companies Fund Portfolio	-	-	-

NOTE C. SHARE INFORMATION

The Portfolios offer Class A, Class B and Class C shares. Class A shares are sold with a front-end sales charge. Class B shares and Class C shares are sold with a contingent deferred sales charge. Generally, Class B shares will automatically convert to Class A shares eight years after the end of the calendar month of purchase. Class B and Class C shares of AIM Short Term Bond Fund Portfolio have not commenced sales. Class A shares of AIM Total Return Fund Portfolio have not commenced sales. Transactions in shares outstanding during the year ended December 31, 2005, were as follows:

AIM Aggressive Growth Portfolio

	Year Ended December 31, 2005	
	Shares	Amount
Sold:		
Class A	444,530	$ 4,740,952
Class B	127,530	1,330,657
Class C	59,174	620,246
Reacquired:		
Class A	(124,570)	(1,338,517)
Class B	(17,007)	(179,483)
Class C	(34,752)	(363,820)
	454,905	$ 4,810,035

NOTE C. SHARE INFORMATION (Continued)

AIM Balanced Portfolio

	Year Ended December 31, 2005	
	Shares	Amount
Sold:		
Class A	288,454	$ 3,223,781
Class B	57,660	627,732
Class C	99,362	1,083,211
Reacquired:		
Class A	(137,269)	(1,544,964)
Class B	(18,888)	(204,389)
Class C	(74,627)	(813,671)
	214,692	$ 2,371,700

AIM Growth Portfolio

	Year Ended December 31, 2005	
	Shares	Amount
Sold:		
Class A	383,757	$ 4,275,183
Class B	116,236	1,264,174
Class C	147,111	1,595,494
Reacquired:		
Class A	(150,111)	(1,680,216)
Class B	(32,986)	(359,194)
Class C	(101,452)	(1,095,924)
	362,555	$ 3,999,517

NOTE C. SHARE INFORMATION (Continued)

AIM 16+ Years to College Portfolio

	Year Ended December 31, 2005	
	Shares	Amount
Sold:		
Class A	554,844	$ 6,105,347
Class B	181,718	1,946,295
Class C	46,225	493,800
Reacquired:		
Class A	(580,544)	(6,377,019)
Class B	(311,578)	(3,339,468)
Class C	(115,342)	(1,232,400)
	(224,677)	$ (2,403,445)

AIM 13-15 Years to College Portfolio

	Year Ended December 31, 2005	
	Shares	Amount
Sold:		
Class A	1,064,131	$ 11,783,717
Class B	529,332	5,721,217
Class C	182,220	1,961,857
Reacquired:		
Class A	(489,842)	(5,433,253)
Class B	(310,681)	(3,362,674)
Class C	(132,820)	(1,435,515)
	842,340	$ 9,235,349

AIM 10-12 Years to College Portfolio

	Year Ended December 31, 2005	
	Shares	Amount
Sold:		
Class A	941,958	$ 10,520,581
Class B	470,144	5,119,685
Class C	155,883	1,698,039
Reacquired:		
Class A	(582,951)	(6,523,863)
Class B	(341,735)	(3,728,146)
Class C	(174,309)	(1,899,899)
	468,990	$ 5,186,397

NOTE C. SHARE INFORMATION (Continued)

AIM 7-9 Years to College Portfolio

	Year Ended December 31, 2005	
	Shares	Amount
Sold:		
Class A	1,039,258	$ 11,507,354
Class B	501,872	5,417,572
Class C	242,013	2,611,103
Reacquired:		
Class A	(619,408)	(6,867,475)
Class B	(349,903)	(3,778,145)
Class C	(128,810)	(1,393,458)
	685,022	$ 7,496,951

AIM 4-6 Years to College Portfolio

	Year Ended December 31, 2005	
	Shares	Amount
Sold:		
Class A	1,080,373	$ 12,008,098
Class B	423,221	4,583,210
Class C	196,067	2,125,244
Reacquired:		
Class A	(612,777)	(6,805,632)
Class B	(193,276)	(2,095,152)
Class C	(199,773)	(2,167,715)
	693,835	$ 7,648,053

AIM 1-3 Years to College Portfolio

	Year Ended December 31, 2005	
	Shares	Amount
Sold:		
Class A	831,590	$ 9,330,348
Class B	191,862	2,106,131
Class C	265,046	2,913,081
Reacquired:		
Class A	(366,824)	(4,117,762)
Class B	(29,660)	(325,267)
Class C	(209,067)	(2,289,994)
	682,947	$ 7,616,537

NOTE C. SHARE INFORMATION (Continued)

AIM College Now Portfolio

	Year Ended December 31, 2005	
	Shares	Amount
Sold:		
Class A	352,077	$ 3,889,589
Class B	13,630	146,925
Class C	208,901	2,252,819
Reacquired:		
Class A	(159,027)	(1,768,329)
Class B	(5,141)	(55,845)
Class C	(107,745)	(1,165,491)
	302,695	$ 3,299,668

AIM Aggressive Growth Fund Portfolio

	Year Ended December 31, 2005	
	Shares	Amount
Sold:		
Class A	35,994	$ 503,900
Class B	11,234	153,682
Class C	12,222	167,868
Reacquired:		
Class A	(6,141)	(87,792)
Class B	(864)	(12,115)
Class C	(1,120)	(15,791)
	51,325	$ 709,752

AIM Basic Value Fund Portfolio

	Year End December 31, 2005	
	Shares	Amount
Sold:		
Class A	72,935	$ 1,214,504
Class B	13,883	228,990
Class C	18,047	297,388
Reacquired:		
Class A	(14,682)	(249,699)
Class B	(991)	(16,601)
Class C	(9,882)	(165,749)
	79,310	$ 1,308,833

NOTE C. SHARE INFORMATION (Continued)

AIM Capital Development Fund Portfolio

	Year End December 31, 2005	
	Shares	Amount
Sold:		
Class A	10,585	$ 183,155
Class B	3,243	55,440
Class C	7,206	122,523
Reacquired:		
Class A	(3,398)	(59,926)
Class B	(236)	(4,092)
Class C	(983)	(16,628)
	16,417	$ 280,472

AIM Charter Fund Portfolio

	August 10, 2005 (Date sales commenced) to December 31, 2005	
	Shares	Amount
Sold:		
Class A (a)	130,239	$ 1,289,660
Class B	56,307	556,904
Class C (b)	42,268	417,832
Reacquired:		
Class A (a)	(7,665)	(77,402)
Class B	(2,956)	(29,221)
Class C (b)	(6,124)	(61,957)
	212,069	$ 2,095,816

(a) Class A shares commenced sales on August 18, 2005.
(b) Class C shares commenced sales on August 19, 2005.

AIM Constellation Fund Portfolio

	Year Ended December 31, 2005	
	Shares	Amount
Sold:		
Class A	21,445	$ 280,906
Class B	5,476	70,687
Class C	3,770	48,782
Reacquired:		
Class A	(5,693)	(75,075)
Class B	(617)	(8,117)
Class C	(4,068)	(51,107)
	20,313	$ 266,076

NOTE C. SHARE INFORMATION (Continued)

AIM Diversified Dividend Fund Portfolio

	August 16, 2005 (Date sales commenced) to December 31, 2005	
	Shares	Amount
Sold:		
Class A	5,076	$ 51,815
Class B (c)	4,233	42,305
Class C (d)	1,318	13,333
Reacquired:		
Class A	(2)	(25)
Class B (c)	(2)	(25)
	10,623	$ 107,403

(c) Class B shares commenced sales on September 16, 2005.
(d) Class C shares commenced sales on November 3, 2005.

AIM Global Equity Fund Portfolio

	August 15, 2005 (Date sales commenced) to December 31, 2005	
	Shares	Amount
Sold:		
Class A	9,322	$ 94,109
Class B (a)	6,386	64,246
Class C (b)	1,875	18,970
Reacquired:		
Class A	(2)	(25)
	17,581	$ 177,300

(a) Class B shares commenced sales on September 1, 2005.
(b) Class C shares commenced sales on November 3, 2005.

NOTE C. SHARE INFORMATION (Continued)

AIM Intermediate Government Fund Portfolio

	Year Ended December 31, 2005	
	Shares	Amount
Sold:		
Class A	32,390	$ 338,141
Class B	7,570	77,523
Class C	13,453	138,028
Reacquired:		
Class A	(21,524)	(225,006)
Class B	(23,540)	(240,608)
Class C	(47,322)	(484,935)
	(38,973)	$ (396,857)

AIM International Core Equity Fund Portfolio

	Year Ended December 31, 2005	
	Shares	Amount
Sold:		
Class A	14,216	$ 229,378
Class B	3,038	48,167
Class C	10,656	166,312
Reacquired:		
Class A	(1,059)	(17,059)
Class B	(205)	(3,236)
Class C	(1,813)	(29,091)
	24,833	$ 394,471

AIM International Growth Fund Portfolio

	Year Ended December 31, 2005	
	Shares	Amount
Sold:		
Class A	37,745	$ 619,429
Class B	3,933	63,310
Class C	17,842	283,769
Reacquired:		
Class A	(3,120)	(50,956)
Class B	(43)	(750)
Class C	(1,853)	(29,652)
	54,504	$ 885,150

NOTE C. SHARE INFORMATION (Continued)

AIM Large Cap Basic Value Fund Portfolio

	Year Ended December 31, 2005	
	Shares	Amount
Sold:		
Class A	12,910	$ 187,234
Class B	3,442	49,125
Class C	4,209	60,168
Reacquired:		
Class A	(2,242)	(33,088)
Class B	(794)	(11,626)
Class C	(2,459)	(35,251)
	15,066	$ 216,562

AIM Large Cap Growth Fund Portfolio

	Year Ended December 31, 2005	
	Shares	Amount
Sold:		
Class A	16,201	$ 231,760
Class B	3,106	42,885
Class C	8,491	116,081
Reacquired:		
Class A	(1,094)	(15,642)
Class B	(239)	(3,374)
Class C	(1,175)	(16,321)
	25,290	$ 355,389

AIM Mid Cap Core Equity Fund Portfolio

	Year Ended December 31, 2005	
	Shares	Amount
Sold:		
Class A	34,631	$ 561,482
Class B	12,538	200,009
Class C	16,360	257,255
Reacquired:		
Class A	(4,950)	(81,051)
Class B	(1,903)	(30,145)
Class C	(3,440)	(55,614)
	53,236	$ 851,936

NOTE C. SHARE INFORMATION (Continued)

AIM Money Market Fund Portfolio

	Year Ended December 31, 2005	
	Shares	Amount
Sold:		
Class A	241,396	$ 241,396
Class B	234,488	234,488
Class C	191,694	191,694
Issued as reinvestment dividends		
Class A	9,627	9,627
Class B	3,732	3,732
Class C	5,612	5,612
Reacquired:		
Class A	(192,311)	(192,311)
Class B	(131,440)	(131,440)
Class C	(138,170)	(138,170)
	224,628	$ 224,628

AIM Short Term Bond Fund Portfolio

	December 28, 2005 (Date sales commenced) to December 31, 2005	
	Shares	Amount
Sold:		
Class A	218	$ 2,183
	218	$ 2,183

AIM Small Cap Growth Fund Portfolio

	Year Ended December 31, 2005	
	Shares	Amount
Sold:		
Class A	21,441	$ 362,944
Class B	5,324	87,927
Class C	6,411	104,423
Reacquired:		
Class A	(5,581)	(94,792)
Class B	(990)	(16,782)
Class C	(2,034)	(34,614)
	24,571	$ 409,106

NOTE C. SHARE INFORMATION (Concluded)

AIM Total Return Fund Portfolio

	September 19, 2005 (Date sales commenced) to December 31, 2005		
	Shares		Amount
Sold:			
Class B	4,545	$	45,436
Class C (a)	537		5,350
	5,082	$	50,786

(a) Class C shares commenced sales on November 28, 2005.

AIM Trimark Small Companies Fund Portfolio

	August 12, 2005 (Date sales commenced) to December 31, 2005		
	Shares		Amount
Sold:			
Class A	8,323	$	84,724
Class B (b)	5,933		59,539
Class C (c)	536		5,387
Reacquired:			
Class A	(2)		(25)
	14,790	$	149,625

(b) Class B shares commenced sales on September 1, 2005.
(c) Class C shares commenced sales on November 8, 2005.

NOTE D. FINANCIAL HIGHLIGHTS

The following schedule presents financial highlights for a share of each Portfolio outstanding throughout the period indicated.

NOTE D. FINANCIAL HIGHLIGHTS (Continued)
For the Year Ended December 31, 2005

	Class A						
	AIM Aggressive Growth Portfolio	AIM Balanced Portfolio	AIM Growth Portfolio	AIM 16+ Years to College Portfolio	AIM 13-15 Years to College Portfolio	AIM 10-12 Years to College Portfolio	AIM 7-9 Years to College Portfolio
Net asset value, beginning of period	$10.66	$11.14	$11.10	$10.96	$11.04	$11.13	$11.02
Income from investment operations:							
Net investment income (loss) (a)(b)	0.01	0.18	0.07	(0.00)	0.05	0.10	0.15
Net gains on securities (both realized and unrealized)	0.80	0.38	0.67	0.84	0.72	0.61	0.48
Total from investment operations	0.81	0.56	0.74	0.84	0.77	0.71	0.63
Net asset value, end of period	$11.47	$11.70	$11.84	$11.80	$11.81	$11.84	$11.65
Total Return (c)	7.60%	5.03%	6.67%	7.66%	6.97%	6.38%	5.72%
Ratios/supplemental data:							
Net assets, end of period	$19,311,078	$10,780,490	$15,085,582	$11,497,092	$21,127,406	$19,794,987	$21,893,913
Average daily net assets	$16,548,089	$9,597,819	$13,111,915	$11,075,112	$16,944,251	$16,999,517	$18,787,143
Ratio of expenses to average net assets (d)	0.35%	0.35%	0.35%	0.35%	0.35%	0.35%	0.35%
Ratio of net investment income (loss) to average net assets	0.07%	1.58%	0.66%	(0.01)%	0.48%	0.91%	1.34%
Portfolio turnover rate	62%	66%	69%	87%	65%	64%	58%

(a) Recognition of net investment income by the Portfolio is affected by the timing of the declaration of dividends by the affiliated underlying funds in which the Portfolio invests.
(b) Calculated using average shares outstanding.
(c) Includes adjustments in accordance with accounting principles generally accepted in the United States of America and as such, the net asset value for financial reporting purposes and the returns based upon those net asset values may differ from the net asset value and returns for shareholder transactions. Does not include sales charges and is net of both fees and expenses of the affiliated underlying funds, as well as the Portfolio fees.
(d) In addition to the fees which the Portfolio bears directly, the Portfolios indirectly bear a pro rata share of the fees and expenses of the affiliated underlying funds in which the Portfolios invest. Because the affiliated underlying funds have varied expenses and fee levels and the Portfolios may own different proportions at different times, the amount of fees and expenses incurred indirectly by the Portfolios will vary. The estimated underlying expenses for the affiliated underlying funds, expressed as a percentage of average daily net assets of the Portfolios ranged from approximately 0.58% to 1.91%.

NOTE D. FINANCIAL HIGHLIGHTS (Continued)
For the Year Ended December 31, 2005

	Class A (Continued)						
	AIM 4-6 Years to College Portfolio	AIM 1-3 Years to College Portfolio	AIM College Now Portfolio	AIM Aggressive Growth Fund Portfolio	AIM Basic Value Fund Portfolio	AIM Capital Developmen t Fund Portfolio	AIM Charter Fund Portfolio*
Net asset value, beginning of period	$11.06	$11.15	$10.98	$14.10	$16.85	$17.01	$9.89
Income from investment operations:							
Net investment income (loss) (a)(b)	0.18	0.24	0.27	(0.05)	(0.06)	(0.06)	0.11
Net gains on securities (both realized and unrealized)	0.38	0.21	0.05	0.79	0.94	1.62	0.20
Total from investment operations	0.56	0.45	0.32	0.74	0.88	1.56	0.31
Net asset value, end of period	$11.62	$11.60	$11.30	$14.84	$17.73	$18.57	$10.20
Total Return (c)	5.06%	4.04%	2.91%	5.25%	5.22%	9.17%	3.13%
Ratios/supplemental data:							
Net assets, end of period	$22,977,781	$17,577,875	$5,792,469	$1,316,389	$3,240,843	$574,097	$1,250,840
Average daily net assets	$19,509,663	$14,412,947	$4,759,020	$1,060,460	$2,771,784	$478,629	$900,094
Ratio of expenses to average net assets (d)(e)	0.35%	0.35%	0.35%	0.35%	0.35%	0.35%	0.35%
Ratio of net investment income (loss) to average net assets (e)	1.59%	2.15%	2.44%	(0.35)%	(0.35)%	(0.35)%	3.09%
Portfolio turnover rate (f)	61%	78%	119%	6%	9%	7%	18%

* From August 18, 2005 (Date sales commenced) to December 31, 2005.

(a) Recognition of net investment income by the Portfolio is affected by the timing of the declaration of dividends by the affiliated underlying funds in which the Portfolio invests.

(b) Calculated using average shares outstanding.

(c) Includes adjustments in accordance with accounting principles generally accepted in the United States of America and as such, the net asset value for financial reporting purposes and the returns based upon those net asset values may differ from the net asset value and returns for shareholder transactions. Does not include sales charges and is not annualized for periods less than one year. Total return is net of both fees and expenses of the affiliated underlying funds, as well as the Portfolio fees.

(d) In addition to the fees which the Portfolio bears directly, the Portfolios indirectly bear a pro rata share of the fees and expenses of the affiliated underlying funds in which the Portfolios invest. Because the affiliated underlying funds have varied expenses and fee levels and the Portfolios may own different proportions at different times, the amount of fees and expenses incurred indirectly by the Portfolios will vary. The estimated underlying expenses for the affiliated underlying funds, expressed as a percentage of average daily net assets of the Portfolios ranged from approximately 0.58% to 1.91%.

(e) Annualized for periods less than one year.

(f) Not annualized for periods less than one year.

NEBRASKA STATE TREASURER
NEBRASKA EDUCATIONAL SAVINGS PLAN TRUST
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

NOTE D. FINANCIAL HIGHLIGHTS (Continued)
For the Year Ended December 31, 2005

	Class A (Continued)						
	AIM Constellation Fund Portfolio	AIM Diversified Dividend Fund Portfolio*	AIM Global Equity Fund Portfolio**	AIM Intermediate Government Fund Portfolio	AIM International Core Equity Fund Portfolio	AIM International Growth Fund Portfolio	AIM Large Cap Basic Value Fund Portfolio
Net asset value, beginning of period	$13.18	$10.00	$10.00	$10.41	$15.91	$15.71	$14.51
Income from investment operations:							
Net investment income (loss) (a)(b)	(0.05)	0.06	0.12	0.47	0.10	0.11	(0.05)
Net gains (losses) on securities (both realized and unrealized)	1.12	0.19	0.30	(0.35)	1.48	2.58	0.91
Total from investment operations	1.07	0.25	0.42	0.12	1.58	2.69	0.86
Net asset value, end of period	$14.25	$10.25	$10.42	$10.53	$17.49	$18.40	$15.37
Total Return (c)	8.12%	2.50%	4.20%	1.15%	9.93%	17.12%	5.93%
Ratios/supplemental data:							
Net assets, end of period	$1,381,525	$51,998	$97,087	$910,739	$447,103	$1,061,447	$453,055
Average daily net assets	$1,201,037	$15,412	$49,882	$897,719	$310,889	$687,368	$365,238
Ratio of expenses to average net assets (d)(e)	0.35%	0.35%	0.35%	0.35%	0.35%	0.35%	0.35%
Ratio of net investment income (loss) to average net assets (e)	(0.35)%	1.51%	3.12%	4.47%	0.60%	0.67%	(0.35)%
Portfolio turnover rate (f)	11%	0%	0%	30%	8%	5%	11%

* From August 16, 2005 (Date sales commenced) to December 31, 2005
** From August 15, 2005 (Date sales commenced) to December 31, 2005.
(a) Recognition of net investment income by the Portfolio is affected by the timing of the declaration of dividends by the affiliated underlying funds in which the Portfolio invests.
(b) Calculated using average shares outstanding.
(c) Includes adjustments in accordance with accounting principles generally accepted in the United States of America and as such, the net asset value for financial reporting purposes and the returns based upon those net asset values may differ from the net asset value and returns for shareholder transactions. Does not include sales charges and is not annualized for periods less than one year. Total return is net of both fees and expenses of the affiliated underlying funds, as well as the Portfolio fees.
(d) In addition to the fees which the Portfolios bear directly, the Portfolios indirectly bear a pro rata share of the fees and expenses of the affiliated underlying funds in which the Portfolios invest. Because the affiliated underlying funds have varied expenses and fee levels and the Portfolios may own different proportions at different times, the amount of fees and expenses incurred indirectly by the Portfolios will vary. The estimated underlying expenses for the affiliated underlying funds, expressed as a percentage of average daily net assets of the Portfolio ranged from approximately 0.58% to 1.91%.
(e) Annualized for periods less than one year.
(f) Not annualized for periods less than one year.

NOTE D. FINANCIAL HIGHLIGHTS (Continued)
For the Year Ended December 31, 2005

	Class A (Concluded)						
	AIM Large Cap Growth Fund Portfolio	AIM Mid Cap Core Equity Fund Portfolio	AIM Money Market Fund Portfolio	AIM Short Term Bond Fund Portfolio*	AIM Small Cap Growth Fund Portfolio	AIM Total Return Bond Fund Portfolio	AIM Trimark Small Companies Portfolio**
Net asset value, beginning of period	$14.18	$15.88	$1.00	$10.00	$16.53	-	$10.00
Income from investment operations:							
Net investment income (loss) (a)(b)	(0.05)	(0.06)	0.02	0.00	(0.06)	-	(0.01)
Net gains (losses) on securities (both realized and unrealized)	0.98	1.19	-	(0.01)	1.38	-	0.42
Total from investment operations	0.93	1.13	0.02	(0.01)	1.32	-	0.41
Less distributions from net investment income	-	-	(0.02)	-	-	-	-
Net asset value, end of period	$15.11	$17.01	$1.00	$9.99	$17.85	-	$10.41
Total Return (c)	6.56%	7.12%	1.93%	(0.10)%	7.99%	-	4.10%
Ratios/supplemental data:							
Net assets, end of period	$693,910	$1,826,207	$550,061	$2,182	$1,059,574	-	$86,621
Average daily net assets	$554,981	$1,535,727	$499,593	$2,182	$867,276	-	$47,029
Ratio of expenses to average net assets (d)(e)	0.35%	0.35%	0.35%	0.35%	0.35%	-	0.35%
Ratio of net investment income (loss) to average net assets (e)	(0.35)%	(0.35)%	1.96%	5.23%	(0.35)%	-	(0.35)%
Portfolio turnover rate (f)	5%	6%	N/A	0%	9%	-	1%

* From December 28, 2005 (Date sales commenced) to December 31, 2005

** From August 12, 2005 (Date sales commenced) to December 31, 2005.

(a) Recognition of net investment income by the Portfolio is affected by the timing of the declaration of dividends by the affiliated underlying funds in which the Portfolio invests.

(b) Calculated using average shares outstanding.

(c) Includes adjustments in accordance with accounting principles generally accepted in the United States of America and as such, the net asset value for financial reporting purposes and the returns based upon those net asset values may differ from the net asset value and returns for shareholder transactions. Does not include sales charges and is not annualized for periods less than one year. Total return is net of both fees and expenses of the affiliated underlying funds, as well as the Portfolio fees.

(d) In addition to the fees which the Portfolios bear directly, the Portfolios indirectly bear a pro rata share of the fees and expenses of the affiliated underlying funds in which the Portfolios invest. Because the affiliated underlying funds have varied expenses and fee levels and the Portfolios may own different proportions at different times, the amount of fees and expenses incurred indirectly by the Portfolios will vary. The estimated underlying expenses for the affiliated underlying funds, expressed as a percentage of average daily net assets of the Portfolios ranged from approximately 0.58% to 1.91%.

(e) Annualized for periods less than one year.

(f) Not annualized for periods less than one year.

NEBRASKA STATE TREASURER

NEBRASKA EDUCATIONAL SAVINGS PLAN TRUST

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

NOTE D. FINANCIAL HIGHLIGHTS (Continued)

For the Year Ended December 31, 2005

	Class B						
	AIM Aggressive Growth Portfolio	AIM Balanced Portfolio	AIM Growth Portfolio	AIM 16+ Years to College Portfolio	AIM 13-15 Years to College Portfolio	AIM 10-12 Years to College Portfolio	AIM 7-9 Years to College Portfolio
Net asset value, beginning of period	$10.46	$10.89	$10.87	$10.74	$10.82	$10.90	$10.79
Income from investment operations:							
Net investment income (loss) (a)(b)	(0.07)	0.09	(0.01)	(0.08)	(0.03)	0.02	0.06
Net gains on securities (both realized and unrealized)	0.78	0.38	0.65	0.81	0.69	0.58	0.47
Total from investment operations	0.71	0.47	0.64	0.73	0.66	0.60	0.53
Net asset value, end of period	$11.17	$11.36	$11.51	$11.47	$11.48	$11.50	$11.32
Total Return (c)	6.79%	4.32%	5.89%	6.80%	6.10%	5.50%	4.91%
Ratios/supplemental data:							
Net assets, end of period	$5,202,401	$3,838,927	$6,821,067	$3,791,352	$10,895,288	$10,034,790	$10,975,894
Average daily net assets	$4,372,920	$3,501,495	$6,008,594	$4,442,715	$9,225,671	$8,946,694	$9,662,429
Ratio of expenses to average net assets (d)	1.10%	1.10%	1.10%	1.10%	1.10%	1.10%	1.10%
Ratio of net investment income (loss) to average net assets	(0.68)%	.83%	(0.09)%	(0.76)%	(0.27)%	0.16%	0.59%
Portfolio turnover rate	62%	66%	69%	87%	65%	64%	58%

(a) Recognition of net investment income by the Portfolio is affected by the timing of the declaration of dividends by the affiliated underlying funds in which the Portfolio invests.

(b) Calculated using average shares outstanding.

(c) Includes adjustments in accordance with accounting principles generally accepted in the United States of America and as such, the net asset value for financial reporting purposes and the returns based upon those net asset values may differ from the net asset value and returns for shareholder transactions. Does not include sales charges and is net of both fees and expenses of the affiliated underlying funds, as well as the Portfolio fees.

(d) In addition to the fees which the Portfolios bear directly, the Portfolios indirectly bear a pro rata share of the fees and expenses of the affiliated underlying funds in which the Portfolios invest. Because the affiliated underlying funds have varied expenses and fee levels and the Portfolios may own different proportions at different times, the amount of fees and expenses incurred indirectly by the Portfolios will vary. The estimated underlying expenses for the affiliated underlying funds, expressed as a percentage of average daily net assets of the Portfolios ranged from approximately 0.58% to 1.91%.

NOTE D. FINANCIAL HIGHLIGHTS (Continued)
For the Year Ended December 31, 2005

	Class B (Continued)						
	AIM 4-6 Years to College Portfolio	AIM 1-3 Years to College Portfolio	AIM College Now Portfolio	AIM Aggressive Growth Fund Portfolio	AIM Basic Value Fund Portfolio	AIM Capital Development Fund Portfolio	AIM Charter Fund Portfolio*
Net asset value, beginning of period	$10.82	$10.92	$10.75	$13.87	$16.59	$16.72	$10.00
Income from investment operations:							
Net investment income (loss) (a)(b)	0.09	0.15	0.18	(0.15)	(0.18)	(0.19)	0.09
Net gains on securities (both realized and unrealized)	0.37	0.20	0.05	0.77	0.91	1.59	0.08
Total from investment operations	0.46	0.35	0.23	0.62	0.73	1.40	0.17
Net asset value, end of period	$11.28	$11.27	$10.98	$14.49	$17.32	$18.12	$10.17
Total Return (c)	4.25%	3.21%	2.14%	4.47%	4.40%	8.37%	1.70%
Ratios/supplemental data:							
Net assets, end of period	$10,194,608	$3,754,115	$464,342	$590,722	$1,162,765	$234,867	$542,753
Average daily net assets	$8,542,678	$2,624,640	$418,242	$496,298	$1,030,223	$198,874	$360,676
Ratio of expenses to average net assets (d)(e)	1.10%	1.10%	1.10%	1.10%	1.10%	1.10%	1.10%
Ratio of net investment income (loss) to average net assets (e)	0.84%	1.40%	1.69%	(1.10)%	(1.10)%	(1.10)%	2.34%
Portfolio turnover rate (f)	61%	78%	119%	6%	9%	7%	18%

* From August 10, 2005 (Date sales commenced) to December 31, 2005.

(a) Recognition of net investment income by the Portfolio is affected by the timing of the declaration of dividends by the affiliated underlying funds in which the Portfolio invests.

(b) Calculated using average shares outstanding.

(c) Includes adjustments in accordance with accounting principles generally accepted in the United States of America and as such, the net asset value for financial reporting purposes and the returns based upon those net asset values may differ from the net asset value and returns for shareholder transactions. Does not include sales charges and is not annualized for periods less than one year. Total return is net of both fees and expenses of the affiliated underlying funds, as well as the Portfolio fees.

(d) In addition to the fees which the Portfolios bear directly, the Portfolios indirectly bear a pro rata share of the fees and expenses of the affiliated underlying funds in which the Portfolios invest. Because the affiliated underlying funds have varied expenses and fee levels and the Portfolios may own different proportions at different times, the amount of fees and expenses incurred indirectly by the Portfolios will vary. The estimated underlying expenses for the affiliated underlying funds, expressed as a percentage of average daily net assets of the Portfolios ranged from approximately 0.58% to 1.91%.

(e) Annualized for periods less than one year.

(f) Not annualized for periods less than one year.

NOTE D. FINANCIAL HIGHLIGHTS (Continued)
For the Year Ended December 31, 2005

	Class B (Continued)						
	AIM Constellation Fund Portfolio	AIM Diversified Dividend Fund Portfolio*	AIM Global Equity Fund Portfolio**	AIM Intermediate Government Fund Portfolio	AIM International Core Equity Fund Portfolio	AIM International Growth Fund Portfolio	AIM Large Cap Basic Value Fund Portfolio
Net asset value, beginning of period	$12.99	$10.05	$9.98	$10.23	$15.63	$15.47	$14.30
Income from investment operations:							
Net investment income (loss) (a)(b)	(0.14)	0.02	0.08	0.38	(0.02)	(0.01)	(0.16)
Net gains (losses) on securities (both realized and unrealized)	1.08	0.15	0.33	(0.34)	1.44	2.53	0.90
Total from investment operations	0.94	0.17	0.41	0.04	1.42	2.52	0.74
Net asset value, end of period	$13.93	$10.22	$10.39	$10.27	$17.05	$17.99	$15.04
Total Return (c)	7.24%	1.69%	4.11%	0.39%	9.09%	16.29%	5.17%
Ratios/supplemental data:							
Net assets, end of period	$264,648	$43,229	$66,359	$449,443	$223,781	$283,118	$264,983
Average daily net assets	$219,856	$41,838	$45,816	$603,963	$184,808	$219,726	$243,494
Ratio of expenses to average net assets (d)(e)	1.10%	1.10%	1.10%	1.10%	1.10%	1.10%	1.10%
Ratio of net investment income (loss) to average net assets (e)	(1.10)%	0.76%	2.37%	3.72%	(0.15)%	(0.08)%	(1.10)%
Portfolio turnover rate (f)	11%	0%	0%	30%	8%	5%	11%

* From September 16, 2005 (Date sales commenced) to December 31, 2005

** From September 1, 2005 (Date sales commenced) to December 31, 2005.

(a) Recognition of net investment income by the Portfolio is affected by the timing of the declaration of dividends by the affiliated underlying funds in which the Portfolio invests.

(b) Calculated using average shares outstanding.

(c) Includes adjustments in accordance with accounting principles generally accepted in the United States of America and as such, the net asset value for financial reporting purposes and the returns based upon those net asset values may differ from the net asset value and returns for shareholder transactions. Does not include sales charges and is not annualized for periods less than one year. Total return is net of both fees and expenses of the affiliated underlying funds, as well as the Portfolio fees.

(d) In addition to the fees which the Portfolios bear directly, the Portfolios indirectly bear a pro rata share of the fees and expenses of the affiliated underlying funds in which the Portfolios invest. Because the affiliated underlying funds have varied expenses and fee levels and the Portfolios may own different proportions at different times, the amount of fees and expenses incurred indirectly by the Portfolios will vary. The estimated underlying expenses for the affiliated underlying funds, expressed as a percentage of average daily net assets of the Portfolio ranged from approximately 0.58% to 1.91%.

(e) Annualized for periods less than one year.

(f) Not annualized for periods less than one year.

NOTE D. FINANCIAL HIGHLIGHTS (Continued)

For the Year Ended December 31, 2005

	Class B (Concluded)						
	AIM Large Cap Growth Fund Portfolio	AIM Mid Cap Core Equity Fund Portfolio	AIM Money Market Fund Portfolio	AIM Short Term Bond Fund Portfolio	AIM Small Cap Growth Fund Portfolio	AIM Total Return Bond Fund Portfolio*	AIM Trimark Small Companies Portfolio**
Net asset value, beginning of period	$13.95	$15.62	$1.00	-	$16.25	$10.00	$10.07
Income from investment operations:							
Net investment income (loss) (a)(b)	(0.15)	(0.18)	0.01	-	(0.18)	0.09	(0.04)
Net gains (losses) on securities (both realized and unrealized)	0.95	1.16	-	-	1.34	(0.10)	0.35
Total from investment operations	0.80	0.98	0.01	-	1.16	(.01)	0.31
Less distributions from net investment income	-	-	(0.01)	-	-	-	-
Net asset value, end of period	$14.75	$16.60	$1.00	-	$17.41	$9.99	$10.38
Total Return (c)	5.74%	6.27%	1.17%	-	7.14%	(0.10)%	3.08%
Ratios/supplemental data:							
Net assets, end of period	$187,695	$865,605	$323,558	-	$518,601	$45,418	$61,558
Average daily net assets	$158,324	$747,572	$298,633	-	$464,874	$41,240	$47,170
Ratio of expenses to average net assets (d)(e)	1.10%	1.10%	1.10%	-	1.10%	1.10%	1.10%
Ratio of net investment income (loss) to average net assets (e)	(1.10)%	(1.10)%	1.21%	-	(1.10)%	3.11%	(1.10)%
Portfolio turnover rate (f)	5%	6%	N/A	-	9%	0%	1%

* From September 19, 2005 (Date sales commenced) to December 31, 2005

** From September 1, 2005 (Date sales commenced) to December 31, 2005.

(a) Recognition of net investment income by the Portfolio is affected by the timing of the declaration of dividends by the affiliated underlying funds in which the Portfolio invests.

(b) Calculated using average shares outstanding.

(c) Includes adjustments in accordance with accounting principles generally accepted in the United States of America and as such, the net asset value for financial reporting purposes and the returns based upon those net asset values may differ from the net asset value and returns for shareholder transactions. Does not include sales charges and is not annualized for periods less than one year. Total return is net of both fees and expenses of the affiliated underlying funds, as well as the Portfolio fees.

(d) In addition to the fees which the Portfolios bear directly, the Portfolios indirectly bear a pro rata share of the fees and expenses of the affiliated underlying funds in which the Portfolios invest. Because the affiliated underlying funds have varied expenses and fee levels and the Portfolios may own different proportions at different times, the amount of fees and expenses incurred indirectly by the Portfolios will vary. The estimated underlying expenses for the affiliated underlying funds, expressed as a percentage of average daily net assets of the Portfolios ranged from approximately 0.58% to 1.91%.

(e) Annualized for periods less than one year.

(f) Not annualized for periods less than one year.

NOTE D. FINANCIAL HIGHLIGHTS (Continued)
For the Year Ended December 31, 2005

	Class C						
	AIM Aggressive Growth Portfolio	AIM Balanced Portfolio	AIM Growth Portfolio	AIM 16+ Years to College Portfolio	AIM 13-15 Years to College Portfolio	AIM 10-12 Years to College Portfolio	AIM 7-9 Years to College Portfolio
Net asset value, beginning of period	$10.46	$10.87	$10.88	$10.71	$10.81	$10.90	$10.79
Income from investment operations:							
Net investment income (loss) (a)(b)	(0.07)	0.09	(0.01)	(0.08)	(0.03)	0.02	0.06
Net gains on securities (both realized and unrealized)	0.78	0.37	0.64	0.81	0.69	0.59	0.47
Total from investment operations	0.71	0.46	0.63	0.73	0.66	0.61	0.53
Net asset value, end of period	$11.17	$11.33	$11.51	$11.44	$11.47	$11.51	$11.32
Total Return (c)	6.79%	4.23%	5.79%	6.82%	6.11%	5.60%	4.91%
Ratios/supplemental data:							
Net assets, end of period	$3,675,552	$5,988,142	$7,093,778	$1,157,860	$3,773,541	$3,905,951	$5,786,486
Average daily net assets	$3,327,639	$5,615,076	$6,541,814	$1,494,745	$3,419,894	$3,857,078	$4,959,768
Ratio of expenses to average net assets (d)	1.10%	1.10%	1.10%	1.10%	1.10%	1.10%	1.10%
Ratio of net investment income (loss) to average net assets	(0.68)%	.83%	(0.09)%	(0.76)%	(0.27)%	0.16%	0.59%
Portfolio turnover rate	62%	66%	69%	87%	65%	64%	58%

(a) Recognition of net investment income by the Portfolio is affected by the timing of the declaration of dividends by the affiliated underlying funds in which the Portfolio invests.

(b) Calculated using average shares outstanding.

(c) Includes adjustments in accordance with accounting principles generally accepted in the United States of America and as such, the net asset value for financial reporting purposes and the returns based upon those net asset values may differ from the net asset value and returns for shareholder transactions. Does not include sales charges and is net of both fees and expenses of the affiliated underlying funds, as well as the Portfolio fees.

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NOTE D. FINANCIAL HIGHLIGHTS (Continued)

For the Year Ended December 31, 2005

	Class C (Continued)						
	AIM 4-6 Years to College Portfolio	AIM 1-3 Years to College Portfolio	AIM College Now Portfolio	AIM Aggressive Growth Fund Portfolio	AIM Basic Value Fund Portfolio	AIM Capital Development Fund Portfolio	AIM Charter Fund Portfolio*
Net asset value, beginning of period	$10.82	$10.94	$10.76	$13.88	$16.57	$16.74	$9.91
Income from investment operations:							
Net investment income (loss) (a)(b)	0.09	0.15	0.18	(0.15)	(0.18)	(0.19)	0.08
Net gains on securities (both realized and unrealized)	0.37	0.20	0.05	0.76	0.91	1.59	0.17
Total from investment operations	0.46	0.35	0.23	0.61	0.73	1.40	0.25
Net asset value, end of period	$11.28	$11.29	$10.99	$14.49	$17.30	$18.14	$10.16
Total Return (c)	4.25%	3.20%	2.14%	4.39%	4.41%	8.36%	2.52%
Ratios/supplemental data:							
Net assets, end of period	$4,529,574	$6,990,514	$3,759,326	$438,052	$1,050,200	$296,806	$367,311
Average daily net assets	$4,474,022	$6,409,196	$3,177,229	$359,079	$975,201	$233,017	$283,024
Ratio of expenses to average net assets (d)(e)	1.10%	1.10%	1.10%	1.10%	1.10%	1.10%	1.10%
Ratio of net investment income (loss) to average net assets (e)	0.84%	1.40%	1.69%	(1.10)%	(1.10)%	(1.10)%	2.34%
Portfolio turnover rate (f)	61%	78%	119%	6%	9%	7%	18%

* From August 19, 2005 (Date sales commenced) to December 31, 2005.

(a) Recognition of net investment income by the Portfolio is affected by the timing of the declaration of dividends by the affiliated underlying funds in which the Portfolio invests.

(b) Calculated using average shares outstanding.

(c) Includes adjustments in accordance with accounting principles generally accepted in the United States of America and as such, the net asset value for financial reporting purposes and the returns based upon those net asset values may differ from the net asset value and returns for shareholder transactions. Does not include sales charges and is not annualized for periods less than one year. Total return is net of both fees and expenses of the affiliated underlying funds, as well as the Portfolio fees.

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(e) Annualized for periods less than one year.

(f) Not annualized for periods less than one year.

NOTE D. FINANCIAL HIGHLIGHTS (Continued)
For the Year Ended December 31, 2005

	Class C (Continued)						
	AIM Constellation Fund Portfolio	AIM Diversified Dividend Fund Portfolio*	AIM Global Equity Fund Portfolio*	AIM Intermediate Government Fund Portfolio	AIM International Core Equity Fund Portfolio	AIM International Growth Fund Portfolio	AIM Large Cap Basic Value Fund Portfolio
Net asset value, beginning of period	$12.99	$9.91	$9.94	$10.24	$15.64	$15.47	$14.33
Income from investment operations:							
Net investment income (loss) (a)(b)	(0.14)	0.01	0.04	0.38	(0.02)	(0.01)	(0.16)
Net gains (losses) on securities (both realized and unrealized)	1.08	0.30	0.41	(0.34)	1.45	2.52	0.90
Total from investment operations	0.94	0.31	0.45	0.04	1.43	2.51	0.74
Net asset value, end of period	$13.93	$10.22	$10.39	$10.28	$17.07	$17.98	$15.07
Total Return (c)	7.24%	3.13%	4.53%	0.39%	9.14%	16.22%	5.16%
Ratios/supplemental data:							
Net assets, end of period	$301,422	$13,471	$19,481	$606,115	$285,016	$610,553	$220,861
Average daily net assets	$273,738	$8,959	$10,653	$837,895	$232,087	$459,065	$206,105
Ratio of expenses to average net assets (d)(e)	1.10%	1.10%	1.10%	1.10%	1.10%	1.10%	1.10%
Ratio of net investment income (loss) to average net assets (e)	(1.10)%	0.76%	2.37%	3.72%	(0.15)%	(0.08)%	(1.10)%
Portfolio turnover rate (f)	11%	0%	0%	30%	8%	5%	11%

* From November 3, 2005 (Date sales commenced) to December 31, 2005
(a) Recognition of net investment income by the Portfolio is affected by the timing of the declaration of dividends by the affiliated underlying funds in which the Portfolio invests.
(b) Calculated using average shares outstanding.
(c) Includes adjustments in accordance with accounting principles generally accepted in the United States of America and as such, the net asset value for financial reporting purposes and the returns based upon those net asset values may differ from the net asset value and returns for shareholder transactions. Does not include sales charges and is not annualized for periods less than one year. Total return is net of both fees and expenses of the affiliated underlying funds, as well as the Portfolio fees.
(d) In addition to the fees which the Portfolios bear directly, the Portfolios indirectly bear a pro rata share of the fees and expenses of the affiliated underlying funds in which the Portfolios invest. Because the affiliated underlying funds have varied expenses and fee levels and the Portfolios may own different proportions at different times, the amount of fees and expenses incurred indirectly by the Portfolios will vary. The estimated underlying expenses for the affiliated underlying funds, expressed as a percentage of average daily net assets of the Portfolios ranged from approximately 0.58% to 1.91%.
(e) Annualized for periods less than one year.
(f) Not annualized for periods less than one year.

NOTE D. FINANCIAL HIGHLIGHTS (Concluded)
For the Year Ended December 31, 2005

	Class C (Concluded)						
	AIM Large Cap Growth Fund Portfolio	AIM Mid Cap Core Equity Fund Portfolio	AIM Money Market Fund Portfolio	AIM Short Term Bond Fund Portfolio	AIM Small Cap Growth Fund Portfolio	AIM Total Return Bond Fund Portfolio*	AIM Trimark Small Companies Portfolio**
Net asset value, beginning of period	$13.96	$15.62	$1.00	-	$16.27	$9.97	$9.92
Income from investment operations:							
Net investment income (loss) (a)(b)	(0.15)	(0.18)	0.01	-	(0.18)	0.03	(0.02)
Net gains (losses) on securities (both realized and unrealized)	0.95	1.16	-	-	1.35	(0.01)	0.47
Total from investment operations	0.80	0.98	0.01	-	1.17	0.02	0.45
Less distributions from net investment income	-	-	(0.01)	-	-	-	-
Net asset value, end of period	$14.76	$16.60	$1.00	-	$17.44	$9.99	$10.37
Total Return (c)	5.73%	6.27%	1.17%	-	7.19%	0.20%	4.54%
Ratios/supplemental data:							
Net assets, end of period	$248,064	$806,366	$473,847	-	$367,721	$5,363	$5,559
Average daily net assets	$217,219	$694,064	$468,992	-	$321,396	$5,342	$4,101
Ratio of expenses to average net assets (d)(e)	1.10%	1.10%	1.10%	-	1.10%	1.10%	1.10%
Ratio of net investment income (loss) to average net assets (e)	(1.10)%	(1.10)%	1.21%	-	(1.10)%	3.11%	(1.10)%
Portfolio turnover rate (f)	5%	6%	N/A	-	9%	0%	1%

* From November 28, 2005 (Date sales commenced) to December 31, 2005
** From November 8, 2005 (Date sales commenced) to December 31, 2005.
(a) Recognition of net investment income by the Portfolio is affected by the timing of the declaration of dividends by the affiliated underlying funds in which the Portfolio invests.
(b) Calculated using average shares outstanding.
(c) Includes adjustments in accordance with accounting principles generally accepted in the United States of America and as such, the net asset value for financial reporting purposes and the returns based upon those net asset values may differ from the net asset value and returns for shareholder transactions. Does not include sales charges and is not annualized for periods less than one year. Total return is net of both fees and expenses of the affiliated underlying funds, as well as the Portfolio fees.
(d) In addition to the fees which the Portfolios bear directly, the Portfolios indirectly bear a pro rata share of the fees and expenses of the affiliated underlying funds in which the Portfolios invest. Because the affiliated underlying funds have varied expenses and fee levels and the Portfolios may own different proportions at different times, the amount of fees and expenses incurred indirectly by the Portfolios will vary. The estimated underlying expenses for the affiliated underlying funds, expressed as a percentage of average daily net assets of the Portfolios ranged from approximately 0.58% to 1.91%.
(e) Annualized for periods less than one year.
(f) Not annualized for periods less than one year.

NOTE E. SUBSEQUENT EVENT

Shareholders of AIM Aggressive Growth Fund approved a Plan of Reorganization at a meeting held on March 16, 2006, pursuant to which AIM Aggressive Growth Fund would transfer all of its assets to AIM Constellation Fund. As of the close of business on March 24, 2006, shareholders of AIM Aggressive Growth Fund received a corresponding class of shares of AIM Constellation Fund in exchange for their shares of AIM Aggressive Growth Fund, and AIM Aggressive Growth Fund ceased operations. At the same time, shares in the AIM Aggressive Growth Fund 529 Portfolio were exchanged for a corresponding class of shares in the AIM Constellation Fund 529 Portfolio, and the AIM Aggressive Growth Fund 529 Portfolio ceased operations.

NOTE F. LEGAL PROCEEDINGS

Terms used in the Legal Proceedings Note are defined terms solely for the purpose of this note.

1. Settled Enforcement Actions and Investigations Related to Market Timing

AIM Capital Management, Inc. ("AIM Capital"), the investment manager for The AIM College Savings Plan (the "Plan"), is a wholly owned subsidiary of AIM Advisors, Inc. ("AIM"), an indirect wholly owned subsidiary of AMVESCAP PLC ("AMVESCAP"). AIM serves as the investment advisor to each of the underlying registered investment companies in which the Plan invests as well as certain additional registered investment companies (collectively, the "AIM Funds"). Another indirect wholly owned subsidiary of AMVESCAP, INVESCO Funds Group, Inc. ("IFG"), was formerly the investment advisor to certain AIM Funds, including the INVESCO International Core Equity Fund.

On October 8, 2004, INVESCO Funds Group, Inc. ("IFG") (the former investment advisor to certain AIM Funds), AIM and AIM Distributors, Inc. ("ADI") (the distributor of the retail AIM Funds) reached final settlements with certain regulators, including the Securities and Exchange Commission ("SEC"), the New York Attorney General and the Colorado Attorney General, to resolve civil enforcement actions and/or investigations related to market timing and related activity in the AIM Funds, including those formerly advised by IFG. As part of the settlements, a $325 million fair fund ($110 million of which is civil penalties) has been created to compensate shareholders harmed by market timing and related activity in funds formally advised by IFG. Additionally, AIM and ADI created a $50 million fair fund ($30 million of which is civil penalties) to compensate shareholders harmed by market timing and related activity in funds advised by AIM, which was done pursuant to the terms of the settlement. These two fair funds may increase as a result of contributions from third parties who

NOTE F. LEGAL PROCEEDINGS (Continued)

reach final settlements with the SEC or other regulators to resolve allegations of market timing and/or late trading that also may have harmed applicable AIM Funds. These two fair funds will be distributed in accordance with a methodology to be determined by AIM's independent distribution consultant, in consultation with AIM and the independent trustees of the AIM Funds and acceptable to the staff of the SEC. As the methodology is unknown at the present time, management of AIM and the Fund are unable to estimate the impact, if any, that the distribution of these two fair funds may have on the Fund or whether such distribution will have an impact on the Fund's financial statements in the future.

At the request of the trustees of the AIM Funds, AMVESCAP PLC ("AMVESCAP"), the parent company of IFG and AIM, has agreed to reimburse expenses incurred by the AIM Funds related to market timing matters.

2. <u>Pending Litigation and Regulatory Inquiries</u>

On August 30, 2005, the West Virginia Office of the State Auditor – Securities Commission ("WVASC") issued a Summary Order to Cease and Desist and Notice of Right to Hearing to AIM and ADI (Order No. 05-1318). The WVASC makes findings of fact that AIM and ADI entered into certain arrangements permitting market timing of the AIM Funds, including those formerly advised by IFG, and failed to disclose these arrangements in the prospectuses for such Funds, and conclusions of law to the effect that AIM and ADI violated the West Virginia securities laws. The WVASC orders AIM and ADI to cease any further violations and seeks to impose monetary sanctions, including restitution to affected investors, disgorgement of fees, reimbursement of investigatory, administrative and legal costs and an "administrative assessment," to be determined by the Commissioner. Initial research indicates that these damages could be limited or capped by statute.

Civil lawsuits, including purported class action and shareholder derivative suits, have been filed against certain of the AIM Funds, IFG, AIM, ADI and/or related entities and individuals, depending on the lawsuit, alleging:

- that the defendants permitted improper market timing and related activity in the AIM Funds;
- that certain AIM Funds inadequately employed fair value pricing;

NOTE F. LEGAL PROCEEDINGS (Continued)

- that the defendants charged excessive advisory and/or distribution fees and failed to pass on to shareholders the perceived savings generated by economies of scale and that the defendants adopted unlawful distribution plans; and

- that the defendants improperly used the assets of the AIM Funds to pay brokers to aggressively promote the sale of the AIM Funds over other mutual funds and that the defendants concealed such payments from investors by disguising them as brokerage commissions.

These lawsuits allege as theories of recovery, depending on the lawsuit, violations of various provisions of the Federal and state securities laws and ERISA, negligence, breach of fiduciary duty and/or breach of contract. These lawsuits seek remedies that include, depending on the lawsuit, damages, restitution, injunctive relief, imposition of a constructive trust, removal of certain directors and/or employees, various corrective measures under ERISA, rescission of certain AIM Funds' advisory agreements and/or distribution plans and recovery of all fees paid, an accounting of all funds-related fees, commissions and soft dollar payments, restitution of all commissions and fees paid, and prospective relief in the form of reduced fees.

All lawsuits based on allegations of market timing, late trading and related issues have been transferred or conditionally transferred to the United States District Court for the District of Maryland (the "MDL Court"). Pursuant to an Order of the MDL Court, plaintiffs in these lawsuits consolidated their claims for pre-trial purposes into three amended complaints against various AIM-and IFG-related parties: (i) a Consolidated Amended Class Action Complaint purportedly brought on behalf of shareholders of the AIM Funds; (ii) a Consolidated Amended Fund Derivative Complaint purportedly brought on behalf of the AIM Funds and fund registrants; and (iii) an Amended Class Action Complaint for Violations of the Employee Retirement Income Securities Act ("ERISA") purportedly brought on behalf of participants in AMVESCAP's 401(k) plan.

On March 1, 2006, the MDL Court entered orders on Defendants' Motions to dismiss in the derivative and class action lawsuits. The MDL Court dismissed all derivative causes of action in the derivative but two: (i) the excessive fee claim under Section 36(b) of the Investment Company Act of 1940 (the "1940 Act"); and (ii) the "control person liability" claim under Section 48 of the 1940 Act. The MDL Court dismissed all claims asserted in the class action lawsuit but three: (i) the securities fraud claims under Section 10(b) of the Securities Exchange Act of

NOTE F. LEGAL PROCEEDINGS (Continued)

1934; (ii) the excessive fee claim under Section 36(b) of the 1940 Act (which survived only insofar as plaintiffs seek recovery of fees associated with the assets involved in market timing); and (iii) the "control person liability" claim under Section 48 of the 1940 Act. Based on the MDL Court's March 1, 2006, orders, all claims asserted against the Funds that have been transferred to the MDL Court have been dismissed, although certain Funds remain nominal defendants in the derivative lawsuit. Defendants filed their Original Answer in the class action lawsuit on March 31, 2006. The MDL Court has indefinitely deferred Defendants' obligation to answer the derivative lawsuit.

On February 27, 2006, Judge Motz for the MDL Court issued a memorandum opinion on the AMVESCAP defendants' motion to dismiss the ERISA lawsuit. Judge Motz granted the motion in part and denied the motion in part, holding that: (i) plaintiff has both constitutional and statutory standing to pursue her claims under ERISA § 502(a)(2); (ii) plaintiff lacks standing under ERISA § 502(a)(3) to obtain equitable relief; (iii) the motion is granted as to the claims alleged under ERISA § 404 for failure to prudently and loyally manage plan assets against certain AMVESCAP defendants; (iv) the motion is denied as to the claims alleged under ERISA § 404 for failure to prudently and loyally manage plan assets against AMVESCAP and certain other AMVESCAP defendants. The opinion also: (i) confirmed plaintiff's abandonment of her claims that defendants engaged in prohibited transactions and/or misrepresentation; (ii) postponed consideration of the duty to monitor and co-fiduciary duty claims until after any possible amendments to the complaints; (iii) stated that plaintiff may seek leave to amend her complaint within 40 days of the date of filing of the memorandum opinion. On April 4, 2006, Judge Motz entered an order implementing these rulings in the ERISA (Calderon) lawsuit against the AMVESCAP defendants. Plaintiffs indicated that they intend to amend their complaint in light of this order. Defendants will have 30 days after such amendment to answer or otherwise respond.

IFG, AIM, ADI and/or related entities and individuals have received inquiries from numerous regulators in the form of subpoenas or other oral or written requests for information and/or documents related to one or more of the following issues, among others, some of which concern one or more AIM Funds: market timing activity, late trading, fair value pricing, excessive or improper advisory and/or distribution fees, mutual fund sales practices, including revenue sharing and direct-brokerage arrangements, investments in securities of other registered investment companies, contractual plans, issues related to Section 529 college

NOTE F. LEGAL PROCEEDINGS (Concluded)

savings plans and procedures for locating lost security holders. IFG, AIM and ADI have advised the Fund that they are providing full cooperation with respect to these inquiries. Regulatory actions and/or additional civil lawsuits related to these or other issues may be filed against the AIM funds, IFG, AIM and/or related entities and individuals in the future.

At the present time, management of AIM and the Fund are unable to estimate the impact, if any, that the outcome of the Pending Litigation and Regulatory Inquiries described above may have on AIM, ADI, or the Fund.

****

As a result of the matters discussed above, investors in the AIM Funds might react by redeeming their investments. This might require the AIM Funds to sell investments to provide for sufficient liquidity and could also have an adverse effect on the investment performance of the AIM Funds.

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NEBRASKA STATE TREASURER

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN EXAMINATION OF THE SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Nebraska State Treasurer
Lincoln, Nebraska

We have examined the accompanying schedule of revenues, expenditures, and changes in fund balances of the Nebraska State Treasurer for the fiscal year ended June 30, 2006, and have issued our report thereon dated November 9, 2006. Our report was modified to include a reference to other auditors. We conducted our examination in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the statements of assets and liabilities of the AIM College Savings Plan, the TD Waterhouse 529 College Savings Plan, and the College Savings Plan of Nebraska Series of the Nebraska Educational Savings Plan Trust as listed in the table of contents, as of December 31, 2005, and the related statements of operations and changes in net assets, for the period ended December 31, 2005, as described in our report on the Treasurer's schedule of revenues, expenditures, and changes in fund balances. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our examination, we considered the Nebraska State Treasurer's internal control over financial reporting in order to determine our procedures for the purpose of expressing our opinion on the schedule of revenues, expenditures, and changes in fund balances, and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Nebraska State Treasurer's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial schedule. Reportable conditions are described in the Comments Section of the report as Comment Number 1 (SDU Bank Reconciliation) and Comment Number 16 (Reconciliation of Bank Records to the Nebraska Information System).

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial schedule being examined may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider Comment Number 1 (SDU Bank Reconciliation) to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Nebraska State Treasurer's schedule of revenues, expenditures, and changes in fund balances, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial schedule amounts. However, providing an opinion on compliance with those provisions was not an objective of our examination, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We also noted certain additional items that we reported to management of the Nebraska State Treasurer in the Comments Section of this report as Comment Number 2 (A-87 Requirements for Payroll), Comment Number 3 (Backup Server Security Breach), Comment Number 4 (Misapplied Payments), Comment Number 5 (Bad Debt), Comment Number 6 (Unidentified Receipts), Comment Number 7 (Canceled Warrants), Comment Number 8 (Disaster Recovery Plan), Comment Number 9 (Segregation of Duties Over Unclaimed Property), Comment Number 10 (Unclaimed Property Stock Sales), Comment Number 11 (Permanent School Fund), Comment Number 12 (Review of General Ledger), Comment Number 13 (Outstanding Warrants), Comment Number 14 (Leave Earnings for the Deputy State Treasurer), and Comment Number 15 (Review of Fixed Asset Reports).

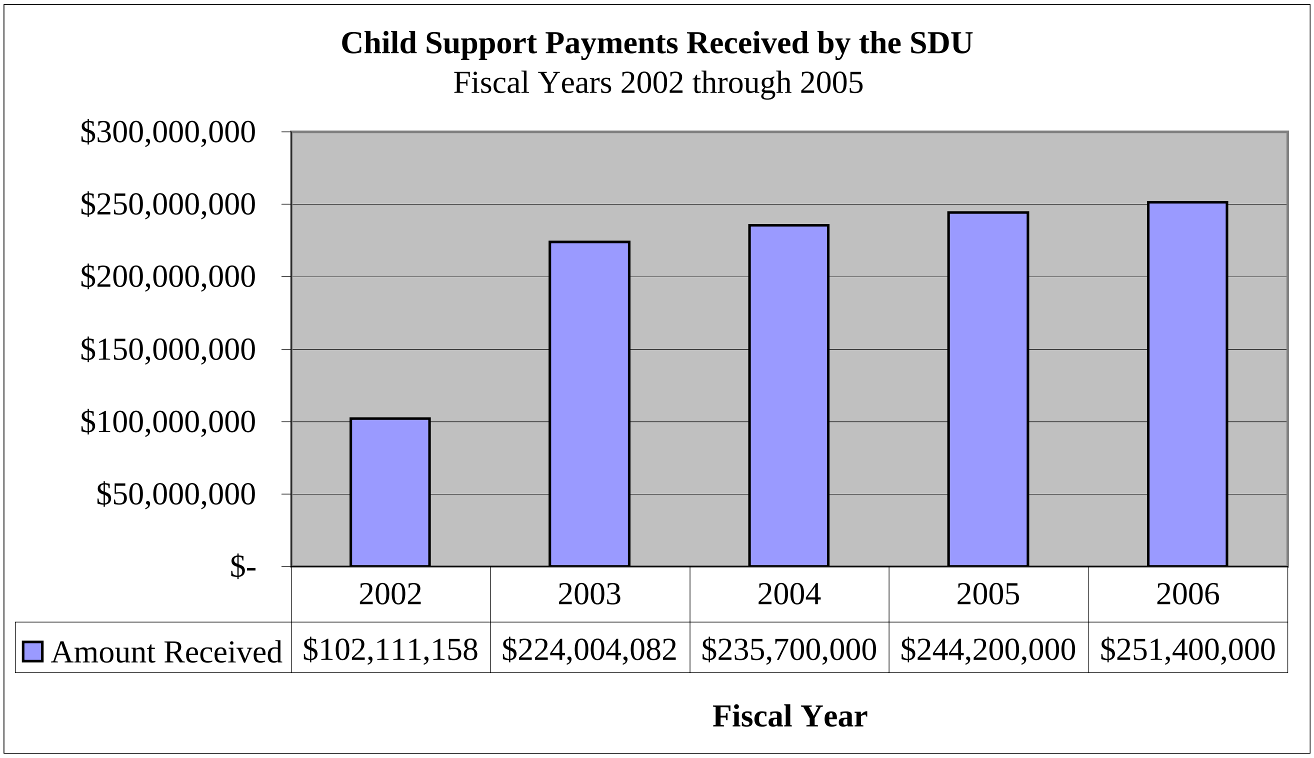
This report is intended solely for the information and use of the Treasurer and the appropriate Federal and regulatory agencies. However, this report is a matter of public record and its distribution is not limited.

Timothy J. Channer CPA

November 9, 2006 Assistant Deputy Auditor

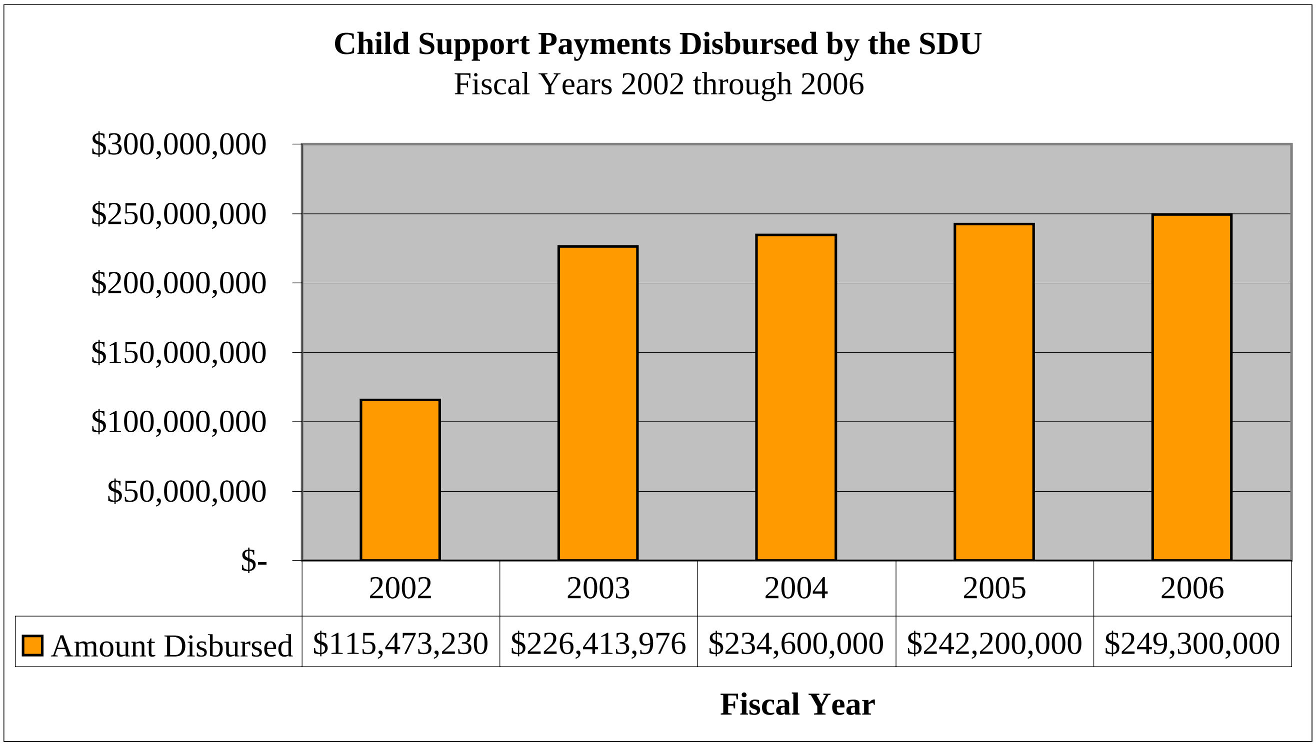
STATISTICAL SECTION

Our examination was conducted for the purpose of forming an opinion on the schedule of revenues, expenditures, and changes in fund balances. Statistical Section information is presented for purposes of additional analysis. Such information has not been subjected to the procedures applied in the examination of the schedule of revenues, expenditures, and changes in fund balances, and, accordingly, we express no opinion on it.



	2002	2003	2004	2005	2006
Amount Received	$102,111,158	$224,004,082	$235,700,000	$244,200,000	$251,400,000

Note: Fiscal Year 2002 represents a partial year, December 2001 through June 2002.



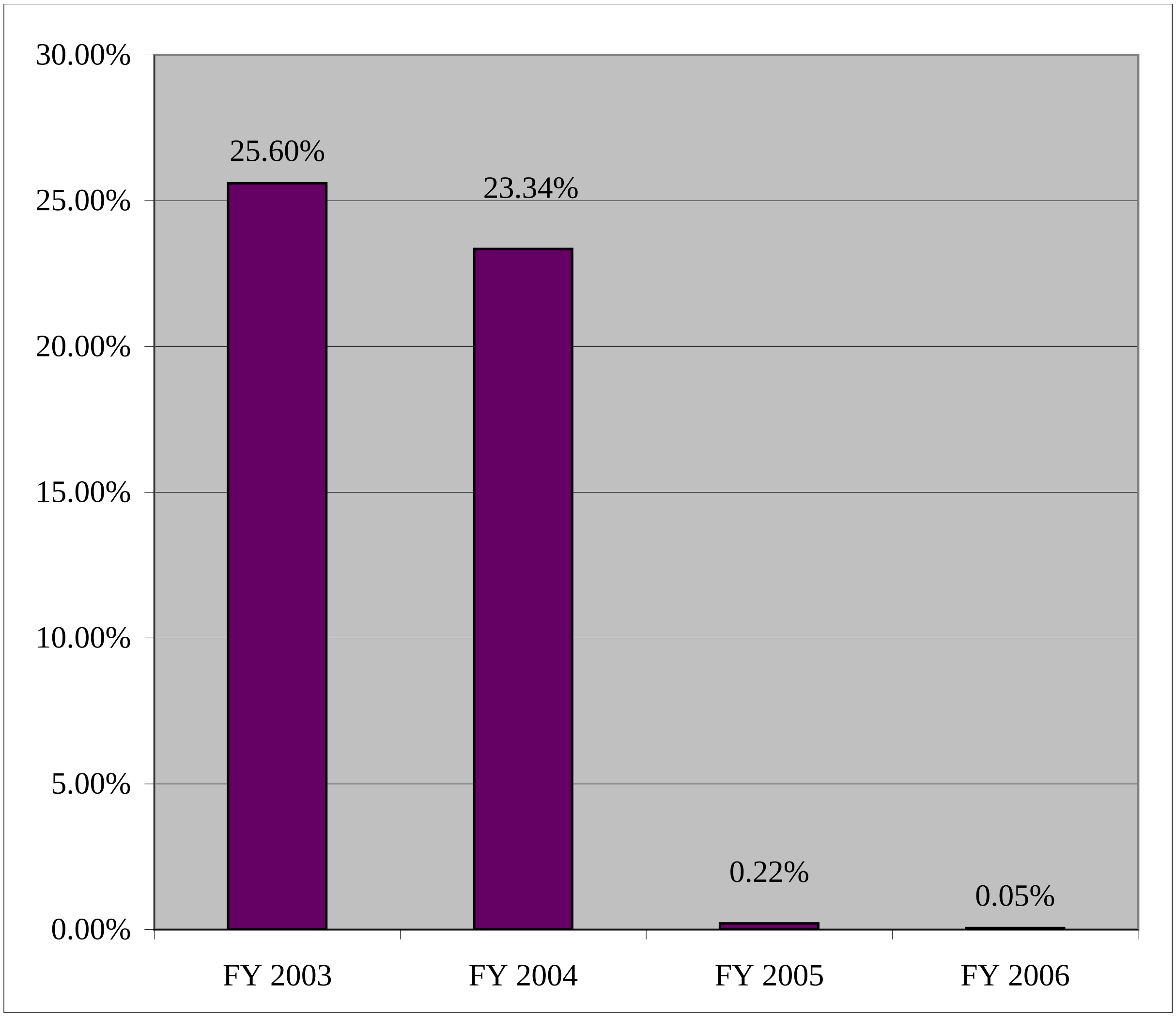
	2002	2003	2004	2005	2006
Amount Disbursed	$115,473,230	$226,413,976	$234,600,000	$242,200,000	$249,300,000

Note: Fiscal Year 2002 represents a partial year, December 2001 through June 2002.

NEBRASKA STATE TREASURER

MONTHLY AVERAGE PERCENT OF RECEIPTS NOT IDENTIFIED ON THE FIRST DAY BY THE SDU

Fiscal Years 2003 through 2006

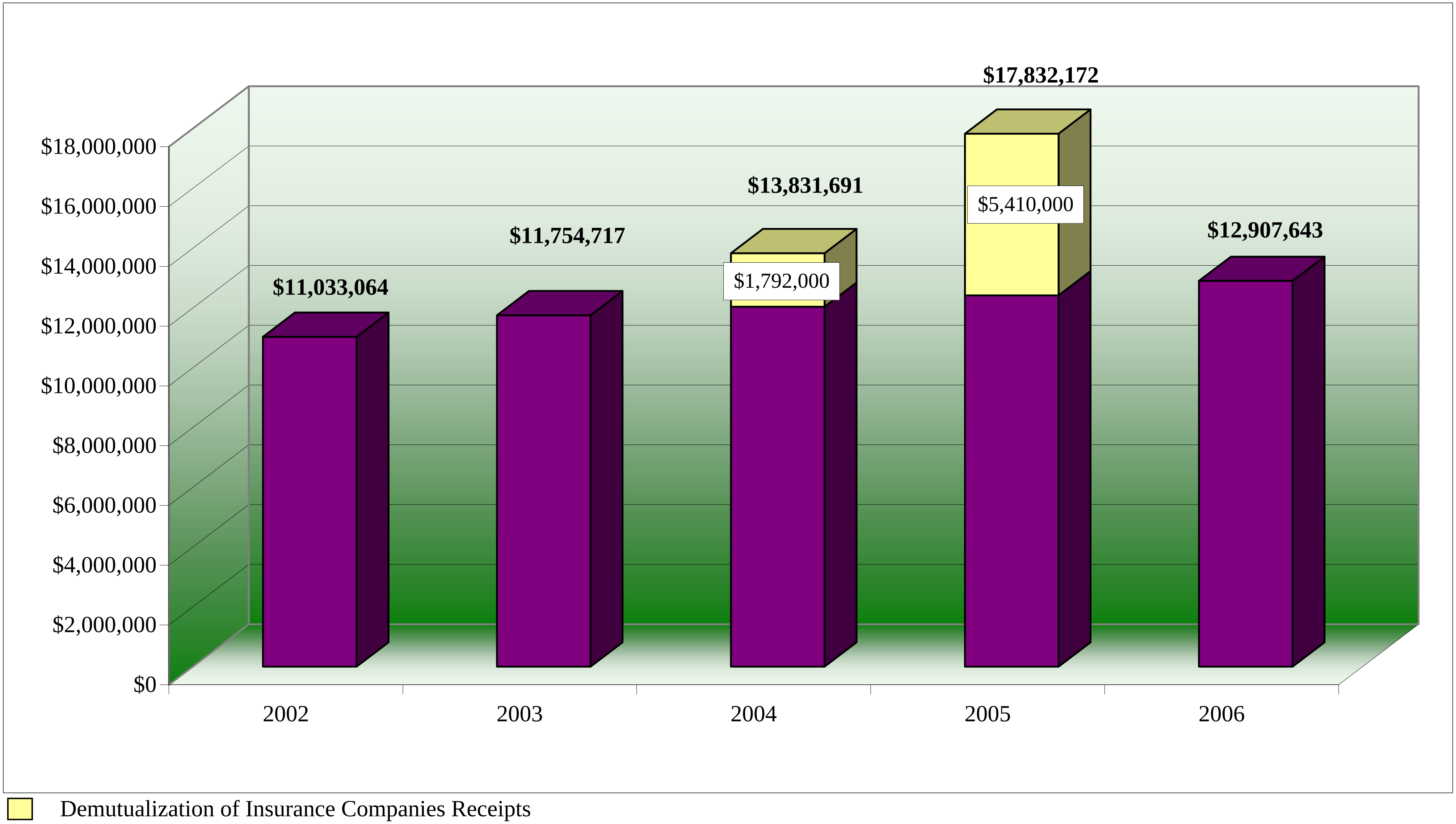


NEBRASKA STATE TREASURER

CASH REMITTED TO THE STATE TREASURER'S OFFICE

UNCLAIMED PROPERTY DIVISION

For the Fiscal Years Ended June 30, 2002, through 2006

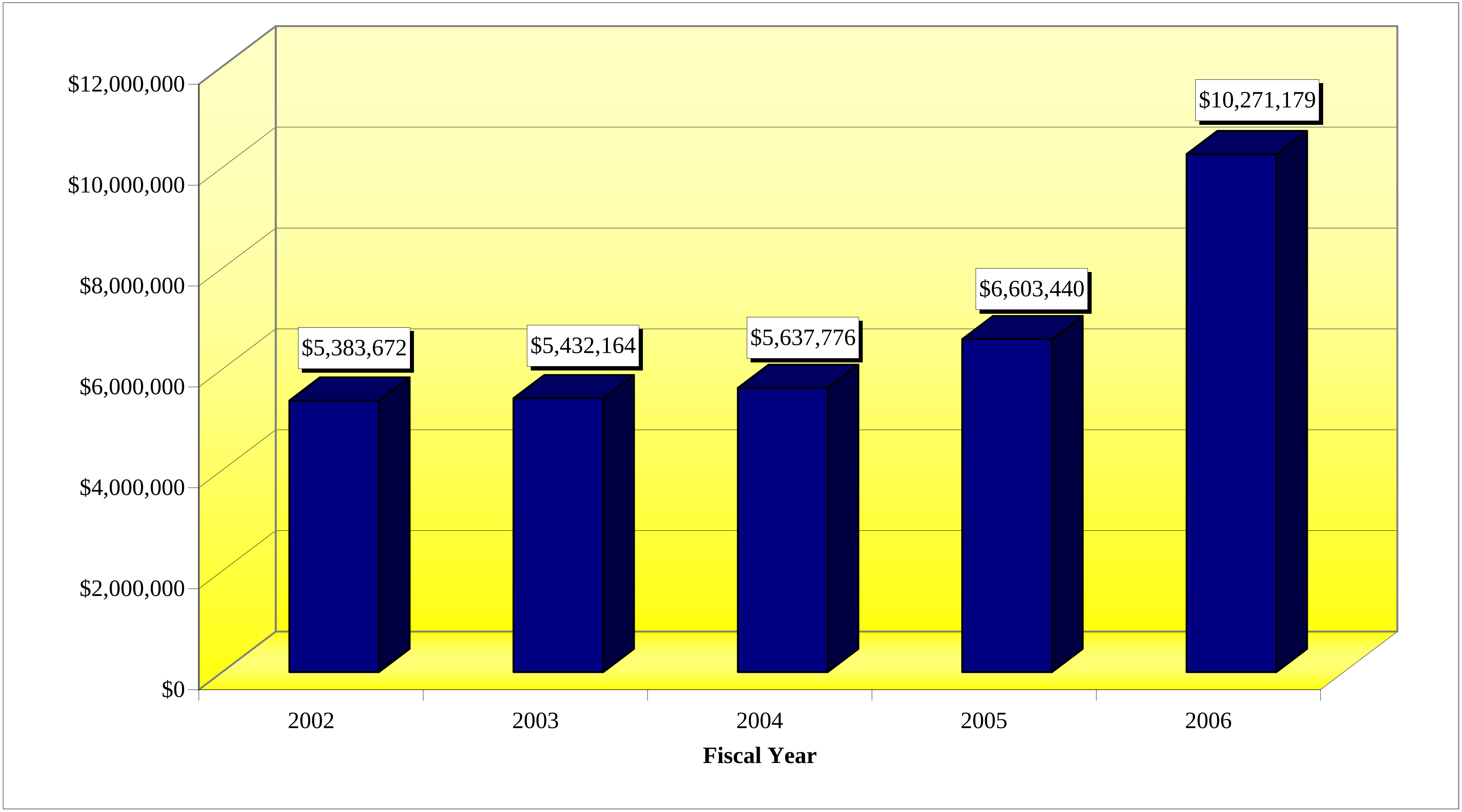


NEBRASKA STATE TREASURER

CASH PAID OUT BY THE STATE TREASURER'S OFFICE

UNCLAIMED PROPERTY DIVISION

For the Fiscal Years Ended June 30, 2002, through 2006

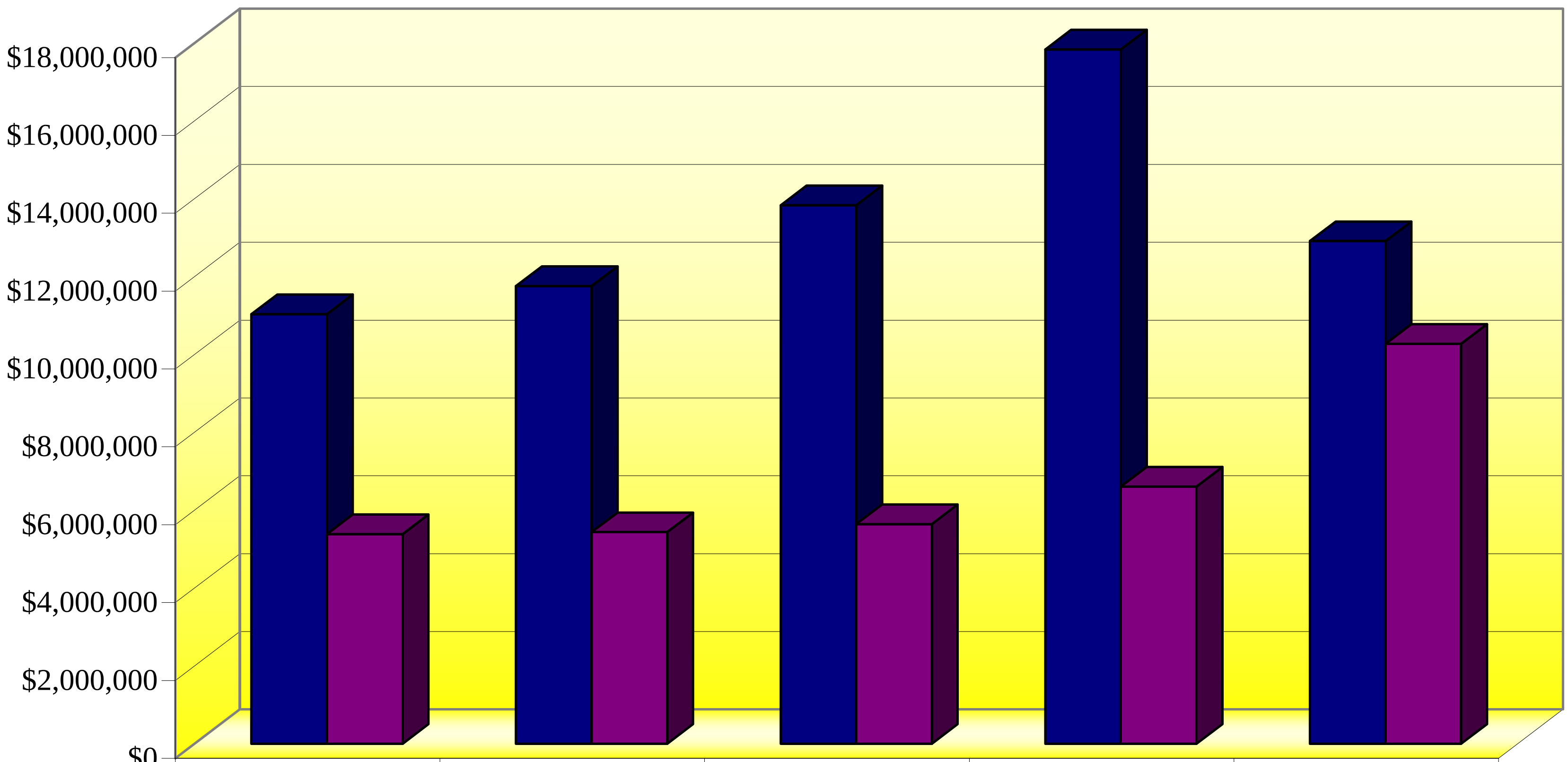


NEBRASKA STATE TREASURER

CASH REMITTED VS. CASH PAID OUT BY THE STATE TREASURER'S OFFICE

UNCLAIMED PROPERTY DIVISION

For the Fiscal Years Ended June 30, 2002, through 2006



	2002	2003	2004	2005	2006
Cash Remitted	$11,033,064	$11,754,717	$13,831,691	$17,832,172	$12,907,643
Cash Paid	$5,383,672	$5,432,164	$5,637,776	$6,603,440	$10,271,179

Fiscal Year

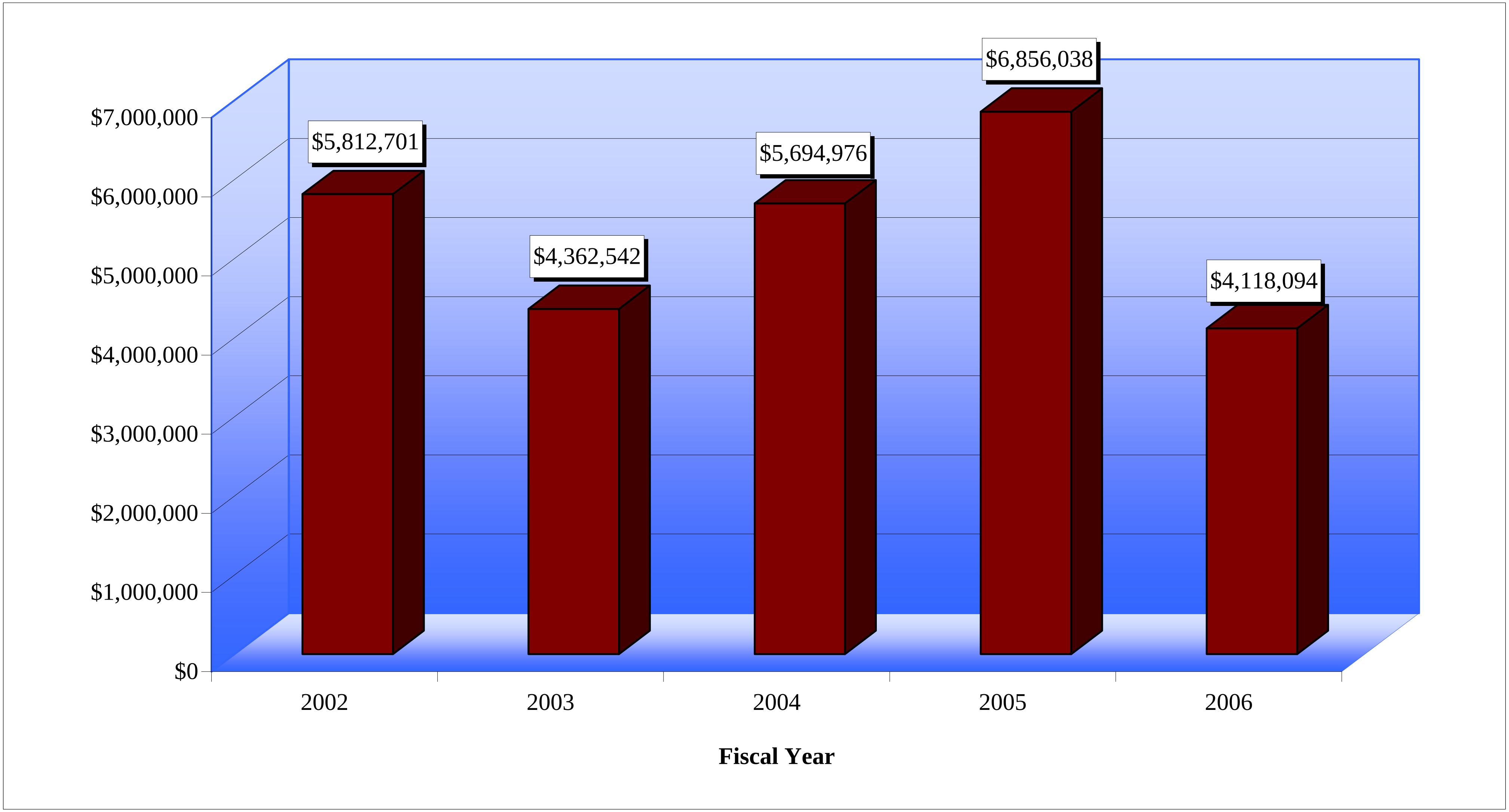
Note: The Cash Remitted for fiscal year 2004 and 2005 includes $1,792,000 and $5,410,000 respectively, of demutualization of insurance companies receipts.

NEBRASKA STATE TREASURER

ANNUAL TRANSFER TO THE PERMANENT SCHOOL FUND

UNCLAIMED PROPERTY DIVISION

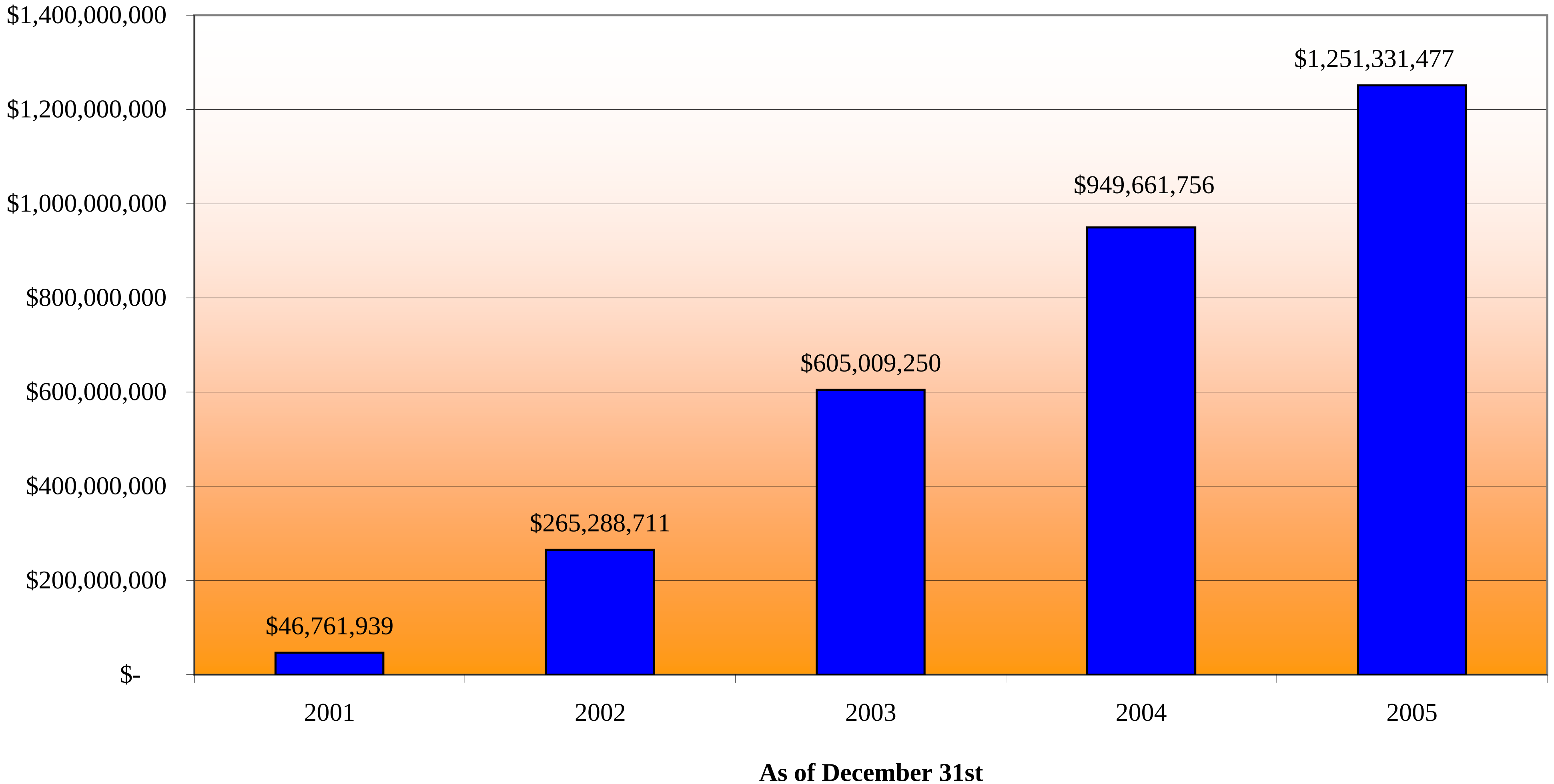
For the Fiscal Years Ended June 30, 2002, through 2006



NEBRASKA STATE TREASURER

NEBRASKA EDUCATIONAL SAVINGS PLAN TRUST NET ASSETS

As of December 31, 2001, through 2005



Note: These figures include total net assets of AIM Savings Plan, Nebraska College Savings Plan, and TD Waterhouse Savings Plan.